Council Meeting Date: February 16, 2010 Agenda Item: 6(a)

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: City's Financial Challenges: Communications Plan

DEPARTMENT: City Manager's Office

PRESENTED BY: Robert L. Olander, City Manager

Julie Underwood, Assistant City Manager

Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

In March 2008 the City Council appointed an 18-member citizen advisory committee to review the City's financial condition, including the operating budget, citizen satisfaction surveys, and revenue sources. In addition, the Committee reviewed the City's projected financial situation and developed recommendations to the City Council on long-term strategies to provide services and the funding for those services. Councilmember Shari Tracey served on this committee prior to joining the Council.

After 18 months, the Committee developed five recommendations, which they delivered to the City Council in April 2009:

- 1. Sustain the City's commitment to efficiencies;
- 2. Keep services that preserve the quality of life in Shoreline
- 3. Implement revenue strategies including adopting a \$20 vehicle license fee to fund the pavement preservation program and in 2010 or later, ask the voters to reaffirm their investment in Shoreline and consider a property tax levy increase.
- 4. If service reductions are necessary, then preserve the quality of core services, i.e., required police services; and
- 5. Expand the City's communication and outreach to the community.

This staff report focuses on recommendation five and updates the Council on the staffs' efforts to increase the community's awareness and understanding of our services, ongoing efficiencies, and financial challenges.

RECOMMENDATION

This presentation is for informational	I purposes and to receive	general	Council feedback
		- ·	

Approved By:

City Manager

City Attorney ____

Attachments

A. Presentation

B. Brochure

BACKGROUND

The City has known for a long time that there would be significant budget gaps and in response the City took several measures to mitigate this from happening sooner. Starting in 2003 we focused on service and budget efficiencies including:

2003	Modified the employee health benefit policy - \$1 million in savings
Since 2005	\$1 million in base budget reductions
2007-2008	 Service delivery changes with canine unit and telephone system - \$200,000 in savings
	 Services brought in-house such as street sweeping - \$58,000 annual savings
	Joint city agreement for jail services - \$293,000 in savings
2010	Reduced staffing by three positions

In 2007, the Council adopted phased-in revenue increases from the cable utility tax and the Seattle City Light contract payment. Furthermore, in 2009 the Council adopted a \$20 vehicle license fee to fund the pavement preservation program.

In the spirit of long-range planning, in 2006, the City Council adopted a policy to create and maintain a Revenue Stabilization Fund, or "rainy day fund," which sets aside money in a savings account to be used during recessionary periods. The balance of the fund was 30% of our economically-sensitive revenues (e.g., sales tax, development revenue, investment interests) or about \$6.2 million. With the 2009 and 2010 budgets, the City used \$1.6 million of that reserve and when the economy recovers, we will need to restore the reserve funds spent.

These service changes and revenue enhancements are not done in a vacuum. The City has had a tradition of asking our residents for their input. Every year since 2002 the City has conducted a bi-annual citizen satisfaction survey. This data is helpful in determining in what areas the City should focus its resources.

In addition, in 2005 the City conducted a "priorities of government" exercise asking residents to prioritize City services into priority 1-4, with one being the highest priority and four being the lowest. We met with a random focus group of residents, with community leaders, and in workshops inviting anyone to attend. This provided the Council and staff with helpful information as to what services are the community's highest priority.

Likewise, the Citizen Advisory Committee held three community forums in February 2009 to seek resident input on the Committee's preliminary recommendations. The Committee used this input to finalize their final recommendations to Council.

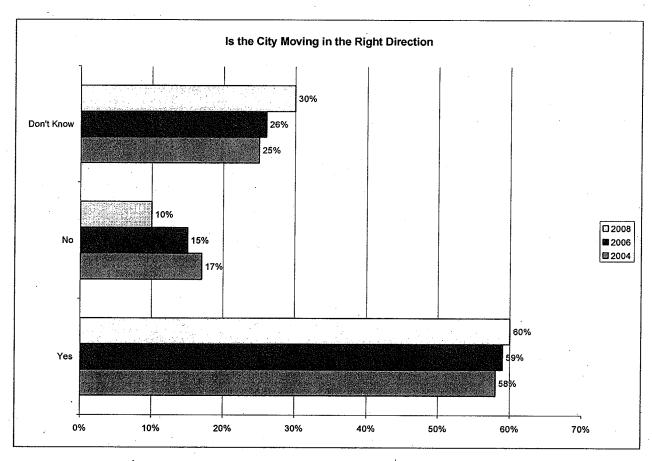
As mentioned, the City has known about the significant budget gaps for quite a long time. As part of the City's financial planning policy, the City is required to maintain a six-year financial forecast that estimates resource and expenditure behavior for the five years beyond the current budget period. The long-term financial challenges are a direct

results of the cost of maintaining existing services growing faster than the resources to pay for those services.

