

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Preliminary 2015 Budget		
DEPARTMENT:	Administrative Services		
PRESENTED BY:	Robert Hartwig, Administrative Services Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

Tonight staff will provide an update of the 2015 preliminary budget and related long-term financial projections. The City Manager will present the proposed budget to the City Council on October 13, with adoption scheduled for November 24, 2014.

At this time the 2015 preliminary budget is balanced and continues to allocate resources that support the Council's goals and priorities. Tonight staff will also brief Council on budget assumptions and the major projects that will be included in the proposed 2015-2020 Capital Improvement Plan (CIP).

The City continues to maintain a healthy financial position. As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) ratings outlook of "stable." The City has had several years of clean audit opinions with no findings from the State Auditor's Office. The 2015 budget will continue to be in compliance with the City's financial and reserve policies.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with preliminary 2015 budget information. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this review.

Approved By: Acting City Manager **JN**

Interim City Attorney **JA-T**

INTRODUCTION

Staff is preparing the City Manager's 2015 Proposed Budget and updating long-term financial projections as part of the process. Tonight's discussion will provide an opportunity for staff to share the latest financial projections, and introduces some of the major policy issues that will be discussed during the 2015 budget process. The 2015 budget adoption schedule is as follows:

<u>Topic</u>	<u>Meeting Date</u>
Discussion of Preliminary 2015 Budget	September 22
Transmittal of Proposed 2015 Budget	October 13
Department Budget Reviews	October 20
Continued Department & CIP Reviews	October 27
Public Hearing on 2015 Budget & CIP	November 3
Public Hearing on Revenue Sources & 2015 Property Tax Levy	November 10
Adoption of 2015 Property Tax Levy	November 24
Adoption of 2015 Budget	November 24

BACKGROUND

2014 Operating Budget

Projected 2014 General Fund Savings

Although it is still early to project the 2014 budget outcomes, staff has completed a preliminary 2014 year-end forecast. The 2014 current budget includes the use of fund balance of approximately \$2.536 million. This amount includes funding for the required operating contingency and insurance reserve (\$918,459); funding for one-time supplemental requests presented in the 2014 proposed budget (\$528,203); an additional one-time transfer to the Roads Capital Fund for the Annual Road Surface Maintenance Program (\$500,000); funding to purchase software to monitor traffic patterns (\$25,000); funding to support carryovers from 2013 (\$477,782); and funding for budget amendments approved in May of 2014 (\$87,000). The forecast projects that the fund balance in the General Fund will more likely decrease by approximately \$809,000 based on projected 2014 revenues and expenditures. This will result in an ending fund balance that is nearly \$1.727 million higher than expected. This use of fund balance is due to the one-time capital transfer and supplemental requests as planned.

Staff projects that 2014 revenues of \$35,137,747 will exceed the current revenue budget and that 2014 expenditures of \$35,946,453 will be under budget, but overall projected expenditures will exceed projected revenue, resulting in the \$808,706 decrease in fund balance. Staff expects revenues to exceed the current budget by \$831,178. One of the most significant revenue increases comes from sales tax (\$461,000). Increases are forecasted in the retail trade sector (\$218,612 or 5.1%), the construction sector (\$160,409 or 19.8%), and all other sectors (\$81,979 or 5.1%).

Other revenue increases come from gambling tax (\$136,277) due to higher than anticipated activity; development revenue (\$293,337) mostly as a result of a higher level

of building permits, mechanical fees/permits, land use fees/permits, and right of way fees/permits; and the receipt of unbudgeted liquor excise tax revenues (\$86,409).

Staff also projects that 2014 expenditures will be under budget by \$896,560. The current expenditure budget includes the required budgeted operational contingency (\$663,459) and insurance reserve (\$255,000). Staff does not anticipate using any funds from the operational contingency or the insurance reserve. Staff is projecting salary and benefit savings of approximately \$300,000 due to vacancies and staff turnover, but at the same time, expenditures for jail housing days are expected to exceed the current budget by just over \$725,000. Most of the remaining amount (approximately \$400,000) comes from projected savings across several departments.

2014 Budget Savings Recommendation

As will be discussed later in this report, the 2015 supplemental budget requests include significant one-time requests to support the Council's adopted goals and priorities. Staff anticipates that projected one-time savings from 2014 may be used to help fund possible supplemental requests in 2015 or other one-time needs as approved by the City Council.

DISCUSSION

Overall Financial Health

The City continues to maintain a healthy financial position. As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) ratings outlook of "stable." The City has had several years of clean audit opinions with no findings from the State Auditor's Office. The 2015 budget will continue to be in compliance with the City's financial and reserve policies.

2015 Budget

The City Manager's 2015 Proposed Budget will be balanced in all funds. Given the limited resources of the City, there are no new proposed programs for 2015. The City Manager will be recommending some additional expenditures to support the accomplishment of Council goals and priorities.

Personnel

Overall the 2015 budget proposes 2.05 new full-time equivalent (FTE) positions. This would restore City staffing to 2010 levels, but would still be 4.3 FTE positions less than was funded in 2008.

City of Shoreline 2015 FTE Summary

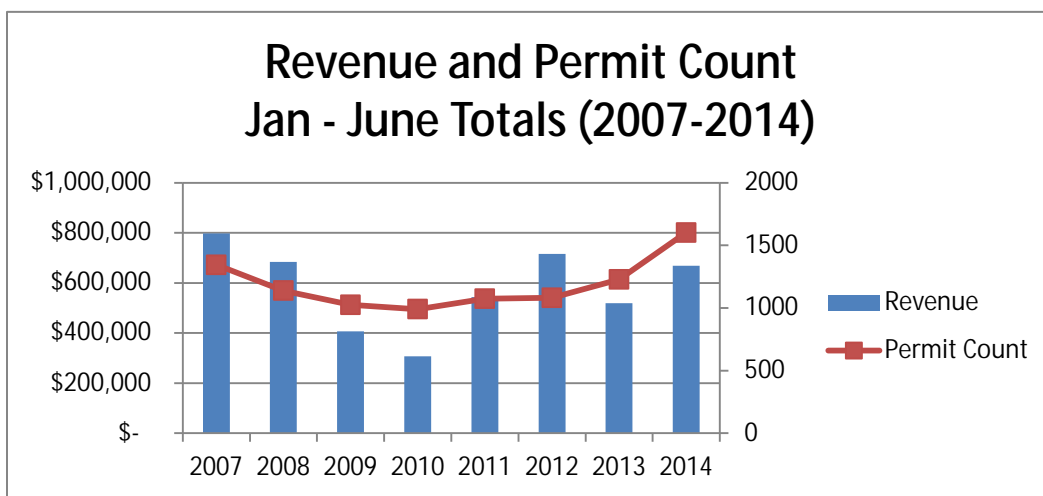
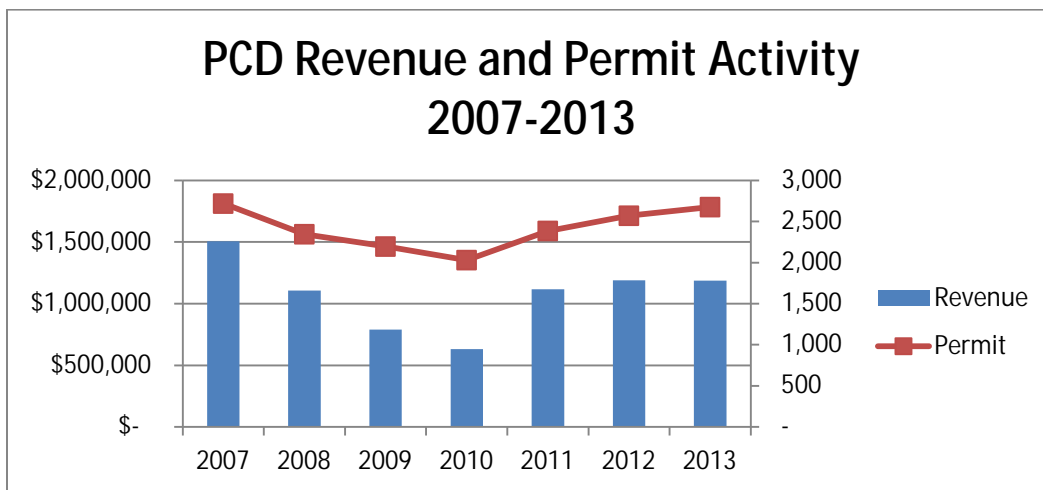
Department	2007	2008	2009	2010	2011	2012	2013	2014	2015 Prop.	2015 Changes
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	0.00
City Manager	10.50	9.50	9.50	9.50	8.75	8.75	13.00	13.00	13.00	0.00
City Clerk	3.80	3.80	3.80	4.00	4.00	0.00	0.00	0.00	0.00	0.00
Community Services	7.80	9.20	9.18	8.18	8.18	9.68	8.18	8.18	8.18	0.00
City Attorney	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Administrative Services	18.10	18.10	18.20	18.70	18.70	21.20	21.20	21.20	21.45	0.25
Human Resources	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Police	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Community Development	28.50	28.50	27.00	24.35	24.35	20.45	20.00	20.00	21.00	1.00
Parks, Recreation & Cultural Services	26.80	27.30	27.30	27.30	27.30	27.80	27.68	28.68	29.48	0.80
Public Works	37.00	38.00	39.00	39.00	39.00	41.50	36.00	38.00	38.00	0.00
Total FTE	146.50	148.40	147.98	144.03	143.28	142.38	139.06	142.05	144.10	2.05

The 2015 proposed budget will include a recommendation to make the following personnel adjustments which are reflected in the FTE chart above:

- *Add 1.0 FTE Assistant Planner (\$79,080) to help with current planning tasks; i.e., zoning reviews for building permits, business and liquor licenses, review simple land use permits, and answering walk-in and phone inquiries.*

Current permit activity is catching up to pre recession (2007) levels. Revenue in 2007 topped at \$1.5 million. The revenue in 2013 was \$1.18 million and at the half-year mark, 2014 permit revenue is anticipated to exceed \$1.2 million. In 2014, PCD has 5.5 fewer FTEs compared to 2007 with the attrition of 1 Technical Assistant, 1.5 Administrative Assistants, 2 Planners and the Assistant Director position. These staffing reductions mainly impacted the work of the Permit Services Team (permit intake and issuance) and the City Planning Team (zoning reviews and customer assistance). Without additional resources, permit processing will take longer to handle the volume.

