

## **CITY COUNCIL AGENDA ITEM**

### **CITY OF SHORELINE, WASHINGTON**

**AGENDA TITLE:** 2011 Proposed Budget Department Presentations  
**DEPARTMENT:** City Manager  
**PRESENTED BY:** Robert Olander, City Manager

**PROBLEM/ISSUE STATEMENT:** The City Manager presented the 2011 proposed budget to the City Council on October 18, 2010. Tonight's agenda includes the review of department's 2011 budget requests. The proposed 2011 budget has been made available to the public and is available at the City Hall, Shoreline Police Station, Neighborhood Police Centers, Shoreline Library and Richmond Beach Library.

The focus of the departmental presentations will be on any significant changes between the department's 2010 budget and the 2011 proposed budget. This will serve to expedite the budget review process and make the best use of the Council meeting time. The department review schedule is listed below:

| <b>October 25</b>                     | <b>November 1</b> |
|---------------------------------------|-------------------|
| City Council                          | Public Works      |
| City Manager                          | Capital Funds     |
| Community Services                    |                   |
| City Clerk                            |                   |
| City Attorney                         |                   |
| Finance                               |                   |
| Human Resources                       |                   |
| Police                                |                   |
| Criminal Justice (Jail & Court)       |                   |
| Parks, Recreation & Cultural Services |                   |
| Planning & Development Services       |                   |

Tonight we plan to complete department reviews through the Planning & Development Services Department. Future budget workshops are planned for November 1, 8, and 15. Attachment A to this staff report is a suggested schedule for topics that will be covered at each of these workshops. Public hearings on the budget will be held on November 1, 8, and 15. The hearing on November 8 will have special emphasis on revenue sources and the 2010 property tax levy. The budget is scheduled for adoption on November 22.

**FINANCIAL IMPACT:** The 2011 Proposed Budget totals \$69,887,750.

**RECOMMENDATION**

No action is required by the City Council. Department presentations will be for informational purposes and provide an opportunity for Council to ask specific questions regarding proposed department budgets.

Approved By: City Manager  City Attorney \_\_\_\_

**ATTACHMENTS:**

Attachment A: Proposed Budget Review Schedule

## INTRODUCTION

Department presentations will focus on any substantial changes from 2010 to 2011. These presentations will not be lengthy, but will provide the City Council an opportunity to ask questions regarding the 2011 budget.

The budget continues to reflect the priorities of the City Council and supports the Council's 2010-2011 goals. The 2011 budget does not contain any new on-going programs or increased service levels.

## DISCUSSION

The 2011 proposed budget is the overall plan for allocating City resources to the programs necessary to keep the community safe, enhance the quality of life, and maintain and develop the City's infrastructure. The proposed budget totals \$69,887,750. The 2011 proposed budget is \$26.4 million or 27% less than the current 2010 Budget.

The most significant changes from 2010 included in the 2011 proposed budget include:

- ◆ *Salary & Benefit Changes of Existing Positions:*

- The 2011 budget does not include a market adjustment or cost of living adjustment (COLA) for regular City employees. The current level of inflation does not support a COLA per the City's compensation policies. The 2011 budget includes anticipated step increases for eligible employees (\$135,255).
- Extra-Help salaries: The extra-help salary budget is declining by \$16,739, or 2.25%, and totals \$724,318 for 2011. General recreation extra-help has been reduced by \$7,311 to maintain funding in 2011 at the same level as is expected to be expended in 2010. Funding for intern positions within the Planning and Development Services department has been eliminated for 2011.
- Overtime: The City's overtime budget totals \$53,000 or approximately 0.5% of the total salary budget. The 2011 budget is a \$5,600 decrease from 2010 based on actual projected expenditures in this area for 2010.
- Benefit costs will increase by \$33,817 in 2011 as a result of changes in 2010 and projected step increases in 2011. These benefit changes primarily affect social security and medicare tax contributions.
- When preparing the 2011 Proposed Budget health benefit costs were projected to increase by \$121,942, 7%. Since the time that the numbers were finalized for the budget, the Association of Washington Cities announced their final rates, which are slightly lower than those used in preparing the 2011 budget.
- The Washington State Public Employees Retirement System (PERS) employer contribution rate went from 8.31% to 5.31% effective July 1, 2009. Even though the State Legislature lowered the contribution rate for the 2009-2011 biennium, the rate is currently projected to increase on July 1, 2011 to 8.61%, with continued increases over the next few years. Employee contribution rates will also increase. The increases are

required to meet the actuary projections for the retirement plans over the long-term.

