

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2007 Proposed Budget Department Presentations
DEPARTMENT: City Manager
PRESENTED BY: Robert Olander, City Manager

PROBLEM/ISSUE STATEMENT: The City Manager presented the 2007 Proposed Budget to the City Council on October 16, 2006. Tonight's agenda includes an opportunity for department directors to review their budget proposals with the City Council. The focus of the departmental presentations will be on any significant changes between the department's 2006 budget and the 2007 proposed budget.

The proposed 2007 budget has been made available to the public and is available at the City Hall, Shoreline Police Station, Neighborhood Police Centers, Shoreline Library and Richmond Beach Library. In addition the October issue of the Currents is a special 2007 Budget issue that has been sent to all residents within the City.

The department presentations will focus on those departments with significant budget and/or service level changes. This will serve to expedite the budget review process and make the best use of the Council Meeting time. Although this is the case, all Department Directors will be available to answer questions. Those departments with planned presentations include:

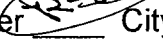
October 23	November 6	November 13
Finance & Information Services	Criminal Justice (Jail)	Public Works
Police	Parks & Recreation	
	Planning & Development Services	
	Economic Development	

Tonight we plan to complete department review through the Police Department. Future budget workshops are planned for November 6, November 13, and November 20. Attachment A to this staff report is a suggested schedule for topics that will be covered at each of these workshops. Public hearings on the budget will be held on November 6th and 13th. The hearing on November 13th will have special emphasis on revenue sources and the 2007 property tax levy. The budget is scheduled for adoption on November 27.

FINANCIAL IMPACT: The 2007 Proposed Budget totals \$68,206,170.

RECOMMENDATION

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

Approved By: City Manager  City Attorney _____

ATTACHMENTS:

Attachment A: Proposed Budget Review Schedule

INTRODUCTION

The presentation for the public hearing will provide a broad overview of the proposed 2007 budget. Department presentations will focus on any substantial changes from 2006 to 2007.

DISCUSSION

The 2007 proposed budget is the overall plan for allocating City resources to the programs necessary to keep the community safe, enhance the quality of life, and maintain and develop the City's infrastructure. The proposed budget totals \$68,206,170.

The most significant changes from 2006 included in the 2007 proposed budget include:

- *Property Tax:* The projected 2007 property tax levy rate is \$1.14 per \$1,000 assessed valuation. This is a 2.6% reduction from the 2006 tax rate. The budgeted property tax levy, 99% of the projected levy, is \$7,066,510, a 1.9% increase compared to 2006.
- *Human Service Funding:* The 2006 budget included an \$83,000 increase in the base General Fund budget for human service agencies. The 2007 budget includes an additional \$10,000 increase in General Fund allocation.
- *Salary & Benefit Changes of Existing Positions:*
 - Market salary adjustments and step increases are budgeted as provided for in the City's compensation policy. The budget includes an overall 3.78% market adjustment for all regular personnel classifications (\$341,830) and anticipated step increases for eligible employees (\$147,642). The market adjustment is estimated at 90% of the June Seattle-Tacoma CPI-W. This CPI was 4.2%. The August CPI was 4.9%. Increases in the employer contribution to the City's Social Security program, Washington State Retirement System and Medicare, for existing positions, will increase by \$58,710 as a result of the recommended market adjustment and anticipated salary step increases.
 - Health benefit costs are projected to increase by \$124,000, 8.8%.
 - The Washington State Public Employees Retirement System (PERS) employer contribution rate will go from 3.69% to 5.46% effective January 1, 2007. A second rate increase will occur on July 1, 2007, with the rate increasing either to 6.01% or 6.64% depending on the State Legislature's decision whether to adjust the rate to include the PERS 1 and 3 gain-sharing provisions and the unfunded PERS 1 liability. The 2007 Proposed budget used the 6.01% contribution rate for determining projected 2007 PERS costs. As stated earlier in this letter, the 2007 budget has some monies in contingency if the rate is set at 6.64%. Based on the increase to 5.46% on January 1st and the second increase to 6.01% on July 1st, the 2007 budget reflects increased retirement contribution costs \$252,326, a 96% increase when compared to the 2006 budget. It is projected that the contribution rate will continue to increase over the next several years.
 - The City's compensation policy establishes salary ranges that are set at the median of the City's comparable organizations. As was approved in

2005, the City reviews one-third of the City's classifications annually, ensuring that all classifications are reviewed once every three years. In 2006 the City reviewed classifications 1 through 45. Based on the findings of this survey, the 2007 proposed budget includes \$30,000 in contingency to cover the anticipated salary schedule changes.