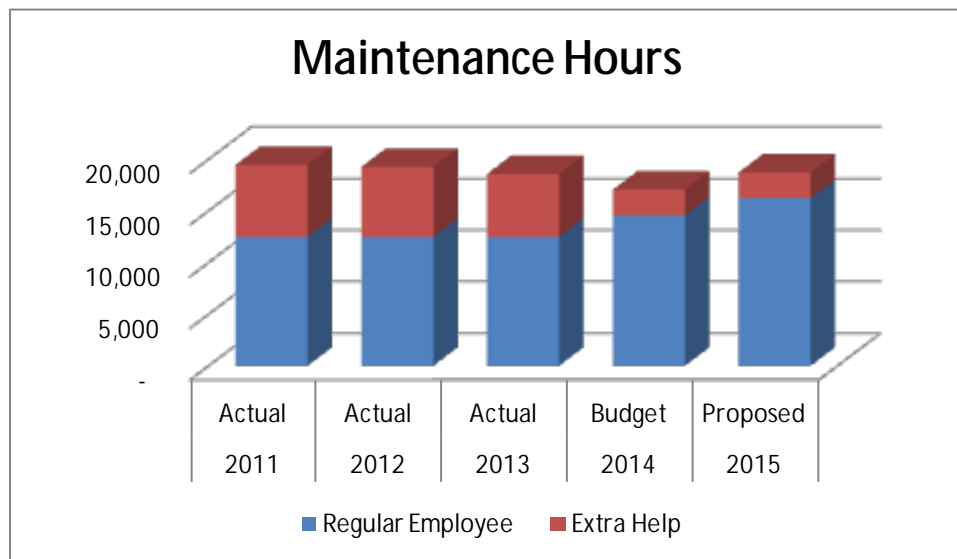
All permit counts as demonstrated at the half-year mark for 2014 have exceeded the same time period in 2013. The total number of permits submitted in 2013 was 2,675, very close to the 2,718 total in 2007.



- *Add 0.8 FTE Parks Maintenance Worker 1 (\$40,490) to restore the number of maintenance hours to the 2013 level to achieve the desired level of service for the maintenance of parks and park facilities.*

In 2014 a Park Maintenance Worker II position was added to the staff in exchange for 2,500 extra help hours. At the same time that the Division lost these hours they assumed responsibility for maintaining the City's Right of Way trees. Every tree removal, depending upon size, takes between one and four days to complete and requires four staff: two for tree removal and two to conduct traffic control (flag) in the ROW. As a result of decreased labor hours and increased tree responsibilities, routine parks maintenance has been compromised. This Parks Maintenance Worker 1 position will provide oversight to extra help staff, monitor park restrooms, prepare shelters for rental events, remove litter and graffiti, and perform minor repairs as needed.

The estimated cost assumes a start date of April 1, 2015. The full annual cost will be approximately \$54,000.



- *Increase Buyer from 0.75 FTE to 1.0 FTE (\$23,816):* The City of Shoreline operates using a largely centralized purchasing approach. Prior to 2012, this function was performed by a full time Purchasing Officer and a 0.75 FTE Finance Technician. The division was reorganized in 2013 to include purchasing, fleet, and facilities. The new Central Services Manager must now split time between these three functions, with at most half of her time spent on purchasing, resulting in only about 1.25 FTE to handle the workload formerly handled by 1.75 FTE.

Workload demand has also increased during this period. Current audit standards have lowered the maximum dollar threshold for “on-call” contracts. This requires more frequent issuance of contracts and will nearly double the number of on-call contracts handled by Purchasing in 2015 when compared with 2011. Changes in state and federal laws also require us to frequently update “boilerplate” language in our contracts to ensure compliance. At the same time the workload has continued to increase: purchase orders per FTE were 281 in 2011 and are estimated at 451 in 2014. These changes and the lower staffing level have created a backlog in Purchasing.

In order to help fund this change we propose to allocate 0.25 FTE of Central Services staff to the Vehicle Operations and Maintenance Fund. These staff provide direct support to this function and should be allocated to the appropriate fund.

Salary and Benefit Considerations

- *Annual Salary Survey:* Staff is currently in the process of finalizing the results of the 2014 salary survey. This year the survey includes positions in salary ranges 55 through 74. Recommendations for any salary changes resulting from this year’s survey will be included in the City Manager’s 2015 Proposed Budget and will be discussed with the Council this fall during budget deliberations. Staff is still analyzing the results of the survey.

- *2015 Market Adjustment - Cost of Living Adjustment (COLA)*: The City's practice has been to use 90% of the Seattle/Tacoma/Everett June Consumer Price Index-All Urban Consumer (CPI-U) to determine the annual market adjustment. The 2015 City Manager Proposed Budget will include a recommended 1.79% COLA based on 90% of the June CPI-U of 1.99%.
- *Health Benefits*: 2015 health insurance premiums will be finalized in September by the Association of Washington Cities (AWC). At this time, AWC is projecting a 5% to 7% increase in medical premiums and a 6% increase for dental premiums. The current 2014 premiums remained at the 2013 level. Based on the City's current benefit policy this is projected to result in an overall increase in benefit costs of 5.16%.

Council Goal Investments

The City Manager is recommending various supplemental requests to meet organizational priorities to allow for the effective delivery of priority public services and completion of council goals. The proposed 2015 budget will include a recommendation to fund the following items:

Implementation of Council Goals:

- **Goal 1**: Strengthen Shoreline's economic base
- **Goal 2**: Improve Shoreline's utility, transportation, and environmental infrastructure
- **Goal 3**: Prepare for two Shoreline light rail stations
- **Goal 4**: Enhance openness and opportunities for community engagement
- **Goal 5**: Promote and enhance the City's safe community and neighborhood programs and initiatives

One-Time Funding Requests:

- *Economic Development – Promoting Shoreline (Council Goal No. 1, \$200,000)* to develop a customized strategy and associated tools used to market Shoreline.
- *Cost Recovery Study (Council Goal 1, \$35,000)* to conduct a comprehensive study of City fees and charges for services. This study would provide the City with information regarding fees and charges that could be increased based on a market comparison with other cities, internal cost recovery percentages, and community goals.
- *Extra Help – Two GIS Technicians (Council Goal Nos. 2 & 4, \$50,054)* hired on a temporary basis to complete asset work required in order to properly implement the City's new asset management software.
- *Utility Transition (Council Goal No. 2, \$10,000)* for the completion and implementation of the Transition Plan for the assumption of the Ronald Wastewater District (RWD) into City operations by October 2017 and/or the negotiation of the final purchase agreement with the City of Seattle for the acquisition of the Seattle Public Utilities (SPU) water system in Shoreline.

- *Grant Matching Funding* (Council Goal No. 2, \$500,000) to fund a transfer from the General Fund to the Roads Capital Fund to provide a source for matching emerging grant opportunities.
- *Utility Unification* (Council Goal No. 2, \$30,000) for additional negotiation needs in 2015 for the Ronald Wastewater District and the Seattle Public Utility acquisition. Funds will be budgeted as contingency, and used if needed.
- *Assessment of New Permit/Code Enforcement/Customer Service System* (Council Goal 2, \$30,000) to perform a needs assessment for a new software management system for Permitting, Code Enforcement, and Customer Services to interface with the Cityworks system. The current system (Hansen) does not integrate access to geospatial information, nor does it provide for a mechanism for on-line permit application or review by customers.
- *Replacement of Recreation Registration and Management Software* (Council Goal 2, \$65,000) as support will cease in 2017 for the current registration system (Class). Replacement of the system is programmed in the IT Strategic Plan for implementation in 2015.
- *Purchase of Mobile Tablet Devices* (Council Goal 2, \$18,600) to acquire ten devices as part of the Cityworks implementation. Field staff will need the devices in order to record maintenance work and work order activities in the field. Data plans will cost \$480 each year for each individual device, for a total of \$4,800 annually.

