

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Preliminary 2016 Budget		
DEPARTMENT:	Administrative Services		
PRESENTED BY:	Sara Lane, 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 2016 preliminary budget and related long-term financial projections. The City Manager will present the proposed budget to the City Council on October 12, with adoption scheduled for November 23, 2015. At this time the 2016 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.

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 2016 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 2016 budget information. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this review.

Approved By: City Manager **DT**

City Attorney **MK**

INTRODUCTION

Staff is preparing the City Manager's 2016 Proposed Budget and updating long-term financial projections as part of the budget process. Tonight's discussion will provide an opportunity for staff to share the latest financial projections, and introduce some of the major policy issues that will be discussed during the 2016 budget process. The 2016 budget adoption schedule is, as follows:

<u>Topic</u>	<u>Meeting Date</u>
Discussion of Preliminary 2016 Budget	September 21
Transmittal of Proposed 2016 Budget	October 12
Department Budget Reviews	October 19
Continued Department & CIP Reviews	October 26
Public Hearing on 2016 Budget & CIP	November 2
Public Hearing on Revenue Sources & 2016 Property Tax Levy	November 9
Adoption of 2016 Property Tax Levy	November 23
Adoption of 2016 Budget	November 23

BACKGROUND

2015 Operating Budget

Projected 2015 General Fund Savings

Staff estimates that 2015 projected ending fund balance will be \$1.036 million greater than projected. This is a result of higher-than-anticipated revenue collections (\$303,000) and lower-than-anticipated expenditures (\$733,000) as discussed below, including no anticipated need to use any funds from the operational contingency or insurance reserve.

It is projected that 2015 revenues of \$35.951 million will exceed the current budgeted revenues by \$303,000. One of the most significant revenue increases will come from sales tax (\$233,000, or 3.2%) with increases forecasted in the retail trade sector (\$143,000, or 3.1%), the construction sector (\$27,000, or 3.1%), and all other sectors (\$63,000, or 3.5%). Other revenues that are anticipated to increase from the current budget are from development revenue (\$214,000) 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 (\$45,000).

Staff will be bringing a budget amendment to Council in November 2015 to appropriate for increased costs in jail (discussed later), allow for purchase of the Molver Property approved previously by Council, and correct an error in the carryover ordinance related to the Annual Road Surface Maintenance Program. With these amendments staff projects that 2015 expenditures of \$38.169 million will be below budgeted appropriations at year end by \$733,000. This is the result of salary and benefit savings due to vacancies and various savings across several departments along with the operational contingency and insurance reserve tempered by the higher than anticipated Jail costs.

Staff projects that the General Fund will end 2015 with \$9.646 million of fund balance, which will be well above the minimum required balance of \$3.944 million.

2015 Budget Savings Recommendation

As will be discussed later in this report, the 2016 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 2015 will be used to fund supplemental requests in 2016 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 2016 budget will continue to be in compliance with the City's financial and reserve policies with projected ending General Fund reserves \$1.673 million in excess of requirements.

2016 Budget

At this time the City Manager's 2016 Proposed Budget is balanced in all funds. The City Manager will be recommending new expenditures that will support the accomplishment of Council goals and priorities.

Personnel

Overall the 2016 budget proposes to add 4.00 regular full-time equivalent (FTE) positions and 1.00 FTE term-limited position to the City's personnel complement. Three of these positions have revenue offsets or expenditure reductions that eliminate or minimize the impact to the General Fund, as follows:

Positions with Revenue or Expenditure Reduction Offsets:

- *Add 1.00 FTE Administrative Assistant 1 (\$43,161) at the Spartan Recreation Center.* Current staffing models at the Spartan Recreation Center require extra help staff to work alone, unsupervised during evening and weekend hours. During these times they are solely responsible for the operation and security of the building and its patrons, as well as meeting all customer service needs. Duties currently performed by this extra help position are commensurate with those performed by an Administrative Assistant 1. Adding an Administrative Assistant 1 to the staffing structure will allow for two staff to be onsite during all business hours, direct supervision of extra help staff, and qualified assistance with an ever-increasing workload. A reduction in Extra Help expense and an offsetting increase in revenue is proposed in order to keep pace with increased cost of services and maintain the current level of cost recovery. This position is budgeted in 2016 with a July 1 start date. The full annual cost will be approximately \$51,000.

- *Add 1.00 FTE Capital Projects Manager 2* (\$128,885) that will support delivery of the transportation projects specifically focused focus on managing the design and construction related to major road corridor projects In 2016 this position will be primarily focused on the 145th Street and 185th Street Corridors. In future years the 145th project will move from development of improvement concepts in the 145th Corridor Study to the design, environmental review, right-of-way acquisition and construction phases of the project. This replaces a Capital Projects Manager position that was not refilled in 2013 that had been responsible for the Aurora Project. In the interim the Aurora project had a contracted Capital Project Manager through 2015. This position is fully charged to the CIP and anticipated to be significantly supported by grant funding.
- *Add 1.00 FTE Administrative Assistant 2* (\$57,220) that is intended to provide support to all divisions within the Public Works Department – Utilities and Operations, Engineering, and Transportation Planning. This position is budgeted in 2016 with an April 1 start date. The full annual cost will be approximately \$71,000 and is supported by General, Surface Water Utility, CIP, and Street funds. The position is partially supported by a reduction in Extra Help. The net impact to the general fund is \$28,060.

Other Positions

- *Add 1.00 FTE Technical Assistant* (\$58,312) that will assist with Permit Services activities including permit intake, permit issuance, code enforcement administrative support, responding to customer inquiries, and front desk support assisting an estimated 5,000 walk-in customers annually. The number of permits has increased by 46% since 2012 when staffing was reduced due to reduced permit volumes. Staff is anticipating increased workload for Permit Services as the economy continues to recover, recent plans for redevelopment are implemented, and permitting for the Lynnwood Link Light Rail project starts in 2016 and continues through 2018. This additional resource will maintain, and in some cases improve, the existing level of time sensitive customer service. This position is budgeted in 2016 with an April 1 start date. The full annual cost will be approximately \$72,000.
- *Add 1.00 FTE IT Project Manager* (Term Limited for 3 years, \$135,917) that will manage the projects outlined in the City of Shoreline Strategic Technology Plan. These include the replacement of the City's permit and customer service system, as well as the assessment and upgrade or replacement of the City's financial system. While a consultant will be engaged to implement the software, this position will serve as a project manager to ensure that internal staff are appropriately engaged and to ensure that the contractor is delivering quality work that is on time and on budget. This request is for a term of 3 years in order to encompass post implementation support for the upgraded/new financial system; system integration of the financial, permit, asset management, and recreation systems; and, the completion of the technical assumption of Ronald Wastewater.