In 2001 Washington voters approved an initiative measure that limited most jurisdictions to an increase in property tax revenue of 1% per year, unless a higher rate is authorized by a vote of the people. Although Shoreline voters rejected the measure, it passed statewide and now presents serious challenges to Shoreline's ability to continue providing essential community services. Property tax is the largest source of revenue for general City operations.

Citizen Committee's Recommendation: Expand the City's communication and outreach to the community

The staff has taken this recommendation to heart. We recognize that unlike the Fire, Library and School Districts, it's not necessarily clear to our residents the range of services that the City provides. In addition, we have survey data that supports this notion, such as illustrated in the chart below:



While the "yes" and "no" responses are heading in the positive direction, the "don't know" responses are increasing. Perhaps our residents don't know because we are not communicating effectively. As an organization that values continuous improvement, we are implementing several key strategies to improve how we communicate our services and programs to our residents, especially how we communicate the financial challenges that the City is facing.

"Quality of Life" Partners Meeting

In October 2009, staff invited the City's community partners, who are instrumental in helping us deliver services to our residents, to a meeting to discuss the City's financial challenges. We believe that the role our partners play in our community enhances and strengths our quality of life, thus they became known as our "Quality of Life" Partners. The City either funds these groups directly through service contracts or with City staff support. These partners include:

Center for Human Services	New Beginnings
Council of Neighborhoods Executive Board	Community Emergency Response Team (CERT)
Kruckeberg Botanic Garden Foundation	Dale Turner Family YMCA
Shoreline Historical Museum	Shoreline Auxiliary Communications Service
Shoreline-Lake Forest Park Arts Council	Hopelink Shoreline Center
Shoreline-Lake Forest Park Senior Center	

Overall, the meeting was intended to provide them with a snapshot of the City's financial challenges and to ask for their input and support as we move forward. Their feedback about the presentation was generally positive and supportive. In addition, they appreciated the City taking a proactive approach in communicating with them.

Community Presentations

Starting in January 2010 staff has scheduled 30 different community presentations with various organized groups. The following is a list of presentations that have been scheduled to date:

Ballinger Neighborhood Assn.	Briarcrest Neighborhood Assn.	
Center for Human Services Board	CERT- Full Membership Meeting	
Council of Neighborhoods	Echo Lake Neighborhood Association	
Economic Development Advisory	Fire Department Board	
Committee		
Hillwood Neighborhood Assn.	Kruckeberg Botanic Garden Foundation	
	Board	
Library Board	Meridian Park Neighborhood Assn.	
North City Neighborhood	Police Storefront Volunteers	
Probus at the Shoreline-Lake Forest Park	Richmond Beach Community Assn.	
Senior Center		
Richmond Highlands Neighborhood Assn.	Ronald Wastewater District	
Rotary - Shoreline Breakfast	Rotary - Shoreline Dinner (Rain City Club)	
Rotary - Shoreline Lunch	Shoreline Auxiliary Communications Service	
Shoreline Chamber of Commerce Monthly	Shoreline Historical Museum Board	
Membership Luncheon		
Shoreline Planning Commission and	Shoreline Solar Board	
Parks, Recreation & Cultural Services		
Board		
Shoreline Water District Board	Shoreline-Lake Forest Park Arts Council	
	Board	
Shoreline-Lake Forest Park Senior Center	Sustainable Shoreline	
Board		

Other groups we will be scheduling meetings with include youth and adult athletic leagues such as soccer and ultimate frisbee, little league, swim groups, parent-teacher associations, etc. We continue to search out other groups to meet with and welcome suggestions from the Council and the public.

Service Videos

In our information and mass media age, it's not uncommon for residents to expect communications efforts to include other media besides print. Staff has begun to develop and produce service videos that explain the services and programs that their tax dollars fund. Recently the City Council watched the parks and recreation service video, and coming soon will be our public safety video followed by an operations video. When we show the parks video to community members a common reaction is that they did not realize how many different services the City provides.

In addition, we plan to produce a "Quality of Life" Partners video to summarize the services they provide to our community. Finally, we'll cap off our video project by highlighting the capital investment that the residents have made in their City over the last 15 years.