On-Going Programs:

- *On-Call Development Review* (Council Goal 2, \$50,000) to provide funding for a prudent method, which may include external professional services, of assuring the City's development community would not be impacted with delays due to workforce fluctuations, expedited reviews, or spikes in the intake of permit submittals. Twenty-five thousand (\$25,000) of the request is revenue backed. Half of the expenditure amount will be put into contingency to be used as needed.
- *Urban Forestry – Stump Grinding* (Council Goal 2, \$10,000) for the maintenance of the City's publically owned trees in parks and right of way corridors. This will include the removal of tree stumps and tree replacement after hazardous trees have been removed. To maintain the tree-lined appearance desired in the right of way and maintain the City's forested canopy coverage, stump removal and tree replacement are needed.

Maintenance of City Assets and Operational Efficiencies

One-Time Funding Requests:

- *Increase Support for Maintenance of City Facilities* (\$50,000) to fund an increase in the transfer from the General Fund to the Facilities Major Maintenance Fund.

This supports additional maintenance needs at City Hall and increased maintenance costs at the Shoreline Pool.

- *Leadership & Management Development* (\$25,000) to aid in continued organizational alignment, process improvement, and management development for the Leadership Team and managers.
- *Point Wells Geotechnical Review* (\$12,000) to aid in the development of the analysis and review of Snohomish County's DEIS, and any assistance needed in providing expert comment to the County regarding geologic hazards related to the Point Wells project including use of Shoreline roads.
- *ROW Inventory and Condition Assessment (Asset Management)* (\$56,000) to develop and complete an inventory and condition assessment for assets within the right of way (i.e. sidewalks, curb ramps, traffic signals, and signs).
- *Digital Aerial Photography and Mapping* (\$20,000) to participate in the GIS update of aerial photography and mapping project with King County, funded through a consortium of the County and local cities. The high resolution imagery produced by this project will provide the sharpest resolution imagery technology available to enable more accurate GIS mapping of manholes, catch basins, and signs.

Council Directives

One-Time Funding Requests:

- *2015 Compensation and Classification Study* (\$50,000) to conduct a compensation and classification study.
- *Solid Waste Collection Contract* (\$30,000) to (i) assist the City in its RFP/RFQ process, and (ii) to assist the City in the development of educational materials and, if needed, respond to questions from the community related to contract changes. The current solid waste collection contract expires in 2017.

Technology Investments

One-Time Funding Requests:

- *Digital Aerial Photography and Mapping* (\$20,000) to participate in the GIS update of aerial photography and mapping project with King County, funded through a consortium of the County and local cities. The high resolution imagery produced by this project will provide the sharpest resolution imagery technology available to enable more accurate GIS mapping of manholes, catch basins, and signs.
- *Network Support* (\$70,000) to (i) stabilize the City's network, storage, server, and security areas of technology, (ii) work through Information Technology (IT) customer service request backlog, and (iii) develop policies, procedures, and

standards. The stabilization of the current environment is the highest 2015 priority in the IT Strategic Plan.

- *Implementation of Sharepoint Software* (\$61,950) to procure licenses and implementation services of a Sharepoint cloud service to replace the City's current portal (intranet) system, which is no longer being enhanced by the software company that owns the current product. Sharepoint will provide additional functionality that will enable departmental staff to develop their own collaboration areas and simplify automated processes without the assistance of IT staff. The software will also be used to manage the City's electronic documents. The total cost is \$77,700, but is partially offset by one-time savings of \$15,750 from avoiding the final year of maintenance costs of the current, aging portal system. Annual cost for 2015 is \$2,250, which will increase in 2016 to an ongoing \$17,000, and will replace the \$15,750 budget for the current portal maintenance.

On-Going Programs:

- *Equipment Replacement for IT Infrastructure* (\$30,000) to provide an increase in the annual allotment for server and network infrastructure replacement to \$80,000 (currently at \$50,000). The City's need for technology has grown since its inception. As the City's technology has become more complex over the years the cost of replacing the infrastructure has also increased.

Other One-time Funding Requests

- *City of Shoreline 20th Birthday Supplies* (\$10,000) for promotional and special event materials to celebrate the City's 20th birthday.

Surface Water Utility

One-Time Funding Requests:

- *Video Inspection Equipment and Training* (\$35,000) to purchase a push video camera for pipe inspections by Surface Water Utility staff, which will allow for inspections of pipes not covered in the basin plans. Request also includes training and travel for staff.

On-Going Programs:

- *High Priority Maintenance Vactoring* (\$50,000) for maintaining pipes identified as having poor maintenance condition ratings. As part of the video condition assessment of the City's stormwater system, the basin plans identified some high priority pipe segments in need of maintenance because of excessive sediment and or some type of root blockage.
- *National Pollutant Discharge Elimination System (NPDES) Phase II Permit Support* (\$50,000) to help the City meet its NPDES Phase II Permit requirements. This support includes an intensive effort to address low-impact-development in the City's codes, and meet other permit requirements that have specific deadlines before 2017.

2015 Operating Budget Revenues

The proposed 2015 budget currently projects a surplus of \$103,909. Staff recommends holding this surplus as a contingency against any unforeseen changes that may occur prior to the presentation of the budget to Council on October 13.

2015 Property Tax Levy

The preliminary estimate for City property taxes that will be collected in 2015 is \$10,570,659, which is \$298,454 or 2.9%, greater than the projected 2014 tax collections. The King County Assessor's Office has not yet released preliminary assessed valuation (AV) for the City, but staff is estimating an increase of 12.9% based on available information. This increase will allow the City to take advantage of the provision in Proposition 1 to increase the property tax levy by the change in the CPI-U index which equals 1.99%. With the inclusion of new construction AV estimated at \$25.9 million, the resulting estimated 2015 property tax levy would increase to \$10,623,778 while the projected levy rate would decline from the current \$1.60 to an estimated \$1.45843 per \$1,000 of assessed valuation. The 2015 budget of \$10,570,659 assumes a 99.5% collection rate.

2015 General Fund Operating Revenues

- *Sales Tax Revenue:* The proposed 2015 budget includes projected sales tax revenues of \$7,320,000. This is an increase over the 2013 budget of \$581,000 or 8.6%, and is \$120,000 or 1.6% above the revised 2014 projected total of \$7,200,000.
- *Criminal Justice Sales Tax Revenue:* Projected revenue of \$1,276,154 is a 4.2%, or \$51,622, increase compared to 2014 budget. This is based on taxable sales and population estimates for King County.
- *Utilities Taxes, Franchise Fees and Seattle City Light (SCL) Contract Revenue:* 2015 revenues are expected to increase by only \$158,063, or 1.9%, over the 2014 budget. Projected revenues in this category are based upon recent collection experience and approved rate increases.
- *Gambling Taxes:* For 2015, staff projects that gambling taxes from card room activity will increase by \$35,000, or 2.4%, and taxes from pull tab activity will decrease by \$17,500, or 13.6%. The 2014 budget is \$1,569,000. The 2015 budget is projected at \$1,586,500.
- *Development Revenue:* Revenues are expected to increase over the 2014 budget by \$108,000, or 8.9%. The majority of this increase is occurring in plan check/land use fees which are projected to increase by \$84,000, or 13.8%. Other development revenue is projected to increase by \$24,000, or 4%.
- *Liquor Excise Tax:* When the 2014 budget was developed, revenues in this category were eliminated from the 2014 budget and future budgets due to the uncertainty of future legislative actions related to state sharing of these revenues. To offset this revenue loss, reductions were made to 2014 General Fund expenditures. Among other things an annual \$50,000 transfer to the General Capital Fund to support the Parks Repair and Replacement capital project was canceled. The City continued to receive state distributions of this revenue during 2014 when no further action was taken by the legislature. Staff is now projecting, based on the most recent per capita estimates, that the City will receive \$86,409

in 2014 and \$103,120 in 2015. Therefore, the transfer to the General Capital Fund was continued during 2014 and remains in the 2015 budget.

2015 Major Contracted Programs

- *Jail Activity:* Projections for the 2015 budget, along with future forecasts, are based on activity trends over the last twelve months, the number of guaranteed beds at the South Correctional Entity (SCORE), and an inflation rate factor outlined in the interlocal agreement (ILA) with King County.

In 2014, projected jail housing days and costs are estimated as follows:

Facility	Activity	%	Cost	%
King County	8,448	56.3%	\$1,198,617	68.5%
Snohomish County	1,680	11.2%	\$111,944	6.4%
SCORE Guaranteed	4,270	28.4%	\$384,300	22.0%
SCORE Guaranteed (+25%)	615	4.1%	\$55,341	3.2%
SCORE Non-Guaranteed	0	0.0%	\$0	0.0%
Total Jail Services	15,013	100.0%	\$1,750,202	100.0%

In 2015, projected jail housing days and costs are estimated as follows:

Facility	Activity	%	Cost	%
King County	758	5.0%	\$109,088	7.2%
SCORE Guaranteed	12,775	84.3%	\$1,239,175	82.3%
SCORE Guaranteed (+25%)	1,618	10.7%	\$156,898	10.4%
SCORE Non-Guaranteed	0	0.0%	\$0	0.0%
Total Jail Services	15,150	100.0%	\$1,505,160	100.0%

While the use of jail services from SCORE will be maximized, the overall projected cost, including housing, medical, booking, etc. of approximately \$1.6 million for 2015 will still result in an increase of 20.9% from the amount originally budgeted in 2014.