These additions to the City's personnel compliment would restore City staffing 2008 levels as shown in the *City of Shoreline Regular FTE Summary* chart below.

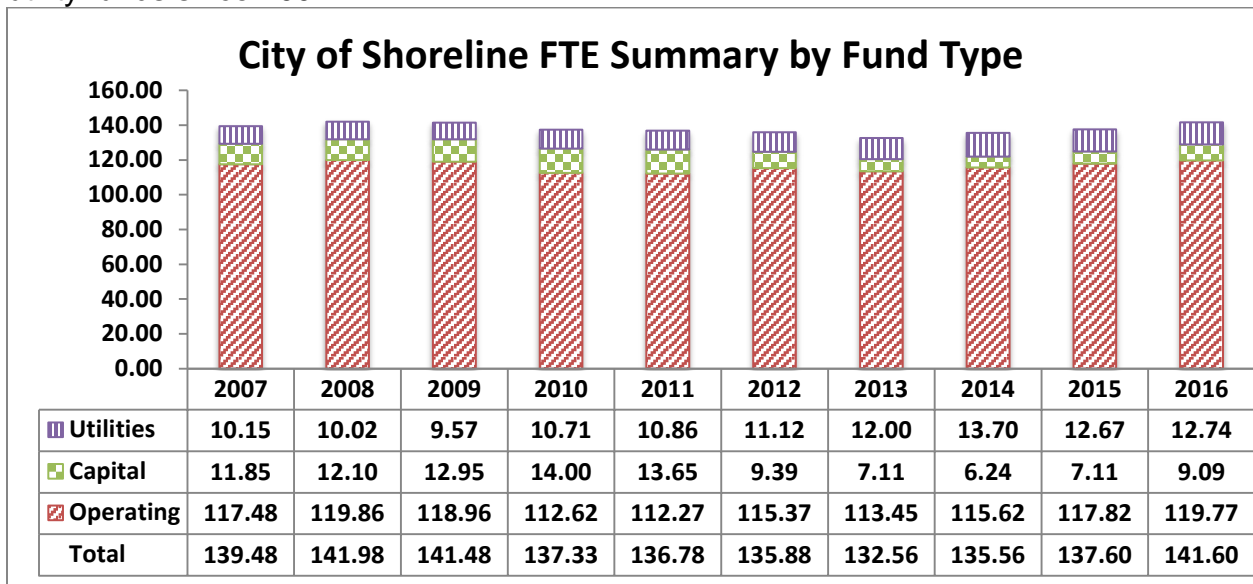
City of Shoreline Regular FTE Summary

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016
										Prop.	Changes
City Manager	10.48	9.50	9.50	9.50	8.75	8.75	13.00	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	0.00
Community Services ^a	7.80	9.68	9.68	8.68	8.68	10.18	8.68	8.68	8.68	8.68	0.00
City Attorney	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Administrative Services ^b	18.10	18.10	18.20	18.50	18.70	21.20	21.20	21.20	21.45	21.45	0.00
Human Resources	3.00	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	0.00
Planning & Community Development	28.50	28.50	27.00	24.35	24.35	20.45	20.00	20.00	21.00	22.00	1.00
Parks, Recreation & Cultural Services	26.80	27.30	27.30	27.30	27.30	27.80	27.68	28.68	29.48	30.48	1.00
Public Works	37.00	38.10	39.00	39.00	39.00	41.50	36.00	38.00	38.00	40.00	2.00
Total FTE	139.48	141.98	141.48	137.33	136.78	135.88	132.56	135.56	137.60	141.60	4.00

a. Includes 0.50 FTE funded by the Emergency Management Program Grant since 2008

b. Excludes term-limited 1.00 FTE IT Projects Manager in 2016

The following chart exhibits the changes in staffing levels for operating, capital, and utility funds since 2007:



Salary and Benefit Considerations

- Classification and Compensation Study.** Staff is continuing to conduct the Classification and Compensation Study. At this time the Consultant is collecting market information, finalizing job descriptions, and conducting its compensation analysis. There may be recommendations for salary changes resulting from this study included in the City Manager's 2016 Proposed Budget. These changes, if any, will be discussed with the Council this fall during budget deliberations.
- 2016 Market Adjustment - Cost of Living Adjustment (COLA):** The City's practice has been to use 90% of the June-to-June percentage change of the Seattle/Tacoma/Everett June Consumer Price Index-All Urban Consumer (CPI-U) to determine the annual market adjustment. The 2016 City Manager

Proposed Budget will include a recommended 1.45% COLA based on 90% of the June-to-June change in the CPI-U of 1.61%.

- *Health Benefits:* 2016 health insurance premiums will be finalized in September by the Association of Washington Cities (AWC). At this time, AWC is projecting a 5% to 10% increase in medical premiums and a 5% increase for dental premiums. Based on the City's current benefit policy this is projected to result in an overall increase in benefit costs of 9.7%.
- *Human Services Community Diversity Coordinator (0.50 FTE):* The Consultant working on the Classification and Compensation Study has also been asked to include a change for the vacant Human Services Sr. Planner position to refocus the position from a planning emphasis to more active community outreach and engagement focused on underserved and under-represented populations in Shoreline. The position is proposed to be re-titled as a Community Diversity Coordinator. This change will implement strategies contained in the 2009 Human Services Strategy responding to the greater diversity in the community.