- *New Staff Positions:* The 2006 proposed recommends an increase to the City's regular employee full-time equivalents (FTE's) by a net 1.25 FTEs. The addition of these positions puts the City's employee to each 1,000 residents ratio at 2.64. This is still significantly lower than most of the City's comparable cities. The proposed position changes include:
 - Increasing the Finance Technician in the Purchasing Services program from a 0.625 FTE to a 0.75 FTE (\$6,667)
 - Increasing the Finance Technician in the Financial Planning and Accounting Services program from a 0.50 FTE to a 0.625FTE (\$7,281)
 - The addition of a Parks Maintenance Worker II for the Athletic Field Maintenance and Operations programs (\$57,115). On July 24, 2006, the City Council accepted the 2007-2009 landscaping bid that contracts for all ground care basic services at twenty-six park sites. This care includes mowing, line trimming, aeration, fertilization, over-seeding and shrub bed maintenance. At the same time Council accepted the staff proposal to bring the daily athletic field maintenance at nine park sites in-house. Staff proposed that an additional maintenance worker and additional extra-help hours could accomplish this task at a lower cost than the proposed bids. In addition to the athletic field maintenance support, the maintenance worker will be able to provide additional maintenance support services that were not included in the bid, such as care of the new synthetic turf fields, repair of athletic fencing and nets, painting of goals posts, cleaning of dugouts and increased frequency of power washing of tennis courts and bleachers.
 - All of these changes were off-set by expenditure reductions
- *Police Contract:* Overall, the City's cost for police services is projected to increase by \$445,510 (5.5%) when comparing the estimated 2007 cost to the City's 2006 budget. This is primarily a result of increased personnel costs within the King County contract , an increase in the City's share of activity based cost allocations such as the 911 Communications Center, increases related to the operational costs of the County's wireless computer program, and the final \$25,000 annual COPS grant credit received in 2006.
- *Jail:* The City's 2007 jail costs are expected to increase substantially, approximately \$386,217 or 46%, over the 2006 budget, but only \$25,217 over the projected 2006 expenditure level. This is primarily related to an increase in the number of jail bed days being used at all facilities.
- *Use of Operating Reserves:* The 2007 operating budget includes \$266,500 in one-time resource allocations. \$120,000 of one-time expenditures is included in the City Street Fund. Of this amount \$90,000 is allocated for the purchase of a street sweeper and \$30,000 for contract street sweeping costs, as it is anticipated that it will take 3 to 4 months to receive the street sweeper. An additional \$60,000 is budgeted in the Surface Water Utility Fund for the purchase of the street sweeper, as the total expected purchase cost is \$150,000.

Acquisition of the City's street sweeper, is estimated to save an estimated \$42,000 annually, making the repayment period of the street sweeper approximately 4 years. The street sweeper is anticipated to have a minimum life of 8 years. In addition to the budget savings the City will have improved environmental quality with type of sweeper the City will acquire.

The City's General Fund includes \$146,500 in one-time expenditures. These funds will be allocated for the development of the Town Center Plan, Natural Resources Management Strategy, and a truck for the new parks maintenance worker position.

- **Fee Changes:** The 2007 budget reflects the policy adopted by the City Council in 2000 to adjust development and recreation fees by the CPI-U for Seattle which is estimated at 4.2%. The 2007 fee schedule also includes a proposed \$9 annual increase in the City's surface water utility rate, bringing the annual residential rate to \$120. This rate adjustment was included in the surface water master plan adopted by the City Council in 2005. In 2007 the City will conduct a rate review process to identify any rate adjustments that will be needed over the next few years.

In addition to the major changes identified above, the City Council will have an opportunity to review each of the City's department budgets. Formal presentations will not be made by all departments as the department presentations will focus on those departments with significant budget and/or service level changes. This will serve to expedite the budget review process and make the best use of the Council Meeting time. Although this is the case, all Department Directors will be available to answer questions. Those departments with planned presentations include:

<u>October 23</u>	<u>November 6</u>	<u>November 13</u>
Finance & Information Services	Criminal Justice (Jail)	Public Works
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	Economic Development	

SUMMARY

The 2007 proposed budget is balanced and totals \$68.2 million. The City Council will have four workshops to review the proposed budget. The public will have an opportunity to speak to the Council about the budget at each of the Council meetings as part of either public comment or during the two formal budget public hearings held on November 6 and November 13.

RECOMMENDATION

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

ATTACHMENT A

2007 Proposed Budget Review Schedule

October 23	November 6	November 13
City Council City Manager City Clerk Human Services City Attorney Finance Human Resources Customer Response Team Police Criminal Justice	Comm & Intergovt Relations Parks & Recreation Planning & Development Services Economic Development	Public Works City Reserves 2007 Salary Schedule 2007 Fee Schedule