- *Police Contract:* Negotiations for the King County Sheriff's Office (KCSO) guild contract are not yet completed. The KCSO is not able to provide the contract cities with an estimate of any contract increases that may be necessary. Exclusive of these negotiations, staff projects that the 2015 police services contract will total \$10.6 million, which is 0.7% more than the 2014 police contract. The first detailed estimate will probably be provided by KCSO in early October.

The KCSO is well aware of concerns expressed by contract cities. The 2008-2012 guild contract, which included 5.0% annual salary increases for deputies, was settled just before the sharpest recession in the last 30 years. Contract cities continue to monitor whether the effect of the 2007 negotiations will be taken into consideration during the 2015 contract negotiations. For future years (2016 onward), staff has assumed an annual escalator of 3.5%.

- *District Court Costs:* As District Court revenues and costs fluctuate from year-to-year, it is challenging to provide an accurate budget figure for the net cost of the District Court. Unfavorable contract reconciliations for two years in a row has

staff convinced that, beginning in 2015, the revenue projection should be decreased \$150,000 and the budgeted expenditures decreased by \$115,000 to better estimate actual results.

2015 – 2020 Capital Improvement Plan (CIP)

The 2015 proposed budget will include the proposed 2015-2020 CIP. Staff has reviewed the current 2014-2019 CIP, the City's various master plans, and the projected available revenues. Staff is recommending modifications to the CIP including the addition of some projects for Council's review and input. As Council is aware there are limited capital funds available for the many capital needs of the City. Any new projects recommended in the CIP are primarily funded with new funding sources or future anticipated grants. Attachment B to this staff report provides a summary of the proposed 2015-2020 CIP. Major needed initiatives are discussed below:

General Capital Fund

New Projects:

- *Shoreline Park Fields A&B Turf and Lighting Replacement* (\$1,980,000): This project will replace the synthetic turf field, wooden light poles and light fixtures as recommended in the 2014 condition assessment report.
- *Twin Ponds Light Replacement* (\$330,000): This project will replace the existing wood light poles and light fixtures as recommended in the 2014 condition assessment report.
- *Shoreline Pool Master Planning* (\$115,000): This planning study will analyze potential sites and community needs for a new aquatic facility to replace the aging Shoreline Pool.
- *Shoreline Veteran's Recognition* (\$75,000): The Shoreline Veterans organization is raising funds to design and construct a Veteran's recognition site on the north lawn of the Shoreline Civic Center. City staff will assist by providing planning, design and construction support.

Changes from the 2014-2019 CIP:

- *Echo Lake Improvements*: Total project cost has increased from \$347,997 to \$475,997. The awarded bid was higher than budgeted in the prior CIP and a renovation of the existing restroom was added to the project.
- *King County Trails & Open Space Replacement Levy Projects*: The total project estimate has increased from \$354,000 to \$550,000 to reflect County estimates of levy proceeds.
- *Parks Repair and Replacement*: The cost of this project has increased to include funding in 2020.
- *Regional Trail Signage*: The total cost has decreased from \$168,491 to \$148,492 and the project completion has moved from 2014 to 2015.

- *Saltwater Park Pedestrian Bridge Major Repair:* The project cost has increased from \$305,584 to \$355,585 based on 60% design. The project will continue into 2015.
- *Maintenance Facility:* Completion of this project has been delayed until 2016 as the project has been put on temporary hold while uncertainties surrounding utilities are resolved.
- *Police Station:* The cost estimate has increased from \$3,449,876 to \$5,580,000. The new estimate includes the former City Hall Generator project and other needed maintenance improvements. Project completion has also moved from 2015 to 2016. Property acquisition will occur in 2014 with design being completed in late 2015 or early 2016. Construction will occur in 2016 and 2017.

City Facilities-Major Maintenance Fund

New Projects:

- *City Hall Long-Term Maintenance (\$178,019):* This project allocates funding for projects needed to maintain Shoreline City Hall. These projects are intended to keep the building energy efficient, weather tight, address safety issues, reduce ongoing maintenance costs, and maintain a professional appearance.

Changes from the 2014-2019 CIP:

- *City Hall Parking Garage Long-Term Maintenance:* Project costs were reduced from \$120,160 to \$110,000 based on new estimates.
- *Shoreline Pool Long-Term Maintenance:* The total project cost increased from \$413,546 to \$846,722. The current CIP did not include any future projects pending the completion of the Repair/Replacement Needs Analysis. The 2015 – 2020 CIP now reflects the required maintenance projects within the available funding level.
- *Police Station Long-Term Maintenance:* Project costs increased slightly from \$137,523 to \$147,523 to include the 2015 addition of secure evidence storage.
- *Richmond Highlands Community Center Long-Term Maintenance:* Project cost estimates increased from \$314,663 to \$331,675 for work in 2015.
- *Spartan Recreation Center Long-Term Maintenance:* Project costs increased from \$15,000 to \$68,802. Projects were added to replace carpeting and make improvements to the parking lot in 2017, and upgrade the kitchen in 2020.

Roads Capital Fund

New Projects:

- *Ashworth Avenue Sidewalks* (\$890,000): This project will construct a sidewalk and an amenity zone on the west side of Ashworth Avenue N from N 195th Street to N 200th Street.
- *Echo Lake Safe Routes to School* (\$530,000): This project will construct sidewalks (including curb and gutter), curb ramps and crosswalks on N 195th Street between Meridian Avenue N and Wallingford Avenue N directly adjacent to Echo Lake Elementary.
- *N 155th Sidewalk Repair* (\$600,000): This project will replace 890 square yards of sidewalk panels damaged by tree roots and other vegetation, 1,270 linear feet curb and gutter, and install/replace 37 ADA ramps.
- *145th Street Corridor Improvements – Design* (\$4,895,954): This project will improve safety and mobility along the 145th Street corridor (SR 523) from Bothell Way (SR522) to 3rd Avenue NW. The first phase of this project will include a multi-modal corridor study of 145th Street.

Changes from the 2014-2019 CIP:

- *1st Avenue NE Sidewalk*: This project has been removed from the CIP as it was 100% grant funded and the City did not receive the grant.
- *Bike System Implementation*: The project cost increased slightly from \$640,000 to \$642,725. Project completion has also changed from 2015 to 2016.
- *Traffic Safety Improvements*: Includes the addition of funding for projects in 2020.
- *Annual Road Surface Maintenance*: Cost estimates for 2015 and 2016 increased to fully allocate available Transportation Benefit District (TBD) funds. Estimates also add two awarded grant projects for overlay work on 15th Avenue NE (147th to 155th) and Meridian Avenue NE (195th to 205th). Based on available fund balance, future cost estimates have been increased from \$1 million annually to \$1.1 million in 2018 and \$1.2 million each year in 2019 and 2020. The new cost estimate also includes the addition of funding for projects in 2020.
- *Curb, Ramp, Gutter, and Sidewalk Program*: Includes the addition of funding for projects in 2020.
- *Hidden Lake Bridge*: The estimated cost for this project increased from \$150,000 to \$548,086 to include the cost of design and construction of repairs identified in the completed study. The completion date has also moved out to 2015 to include the construction element.
- *Traffic Signal Rehabilitation*: Includes the addition of funding for projects in 2020.

- *25th Avenue N Sidewalks*: The cost estimate for this project increased from \$505,000 to \$595,000 to include consultant design costs. The project timeline has been delayed to 2016 – 2018.
- *Einstein Safe Routes to School*: The total estimated project cost has increased from \$437,800 to \$574,454. Improvements to the school entrance and an education and enforcement component were added to the project. Project completion has moved from 2015 to 2016 for final closeout.
- *Interurban Trail/Burke-Gilman Connectors*: Project completion has moved from 2014 to 2015.
- *NE 195th Separated Trail*: Total project cost increased from \$471,950 to \$705,489 due to the addition of curbs, gutter and a partial street overlay. The project has also been delayed while the project design was finalized and will now be completed in 2016.
- *Aurora Corridor Project (192nd Street to 205th Street)*: Cost estimates remain the same, but final project closeout will occur in early 2017 instead of 2016.
- *Route Development Plan for 145th Corridor*: Estimated project costs increased from \$250,000 to \$496,000 to incorporate a grant received for a scope expansion. The expanded project includes development of a more comprehensive route plan. Projected completion remains in 2015.

Surface Water Utility Fund

The 2015-2020 CIP assumes that surface water rates will be increased in 2015 by 3%, 4% in 2016 and 5% in 2017 through 2020. This equates to an annual increase of approximately \$4.50 for a single family residential home in 2015.

