

2006 Proposed Budget

October 17, 2005

Presented by City Manager

Steve Burkett

Presentation Agenda

- ***Budget Process & Schedule***
- ***2006 Budget Highlights and Comparisons***
- ***2006 Major Operating and Capital Budget Changes***
- ***Long-Range Financial Planning***

Budget Process & Schedule

Key Events in 2006 Budget Development Process

- *Council Planning Retreat (April)*
- *Preliminary 2006-2011 Revenue & Expenditure Forecast (April)*
- *2006-2011 Capital Improvement Plan Adoption (July)*
- *Department Budget Development (June-August)*
- *Long-term Forecast & 2006 Budget Update to Council (September)*
- *Proposed City Budget Development (September - October)*
- *Presentation of Proposed 2006 City Budget to Council - October*

2006 Budget Review and Adoption Schedule

October 17 - Transmittal of Proposed 2006 Budget

October 24 - Public Hearing, Department Presentations, & Budget Workshop

November 7 – Department Presentations & Budget Review Workshop

November 14 – Department Presentations, Public Hearing on 2006 Revenues & Budget Review Workshop

November 21 – Budget Workshop

November 28 – Adoption of 2006 Budget
Adoption of 2006 Property Tax Levy

Budget Workshop Review Schedule

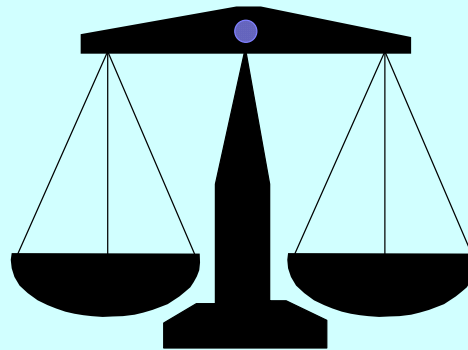
| <u>October 24</u> | <u>November 7</u> | <u>November 14</u> |
|--|---------------------------------------|-----------------------------|
| City Council | Criminal Justice | Public Works |
| City Manager | Parks, Recreation & Cultural Services | City Reserves |
| City Clerk | Planning & Development Services | 2006 Fee Schedule |
| Communications & Intergovernmental Relations | Economic Development | 2006 Salary Survey |
| Human Services | | |
| City Attorney | | |
| Finance & City-Wide Charges | | |
| Human Resources | | |
| Customer Response Team | | |
| Police | | |
| Budget Document Pages | | |
| Pages 89-180 | Pages 181-223 | Pages 229-246;74-75;305-324 |



Guiding Principles in the 2006 Proposed Budget

- ***Long-Term Financial Condition***

- Based on what we know today, make commitments that can be maintained for the long-term
- Limiting the City's dependence on unstable revenue sources
- Use on-going resources to fund on-going expenditures
- Maintain reserves to provide for long-term financial stability



- ***Maintain and improve the City's parks, roads, and drainage systems***

2006 Budget Highlights & Comparisons

2006 Budget Highlights

- *City's Current Financial Position is Excellent*
- *Balanced and totals \$78.9 Million*
- *Primarily provides same level of services with these enhancements:*
 - Equitable Street Light Funding
 - Traffic Signal Rehabilitation
 - Enhanced Parks Maintenance and Improved Project Coordination
 - Implementation of the Surface Water Master Plan recommended maintenance and capital service levels
 - Small Business Promotion Program
 - Enhanced on-going allocation Human Service funding
 - Implementation of an on-site electrical permit program
 - Allocation of 2005 budget savings for future capital improvement allocation
- *Incorporates 2006 CIP activity*

Comparison to 2005 Budget

- ***Operating Funds***

- Total \$36.5 Million

- ***.4% Increase from 2005 Operating Budget***

- ***2006 General Fund Budget***

- Totals \$28.9 Million

- 6.6% Less Than 2005

- Eliminate one-time costs from 2005 and 2006 the budget change from 2005 to 2006 is a 4.4% increase