These videos will be made available at community meetings and on the City's cable channel and website. They are produced so that they are somewhat timeless and can be viewed over several years.

Presentation and Printed Materials

To help underscore the City's financial challenges, we have developed a brief presentation and general brochure (see attachments A and B). The presentation will be presented during this staff report presentation.

With the closing of *The Shoreline Enterprise*, we rely more than ever on *Currents*, the City's monthly newsletter, to be the primary source of information to our residents. Issues of *Currents* will highlight City services, our Quality of Life Partners, and the investments residents have made over the last 15 years.

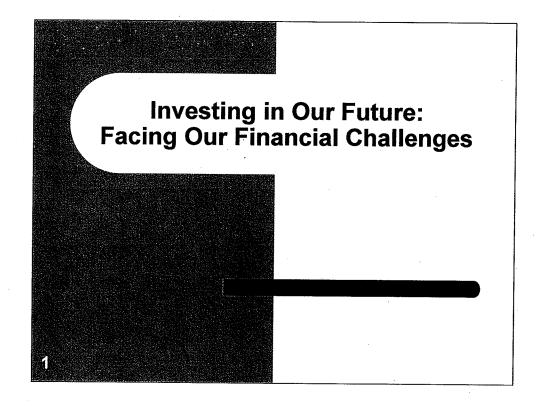
FINANCIAL IMPACT:

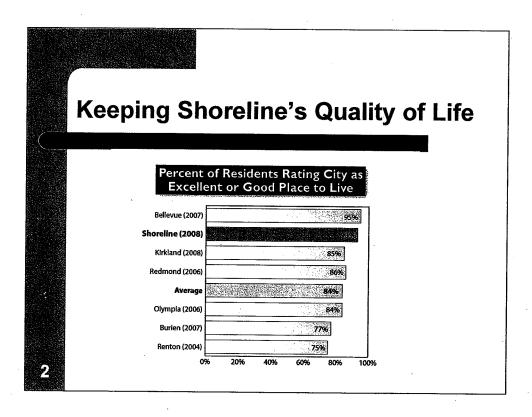
The financial impact for communicating to our community is largely around producing the service videos, which costs approximately \$4,000 for a total of \$20,000, and we intend to show the videos over several years. The cost for developing the general brochure was less than \$1,000.

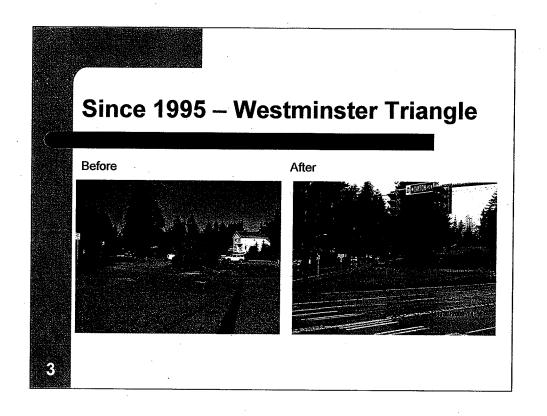
RECOMMENDATION

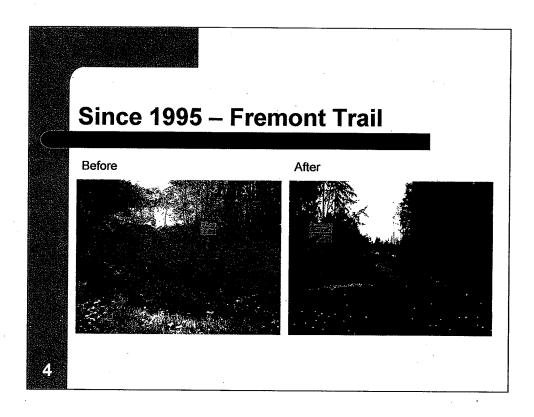
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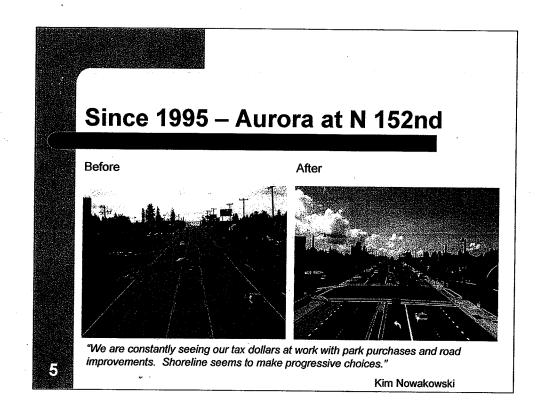
Attachment A