New Projects:

- *10th Avenue Drainage Improvements* (\$275,000): The project will reduce flooding along 10th Avenue NE between 165th Street and 175th Street. Improvements will include the expansion of system capacity by upsizing and adjusting slopes for existing ditches and pipes.
- *NE 145th Infiltration Facilities* (\$265,000): This project will install below-ground infiltration facilities along the NE 145th Street roadside between 12th Avenue NE and 15th Avenue NE to reduce flooding and improve water quality.

Changes from the 2014-2019 CIP:

- *Culvert Replacement near 14849 12th Avenue NE*: This project has been removed from the CIP to fund projects with a higher priority.
- *Goheen Revetment Repair*: Project cost estimates have been increased slightly from \$400,000 to \$413,854. The timeline has also been extended through 2020 for costs associated with permit monitoring work.

- *North Fork Thornton Creek LID Stormwater Retrofit:* The project has decreased slightly from \$840,000 to \$824,003. Final project closeout will occur in early 2015 instead of late 2014.
- *Stormwater Pipe Replacement Program:* Includes the addition of funding for projects in 2020.
- *Surface Water Small Projects:* Includes the addition of funding for projects in 2020 and increases the annual amount from \$100,000 to \$150,000 in 2016 through 2018.
- *Surface Water Management Green Works Projects:* Project estimates have been reduced from annual amounts of \$100,000 to \$50,000. Funding has also been added for 2020.

2015 – 2024 Long-Term Projections

Earlier this year, Council reviewed and adopted the Ten Year Financial Sustainability Plan. Below is a comparison of the surplus/(gap) from the September 2014 forecast as compared to the Base forecast presented in the 10-Year Financial Sustainability Plan (10YFSP) that was accepted on June 16, 2014:

Projection	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
10YFSP Base	1,727,454	1,335,622	609,958	45,266	(477,129)
Sept. 2014	103,909	1,204,297	1,164,723	753,839	292,450
Change	(1,623,545)	(131,325)	554,765	708,573	769,579

Projection	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
10YFSP Base	(685,960)	(667,336)	(839,249)	(715,370)	(726,041)
Sept. 2014	(432,585)	(656,122)	(772,046)	(795,115)	(977,097)
Change	253,375	11,214	67,203	(79,745)	(251,056)

Based on the September 2014 forecast the 2015 difference between the two forecasts can be attributed to the following factors:

- The use of \$839,354 of available fund balance to fund one-time supplemental requests.
- Inclusion of contingencies totaling \$168,712 for pending police guild contract negotiations and the bid results for the janitorial contract.
- Inclusion in 2015 of a one-time transfer of \$500,000 to the Roads Capital Fund for grant matching purposes.
- An increase of \$50,000 in the transfer to the Facilities-Major Maintenance Fund.
- Elimination of a 2015 transfer in totaling \$706,919 from the Property Tax Equalization Fund. Staff also does not anticipate requiring a transfer during 2016.
- Property tax collections are projected to be slightly lower due to lower-than-expected inflation.

- Staff does not anticipate using any funds from the Revenue Stabilization Fund in 2015 or 2016.
- Taxable retail sales are projected to occur at a higher level than the 10YFSP forecast.
- Permit activity is expected to increase from the 10YFSP forecast.
- The cost of jail housing increased by nearly 30% over the 10YFSP forecast. The forecast was developed prior to the Snohomish County Jail contract termination, and prior to executing the contract with the South Correctional Entity (SCORE).
- Expenditures for the maintenance of newly completed capital projects have been reviewed and are higher than those in the 10YFSP forecast.

In the original model, potential gaps were noted beginning in 2018. Based on audited 2013 results, 2014 estimates, and 2015 projections, potential gaps have been delayed out to 2020. At that time, the forecast indicates that growth in expenditures may begin to outpace the growth in revenues. Nonetheless, moving the potential gaps from 2018 out to 2020 is a significant change in the model and indicates that it may be possible to delay the use of any of the tools accepted by the City Council in June 2014. In staff's opinion, the model is having the effect on budget planning that was desired by the City Council.

As Council is aware the City's property tax levy lid lift expires at the end of 2016, and therefore the levy limitation returns to a 1% cap in 2017.

Long-Term Budget Trends

Below are some of the major assumptions used in the most recent projections:

- *Property Tax:* As noted earlier, the preliminary 2015 property tax levy is anticipated to increase from 2014 by approximately \$298,454 or 2.9%, due to a recommended 1.99% inflationary increase in the levy plus new construction. The assessed valuation is currently estimated to increase by 12.9% in 2015 and by 6.5% in 2016, slowing to a growth rate of between 3.4% and 3.9% for 2017 to 2020.

The levy lid lift as approved by Shoreline voters limits the growth in the annual property tax levy to the rate of inflation plus new construction, projected to be less than 2.3% for 2015 through 2016. Once the levy lid lift expires in 2016, the annual levy will only be allowed to grow by new construction plus the statutory 1.0% limit. As a result of all of the information above, property tax revenue is forecast to increase by 3.1% in 2016 and 1.6% in 2017, with average increases of 1.4% for 2018-2024. Below is a comparison of the current forecast compared to the forecast presented in the 10YFSP:

Projection	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
10YFSP Base	10,731,485	11,064,664	11,244,504	11,419,353	11,588,173
Sept. 2014	10,570,659	11,005,496	11,178,585	11,346,700	11,508,708
Change	(160,826)	(59,168)	(65,919)	(72,653)	(79,465)

Projection	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
10YFSP Base	11,733,015	11,896,928	12,063,894	12,234,669	12,406,902
Sept. 2014	11,646,675	11,803,457	11,962,910	12,125,551	12,289,182
Change	(86,340)	(93,471)	(100,984)	(109,118)	(117,720)

- **Sales Tax:** The projection for sales tax has increased slightly from the previous forecast based upon the updated retail sales growth assumptions for the Puget Sound area and Shoreline's recent experience. Shoreline assumes that taxable sales will increase at 75% of the growth assumptions for the Puget Sound region, in keeping with past forecasting practices. Below is a comparison of the current forecast compared to the forecast presented in the 10YFSP:

Projection	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
10YFSP Base	7,064,041	7,318,601	7,583,011	7,842,496	8,081,380
Sept. 2014	7,320,000	7,637,011	7,893,371	8,146,668	8,390,901
Change	255,959	318,410	310,360	304,172	309,522

Projection	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
10YFSP Base	8,320,235	8,551,910	8,778,208	9,066,270	9,335,572
Sept. 2014	8,633,189	8,869,669	9,106,823	9,403,913	9,679,862
Change	312,955	317,758	328,615	337,643	344,290

- **Gambling Tax:** Staff has assumed no growth in future years in tax collections so a baseline of \$1,586,625 is assumed.
- **Development Revenue:** Development activity is based upon projected permit activity for the Puget Sound area for 2015 to 2025. Projected revenue over the ten year period is up compared to the 10YFSP projection. This is mostly due to increasing projected revenue from building permit fees, land use fees and plan check fees. When the 10YFSP forecast was developed, 2015 permit activity was projected to increase by 11.9%. The latest forecast projects that 2015 activity will increase over 2014 by 8.3%. Building permit fees have been increased from an annual base of \$285,700 in the 10YFSP to \$380,000 in the September 2014 forecast. Plan check fees were increased from an annual base of \$288,300 in the 10YFSP to a new base of \$363,000 in the September 2014 forecast. Land use fees were also increased from an annual base of \$55,000 in the 10YFSP to a new base of \$74,000 in the September 2014 forecast. Below is a comparison of the current forecast compared to the forecast presented in the 10YFSP:

Projection	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
10YFSP Base	797,996	789,791	801,155	788,637	776,557
Sept. 2014	983,750	987,320	991,917	990,824	973,095
Change	185,754	197,530	190,762	202,187	196,538

Projection	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
10YFSP Base	752,035	724,569	704,658	691,086	678,055
Sept. 2014	937,072	915,616	895,045	866,090	843,655
Change	185,037	191,047	190,387	175,004	165,600

- *Market Adjustment - Cost of Living Adjustment (COLA):* Cost of living adjustments are projected to average 3.0% for 2016 through 2025. The salary forecast assumes 25% of employees will receive an annual step increase in 2015 through 2020 and 20% will receive an increase in 2021 through 2025.
- *Health Benefits:* Costs are projected with an annual escalator of 6.5% for all health benefits which includes medical, dental, life and long term disability coverage for 2016 through 2025. The projected increase for 2015 is 6.5%.
- *Public Employee Retirement System (PERS) Contribution Rates:* PERS contribution rates have increased from those included in the 10YFSP. The following table shows the rates as adopted by the Select Committee on Pension Policy on July 28, 2014 and those projected by the Office of the State Actuary.

