

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2012 Proposed Budget Department Presentations
DEPARTMENT: City Manager
PRESENTED BY: Julie Underwood, City Manager
Debbie Tarry, Assistant City Manager

PROBLEM/ISSUE STATEMENT: The City Manager presented the 2012 proposed budget to the City Council on October 17, 2011. Tonight's agenda includes the review of department's 2012 budget requests. The proposed 2012 budget has been made available to the public and is available at City Hall, the Shoreline Police Station, Neighborhood Police Centers, and the Shoreline and Richmond Beach libraries.

The focus of the departmental presentations will be on any significant changes between the department's 2011 budget and the 2012 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:

October 24 (Budget Pages 107-238)	November 7
City Council	Public Works (Including the Surface Water Utility)
City Manager	Capital Funds
Community Services	
City Attorney	
Administrative Services	
Human Resources	
Police	
Criminal Justice (Jail & Court)	
Parks, Recreation & Cultural Services	
Planning & Community Development	

Tonight we plan to complete department reviews through the Planning & Community Development Department. Future budget workshops are planned for November 7, 14, and 21. Attachment A to this staff report is a suggested schedule for topics that will be covered at each of these workshops. Public hearings for the 2012 budget will be held on November 14 and November 21. The adoption of the 2012 property tax levy and 2012 budget are scheduled for November 28.

FINANCIAL IMPACT: The 2012 Proposed Budget totals \$54,737,441.

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

The City Council reviewed preliminary 2012 budget information on September 12, 2011. During that process the City Council further directed staff to focus on Council goals and community priorities in determining 2012 budget allocations. Council was clear that any recommended staffing changes would need to be adequately justified and support the continued delivery of basic municipal services. The Council continued to support a 2012 property tax levy that aligned with the passage of Proposition 1 by the Shoreline voters in November 2010. Council requested that staff continue to monitor what comparable cities were doing in regards to any employee cost of living adjustment for 2012 and report this to Council during the 2012 budget process.

The City Manager presented her proposed budget to the City Council on October 17, 2011. Tonight the Council will begin its review of the proposed 2012 department budgets. Department presentations will focus on any substantial changes from 2011 to 2012. These presentations will not be lengthy, but will provide the City Council an opportunity to ask questions regarding the proposed 2012 budget.

DISCUSSION

The 2012 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 2012 proposed budget totals \$54,737,441. The 2012 proposed budget is \$30.03 million or 35% less than the current 2011 Budget. The City's proposed operating budget totals \$36.3 million and is a 1% decrease from the 2011 budget. The budget is balanced and complies with the City's adopted budget and financial policies.

Significant 2012 Budget Recommendations

Given the City's finite resources the 2012 budget reallocates existing resources towards completion of the Council goals. The recession has reduced the City's sales tax collections by nearly 13% and development revenue by 61% since the peak in 2007-2008. Our sales tax collections are back to levels collected in 2005, while development revenues are at historical lows. This has added a layer of complexity to the financial challenges already faced by the City. The passage of Proposition No. 1 in 2010, a six-year increase in the City's property tax levy, provides resources to maintain basic services to the community, but does not provide resources to expand services or deliver new services.

As such, in examining the need to allocate additional resources to meet community priorities and Council goals, it was apparent that that this meant that resources within the current budget would need to be reallocated from existing programs.

The 2012 proposed budget includes a recommendation to eliminate 3.5 current full-time equivalents (FTE), an Administrative Assistant I, an Associate Planner, the Network Administrator, and a Senior Planner. The elimination of these positions results in budget savings of approximately \$339,000. Staff anticipates that the City would need to enhance the City's contracted network administration services by \$45,000, as a result of eliminating the Network Administrator, bringing the net available budget to \$294,000. In

addition to these positions being eliminated, the 2012 capital budget reflects a reduction of 2.5 FTE within the City's capital program. This is a result of the continued decline in capital resources and resulting decrease in projected capital projects over the next few years. This is a total reduction of 6.0 current FTE positions. The City may incur additional one-time unemployment costs of \$50,000 in 2012, as a result of these employee lay-offs.