The Community Diversity Coordinator's work will be to establish effective two-way communication with members of demographically diverse cultures and ethnicities and to engage these groups more actively in the life of the City. This will occur through active outreach, City sponsored activities, City programming, and City decision-making processes. The position will support citywide efforts to promote civic engagement, facilitate community collaboration and partnerships, and support citywide efforts to provide culturally competent community programs and services. The Human Services Planner position has remained vacant throughout 2015.

- *Emergency Management Administrative Assistant 2 (\$5,529):* In 2012, the State began implementing a new model for distribution of federal EMPG funds. Though there was no reduction in Federal aid to the State funding the new population based model will distribute funds more broadly among the cities and counties across the state. The result is a reduction in State revenues to Shoreline and many other King County cities with established emergency management programs. This request replaces Emergency Management Program Grant (EMPG) funding with General Fund support.

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 2016 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:

- *Election Costs for Levy Lid Lift* (Council Goal 1, \$60,000) to provide funding for election costs related to placing a potential property tax levy lid lift proposition on the November 2016 ballot.
- *Support Services for Potential Levy Lid Lift* (Council Goal 1, \$40,000) to provide support and professional services for the potential levy lid lift. Support would potentially include community polling effort and communications development.
- *Promoting Shoreline* (Council Goal 1, \$40,000) to provide funding that will pay for advertising and events that promote the city and will be overseen by the Office of Economic Development.
- *B&O Tax Evaluation* (Council Goal 1, \$20,000) to fund consulting services to help evaluate the potential for a Business & Occupation Tax including assistance with stakeholder outreach. As part of the 10 Year Financial Sustainability Plan Council directed staff to study the potential for imposing a B&O tax in the City of Shoreline.
- *Draft Vegetation Management Plan Regulations for Critical Areas* (Council Goal 2, \$48,327) to hire a consultant to draft Development Code provisions to allow the City to permit the use of vegetation management plans for ongoing management and maintenance of large tracts of public and private open space and recreational areas within critical areas. Vegetation management plans are comprehensive and address the property owner's long-term goals and strategic plans for the areas in relation to the City's requirements for critical areas and other development regulations.
- *Advance the City's Sustainability Initiatives* (Council Goal 2, \$65,000) to support the direction to be provided by Council at the October 12th meeting regarding environmental strategies. Next steps that could emerge include a range from updating the 2008 Sustainability Strategy to select implementation of the Climate Action Plan. Items that may be considered for implementation could include: initiating a Solarize Shoreline program; adopting a Living Building Ordinance or Petal Recognition Program for buildings; enhancing the city's solid waste contract; and/or advancing district energy/combined heat and power concepts.
- *Park Impact Fees Development Support* (Council Goal 3, \$20,000) for professional services to support in developing a Park Impact Fee proposal. The development of a Parks Impact Fee is an important implementation step for expected increased growth and density in the station areas and around Shoreline. This work will coincide with the development of the Parks, Recreation and Open Space (PROS) Plan update. Work on the PROS Plan and development of an impact fee proposal will start in mid-2016 and be completed by mid-2017

- *Establish Procedures for Administering an Affordable Housing Program* (Council Goal 3, \$35,000) to fund a consultant to advise the City as to what options are available to implement an affordable housing program that align with Council direction. The City expects to see required and voluntary affordable housing units constructed in response to recent Council actions. In anticipation of this, the City needs to determine how to implement and staff the affordable housing program. The consult would draft all of the necessary procedures to implement the City's affordable housing program.
- *Asset Inventory for Parks, Recreation, Cultural Services* (Council Goal 3, \$50,000). The City maintains and operates 413 acres of park land which include a variety of assets including a number of utilities (water, sewer, gas and electric), shelters, restrooms, benches, irrigation systems, trails, roadways, parking lots, athletic field lights, back stops, benches, drinking fountains, public art, and more. Creating a complete inventory of these assets is the first step toward integrating Parks into the Cityworks asset management system. This will allow Parks staff to track and manage maintenance activities throughout the park system.

In addition, this asset inventory provides an efficient method to gather basic information to update the PROS Plan. The 2011 PROS Plan development process required significant staff resources to visit every park and conduct a rudimentary inventory. That can be avoided in 2016 if the inventory is completed as proposed.

- *Celebrate Shoreline - Annual Concert* (Council Goal 1, \$15,000). The Celebrate Shoreline festival is the culminating event in a month of celebration activities. To celebrate the City's 20th birthday this year a major headliner band has been booked to support the City's place making efforts and attract a younger audience. To continue this energy into the future, a compelling concert experience should become a permanent addition to the Celebrate Shoreline lineup.

On-Going Programs:

- *Shoreline Farmers Market* (Council Goal 1, \$19,700) to increase funding for the City's contract with the Shoreline Farmers Market Association (SFMA). A \$19,700 annual increase from \$5,300 to \$25,000 to primarily assist with the funding of a Market manager.
- *Nurturing Trust Workshops* (Council Goal 4, \$7,500) to build a relationship between the City, Shoreline Police and the community. The workshops focus on diverse community members, often single parents who can benefit from topics geared towards parents; parental discipline, domestic violence, bullying, narcotics and leadership. The workshops are taught by police staff and provide direct interaction between police and the community in a positive environment.
- *Operational support for Community Diversity Coordinator* (Council Goal 4, \$9,000) to provide program support to the Community Diversity Coordinator (as

discussed above). The costs are offset by shifts from \$5,000 from Human Services general professional services.

Maintenance of City Assets and Operational Efficiencies

One-Time Funding Requests:

- *Public Disclosure Extra Help* (\$22,545) to provide extra help for 16 hours per week to work on processing public disclosure requests. The extra help will improve the City's response time on requests and will free more of the City Clerk's time to work on other essential duties that need attention.
- *Microfilming of Payroll Records* (\$17,000) to provide professional services in order to microfilm payroll records. Payroll records are required to be archived and retained for sixty years. The state also requires that the records be microfilmed to extend their useful life. At this time there are approximately six years of payroll records that need to be microfilmed.
- *ADA Transition Plan* (\$25,000 professional services) & *One-time shift of Capital Project Manager Salary & Benefits from CIP to General Fund* (\$28,830) to continue the ADA Transition Plan for Section 504 and ADA compliance that was started in 2015. This was anticipated to be a two year process, and only 2015 funding was included in the 2015 Budget. The 2016 costs include professional services funding and a one-time reallocation of 20% of a Capital Project Manager from capital to operating budget in order to manage and oversee the project.
- *Consultant Services* (\$50,000) to provide funds for consultant services to support a number of complex projects and emerging issues that Public Work's staff will work on over the next several years. This request would help address Council directed items such as the 0.9 volume to capacity level of service for collector arterials.