- The 2011 rate change will result in a \$160,217, 30%, increase in the City's retirement contributions. Of this amount \$135,079 impacts the operating budget. The total budget for 2011 is \$702,000, slightly lower than the budget had been in 2009 (\$806,000).
- ◆ *Police Contract:* The projected 2011 contract with King County for police services is nearly \$10.07 million. Overall, the City's cost for police services is projected to increase by \$474,000 (5%) in 2011 when compared to the 2010 budget. The increase is primarily related to increased personnel costs for police and support service personnel. In 2008 King County settled the union agreement with deputies that awarded 5% annual salary increases through 2012.

The contract with King County provides that the Sheriff's Office give an estimate of the 2011 costs by September 2010, and then reconcile this cost with the budget adopted by the County in March of 2011. Whichever cost is less is the amount that the City will actually pay via contract charges in 2011. As a result of this process, it is not unusual that the City's budget may be slightly different from the actual annual contract with King County.

- ◆ *Jail:* City's 2011 jail costs are projected to be \$1.34 million an increase of \$313,000 when compared to the 2010 budget but a \$313,000 decrease when compared to the projected 2010 costs of nearly \$1.65 million. During 2010 jail usage was unusually high for the first half of the year. In September of 2010 the City was able to contract with Snohomish County to provide jail services to the City. The rates charged by Snohomish County are substantially lower for both booking and daily maintenance fees than those charged by King County. If not for this contract projected jail costs for 2011 would have exceeded \$2 million.
- ◆ *Budgeted Contingency Expenditures:* The 2010 operating budget includes the required budget and insurance deductible contingencies. Per the City's financial policies, these contingencies total \$805,000 and are funded by allocating a portion of the existing General Fund fund balance. The 2011 budget also includes a contingency for the anticipated payout for accrued, but unused, vacation leave and qualifying sick leave related to the retirement of the City Manager. Additional contingency is budgeted for any relocation and recruitment costs related to the hiring of a new City Manager in 2011.
- ◆ *Multi-Year Obligations:* The 2010 budget includes funding for both the operation of the Kruckeberg Gardens, additional funding for the Shoreline/Lake Forest Park Senior Center and for a contract with the Shoreline YMCA.
  - *Kruckeberg Garden:* The 2010 budget includes \$28,686 that is part of a three year funding package for the Kruckeberg Garden transition plan. As part of the 2006 Bond Issue funding was provided for the acquisition of the Kruckeberg Botanical Gardens. During negotiations for the property, a long-term operational plan for the Gardens was approved between the

City and the Kruckeberg Botanical Garden Foundation. The agreement requires that both the City and the Foundation contribute \$100,000 towards the cost of operating the Garden through 2010, with the goal that the Foundation will have developed a business plan that fully supports the on-going operating costs of the garden by 2011. The 2009 City contribution is projected to be \$40,000 and the 2008 contribution was \$38,000. The City's long-term projections do not include funding for the operations of Kruckeberg Garden beyond 2010.