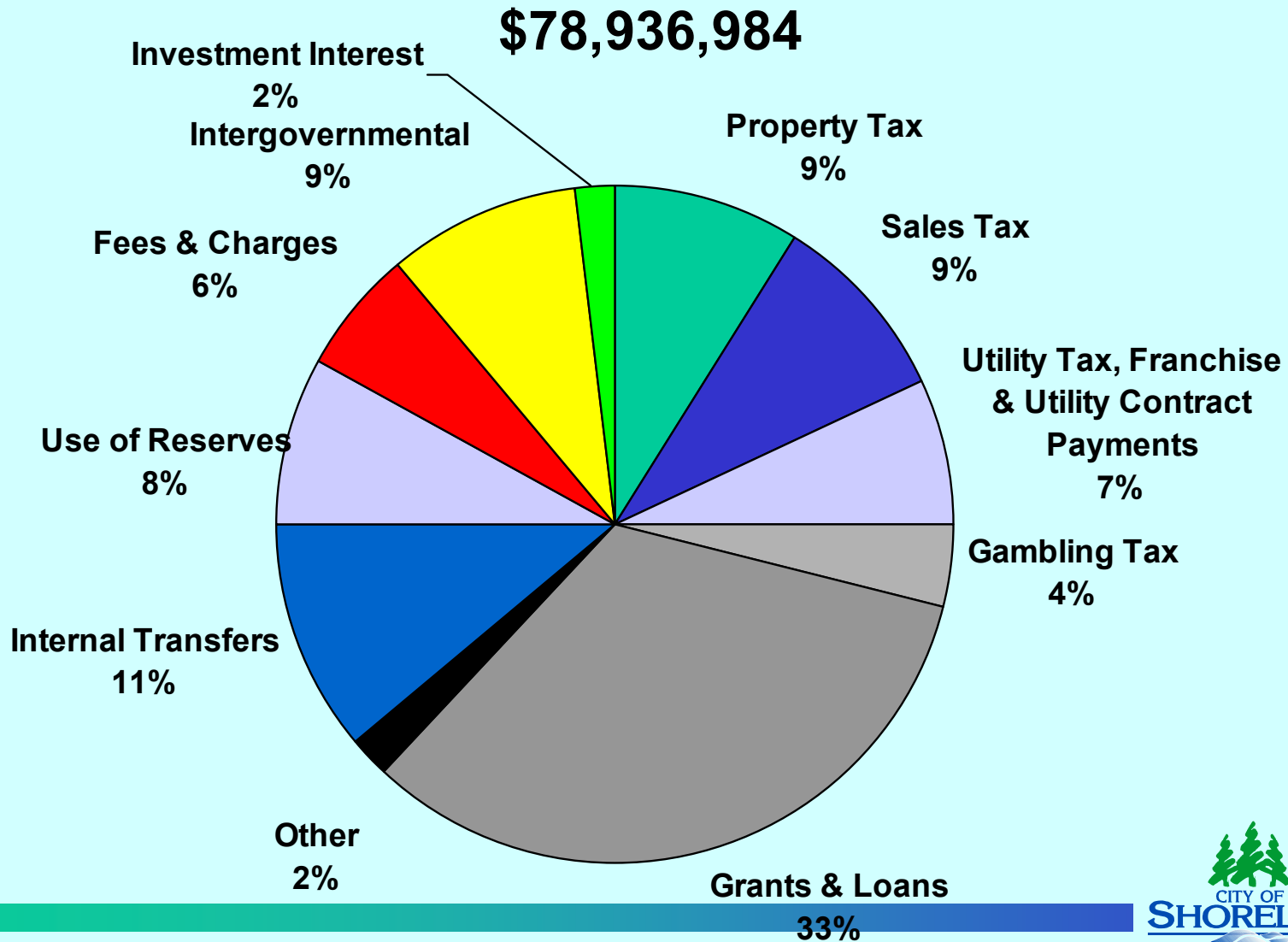
- ***Capital Funds***

- Total \$42.2 Million

- 22.4% Less Than 2005

Where Will the Money Come From?