On-Going Programs:

- *Aurora Banners* (\$29,808; Public Arts Fund) to replace damaged banners, create new banners, and install/remove banners along Aurora Ave N.. The initial cost includes installing brackets on poles that currently aren't equipped for banners. After 2016, the annual cost decreases to \$13,509.

Technology Investments

One-Time Funding Requests:

- *SharePoint Phase II* (\$20,000) for the continuation of the leveraging of the City's new SharePoint environment. This part of the project will involve the configuration of the SharePoint Records Center to explore the capabilities of SharePoint to assist the City in managing their electronic records in compliance with State retention schedules.
- *GIS Extra Help* (\$50,018) to maintain accurate asset inventory and support for maps and other demographic information required to support key City initiatives, augmentation of the City's existing GIS staffing is needed. While this is an ongoing body of work, the resources that will be transitioned to the City as a

result of the Ronald Wastewater District assumption must be evaluated to determine if this need will be met by Ronald staff.

- *LiDAR (Light Detection and Ranging) Acquisition Project* (\$15,000) to complete an up to date and accurate elevation model of the land surface, is a response to the Oso Landslide. LiDAR provides a practical, economical and proven method to detect potential landslides in unstable geologic areas with steep slopes, including our coastal bluffs. It also has many other uses. This data will help us with several core business processes, and at a very low cost, including the 3D modeling of the urban landscape, flood modeling, tree canopy analysis, and infrastructure mapping.

The LiDar data can then be analyzed by a geotechnical engineer with expertise in geohazards to determine the presence of prior slide activity. This level of analysis will provide property owners and planners with valuable information to protect life, property and the environment.

- *Two Mobile Devices for Cityworks Field Inspections* (\$1,314): The Cityworks product provides for remote access to the software to update service requests and work orders. There is an additional ongoing cost of \$960 (\$480 per tablet) for annual data plans for the devices.
- *IT Extra Help* (\$38,558): The IT staff was reduced by 17% in 2013, affecting the help desk and desktop support of City staff. There is now currently only one staff member supporting these functions. City staff was not well served at this level, and some requests that affected staff ability to perform their job functions took days and even weeks to resolve. The allocated resources to support extra help in 2015. The addition of this individual reduced resolution time by over 50%, with many positive comments from City staff. This funding continues this support while the long-term ability to support an ongoing 0.5 FTE is evaluated.
- *Financial System Assessment* (\$75,000): Develop requirements for an upgraded or replaced financial system that will incorporate the needs of Ronald Wastewater District (including the ability to support utility billing). The current version of the City's financial system (IFAS) is at end-of-life and the new system (One Solution) does not support utility billing. The replacement or upgrade of the City's financial system is included in the City of Shoreline Strategic Technology Plan, and funding in the Strategic Technology Plan (STP) is estimated at \$525K. Because the cost variance is significant depending on the selected product, the actual budget for the system replacement or upgrade will be developed following the RFP process based on the system selected. It is anticipated that a new financial system will take 18 months to implement. If the best decision for the City is to replace the current financial system, it will be necessary to request mid-year supplemental funding to begin implementation in 2016.
- *Computerized Permit and Customer Service System Replacement* (\$500,000): The current Computerized Permit and Customer Service system no longer meets the City's requirements. In an effort to incorporate greater functionality (such as

on-line permit submission), the City funded an assessment and RFP process to select a replacement. A short list of vendors has been identified, and demonstrations of these vendor products will be conducted in September. This project is in the City of Shoreline Strategic Technology Plan, and for planning purposes, is combined with the Customer Service component (also in the City's STP). The ongoing cost, after the first year, is estimated to be \$75,000 total, which is offset by the current system's maintenance cost of \$50,285 for a net increase of \$24,715.

On-Going Programs:

- *City Website and Social Media Capture and Archival* (\$7,000) to capture the City's website historical content. The City uses Vision Internet for the hosting of Shorelinewa.gov. Vision Internet allowed the City to participate in a pilot program to test the vendor's software to capture the historic content of the City's website to satisfy the state's requirements in the area of public disclosure. Vision Internet has discontinued this service as of May 2015. The City must procure another vendor to provide that service in order to comply with state law concerning website archival. The City also needs to capture the content of all of the City's social media accounts.

Budget Neutral Ongoing Requests

- *Urban Forestry Strategic Plan Implementation: Increase Tree Maintenance* (Goal 2, \$35,000): To provide ongoing resources to continue implementation of the Council adopted Urban Forest Strategic Plan. This proposal increases PRCS' ability to respond to citizen request for tree maintenance and begins a routine tree maintenance program. Expanded funding for tree maintenance is achieved by a reduction to the parks operations budget for irrigation by \$35,000 for a net zero budget impact.
- *Camp Shoreline Expansion - Outdoor Hamlin Park Site* (\$15,561): Camp Shoreline is the summer camp offered by the City. Enrollment has grown significantly over the past 5 years resulting in consistent wait lists for kids wanting to get in. This proposal would expand capacity at Camp Shoreline to meet the ongoing demand. This request has a revenue offset of \$17,850.
- *Street Operations Extra Help* (\$17,500): For an extra help position to support Street Operations for 5 months (May through September). The warm weather months are Street Operations busiest time of the year. Staff is performing asphalt patching, crack sealing, sidewalk repairs, and vegetation management activities throughout the City. The proposed Extra Help staff would be used for flagging, vegetation management, and general labor tasks in order to free up full time staff to concentrate on street repairs. The increase in extra help is offset by a decrease in intergovernmental professional services of \$17,500.