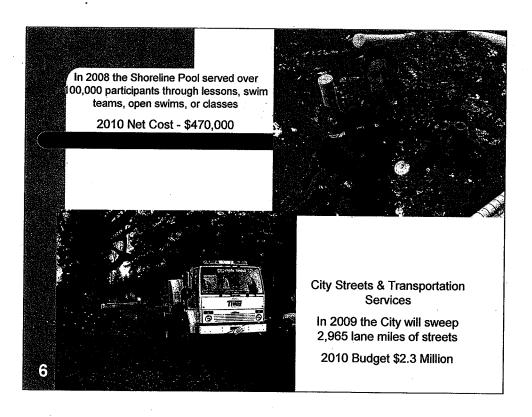


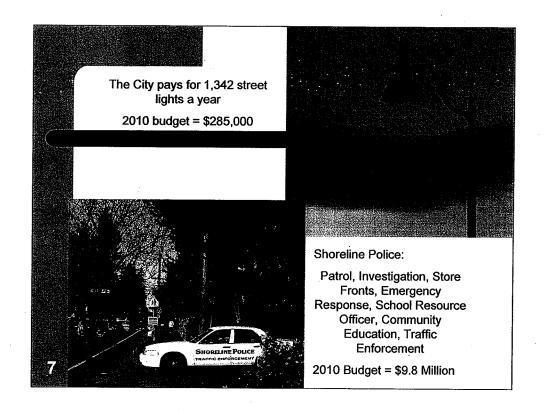


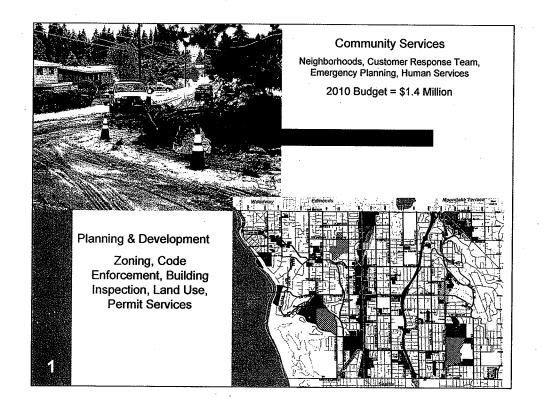










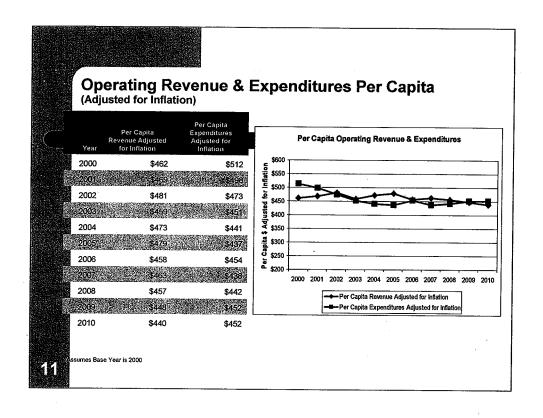


Looking Forward

- Financial Challenges
 - Projected Budget Gaps
- What Have We Been Doing
 - Efficiencies, Budget Cuts, Revenue Sources
- How We Got Here
 - Initiatives
 - Costs Increase

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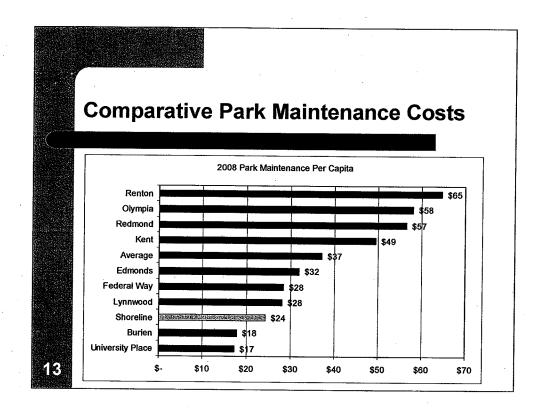
Projected Annual Budget Gaps \$\$ Gap -\$500,000 2011 -1,951,232 -\$1,000,000 2012 -1,317,214 2013 -1,424,157 -2,231,919 2015 -\$4,000,000 2016 -4,148,143 *2011 Includes \$1.2 million repayment to Revenue Stabilization Fund