To accomplish the Council Goals and community priorities the proposed 2012 budget includes the addition of 5.0 new FTE to the City's budget. This includes:

- *City Engineer (\$110,000 – Assumes a 4/1/12 start date)*. Prior to 2006 the City had a City Engineer separate from the Public Works Director. Given other needs in the City a decision was made to incorporate the City Engineer into the Public Works Director position. Although this was a worthy goal, given the work responsibilities of the Public Works Director, it has proven impractical. A City Engineer will assist in furthering Council goals number 1, 2, and 3. Likewise, this position would indirectly assist with Council Goal 7, in allowing the Public Works Director to focus on this goal. In general, this position will be responsible for coordinating two key processes within Public Works; 1) the development review process for all new development and; 2) all the capital construction processes within Public Works. Coordinating the two processes will require overview and guidance of the City's engineering development guide (EDG), technical review and requirements within the City's development code, plus maintaining consistency with the City's construction standards within the two processes.
- *Increase a 0.5 FTE Recreation Assistant position to 1.0 FTE (\$33,800)*. This position is needed to support Council goals number 3, 5, and 6. Overall, the enhancement of this position helps provide the resources needed to support community building efforts across the City.
- *Facility Maintenance Worker (\$46,300)*: Historically the City has had one maintenance worker to serve all of the City's facilities. This has been supplemented with extra-help dollars allowing the equivalent of a full-time worker to assist. Given the limitations of the City's extra-help policies, which limit a worker to 1,040 hours per year, this means that there has been continuous turnover in the extra-help for facilities. The City's facilities total nearly 174,000 square feet and include the Shoreline Pool, Richmond Highlands Recreation Center, Spartan Recreation Center, City Hall, Police Station, restroom facilities in various parks, and the maintenance facilities at Hamlin. Budgeted extra-help dollars will be allocated towards funding the recommended full-time position.
- *Surface Water Utility Technician (\$76,000)*: The City Council has been reviewing the proposed updated Surface Water Master Plan throughout 2011. During the Council's discussion they have indicated support for increasing the current service level to allow for development of an asset management system and to meet compliance with the requirements of the 2013 National Pollution Elimination Discharge System (NPDES) stormwater permit. The 2012 budget includes adding one FTE to manage the maintenance of the stormwater assets including scheduling, contracting, and condition assessment.
- *Animal Control Services*: As directed by the City Council, the 2012 budget includes funding to bring Animal Control services under the umbrella of the City. Historically

the City has contracted with King County for this service. The Council has expressed a desire to enhance the animal control service levels to the community and preliminary estimates indicate that animal license fees will fully cover the cost of the program. The 2012 staffing projections include 1.5 FTE to staff this program. This is a preliminary estimate, as the final analysis will be completed during the first half of 2012. Even though the budget reflects the 1.5 FTE in the staff listing, the actual budgeted dollars only reflect two months of activity in 2012.

The net result of the changes in staff positions is that the City will have reduced its staff count by 6.1 FTE since 2008, a reduction of 5%. This results in 2.34 FTE per 1,000 population for non-utility personnel, resulting in Shoreline being at the median of comparable cities, and continuing to be below the average of 3.2 FTE per 1,000.

Other significant 2012 budget recommendations include the following:

Council Goal	Department	Program/Item	Cost	
			One-Time	On-going
Goal No. 1	Planning & Community Development	Environmental Impact Statement Comprehensive Plan Update	\$ 40,000	
Goal No. 2	Public Works	Sidewalk Construction	500,000	
Goal No. 2	Administrative Services/SWM	GIS Aerial Photography	40,000	
Goal No. 2	Administrative Services	Asset Management Software (Net of \$60,000 Grant)	140,000	40,000
Goal No. 3	Economic Development	Real Estate Support Services for Aurora Square	25,000	
Goal No. 6	Parks & Recreation	P-Patch	30,000	4,000
Goal No. 6	Parks & Recreation	Community Events		13,000
Goal No. 6	Community Services	Youth Services Website		7,000
Other Priority Items:				
	Administrative Services	Electronic Council Packets	8,577	1,980
	Administrative Services	Network Administration Contract		45,000
	City Attorney	Legal Backfill for Asst. City Attorney	45,000	
	City-Wide	Transfer to Unemployment Fund	50,232	
	Community Services	Animal Control Start-Up	43,000	8,150
	Police	Increase Administrative Support from 1.8 to 2.0 Contracted FTE		14,800
	Public Works	Traffic Services Truck Replacement	16,707	
	Public Works/SWM	Dump Truck & Sander Replacement	215,000	25,600
	Public Works/SWM	Surface Water Technician Vehicle	22,000	2,500
Total			\$ 1,175,516	\$ 162,030

The one-time items are being funded from \$1.2 million of one-time revenues which include \$800,000 in projected year-end 2011 operating budget savings, \$115,000 of prior year savings within the City's Street Fund, \$47,000 of equipment replacement funds and \$210,000 in projected one-time 2012 sales tax revenue from the construction of the two new high schools.