2016 One-Time Capital Improvement Plan General Fund Support

In June, staff proposed utilizing \$3.0 million in General Fund contributions to support a variety of projects that would be difficult to fund within the various capital funds. The 2016-2021 CIP utilizes these funds for the following projects:

- *General Capital Fund:*
 - *Police Station at City Hall* (\$1.0 million)
- *City Facilities / Major Maintenance Fund:*
 - *Shoreline Pool Long-Term Maintenance* (\$0.6 million)
- *Roads Capital Fund:*
 - *185 Street Corridor Study* (\$0.6 million)
 - *Design of Westminster Way and N 155th Street Improvements* (\$0.3 million)
 - *Grant Match* (\$0.2 million)

Surface Water Utility

One-Time Funding Requests:

- *Upgrade to Scheduled Vehicle Replacement* (\$13,239) of a two wheel drive (2WD) pickup truck to include four wheel drive (4WD). By upgrading the existing 2WD Chevy Silverado Pickup to a 4WD which matches an existing vehicle used by Surface Water Utility, staff will be able to provide a variety of stormwater infrastructure maintenance and improvement services and comply with the Phase II NPDES Permit. This new proposed vehicle is better suited for the work performed by the Utility. The upgrade results in a net increase of \$491 in ongoing expenses for operation & maintenance and replacement charges.

2016 Operating Budget Revenues

The proposed 2016 budget currently projects a surplus of \$30,870, which staff has budgeted as a contingency against any unforeseen changes that may occur prior to the presentation of the budget to Council on October 12.

2016 Property Tax Levy

The King County Assessor's Office has not yet released preliminary assessed valuation (AV) for the City, but staff is estimating an increase of 7.0% 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 1.61%. With the inclusion of new construction AV estimated at \$44.9 million, the resulting estimated 2016 property tax levy would be \$10,860,481 while the projected levy rate would decline from the current \$1.46803 to an estimated \$1.40269 per \$1,000 of assessed valuation. The preliminary estimate for City property taxes that will be collected in 2016 totals \$10,860,481, assumes a 100% collection rate, and is \$289,822, or 2.7%, greater than the projected 2015 tax collections.

2016 General Fund Operating Revenues

- *Sales Tax Revenue:* The proposed 2016 budget includes projected sales tax revenues of \$7.748 million. This is an increase over the 2015 budget by \$428,000, or 5.8%, and over the 2015 revised projection by \$195,000, or 2.6%.

- *Criminal Justice Sales Tax Revenue:* Projected revenue of \$1.404 million is a \$128,000, or 10.0%, increase as compared to the 2015 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 \$11,100, or 0.1%, over the 2015 budget. Projected revenues in this category are based upon recent collection experience and approved rate increases.
- *Gambling Taxes:* For 2016, staff projects that gambling taxes from card room activity will remain steady at the projected 2015 level of \$1.475 million and taxes from pull-tab activity will increase by \$800, or 0.7%. The 2015 revised projection totals \$1.597 million. The 2016 budget totals \$1.587 million because it is uncertain if pull-tab activity will continue at the Drift on Inn.
- *Development Revenue:* Revenues are expected to increase over the 2015 budget by \$134,000, or 10.2%. The majority of this increase is occurring in building permit fees, which are projected to increase by \$144,000, or 37.8%. Other development revenue is projected to decrease by \$9,750, or 1.1%.
- *Liquor Excise Tax:* When the 2015 budget was developed, it was assumed that the legislature would take action to continue with the reduced share of revenues collected and deposited into the liquor excise tax fund for distribution to counties, cities, and towns from 35% to 17.5%, which gave the state general fund an 82.5% share for the 2015-2017 biennium. The 2015-2017 state budget (ESSB 6052), passed by the 2015 legislature has returned the percentage distribution to the pre-2013 state budget provisions which means that 35% of revenues are to be deposited in the liquor excise tax fund to be distributed to counties, cities, and towns. Staff projects, based on the most recent per capita estimates, that the City will receive \$149,000 in 2015, an increase of \$46,000 over the 2015 budget, and \$241,000 in 2016, which is an increase of \$138,000, or 134.1%, over the 2015 budget.

Fee Schedules

- *Fee Schedules:* The majority of the fee schedules to be included in the 2016 budget have increased from the 2015 level by 1.45%, which is 90% of the June-to-June percentage change of the Seattle/Tacoma/Everett June Consumer Price Index-All Urban Consumer (CPI-U) of 1.61%.
- *Transportation Impact Fees:* When adopted in November 2014, the Ordinance included an escalator for transportation impact fees using the Washington State Department of Transportation's Construction Cost Index (WSDOT CCI). The current WSDOT CCI has the fees increasing by 34.98% from \$6,124.77 per trip to \$8,267.18 per trip.

Staff reviewed the codes of 14 jurisdictions (primarily the new comparable cities) to identify the index or mechanism used to raise traffic impact fees. The following summarizes the key methods identified in those codes:

- Six jurisdictions did not identify an index and either were silent on raising fees or it they were adjusted by Council on a periodic schedule
- Five jurisdictions use WSDOT CCI – but some use a 5 or 2 year average
- Two use Engineering-News Record CCI (ENR CCI)
- One uses CPI

In addition to the review of other jurisdictions, the ENR and WSDOT indices were reviewed more closely and most specifically the impact of using an average to help smooth out peaks and valleys.

ENR does have a Seattle-based Construction Cost Index (CCI) so the numbers are regional versus national. The types of projects have more variation but they do have a separate Building Cost Index, so the CCI projects tend to have more heavy civil projects and are not limited to transportation projects. ENR's CCI also includes a monthly index which would allow the City to use a June Index similar to the policy of using the June CPI-U to determine the COLA.

WSDOT is based entirely on WSDOT projects and unit bid items on select/key materials used in transportation construction. It is a well utilized index that is easily accessible. WSDOT seems to have more fluctuations up and down which may be a result of the limited number of materials used and the volatility of the market on those items. Using an average does take out or soften the peaks and valleys.