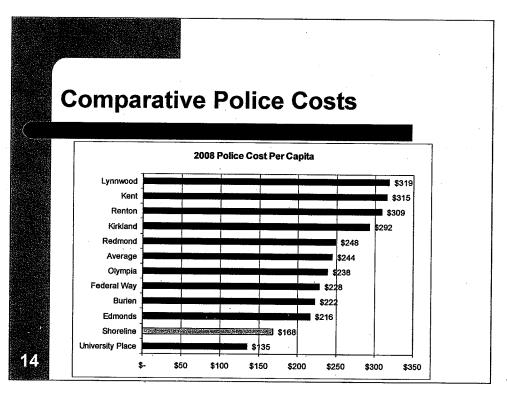


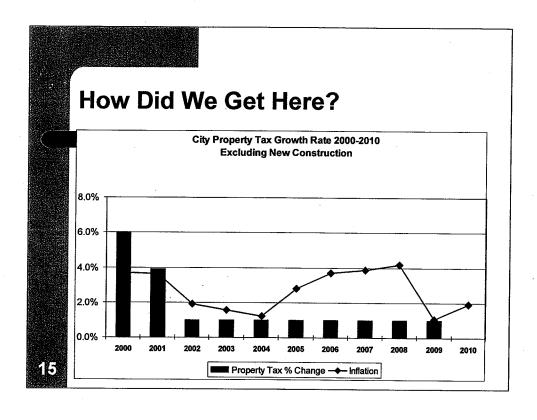
What is the City Doing? Key City Efficiencies and Budget Reductions

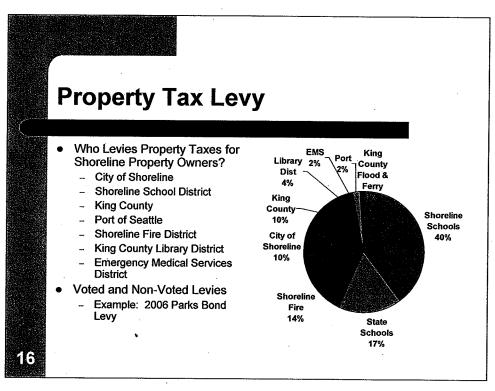
- 2003 Modified Employee Health Benefit Policy
 - \$1 million in savings
- Joint City Agreement for Jail Alternatives
 - Difference for 2008 = \$293,000
- Taken Some Services In-House
 - Street Sweeping in 2007 (Better Service/Lower Cost) = \$58,000 annually
- Service Delivery Changes
 - Canine Unit = \$100,000 annual savings
 - Telephone System = \$100,000 annual savings
- Continue to Contract for Services that Make Sense
- Police, Street Maintenance, Park Landscaping, etc.
- Since 2005 \$1 million base budget reductions
- 2010 Reduced staffing by 3 positions

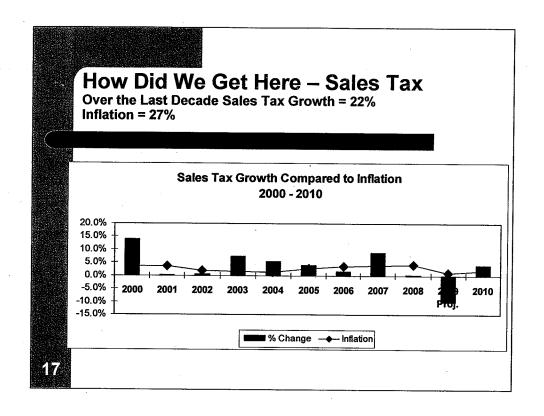
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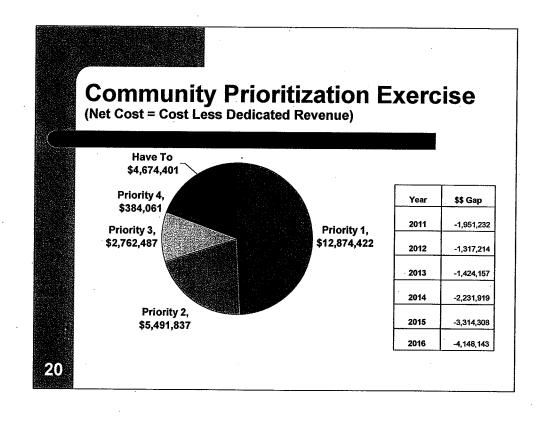