PERS Employer Contribution	Current Rate	Effective 7/30/15 – 6/30/17
Legislative Approved Rates	9.21%	
State Actuary Projected Rates		11.20%

The table below displays the rates that were included in the 10YFSP:

PERS Employer Contribution	Current Rate	Effective 2016 – 2017	Effective 2018 – 2025
Legislative Approved Rates	9.21%		
10-Year Financial Sustainability Plan		10.41%	11.59%

The impact on PERS contributions is shown in the following table:

Projection	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
10YFSP Base	974,059	985,531	1,017,058	1,168,123	1,204,881
Sept. 2014	935,435	1,055,527	1,090,659	1,167,524	1,208,927
Change	(38,624)	69,996	73,601	(598)	4,046

Projection	2020 Forecast	2021 Proposed	2022 Forecast	2023 Forecast	2024 Forecast
10YFSP Base	1,242,720	1,279,108	1,316,397	1,354,767	1,394,402
Sept. 2014	1,254,456	1,303,217	1,359,886	1,428,078	1,513,282
Change	11,736	24,109	43,490	73,311	118,881

Projected General Fund Ending Fund Balance

As noted above, staff projects that the General Fund will end 2014 with almost \$10.467 million of fund balance. During 2015, the preliminary budget proposes using \$1.783 million of fund balance resulting in an estimated 2015 ending fund balance of \$8.684 million. Of the programmed \$1.783 million, \$688,594 is General Fund Contingency and \$255,000 is Insurance Reserve, which are not typically used during the year. In addition, historically the City collects more revenues and expends less than the budgeted amounts. This leaves the General Fund fund balance well above the minimum required balance.

Revenue Stabilization Fund

The City's Revenue Stabilization Fund was created as a reserve to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods. The City's reserve policy establishes that the balance of the fund equal 30% of economically sensitive revenues. The fund balance at the end of 2014 was \$5,150,777. The General Fund will not be required to transfer any funds to the Revenue Stabilization Fund until 2020 as the projected fund balance is already sufficient to meet the 30% target. Long range projections indicate that the General Fund will need to transfer approximately \$73,600 - \$113,900 per year between 2020 and 2025.

Property Tax Equalization Fund

The purpose of the Property Tax Equalization Fund is to accumulate and disburse proceeds from the City's maintenance and operations levy over the six year levy period. The City collected property tax revenues in excess of those needed to sustain the operating services in years 2011-2012. Accumulated funds will remain in the fund for use in future years beyond 2016.

Long-Term Financial Assumptions

Staff will continue to monitor revenue and expenditure trends to identify any change in the assumptions for projecting the budget over the next ten years. The following table summarizes the current budget projections and the base assumptions:

	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Net Budget Surplus (Gap)	103,909	1,204,297	1,164,723	753,839	292,450
Assumptions					
Inflation	1.99%	2.28%	2.28%	2.36%	2.26%
Annual Revenue Growth	0.73%	3.65%	2.17%	2.06%	1.75%
Annual Change in Assessed Valuation	12.16%	6.48%	3.74%	3.60%	3.43%
Annual Sales & Use Tax Change	4.51%	4.06%	3.71%	3.64%	3.29%
General Fees & License Increase	1.59%	1.82%	1.83%	1.89%	1.81%
Investment Interest Rate	0.50%	1.63%	2.58%	3.25%	3.50%
Building Permit Activity Change	-4.65%	9.68%	0.47%	-0.11%	-1.79%
Revenue Collection	100.00%	101.00%	101.00%	101.00%	101.00%
Annual Expenditure Growth	1.47%	-0.98%	2.97%	3.31%	3.06%
PERS Employer Contribution Rate	10.20%	11.20%	11.20%	11.59%	11.59%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.79%	3.05%	3.06%	3.13%	3.03%
Police Contract Escalator	1.90%	3.50%	3.50%	3.50%	3.50%
Annual Jail Cost Increases	-22.00%	1.43%	0.31%	0.32%	0.33%
Expenditure Percentage	100.00%	98.00%	98.00%	98.00%	98.00%
New Maintenance Costs for Completed Capital Projects	23,400	170,440	219,166	217,247	217,983
Property Tax Equaliz. Funds Used	0	0	0	0	0

	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Net Budget Surplus (Gap)	(432,585)	(656,122)	(772,046)	(795,115)	(977,097)
Assumptions					
Inflation	2.27%	2.27%	2.28%	2.28%	2.29%
Annual Revenue Growth	1.52%	1.56%	1.49%	1.57%	1.49%
Annual Change in Assessed Valuation	3.86%	3.68%	3.98%	3.90%	3.97%
Annual Sales & Use Tax Change	3.21%	3.24%	3.28%	3.29%	3.33%
General Fees & License Increase	1.81%	1.82%	1.82%	1.83%	1.83%
Investment Interest Rate	3.50%	3.60%	3.60%	3.60%	3.60%
Building Permit Activity Change	-3.70%	-2.29%	-2.25%	-3.24%	-2.59%
Revenue Collection	101.00%	101.00%	101.00%	101.00%	101.00%
Annual Expenditure Growth	3.27%	3.15%	3.38%	3.39%	3.68%
PERS Employer Contribution Rate	11.59%	11.59%	11.59%	11.59%	11.59%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	3.04%	2.84%	2.85%	2.86%	2.86%
Police Contract Escalator	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Jail Cost Increases	0.34%	0.35%	0.36%	0.37%	0.38%
Expenditure Percentage	98.00%	98.00%	98.00%	98.00%	98.00%
New Maintenance Costs for Completed Capital Projects	218,326	230,298	242,269	254,241	266,212
Property Tax Equaliz. Funds Used	0	0	0	0	0

SUMMARY

Based on the most recent financial projections it appears that the fund balance in the General Fund will decrease by approximately \$809,000 in 2014. This is nearly \$1.727 million better than originally expected.

The 2015 proposed budget is currently balanced and reflects a \$144,399 surplus in the General Fund. The City Manager's 2015 Proposed Budget will include one-time funding for items that further the Council's goals. In addition to the one-time supplemental information discussed in the report totaling \$839,354, the 2015 preliminary budget estimates using \$943,594 from fund balance for the contingencies and insurance reserves. Including these items would bring the total use of fund balance to \$1,782,948.

As the City Council is aware, the City tends to budget revenues slightly under actual results, and expenditures slightly above actual results. As a result staff anticipates that actual use of fund balance will ultimately be less than budgeted. In the previous several years, budgets that were set to use fund balance ended the year with actual increases to fund balance. While these results cannot occur indefinitely, staff will continue to work to address projected budget gaps using and updating the model developed in the 10 YFSP.

Staff believes that the proposed 2015-2020 CIP reflects the priorities of the Council, however, there are a number of projects that are considered to be 'underfunded.' In addition other projects, although important, have not been funded in the proposed CIP.

Please remember that the numbers presented in this report are in many cases still based on rough estimates. More details will come in over the next several weeks, refining some of the numbers discussed this evening. Ultimately the City Manager will provide the proposed 2015 budget to the City Council on October 13.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with preliminary 2015 budget information. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this overview.

ATTACHMENTS

Attachment A – Ten Year Forecast

Attachment B – 2015 – 2020 Capital Improvement Plan Program Summary

**OPERATING BUDGET
TEN YEAR FORECAST**

	2015 Proposed	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Beginning Operating Funds Fund Balance	\$ 11,285,216	\$ 10,449,771	\$ 11,654,068	\$ 12,818,791	\$ 13,572,630	\$ 13,865,081
Revenues:						
Taxes						
Property	10,570,659	11,005,496	11,178,585	11,346,700	11,508,708	11,646,675
Sales and Use	8,596,154	8,986,223	9,299,918	9,611,616	9,910,051	10,206,871
Gambling	1,586,625	1,602,491	1,602,491	1,602,491	1,602,491	1,602,491
Utility	4,074,551	4,194,935	4,278,737	4,366,937	4,453,822	4,542,890
Other	7,200	7,272	7,272	7,272	7,272	7,272
Franchise/Utility Contract Payments	4,413,365	4,548,579	4,641,868	4,739,492	4,836,153	4,935,091
Licenses and Permits	1,498,700	1,512,936	1,523,169	1,528,012	1,516,069	1,485,955
Intergovernmental	2,165,614	2,170,434	2,154,208	2,139,489	2,125,320	2,112,246
Charges for Services	1,410,839	1,450,887	1,477,398	1,505,311	1,532,526	1,560,313
Fines and Forfeitures	454,050	458,591	458,591	458,591	458,591	458,591
Interest Income	73,100	198,179	308,051	391,939	414,049	394,260
Miscellaneous Revenues	676,779	688,864	694,299	700,020	705,599	711,295
Total Revenue	35,527,636	36,824,888	37,624,586	38,397,868	39,070,652	39,663,949
Operating Expenditures:						
Salaries & Benefits	13,832,211	14,115,450	14,647,252	15,257,594	15,855,807	16,497,629
Supplies	785,197	741,465	741,465	741,465	741,465	741,465
Services & Charges	6,635,752	5,943,795	6,038,444	6,191,512	6,290,491	6,444,137
Intergovernmental	13,489,871	13,635,122	14,046,157	14,472,254	14,911,530	15,365,895
Interfund	394,530	390,215	393,887	397,769	401,572	405,472
Budgeted Contingency	223,712	189,838	189,838	189,838	189,838	189,838
Capital Outlay	-	-	-	-	-	-
Total Operating Expenditures	35,361,273	35,015,886	36,057,044	37,250,433	38,390,702	39,644,436
Revenue Over (Under) Expenditures	166,363	1,809,002	1,567,543	1,147,436	679,950	19,513
Other Financing Sources (Uses):						
Operating Transfers In	1,266,220	1,537,054	1,542,939	1,650,163	1,656,259	1,662,511
Transfers Out	2,268,028	2,141,759	1,945,759	2,043,759	2,043,759	2,114,609
Gain / (Use) of Operating Funds Fund Balance	(835,445)	1,204,297	1,164,723	753,839	292,450	(432,585)
Ending Operating Funds Fund Balance	\$ 10,449,771	\$ 11,654,068	\$ 12,818,791	\$ 13,572,630	\$ 13,865,081	\$ 13,432,496
Required Operating Funds Fund Balance	\$ 4,139,257	\$ 4,162,185	\$ 4,175,316	\$ 4,185,790	\$ 4,195,904	\$ 4,204,212
Over (Under) Required Operating Funds Fund Balance	\$ 6,310,513	\$ 7,491,883	\$ 8,643,474	\$ 9,386,840	\$ 9,669,176	\$ 9,228,284
Assumptions:						
Inflation		2.28%	2.28%	2.36%	2.26%	2.27%
Annual Revenue Growth		3.65%	2.17%	2.06%	1.75%	1.52%
Annual Regular Levy Assessed Value Change		6.48%	3.74%	3.60%	3.43%	3.86%
Annual Sales & Use Tax Change		4.06%	3.71%	3.64%	3.29%	3.21%
General Fees & Licenses Increases		1.82%	1.83%	1.89%	1.81%	1.81%
Investment Interest Rate		1.63%	2.58%	3.25%	3.50%	3.50%
Building Permit Charge		9.68%	0.47%	-0.11%	-1.79%	-3.70%
Revenue Collection	100.00%	101.00%	101.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate		11.20%	11.20%	11.59%	11.59%	11.59%
Health Benefit Escalator		6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator		3.05%	3.06%	3.13%	3.03%	3.04%
Police Contract Escalator		3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage	100.00%	98.00%	98.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth		-0.98%	2.97%	3.31%	3.06%	3.27%
Contribution to / (Refund From) Revenue Stabilization Fund		\$ -	\$ -	\$ -	\$ -	\$ 72,297
New Maintenance Costs for Completed Capital Projects \$	23,400	\$ 170,440	\$ 219,166	\$ 217,247	\$ 217,983	\$ 218,326
Property Tax Equalization Funds Used		\$ -	\$ -	\$ -	\$ -	\$ -