Other 2012 Budget Highlights

Significant 2012 budget highlights include:

- ◆ **Regular Property Tax Levy:** The 2012 regular property tax levy totals \$10.06 million which is an increase of \$242,000 or 2.5% over 2011. Of this amount \$9.6 million is programmed to fund basic services in 2012 and \$398,000 will be transferred to the Property Tax Equalization Fund to be used in 2014 through 2016. Proposition 1 set a property tax rate of \$1.48 per \$1,000 assessed value for 2011. Proposition 1 also included an annual escalator based upon the CPI-U index which is 3.15% for the 2012 property tax levy. Although this is the case, it is likely that the full increase will not be levied given the projected decrease in assessed valuation. The preliminary assessed valuation from the King County Assessor's Office reflects a 5.1% decrease from 2011 to 2012. As a result the full CPI-U increase would result in a property tax

levy rate in excess of \$1.60 per \$1,000 assessed valuation. Since the City cannot exceed the \$1.60 per \$1,000 assessed valuation rate the levy increase for 2012 must be low enough for the property tax rate to remain at or below \$1.60. The actual increase will likely be between 2.1% and 2.5%.

The 2012 new construction is estimated at \$2.4 million, the lowest level in city history. This level of new construction results in \$3,500 in new property taxes. In comparing the City's 2012 new construction to other cities in King County, Shoreline ranked 37th out of the 38 King County cities with new construction as a percent of assessed valuation.

- ◆ **Fee Changes:** The 2012 budget reflects proposed inflationary fee increases of 3.15% for development, recreation, license and public record fees. Surface water fees are being increased by 2.5%.
- ◆ **Personnel Costs:** The 2012 budget reflects a 1.35% increase, \$194,145, in personnel associated costs. The following table summarizes the changes with a more detailed explanation following.

	2011 Current Budget	2011 Personnel Changes	Extra-Help, OT, Standby and Callback Pay Changes	Step Increases	Market Adjust.	Increase in Retirement (PERS)	Increase in Health Premium	L&I Changes	New Positions / Reclass / Elimination	2012 Budget	2012/2011 Change	% Change
Salaries	\$ 10,895,339	\$ 8,607	\$(36,593)	\$ 53,568	\$ 200,251				\$ (212,194)	\$ 10,908,978	\$ 13,639	0.1%
Benefits	3,524,447	8,958	(5,387)	7,886	29,521	28,053	97,592	67,580	(53,697)	3,704,953	180,506	5.1%
Sub-Total	\$ 14,419,786	\$ 17,565	\$(41,980)	\$ 61,454	\$ 229,772	\$ 28,053	\$ 97,592	\$ 67,580	\$ (265,890)	\$ 14,613,931	\$ 194,146	1.3%

- ◆ The major changes in personnel costs include a combination of the following:
 - The salaries budget is increasing by \$13,639 or 0.1% in 2012. The salaries budget includes both regular (benefited) and extra-help personnel (non-benefited).
 - Regular salaries: The budget for regular salaries will total \$10.1 million in 2012. This is an increase of \$50,232, or 0.5%, when compared to the 2011 budget. Approximately 27% of regular employees are eligible to receive a step increase in 2012, and \$53,568 of the projected increase is linked to anticipated step increases. The City has not given employees a cost of living adjustment (COLA) since 2008, as a result of negative inflation. In calculating a recommended COLA for 2011 staff compared the change in CPI-U from June 2008 to June 2011 (2.27%). The City's policy has been to give a COLA of 90% of the change in inflation, resulting in a 2012 recommended COLA adjustment of 2.04%. The budget impact is \$200,251. An increase in salary costs of \$8,607 is linked to changes that occurred in 2011 as vacant positions were filled. Additionally a net decrease of \$212,194 was a result of changes in positions in the 2012 budget.
 - Extra-Help salaries: The extra-help salary budget is declining by \$19,562, or 2.67%, and totals \$712,098 for 2012. Funding of \$20,625 was removed from Public Works Facilities due to the addition of 1.0 FTE Facilities Maintenance Worker. Extra help was also reduced by \$6,117 in Environmental Services

based on projected grant funding. In Web Services, \$8,878 for audio/video taping of Council meetings was moved from professional services.