Cost Increases	
What?	Change Since 200
Inflation	27% Increas
Health Benefit Cost per Employee	47% Increas
Cost per Therm of Natural Gas	49% Increas
Cost of Gallon of Gasoline	65% Increas
Cost per Ton of Hot Mix Asphalt	112% Increas
Increase in City Property Tax Levy	
(Excluding New Construction)	9.4% Increas

Commul (Net Cost = Co	nity Prio st Less Dedica	ritization ted Revenue	on Exer	cise
#4 - \$40.0 M	#0 AE E 15	" "		Have To
#1 = \$12.9 M	#2 = \$5.5 M	#3 = \$2.8 M	#4 = \$0.4 M	\$4.7 M
Police – Patrol, Investigation, Traffic Enforcement	24 Hr - Customer Response Team	School Resource Officer	Celebrate Shoreline	Jail & Court Services
Economic Development	Emergency Management	Police Storefronts	Museum	Liability Insurance
Street Operations & Maintenance	Park & Facility Maintenance	Current Planning	Arts	City-wide Equipment & Supplies
Human Services	Recreation Programs	Community Information	Intergovt. Participation	City Hall Payment
Land Use	Traffic Services	Neighborhood Programs		1
Building Permits	Long Term Planning	Pool		



Recommendations by Citizen Committee to the City Council - May 2009

- Sustain Commitment to Efficiencies
 - Efficiencies if Asking for More
- 2. Keep Services that Preserve the Quality of Life in Shoreline
- 3. Revenue Strategies:
 - Adopt \$20 vehicle license fee to help fund pavement preservation program
 - In 2010 or later ask voters to reaffirm their investment in Shoreline
 - Property Tax Levy Increase
- If Service Reduction Necessary, Preserve the Quality of Core Services, i.e. – Required Police Services
- 5. Expand Communication and Outreach

Potential Property Tax Levy Lid Lift

- Vote in 2010 not effective until 2011
- 2010 Average Homeowner pays \$392 property tax for City services
- Projected Levy Rate in 2011 = \$1.10 per \$1,000 AV
- Legal Limit for City = \$1.60
- To Address Long-Term Gaps 20 to 30 Cent Increase

	20 Cent Increase	30 Cent Increase
Projected Levy Rate	\$1.30	\$1.40
Annual Impact to Average Homeowner	\$90.00	\$129.00
Monthly Impact to Average Homeowner	\$7.50	\$10.75

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Potential Timeline

- November 2009 May 2010
 - Meet with stakeholders
- March 2010
 - Council Retreat
- March 2010
 - Polling more information on property tax levy lid lift
- May 2010
 - Council decides whether to put levy on ballot
- May August 2010
 - Citizen Committee takes charge
- August 17, 2010
 - Primary Election

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What Can You Do?

- Communicate with your membership
- Let us know if you have questions
 - Julie Underwood, Assistant City Manager: 801-2212
 - Debbie Tarry, Finance Director: 801-2301
- If Inclined:
 - Volunteer to help with future Citizen Campaign
 - Talk to your friends and neighbors

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Investing in Our Future: Facing Our Financial Challenges



"Customer service was excellent. It is often hard to find helpful government agencies, so when I called the City I fully expected to not find anyone who would help. Thank you. Keep it up!"

Steve Lee

"My experience with the City of Shoreline team has always been outstanding."

Robert Anderson

Keeping Shoreline's Quality of Life

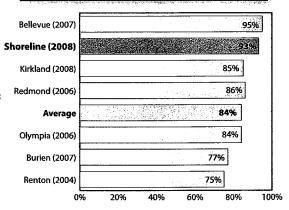
Shoreline has a history in which everyone can be proud. Fifteen years ago residents incorporated Shoreline as a City so they could receive better, even exceptional, services for their tax dollar. The City of Shoreline has worked hard to meet residents' expectations and 15 years after incorporation Shoreline families, neighborhoods and businesses have much of which to be proud.

In 2008, 93% of our residents rated Shoreline as an excellent or good place to live. And independent sources have affirmed that view. In its July 2008 issue, *Seattle* magazine ranked 110 of the best-known Seattle neighborhoods and surrounding cities on quality of life criteria. Shoreline was ranked number one.

The City's budget aims to provide the quality services that Shoreline families, neighborhoods and businesses want and deserve. Unfortunately, the City's ability to fund these services is facing serious challenges. In 2010 Shoreline residents need to decide how best to maintain this quality of life and protect the investments made in our neighborhoods and community.