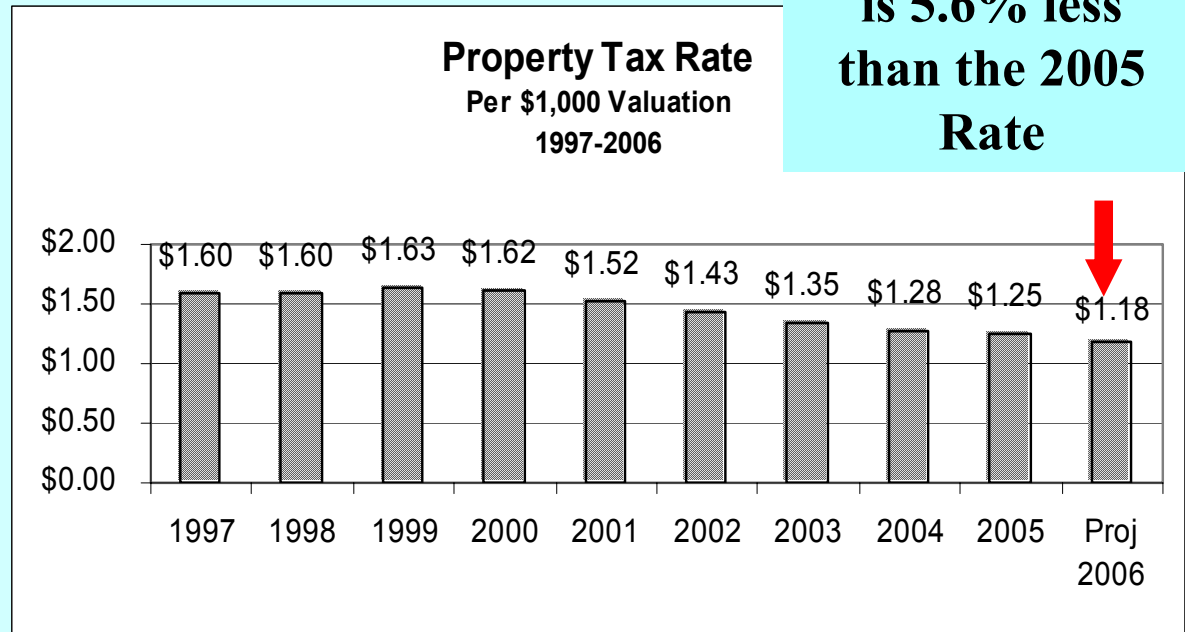
2006 City Resources By Category



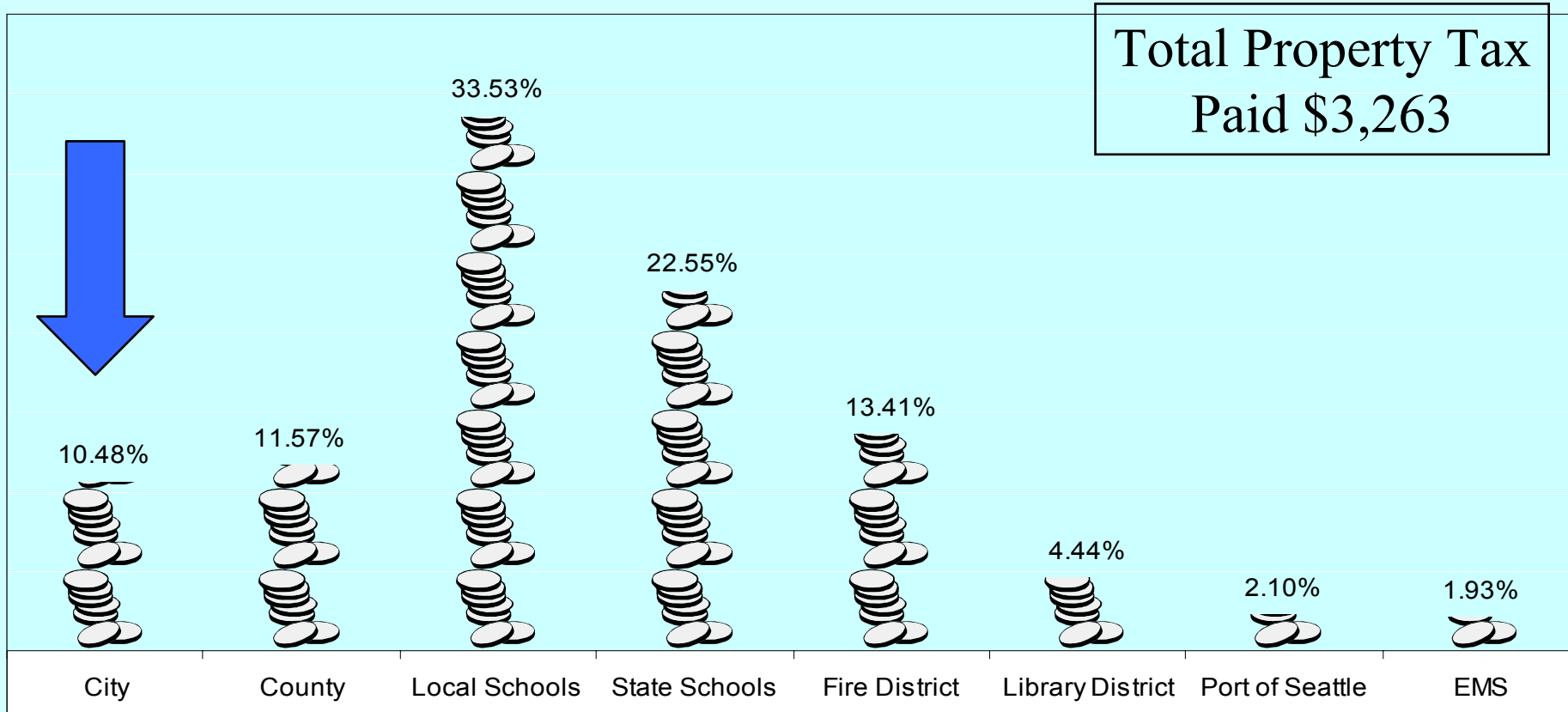
Property Tax

- *Largest Source of Operating Revenue for the City*
- *2006 Budget - \$6.9 Million*
 - 2006 Proposed Budget Includes a 1% Levy Increase and \$36.9 Million in New Construction
- *Preliminary 2006 Tax Rate of \$1.18 per \$1,000 Valuation*