- Overtime: The City's overtime budget totals \$50,204 or approximately 0.46% of the total salary budget. The 2012 budget is a \$10,000 decrease from 2011.
- The total cost for employee benefits is projected at \$3.7 million for 2012. This is an \$180,506, 5.1 %, increase compared to the 2011 budget. The changes are related to the following:
 - Benefit costs will increase by \$16,884 in 2012 as a result of changes in 2011 and projected step increases in 2012. These benefit changes primarily affect social security, medicare, and retirement contributions.
 - The 2012 budget for health benefit costs included an increase of \$97,592, 5.25%.
 - The Washington State Public Employees Retirement System (PERS) employer contribution rate went from 8.31% to 5.31% effective July 1, 2009. That rate continued until July 1, 2011 when it increased to 7.07%. It was increased again on September 1, 2011 to 7.25%. It is anticipated that the rate will continue to increase over the next few years to meet the actuary projections for the retirement plans over the long-term. Employee contribution rates will also increase.

The 2012 rate change will result in a \$28,053, 3.9%, increase in the City's retirement contributions. The following table shows the most recent projected employer rate changes:

<u>PERS Employer Contribution</u>	<u>Current Rate</u>	<u>Effective 7-1-12</u>	<u>Effective 7-1-13</u>	<u>Effective 7-1-14</u>	<u>Effective 7-1-15</u>
State Actuary Proj. Rates	7.25%	8.00%	10.14%	10.14%	11.59%

- ◆ **Police Contract:** The projected 2012 contract with King County for police services is \$10.2 million. The 2012 contract is projected to increase by approximately \$343,172, 3.5%, as compared to the 2011 contract. 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 2012 costs by September 2011, and then reconcile this cost with the budget adopted by the County in March of 2012. Whichever cost is less is the amount that the City will actually pay via contract charges in 2012. 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:** Projected jail cost for 2012 is \$1.15 million. This is a 12.9% (\$170,096) decrease when compared to the 2011 budget, but a \$145,000 increase when compared to projected actual expenditures of for 2011. In 2010 jail usage was unusually high as a result of fewer misdemeanants being released on their personal recognizance. The 2010 activity level was used in developing the 2011 projected usage. Given the actual activity levels year to date in 2011, we now believe that this

was an anomaly and have lowered projected expenditures for 2011 and 2012. Most jail days are now occurring in the Snohomish County jail where the rates are substantially lower for both booking and daily maintenance fees than those charged by King County.

- ◆ **Budgeted Contingency Expenditures:** The 2012 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 fund balance in the General Fund. The 2012 budget also includes a contingency of \$60,358 for unanticipated needs.
- ◆ **City Hall Debt Service Costs:** The 2012 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 budgeted for rent payments for City Hall and Annex (\$476,253), real estate excise tax (REET) collected in the General Capital Fund (\$509,294), and an additional General Fund allocation of \$287,150 to offset lowered than anticipated REET funding. The City Council authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall. The 2012 budget does not include any anticipated lease revenue from the vacant space in the new City Hall.
- ◆ **Support for Contracted Services:** The 2012 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 2012 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 2012 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 2012 budget includes the \$18,000 in continued funding.
- ◆ **Capital Programs:** The City's 2012 capital budget reflects the first year of the City's adopted 2012-2017 capital improvement program (CIP) with some minor adjustments.

SUMMARY

The 2012 proposed budget is balanced and totals nearly \$54.7 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 formal public hearings to be held on November 14 and November 21. The City Council is scheduled to adopt the 2012 budget on November 28.

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

2012 Proposed Budget Review Schedule

October 24 Budget Pages 107-238	November 7	November 14	November 21 – Final Discussion	November 28 – Budget & Property Tax Adoption
City Council	Public Works (Includes Surface Water Utility)	Public Hearing	Public Hearing	2012 Property Tax Levy Ordinance
City Manager	Capital - 2012	2012 Property Tax Levy		2012 Budget Adoption Ordinance
Community Services	Follow-Up from October 24	Other 2012 Revenue Sources		
City Attorney		2012 Fee Schedule		
Administrative Services		Salary Schedule		
Human Resources		Follow Up from November 7		
Police				
Criminal Justice (Jail & Court)				
Parks, Recreation & Cultural Services				
Planning & Community Development				