Renewing our investment now, we will keep and build on what we've created over the last 15 years. The cost of not affirming our investment jcopardizes many of the services and programs that make Shoreline a "Number One" community in the Seattle region.

Percent of Residents Rating City as Excellent or Good Place to Live





"We're constantly seeing our tax dollars at work with park purchases and road improvements. Shoreline seems to make progressive choices."

Kim Nowakowski

"The City of Shoreline employees that responded to the flood were the nicest, kindest, caring people filled with an enormous amount of compassion and support... the residents are very fortunate to have such employees that are so devoted to the citizens."

Eric Floeting

"I took the family on the trail from 175th to 145th and back. It was so beautiful, safe and convenient. I discovered a few new businesses along the way – ones that I had not noticed driving along Aurora Avenue. I'm glad to be part of such a forward-thinking City."

Sarah Hanssen

Financial Challenges

In 2001 Washington voters approved an initiative measure that limited most jurisdictions to an increase in property tax revenue of 1% percent per year, unless a higher rate is authorized by a vote of the people. Although Shoreline voters rejected the measure, it passed statewide and now presents serious challenges to Shoreline's ability to continue providing essential community services.

"The property tax initiative is catching up with Shoreline. Our single largest source of revenue -- property tax -- is limited to 1% annual growth, while costs such as police, jail services, asphalt, gasoline, health insurance and many others have been increasing at a much faster rate," Finance Director Debbie Tarry says. "Since 2000, inflation has increased by 27% while the City's property tax levy, excluding new construction, has increased by just over 9%. It's easy to see why our six-year financial forecasts have long predicted this major imbalance." This is a primary reason why annual expenditure growth is outpacing revenue growth.

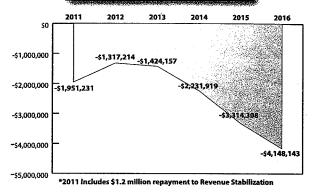
Over the past several years Shoreline has taken aggressive steps to postpone this inevitable outcome through increased efficiencies, budget cuts, hiring freezes, savings, and new revenues.

Efficiencies

The City needed to find more costeffective ways of doing business. Strategies that have been implemented include:

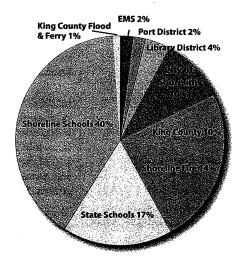
- Modified employee health benefit policy in 2003 – since that time the City has saved nearly \$1 million.
- Multi-city agreement for jail alternatives resulting in lower annual costs – the difference in 2008 was savings of nearly \$300,000.

Projected Annual Budget Gaps

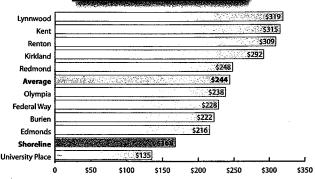


Residents' 2009 Property Tax Allocations

In 2010 a typical homeowner will pay about 10% of their total property tax bill to the City of Shoreline, which is approximately \$392 for City services.



2008 Police Cost Per Capita





The City evaluated service delivery alternatives and made changes:

- In 2007 we brought street sweeping service in-house to increase frequency and saved \$58,000 annually.
- Police canine unit is now used on an as needed basis saving \$100,000 annually. The City continues to contract for police services with King County.
- The City switched from an analog line to an Internet based telephone system saving \$100,000 annually.

The City is also continually reviewing how we compare with other neighboring cities, especially with spending. As the chart below shows, Shoreline is well below the annual average of parks maintenance costs at \$24 dollars per resident.

Another area where we compare costs is in public safety. The chart on the opposite page illustrates that our police costs are low compared to other cities in the region. While it is becoming more difficult to fund public safety, contracting this service continues to provide a good value for our residents.

Budget Cuts

Since 2005 the City has made \$1 million in base budget cuts to help off-set increases in areas such as police and jail. In the 2010 Budget, the City controlled costs by eliminating three vacant positions and reducing seasonal and temporary staffing.

New Revenue Sources

To maintain quality services, the City implemented additional revenue sources in 2007 and again in 2009:

- Cable Utility Tax Increase from 1% to 6% – most cities in the region charge the maximum allowed (6%).
- Seattle City Light Electricity Contract Payment – phased in over two years an increase from 3% to 6%.
- Transportation Benefit District the \$20 per vehicle license fee will help fund the City's pavement maintenance program. The City spends approximately \$900,000 annually on this program and the vehicle license fee will fund \$600,000, or nearly 75% of the annual allotment.