**OPERATING BUDGET
TEN YEAR FORECAST**

	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Beginning Operating Funds Fund Balance	\$ 13,432,496	\$ 12,343,789	\$ 10,483,037	\$ 7,827,169	\$ 4,194,204
Revenues:					
Taxes					
Property	11,803,457	11,962,910	12,125,551	12,289,182	12,454,315
Sales and Use	10,500,388	10,797,536	11,156,783	11,498,216	11,857,384
Gambling	1,602,491	1,602,491	1,602,491	1,602,491	1,602,491
Utility	4,634,146	4,727,697	4,823,665	4,922,137	5,023,178
Other	7,272	7,272	7,272	7,272	7,272
Franchise/Utility Contract Payments	5,036,306	5,139,892	5,245,958	5,354,580	5,465,807
Licenses and Permits	1,470,527	1,456,110	1,433,439	1,417,426	1,392,810
Intergovernmental	2,100,243	2,089,304	2,079,427	2,070,603	2,062,820
Charges for Services	1,588,661	1,617,597	1,647,154	1,677,350	1,708,196
Fines and Forfeitures	458,591	458,591	458,591	458,591	458,591
Interest Income	361,923	299,723	215,497	110,283	-
Miscellaneous Revenues	717,106	723,037	729,096	735,286	741,609
Total Revenue	40,281,110	40,882,160	41,524,924	42,143,418	42,774,472
Operating Expenditures:					
Salaries & Benefits	17,166,752	17,899,225	18,712,136	19,629,120	20,683,293
Supplies	741,465	741,465	741,465	741,465	741,465
Services & Charges	6,549,461	6,709,589	6,821,727	6,988,966	7,108,411
Intergovernmental	15,835,858	16,321,965	16,824,793	17,344,950	17,883,050
Interfund	409,469	413,567	417,771	422,086	426,513
Budgeted Contingency	189,838	189,838	189,838	189,838	189,838
Capital Outlay	-	-	-	-	-
Total Operating Expenditures	40,892,843	42,275,649	43,707,729	45,316,426	47,032,570
Revenue Over (Under) Expenditures	(611,733)	(1,393,489)	(2,182,805)	(3,173,008)	(4,258,098)
Other Financing Sources (Uses):					
Operating Transfers In	1,668,918	1,675,487	1,682,226	1,689,143	1,696,240
Transfers Out	2,145,891	2,142,750	2,155,289	2,149,100	2,151,520
Gain / (Use) of Operating Funds Fund Balance	(1,088,707)	(1,860,753)	(2,655,868)	(3,632,965)	(4,713,379)
Ending Operating Funds Fund Balance	\$ 12,343,789	\$ 10,483,037	\$ 7,827,169	\$ 4,194,204	\$ (519,175)
Required Operating Funds Fund Balance	\$ 4,211,112	\$ 4,218,627	\$ 4,225,974	\$ 4,234,288	\$ 4,242,259
Over (Under) Required Operating Funds Fund Balance	\$ 8,132,677	\$ 6,264,409	\$ 3,601,195	\$ (40,084)	\$ (4,761,434)
Assumptions:					
Inflation	2.27%	2.28%	2.28%	2.29%	2.30%
Annual Revenue Growth	1.56%	1.49%	1.57%	1.49%	1.50%
Annual Regular Levy Assessed Value Change	3.68%	3.98%	3.90%	3.97%	3.96%
Annual Sales & Use Tax Change	3.24%	3.28%	3.29%	3.33%	3.34%
General Fees & Licenses Increases	1.82%	1.82%	1.83%	1.83%	1.84%
Investment Interest Rate	3.60%	3.60%	3.60%	3.60%	3.60%
Building Permit Charge	-2.29%	-2.25%	-3.24%	-2.59%	-3.70%
Revenue Collection	101.00%	101.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate	11.59%	11.59%	11.59%	11.59%	11.59%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.84%	2.85%	2.86%	2.86%	2.87%
Police Contract Escalator	3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage	98.00%	98.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth	3.15%	3.38%	3.39%	3.68%	3.79%
Contribution to / (Refund From) Revenue Stabilization f	\$ 104,217	\$ 101,012	\$ 113,807	\$ 107,491	\$ 109,961
New Maintenance Costs for Completed Capital Projects	\$ 230,298	\$ 242,269	\$ 254,241	\$ 266,212	\$ 278,184
Property Tax Equalization Funds Used	\$ -	\$ -	\$ -	\$ -	\$ -

City of Shoreline 2015 - 2020 Capital Improvement Plan
PROGRAM SUMMARY

	Proposed 2015	Proposed 2016	Proposed 2017	Proposed 2018	Proposed 2019	Proposed 2020	Total 2015-2020
EXPENDITURES							
Fund							
Project							
General Capital							
Parks Projects							
Ballinger Neighborhood Parks	\$0	\$0	\$0	\$150,000	\$0	\$0	\$150,000
King County, Trails And Open Space Replacement Levy	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$0	\$550,000
Park At Town Center	\$0	\$0	\$0	\$0	\$200,000	\$0	\$200,000
Parks Repair And Replacement	\$206,110	\$216,415	\$227,236	\$238,597	\$250,528	\$263,054	\$1,401,940
Parks, Recreation And Open Space Update	\$0	\$23,000	\$27,000	\$0	\$0	\$0	\$50,000
Regional Trail Signage	\$80,000	\$0	\$0	\$0	\$0	\$0	\$80,000
Saltwater Park Pedestrian Bridge Major Repair	\$264,340	\$0	\$0	\$0	\$0	\$0	\$264,340
Shoreline A/B Turf & Lighting Replacement	\$0	\$1,980,000	\$0	\$0	\$0	\$0	\$1,980,000
Twin Ponds Light Replacement	\$0	\$0	\$0	\$330,000	\$0	\$0	\$330,000
Facilities Projects							
Maintenance Facility	\$0	\$567,912	\$0	\$0	\$0	\$0	\$567,912
Police Station	\$244,000	\$3,707,467	\$0	\$0	\$0	\$0	\$3,951,467
Shoreline Pool Master Planning	\$0	\$0	\$0	\$115,000	\$0	\$0	\$115,000
Shoreline Veteran'S Recognition	\$75,000	\$0	\$0	\$0	\$0	\$0	\$75,000
Non-Project Specific							
General Fund Cost Allocation Overhead Charge	\$23,724	\$0	\$0	\$0	\$0	\$0	\$23,724
General Capital Engineering	\$65,000	\$0	\$0	\$0	\$0	\$0	\$65,000
City Hall Debt Service Payment	\$664,346	\$664,546	\$663,946	\$662,546	\$677,546	\$663,250	\$3,996,180
General Capital Fund Total	\$1,732,520	\$7,269,340	\$1,028,182	\$1,606,143	\$1,238,074	\$926,304	\$13,800,563
City Facilities - Major Maintenance							
General Facilities Projects							
Police Station Long-Term Maintenance	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000
City Hall Long-Term Maintenance	\$40,000	\$24,000	\$0	\$20,000	\$74,019	\$20,000	\$178,019
City Hall Parking Garage Long-Term Maintenance	\$100,000	\$0	\$0	\$0	\$10,000	\$0	\$110,000
Parks Projects							
Shoreline Pool Long-Term Maintenance	\$149,500	\$94,000	\$46,000	\$199,000	\$39,000	\$60,000	\$587,500
Richmond Highlands Community Center Long-Term Maintenance	\$35,000	\$0	\$50,000	\$0	\$0	\$0	\$85,000
Spartan Recreation Center	\$0	\$0	\$19,000	\$0	\$0	\$45,000	\$64,000
City Facilities - Major Maintenance Fund Total	\$334,500	\$118,000	\$115,000	\$219,000	\$123,019	\$125,000	\$1,034,519