Alternatives:

1. Use WSDOT CCI but use a three year average: Both three and five year averages soften the peaks and valleys better than a two-year average, but a five-year average creates a longer delay in reflecting the market. Since the City adopts fees in November the WSDOT CCI available is already 11 months old, the TIF fees will still be lagging the market by approximately a year.
2. Use ENR CCI based on June of each year – the peaks and valleys are far less significant therefore an average doesn't seem to be needed or necessary. Using the June index, reduces the lag between the market and implementation of new fees

Based on these two alternatives the fee increase for 2016 would be the following:

WSDOT CCI three-year average: 11.1%

ENR CCI June 2015: 2.3%

The following table provides a comparison of the two alternatives since 2006:

Year	1 yr		3 yr avg		5 yr avg	
	WSDOT	ENR	WSDOT	ENR	WSDOT	ENR
2006	29.5%	3.0%	16.9%		13.0%	
2007	0.9%	2.0%	10.5%		10.6%	
2008	4.8%	0.7%	10.3%		10.1%	
2009	-7.5%	-0.2%	-0.7%	1.9%	5.1%	
2010	4.0%	0.2%	0.3%	0.8%	5.1%	1.1%
2011	5.6%	0.8%	0.6%	0.2%	1.5%	0.7%
2012	5.3%	3.6%	5.0%	0.3%	2.4%	1.0%
2013	-5.8%	8.3%	1.5%	1.6%	0.2%	2.6%
2014	35.0%	3.4%	11.1%	4.3%	8.7%	3.3%
2015 ¹		2.3%		5.1%		3.7%

¹ ENR utilizes date through June therefore 2015 is available

At this time, Staff recommends using the three-year average WSDOT CCI to adjust the Transportation Impact Fees.

2016 Major Contracted Programs

- *Jail Activity:* Projections for the 2016 budget, along with future forecasts, are based on activity trends over the last couple of years, 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. Staff is currently exploring housing sentenced inmates at Yakima County Jail while continuing the current contract with SCORE as the City's primary booking.

In 2015, projected jail housing days and costs are estimated to be higher than the activity level originally budgeted of 15,150 housing days, as follows:

Facility	Activity	%	Cost	%
King County Housing	932	4.9%	\$136,685	7.0%
King County Work Release	1,500	7.9%	\$153,615	7.9%
SCORE Guaranteed	16,568	87.2%	\$1,657,742	85.1%
Total Jail Services	19,000	100.0%	\$1,948,042	100.0%

Staff is currently working with SCORE and Yakima County Jail to explore moving most of the City's sentenced inmates to Yakima County Jail from SCORE. In 2016, SCORE's daily rate will increase to \$105 from the 2015 rate of \$97. Comparatively, the 2015 daily rate at Yakima County Jail for the potential number of inmates that the City may expect to house is \$54.75 – nearly half SCORE's daily rate. Because of potential administrative and logistic difficulties, the City is not pursuing housing inmates that are in pre-disposition status. Organizing and transporting inmates for court hearings and meetings with legal representation,

typically those held in pre-disposition, is expected to be burdensome. Further, financial savings may be had by only housing sentenced inmates at Yakima. Sentenced inmates often do not have the need for transportation of meetings with legal representation.

To ensure that housing sentenced inmates at Yakima County Jail has a positive net impact on the City's budget, the number of guaranteed beds for which the City is billed (regardless if they are used or not) in the existing contract would have to be reduced. Assuming staff will be successful in renegotiating the number of guaranteed beds with SCORE and executing a contract with Yakima in the fall of 2015, projected jail housing days and costs in 2016 are estimated as follows:

Facility	Activity	%	Cost	%
King County Housing	1,225	6.1%	\$186,188	10.8%
King County Work Release	1,500	7.4%	\$159,150	9.2%
SCORE	8,395	41.5%	\$881,475	51.1%
Yakima	9,125	45.1%	\$499,594	28.9%
Total Jail Services	20,245	100.0%	\$1,726,407	100.0%

While the use of jail services from SCORE will be maximized by housing 93% of inmates being held pre-disposition that are not eligible for work release, the overall projected cost, including housing, medical, booking, etc. of approximately \$1.87 million for 2016 will still result in an increase of 17.0% from the 2015 adopted budget.

Staff anticipates bringing jail contract options to Council later this fall.

- *Police Contract:* Negotiations for the King County Sheriff's Office (KCSO) guild contract were completed this year and resulted in a 2.0% COLA for 2016. Staff projects that the 2016 police services contract will total \$11.32 million, which is 3.3% more than the 2015 police contract. This contract represents 26.0% of the City's operating budget. The first detailed estimate will be provided by KCSO in late September or early October. For future years (2017 onward), staff has assumed an annual escalator of 3.5%.

2016 – 2021 Capital Improvement Plan (CIP)

Council had a discussion of the 2016-2021 CIP on August 17th, 2015.

A link to the staff report can be found here:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2015/staffreport081715-9a.pdf>

2016 – 2025 Long-Term Projections

Council reviewed and accepted the Ten Year Financial Sustainability Plan on June 16, 2014. The Ten Year Financial Sustainability Model has since been utilized in presenting the long-term financial projections for the 2015 proposed budget in October 2014 and amendments to the 2015 budget in April 2015. In staff's opinion, the model is having the

effect on budget planning that was desired by the Council as the Administrative Services Department is monitoring the City's progress in relation to the Financial Sustainability Model. Below is a comparison of the surplus/(gap) for each year of the 10-year period of 2016 through 2025 presented in the September 2015 forecast as compared to the forecast presented to Council in April 2015 with amendments to the 2015 budget:

Projected Surplus / (Gap)	2016 Proposed	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
April 2015	654,164	656,558	270,698	(186,362)	(613,110)
Sept. 2015	0	610,405	96,198	(528,722)	(618,438)
Change	(654,164)	(46,153)	(174,500)	(342,360)	(5,328)

Projection	2021 Forecast	2022 Proposed	2023 Forecast	2024 Forecast	2025 Forecast
April 2015	(627,922)	(659,457)	(653,943)	(794,167)	(705,635)
Sept. 2015	(554,014)	(601,753)	(546,528)	(599,213)	(610,860)
Change	73,908	57,704	107,415	194,954	94,775

The difference between the two forecasts can be attributed to the following factors:

- An ongoing increase of \$50,000 in the transfer to the Facilities-Major Maintenance Fund.
- Property tax collections are projected to be slightly higher due to higher-than-expected inflation.
- Taxable retail sales are projected to occur at a higher level than the April 2015 forecast.
- Permit activity is expected to increase from the April 2015 forecast.
- The cost of jail housing increased by 17.0% over the April 2015 forecast.