- *Senior Center*: In setting the 2009 budget the City Council authorized an additional \$18,000 in annual funding for the Senior Center for 2009 and 2010. The 2010 budget includes the second payment. The City's long-term budget forecasts do not include this payment beyond 2010.
  - *YMCA*: In 2007 the City Council authorized \$80,000 for a service contract between the City and YMCA for a two year period, once the new YMCA was operational. Through 2009 the City anticipates spending approximately \$50,000 and the final \$30,000 is included in the 2010 budget.
- ◆ *Use of Operating Reserves*: The budgeted use of operating reserves (fund balance) in 2010 includes the allocation of \$805,000 of the general fund balance for budget and insurance deductible contingencies, as per the City's reserve policies, the use of \$113,000 one-time for the City Hall debt service payment if the City's first quarter real estate excise taxes are less than \$663,000 (current budget projection is \$550,000), and \$139,632 for one-time expenditures discussed later in this letter.
  - ◆ *City Hall Debt Service Costs*: The 2011 budget includes \$1.66 million in debt service costs for City Hall, of which \$386,371 is paid directly by the Federal Government as the subsidy for the Build America Bonds (BABs). The remaining \$1.27 million in payment is from the City's General Fund based on monies previously budget for rent payments for City Hall and Annex (\$713,103) and real estate excise tax collected in the General Capital Fund (\$562,794). The City Council had authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall. The 2011 budget does not include any anticipated lease revenue from the vacant space in the City Hall.
  - ◆ *Support for Contracted Services*: The 2011 budget includes funding for the operation of the Kruckeberg Gardens, funding for the Shoreline-Lake Forest Park Arts Council, the Shoreline Historical Museum and additional funding for the Shoreline/Lake Forest Park Senior Center.
    - ◆ *Kruckeberg Garden*: The 2011 budget includes \$40,000 to fund the long-term operational plan for the Gardens between the City and the Kruckeberg Botanical Garden Foundation.
    - ◆ *Shoreline-Lake Forest Park Arts Council and Shoreline Historical Museum*: The 2011 budget includes \$60,000 in funding for both of these organizations to provide services to the Shoreline community and to partner with the City for special events.

- ◆ *Senior Center:* The 2011 Proposed budget includes the \$18,000 in supplemental annual funding that was provided in 2009 and 2010.
- ◆ *Equipment Replacement Funding:* The 2011 budget restores the annual required allocation of contribution for future vehicle and equipment replacement. Funding had been reduced in 2009 and 2010 as part of the strategy to address reduced revenues during the recession.
- ◆ *Property Tax Levy:* The proposed 2011 regular property tax levy assumes passage of Shoreline Proposition 1. Shoreline Proposition 1 assumes a property tax rate of \$1.48 per \$1,000 assessed value resulting in a budgeted levy of \$9.4 million. Of this amount \$8.4 million is programmed to fund basic services in 2011 and \$787,000 will be transferred to the Property Tax Equalization Fund to be used in 2014-2016. The property tax levy would be \$7.6 million without Proposition 1 and the projected tax rate would be \$1.20 per \$1,000 assessed value.
- ◆ *Fee Changes:* The 2011 budget reflects some increases in recreation fees. The fee increases are primarily related to various facility rentals such as picnic shelters, building and field rentals and to establish a 20% differential between resident and non-resident fees. Very modest increases are recommended for swim lessons, 25 cent increase for residents. There are no fee increases recommended for development related fees.
- ◆ *Capital Programs:* The City's 2010 capital budget reflects the first year of the City's adopted 2010-2015 capital improvement program (CIP) with some minor changes.

### **SUMMARY**

The 2011 proposed budget is balanced and totals nearly \$69.9 million. The City Council will have four workshops including tonight to review the proposed budget. The public will have an opportunity to speak to the Council about the budget at each of the Council meetings as part of either public comment or during the three formal public hearings held on November 1, 8, and 15. The City Council is scheduled to adopt the 2011 budget on November 22.

### **RECOMMENDATION**

No action is required by the City Council. Department presentations will be for informational purposes and provide an opportunity for Council to ask specific questions regarding proposed department budgets.

## ATTACHMENT A

### 2011 Proposed Budget Review Schedule

| <b>October 25</b>               | <b>November 1</b>         | <b>November 8</b>  |
|---------------------------------|---------------------------|--|
| City Council                    | Public Works              | Salary Schedule  |
| City Manager                    | Capital - 2011            | Fee Schedule   |
| Community Services              | Follow-Up from October 25 | Follow Up from November 1                                  |
| City Clerk                      |                           |  |
| City Attorney                   |                           | <b>November 15 – Final Public Hearing &amp; Discussion</b> |
| Finance                         |                           | <b>November 22 – Budget &amp; Property Tax Adoption</b>    |
| Human Resources                 |                           |  |
| Police                          |                           |  |
| Criminal Justice (Jail & Court) |                           |  |
| Parks                           |                           |  |
| Planning & Development          |                           |  |