City of Shoreline 2015 - 2020 Capital Improvement Plan
PROGRAM SUMMARY

	Proposed 2015	Proposed 2016	Proposed 2017	Proposed 2018	Proposed 2019	Proposed 2020	Total 2015-2020
EXPENDITURES							
Fund							
Project							
Roads Capital Fund							
<i>Pedestrian / Non-Motorized Projects</i>							
Bike System Implementation	\$10,000	\$632,725	\$0	\$0	\$0	\$0	\$642,725
Traffic Safety Improvements	\$132,500	\$155,125	\$157,881	\$160,775	\$163,814	\$167,005	\$937,100
25Th Ave. Ne Sidewalks	\$0	\$60,000	\$510,000	\$25,000	\$0	\$0	\$595,000
Ashworth Ave Sidewalks	\$75,000	\$802,500	\$12,500	\$0	\$0	\$0	\$890,000
Echo Lake Safe Routes To School	\$34,500	\$483,000	\$12,500	\$0	\$0	\$0	\$530,000
Einstein Safe Route To School	\$355,603	\$3,990	\$0	\$0	\$0	\$0	\$359,593
Interurban Trail/Burke-Gilman Connectors	\$465,000	\$0	\$0	\$0	\$0	\$0	\$465,000
N 155Th Sidewalk Repair	\$24,000	\$521,000	\$55,000	\$0	\$0	\$0	\$600,000
Ne 195Th Separated Trail	\$486,612	\$13,604	\$0	\$0	\$0	\$0	\$500,216
<i>System Preservation Projects</i>							
Annual Road Surface Maintenance Program	\$1,092,660	\$2,314,984	\$1,000,000	\$1,100,000	\$1,200,000	\$1,200,000	\$7,907,644
Curb Ramp, Gutter And Sidewalk Maintenance Program	\$152,517	\$152,517	\$152,517	\$152,517	\$200,000	\$200,000	\$1,010,068
Hidden Lake Bridge	\$455,000	\$0	\$0	\$0	\$0	\$0	\$455,000
Traffic Signal Rehabilitation Program	\$105,000	\$110,250	\$115,763	\$121,551	\$127,628	\$134,010	\$714,202
<i>Safety / Operations Projects</i>							
145Th St Corridor Improvements	\$0	\$2,447,977	\$2,447,977	\$0	\$0	\$0	\$4,895,954
Aurora Avenue North 192Nd - 205Th	\$17,000,167	\$648,639	\$5,162	\$0	\$0	\$0	\$17,653,968
Route Development Plan For The 145Th Corridor	\$321,000	\$0	\$0	\$0	\$0	\$0	\$321,000
<i>Non-Project Specific</i>							
General Fund Cost Allocation Overhead Charge	\$56,365	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$306,365
Roads Capital Engineering	\$266,959	\$291,014	\$300,639	\$300,639	\$300,639	\$300,639	\$1,760,529
Roads Capital Fund Total	\$21,032,883	\$8,687,325	\$4,819,939	\$1,910,482	\$2,042,081	\$2,051,654	\$40,544,364

City of Shoreline 2015 - 2020 Capital Improvement Plan
PROGRAM SUMMARY

	Proposed 2015	Proposed 2016	Proposed 2017	Proposed 2018	Proposed 2019	Proposed 2020	Total 2015-2020
EXPENDITURES							
<u>Fund</u>							
<i>Project</i>							
<u>Surface Water Capital</u>							
<i>Basin Planning Projects</i>							
Puget Sound Drainages Basin Plan	\$200,000	\$0	\$0	\$0	\$0	\$0	\$200,000
<i>Flood Protection/Drainage Improvement Projects</i>							
10Th Ave Ne Drainage Improvements	\$0	\$75,000	\$100,000	\$100,000	\$0	\$0	\$275,000
Goheen Revetment Repair	\$200,794	\$17,000	\$11,500	\$6,000	\$6,000	\$6,000	\$247,294
Ne 148Th Infiltration Facilities	\$200,000	\$0	\$0	\$0	\$0	\$0	\$200,000
North Fork Thornton Creek Lid Stormwater Retrofit	\$5,892	\$0	\$0	\$0	\$0	\$0	\$5,892
Stormwater Pipe Replacement Program	\$870,000	\$955,000	\$955,000	\$870,000	\$580,000	\$580,000	\$4,810,000
Surface Water Small Projects	\$150,000	\$150,000	\$150,000	\$150,000	\$100,000	\$100,000	\$800,000
<i>Water Quality</i>							
Surface Water Green Works Projects	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$300,000
<i>Non-Project Specific</i>							
General Fund Cost Allocation Overhead Charge	\$217,083	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$842,083
Surface Water Capital Engineering	\$217,000	\$230,000	\$244,000	\$258,000	\$258,000	\$258,000	\$1,465,000
Public Works Debt Service Payment	\$344,431	\$339,534	\$337,902	\$336,269	\$334,637	\$334,637	\$2,027,410
Maintenance Facility Debt Service	\$141,736	\$141,736	\$141,736	\$141,736	\$0	\$0	\$566,944
Stormwater Pipe Replacement Program - Debt Service	\$182,391	\$182,391	\$364,783	\$364,783	\$364,783	\$364,783	\$1,823,914
Surface Water Capital Fund Total	\$2,779,327	\$2,265,661	\$2,479,921	\$2,401,788	\$1,818,420	\$1,818,420	\$13,563,537
TOTAL EXPENDITURES	\$25,879,230	\$18,340,326	\$8,443,042	\$6,137,413	\$5,221,594	\$4,921,378	\$68,942,983

City of Shoreline 2015 - 2020 Capital Improvement Plan
PROGRAM SUMMARY

	Proposed 2015	Proposed 2016	Proposed 2017	Proposed 2018	Proposed 2019	Proposed 2020	Total 2015-2020
RESOURCES							
<u>Fund</u>							
General Fund Contribution	\$953,398	\$654,347	\$450,257	\$446,299	\$442,587	\$438,989	\$3,385,877
Treasury Seizure Fund Contribution to General Cap Fund	\$244,000	\$2,642,467	\$0	\$0	\$0	\$0	\$2,886,467
City Vacation Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transportation Benefit District	\$793,800	\$1,031,824	\$701,140	\$701,140	\$701,140	\$701,140	\$4,630,184
Real Estate Excise Tax - 1st Quarter Percent	\$922,504	\$947,513	\$983,600	\$1,034,133	\$1,106,153	\$1,175,883	\$6,169,786
Real Estate Excise Tax - 2nd Quarter Percent	\$922,504	\$947,513	\$983,600	\$1,034,133	\$1,106,153	\$1,175,883	\$6,169,786
Soccer Field Rental Contribution	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$1,020,000
Surface Water Fees	\$386,499	\$783,353	\$934,118	\$1,144,771	\$1,314,954	\$1,493,538	\$6,057,232
Investment Interest Income	\$36,558	\$78,643	\$49,253	\$75,859	\$45,042	\$53,367	\$338,722
King County Flood Zone District Opportunity Fund	\$105,805	\$105,805	\$105,805	\$105,805	\$105,805	\$105,805	\$634,830
Utility Reimbursements	\$3,070,638	\$0	\$0	\$0	\$0	\$0	\$3,070,638
Private Donations	\$75,000	\$0	\$0	\$0	\$200,000	\$0	\$275,000
Grants - Awarded	\$13,543,928	\$4,198,583	\$2,121,765	\$0	\$0	\$0	\$19,864,276
<u>Future Grants</u>	\$131,500	\$2,137,500	\$70,000	\$175,000	\$0	\$0	\$2,514,000
<u>Future Financing</u>	\$2,000,000	\$1,065,000	\$2,000,000	\$0	\$0	\$0	\$5,065,000
King County Voter Approved Trail Funding	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$0	\$550,000
Use of Accumulated Fund Balance	\$2,413,096	\$3,467,778	(\$236,496)	\$1,140,273	(\$80,239)	(\$393,227)	\$6,311,185
TOTAL RESOURCES	\$25,879,230	\$18,340,326	\$8,443,042	\$6,137,413	\$5,221,594	\$4,921,378	\$68,942,983