In the model presented with the Ten Year Financial Sustainability Plan in June 2014, potential gaps were noted beginning in 2018. In the April 2015 model, potential gaps were noted beginning in 2019. The September 2015 update project budget gaps starting in 2018 if the City does not implement several of the strategies adopted in the 10YFSP. Implementing the strategies can push the projected gap out to 2024.

Since the Ten Year Financial Sustainability Plan was accepted by Council in June 2014, staff has begun implementing some of the strategies, including researching ways to increase investment returns by 100 basis points; the Parks, Recreation and Cultural Services Department conducted a study to evaluate cost recovery percentages for an appropriate combination of fee based programs with targeted implementation beginning with the 2016 budget; and, the Planning and Community Development Department will also be conducting a study evaluate cost recovery for development permits. Based on audited 2014 results, 2015 estimates, and 2016 projections, a potential gap is likely to still occur in 2019. At that time, the forecast indicates that growth in expenditures may begin to outpace the growth in revenues.

The 2016 proposed budget includes funding for a project to be lead by the Administrative Services Department that will engage the business community in a

discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax. As Council is aware the City's property tax levy lid lift expires at the end of 2016, and therefore the levy increase limitation returns to a 1% cap in 2017 (plus new construction.) Staff is interested in engaging Shoreline residents in a discussion regarding the possibility of renewing the property tax levy lid lift in 2016 with funding included for professional services to conduct a community polling effort and communications development. The 2016 proposed budget also includes election costs related to placing a potential property tax levy lid lift renewal proposition on the ballot in 2016.

As was done during the development of the Ten Year Financial Sustainability Plan, staff updated the Ten Year Financial Sustainability Model with the projected impacts of the above-mentioned options and will present them to the City Council tonight.

Long-Term Budget Trends

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

- *Property Tax:* As noted earlier, the preliminary 2016 property tax levy is anticipated to increase from 2015 by \$236,703, or 2.2%, due to a recommended 1.61% inflationary increase in the levy plus new construction. The assessed valuation is currently estimated to increase by 7.0% in 2016 and by 3.86% in 2017, slowing to a growth rate of between 3.5% and 4.6% for 2018 to 2021.

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. 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 1.8% in 2017 and 1.5% in 2018, with average increases of 1.3% for 2019-2025. Below is a comparison of the September 2015 forecast as compared to the forecast presented in the May 2015 amendments to the 2015 budget:

	2016	2017	2018	2019	2020
Projection	Proposed	Forecast	Forecast	Forecast	Forecast
April 2015	10,795,159	10,965,279	11,130,031	11,288,934	11,424,060
Sept. 2015	10,860,481	11,051,201	11,217,071	11,376,983	11,512,727
Change	65,322	85,922	87,040	88,049	88,667

	2021	2022	2023	2024	2025
Projection	Forecast	Proposed	Forecast	Forecast	Forecast
April 2015	11,733,015	11,896,928	12,063,894	12,234,669	12,406,902
Sept. 2015	11,667,195	11,823,917	11,983,577	12,144,085	12,306,068
Change	(65,820)	(73,011)	(80,317)	(90,584)	(100,834)

- *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 September 2015 forecast as compared to the forecast presented in the May 2015 amendments to the 2015 budget:

	2016	2017	2018	2019	2020
Projection	Proposed	Forecast	Forecast	Forecast	Forecast
April 2015	7,556,693	7,796,502	8,044,419	8,267,240	8,507,524
Sept. 2015	7,747,700	7,989,558	8,213,464	8,447,002	8,703,091
Change	191,007	193,056	169,045	179,762	195,567

	2021	2022	2023	2024	2025
Projection	Forecast	Proposed	Forecast	Forecast	Forecast
April 2015	8,742,782	8,977,327	9,250,098	9,507,493	9,785,362
Sept. 2015	8,922,502	9,152,505	9,445,992	9,742,525	10,014,525
Change	179,720	175,178	195,894	235,032	229,163

- *Gambling Tax*: Staff has assumed no growth in future years in tax collections so a baseline of \$1,587,425 is assumed.
- *Development Revenue*: Development activity is based upon projected permit activity for the Puget Sound area for 2016 to 2025. Projected revenue over the ten year period is up compared to the forecast presented in the May 2015 amendments to the 2015 budget. This is mostly due to increasing projected revenue from building permit fees, land use fees and plan check fees. When the May 2015 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 28.6%.

Building permit fees have been increased from an annual base of \$380,000 in the May 2015 forecast to \$523,500 in the September 2015 forecast. Plan check fees were increased from an annual base of \$388,000 in the May 2015 forecast to a new base of \$413,000 in the September 2015 forecast. Below is a comparison of the September 2015 forecast as compared to the forecast presented in the May 2015 amendments to the 2015 budget:

	2016	2017	2018	2019	2020
Projection	Proposed	Forecast	Forecast	Forecast	Forecast
April 2015	945,661	939,347	933,106	927,028	910,565
Sept. 2015	983,750	987,320	991,917	990,824	973,095
Change	38,089	47,973	58,811	63,796	62,530

	2021	2022	2023	2024	2025
Projection	Forecast	Proposed	Forecast	Forecast	Forecast
April 2015	887,203	873,789	842,062	806,304	773,217
Sept. 2015	937,072	915,616	895,045	866,090	843,655
Change	49,869	41,827	52,983	59,786	70,438

- *Market Adjustment - Cost of Living Adjustment (COLA)*: Cost of living adjustments are projected to average 2.94% for 2017 through 2025. The salary forecast assumes 25% of employees will receive an annual step increase in 2017 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 2017 through 2025. The projected increase for 2016 is 9.7%.