How We Got Here

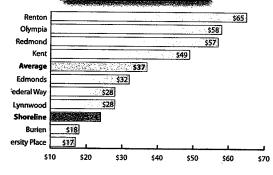
The current recession has had an impact on just about everyone including the City, but that is not the cause of the City's long-term financial challenges. The recession resulted in a sharp drop of sales tax and development revenues. The City addressed these revenue losses with a combination of cutting costs and using Revenue Stabilization reserves ("rainy day" fund). The long-term financial challenges are a direct result of the cost of services growing faster than the resources to pay for those services.

Shoreline's Strong, Healthy Fiscal Condition

While we face difficult challenges ahead, the City has always maintained a strong, healthy fiscal condition. Listed below are examples that illustrate our commitment to sound fiscal planning:

- Clean audits for the last eight years
- AA+ Bond Rating
- Standard & Poor's Financial Management Assessment Rating of Strong
- Reserves to address unanticipated needs:
 - Revenue Stabilization Fund ("rainy day" fund) \$6.2 million. The City will use \$1.6 million in 2009 and 2010 to address revenue downturns as a result of the current recession.
 - Cash flow and budget contingency reserve – \$3.8 million
 - Equipment replacement reserves

2008 Parks Maintenance Costs Per Capita





Costs Increases

Most of our personal budgets show that costs have gone up over the last 10 years. This is no different for the City. Since we are a service driven organization our primary cost is that related to our employees who deliver services such as paving and sweeping roads, mowing and maintaining parks and athletic fields, leading recreational programs for children, teens and adults and providing police services. The cost for materials and supplies to provide these services has also increased. The table below shows some of the cost changes that the City has experienced in the last decade:

What?	Change since 2000
Inflation	27% increase
Health benefit cost per employee	47% increase
Average cost of gallon of gasoline	65% increase
Cost per therm of natural gas	49% increase
Cost per ton of hot mix asphalt	112% increase
Increase in City Property Tax Levy (excluding new construction)	9.4% increase

During this same period there have been additional mandates and voter-approved measures placed on the City that have either increased costs without a direct funding source or reduced the resources available to provide critical services. Some of these include:

State/Federal unfunded mandates

- Enhanced public safety employee pension benefits
- Increased environmental protection responsibilities
- Mandatory misdemeanor sentencing requirements
- Implementation of the Growth Management Act (GMA)

Statewide measures

- I-747: Limited annual property tax levy increases to 1%, excluding new construction, unless voters approved a larger increase.
- I-776: \$30 Car Tabs Eliminated the local \$15 vehicle license fee, reducing funding for the City's pavement management program by \$500,000 annually

Potential Levy Lid Lift

In 2008 the City Council appointed an 18-member citizen advisory committee to develop recommendations on how to address the City's long-term financial challenges. Among their recommendations, which included continued focus on efficiencies, was for the City Council to consider putting a property tax levy increase on the ballot in 2010. This has become a routine action for School Districts, Fire Districts, and Libraries. It is becoming a necessity for cities.

To address the anticipated budget gaps it will take a \$0.20 to \$0.30 levy rate increase. State law limits the City's levy rate to \$1.60 per \$1,000 assessed valuation. The City's current levy rate is \$1.11, so even with a 20 to 30 cent increase, the City's levy rate would be substantially below the maximum allowed. The following table shows the impact to an average homeowner for both a 20 and 30 cent increase.

	\$0. 20 increase	\$0.30 increase
Projected levy rate	\$1.30	\$1.40
Annual impact to average homeowner	\$90	\$129
Monthly impact to average homeowner	\$7.50	\$10.75

The City Council will determine later this year whether to place a property tax levy lid lift on the ballot in 2010. Any increase approved in 2010 would not be in affect until 2011. If you have questions regarding a potential levy lid lift please contact Eric Bratton in the City Manager's Office at (206) 801-2217, ebratton@shorelinewa.gov.

"Our home was burglarized and our birth certificates. social security cards. credit cards, a new PC and laptop, and my son's wallet were stolen. Fast forward to today - we have our laptop back, and two men have been charged with the crime. I would have bet that no resolution would ever come, but thanks to Detective Coblantz's steadfast determination. hard work, and professionalism, these guys will hopefully pay a high price for doing what they did."

John Meadows

"I was impressed by the same-day response to my email contact. I've never received a response that quickly from any agency or business."

Tina Christiansen

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