- *Public Employee Retirement System (PERS) Contribution Rates:* PERS contribution rates have increased from those included in the May 2015 forecast. The following table shows the rates projected by the Office of the State Actuary:

PERS Employer Contribution	Current Rate	Effective 7/1/16 – 6/30/17	Effective 7/1/17
Legislative Approved Rates	11.18%		
State Actuary Projected Rates		11.18%	12.92%

The table below displays the rates that were included in the May 2015 forecast:

PERS Employer Contribution	Effective 2016 – 2017	Effective 2018 – 2025
Legislative Approved Rates		
10-Year Financial Sustainability Plan	11.20%	11.59%

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

Projection	2016 Proposed	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
April 2015	1,066,350	1,099,968	1,173,977	1,209,491	1,246,149
Sept. 2015	1,081,974	1,310,894	1,353,236	1,395,220	1,438,494
Change	15,624	210,926	179,259	185,729	192,345

Projection	2021 Forecast	2022 Proposed	2023 Forecast	2024 Forecast	2025 Forecast
April 2015	1,281,460	1,317,923	1,355,592	1,394,360	1,434,194
Sept. 2015	1,479,105	1,521,190	1,563,116	1,606,268	1,650,744
Change	197,645	203,267	207,524	211,908	216,550

Projected General Fund Ending Fund Balance

As noted above, staff projects that the General Fund will end 2015 with \$9.646 million of fund balance. During 2016, the preliminary budget proposes using \$4.895 million of fund balance resulting in an estimated 2016 ending fund balance of \$4.751 million. Of the programmed \$4.895 million, \$711,000 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 appropriations. The 2016 ending fund balance for the General Fund will be well above the minimum required balance of \$3.966 million.

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 \$5.151 million. The General Fund will not be required to transfer any funds to the Revenue Stabilization Fund until 2019 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 \$71,000 - \$126,000 per year between 2019 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. This is the first use of funding from this fund and was anticipated in prior forecasts. The 2016 proposed budget includes a transfer out to the General Fund totaling \$481,584 for one-time uses including:

- Jail services cost increases pending cost reduction implementation
- Vehicle replacement fund shortfall (one-time catchup)
- Net revenue loss for extended pool closure

The balance of the funds will remain in the fund for use in 2017 and beyond.

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:

	2016 Proposed	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Net Budget Surplus (Gap)	30,870	610,405	96,198	(528,722)	(618,438)
Assumptions					
Inflation	1.61%	2.40%	2.40%	2.34%	2.34%
Annual Revenue Growth	1.64%	2.34%	1.63%	1.64%	1.58%
Annual Change in Assessed Valuation	6.99%	3.86%	3.52%	4.16%	3.94%
Annual Sales & Use Tax Change	3.50%	3.33%	3.11%	3.25%	3.34%
General Fees & License Increase	1.88%	1.92%	1.92%	1.87%	1.87%
Investment Interest Rate	1.25%	2.20%	2.95%	3.10%	3.10%
Building Permit Activity Change	15.50%	2.55%	-4.65%	-1.08%	-0.88%
Revenue Collection	100.00%	101.00%	101.00%	101.00%	101.00%
Annual Expenditure Growth	3.38%	-0.84%	3.08%	2.89%	3.09%
PERS Employer Contribution Rate	11.18%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	9.70%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.45%	3.16%	3.16%	3.10%	3.10%
Police Contract Escalator	3.29%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage	100.00%	98.00%	98.00%	98.00%	98.00%
New Maintenance Costs for Completed Capital Projects	0	85,370	139,654	129,984	130,029
Property Tax Equaliz. Funds Used	481,584	0	0	0	0

	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Net Budget Surplus (Gap)	(554,014)	(601,753)	(546,528)	(599,213)	(610,860)
Assumptions					
Inflation	2.25%	2.27%	2.17%	2.18%	2.19%
Annual Revenue Growth	1.42%	1.65%	1.70%	1.72%	1.64%
Annual Change in Assessed Valuation	4.63%	4.39%	4.24%	3.96%	3.96%
Annual Sales & Use Tax Change	3.10%	3.19%	3.27%	3.28%	3.31%
General Fees & License Increase	1.80%	1.82%	1.74%	1.74%	1.75%
Investment Interest Rate	3.10%	3.10%	3.10%	3.10%	3.10%
Building Permit Activity Change	-2.27%	-4.19%	-4.63%	-4.26%	-4.97%
Revenue Collection	101.00%	101.00%	101.00%	101.00%	101.00%
Annual Expenditure Growth	2.85%	3.04%	2.91%	3.00%	2.94%
PERS Employer Contribution Rate	12.92%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.82%	2.85%	2.76%	2.76%	2.77%
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%
New Maintenance Costs for Completed Capital Projects	130,242	120,139	110,037	99,934	89,831
Property Tax Equaliz. Funds Used	0	0	0	0	0

Financial Impact of Sound Transit Lynnwood Link Extension

Staff is currently evaluating the costs and timing of effort related to the planning for the Shoreline Light Rail Stations. Once determined we will negotiate for cost recovery options with Sound Transit and return to Council with a Budget Amendment for the associated revenue and expenditure appropriations.

SUMMARY

The forecast projects that the fund balance in the General Fund will decrease by approximately \$2.218 million based on projected 2015 revenues and expenditures. This will result in an ending fund balance that is nearly \$0.286 million higher than projected in the 2015 current budget.

In addition to the one-time supplemental requests totaling \$1.229 million and capital contributions totaling \$2.700 million discussed in the report, the 2016 Proposed Budget includes \$966,000 from fund balance for the Operational Contingency and Insurance Reserve. Including these items would bring the total use of fund balance to \$4.895 million.

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 2016-2021 CIP, discussed with council on August 17, 2015 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 2016 Proposed Budget to the City Council on October 12.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with preliminary 2016 budget information. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this overview.