2006 Tax Rate is 5.6% less than the 2005 Rate



How Much Property Tax Does a Shoreline Property Owner Pay and Where Does It Go?



| | City | County | Local Schools | State Schools | Fire District | Library District | Port of Seattle | EMS |
|--|---------------|---------------|----------------|---------------|---------------|------------------|-----------------|---------------|
| Rate | \$1.25 | \$1.38 | \$4.00 | \$2.69 | \$1.60 | \$0.53 | \$0.25 | \$0.23 |
| Annual Tax on Home Value of \$273,500 | \$342 | \$377 | \$1,094 | \$736 | \$438 | \$145 | \$ 68 | \$ 63 |

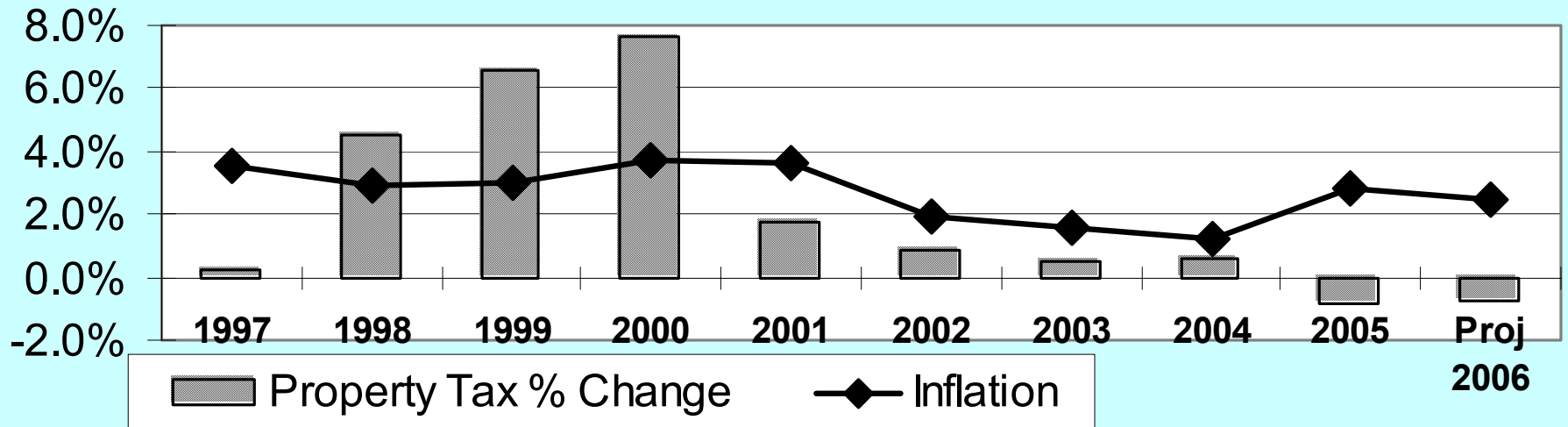


Comparison of Property Tax Paid in King County

| City | 2005 Levy Rate | 2005 Average Residence Value | 2005 Property Tax on Average Residence |
|----------------------------|-------------------|---------------------------------------|--|
| Sammamish | 11.19 | 452,200 | 5,060 |
| Woodinville | 12.43 | 350,400 | 4,355 |
| Lake Forest Park | 11.61 | 351,900 | 4,086 |
| Kirkland | 9.95 | 403,600 | 4,016 |
| Issaquah | 10.17 | 379,700 | 3,862 |
| Unincorporated King County | 12.47 | 299,300 | 3,732 |
| Bellevue | 8.21 | 454,400 | 3,731 |
| Bothell | 11.75 | 310,000 | 3,643 |
| Redmond | 10.11 | 353,100 | 3,570 |
| Shoreline | 11.93 | 288,800 | 3,445 |
| Burien | 12.33 | 260,000 | 3,206 |
| Kent | 12.91 | 230,500 | 2,976 |
| Renton | 11.87 | 249,600 | 2,963 |
| Federal Way | 12.16 | 228,700 | 2,781 |
| Auburn | 13.29 | 201,500 | 2,678 |
| SeaTac | 12.17 | 199,900 | 2,433 |
| MEDIAN | 11.90 | 304,650 | 3,606 |

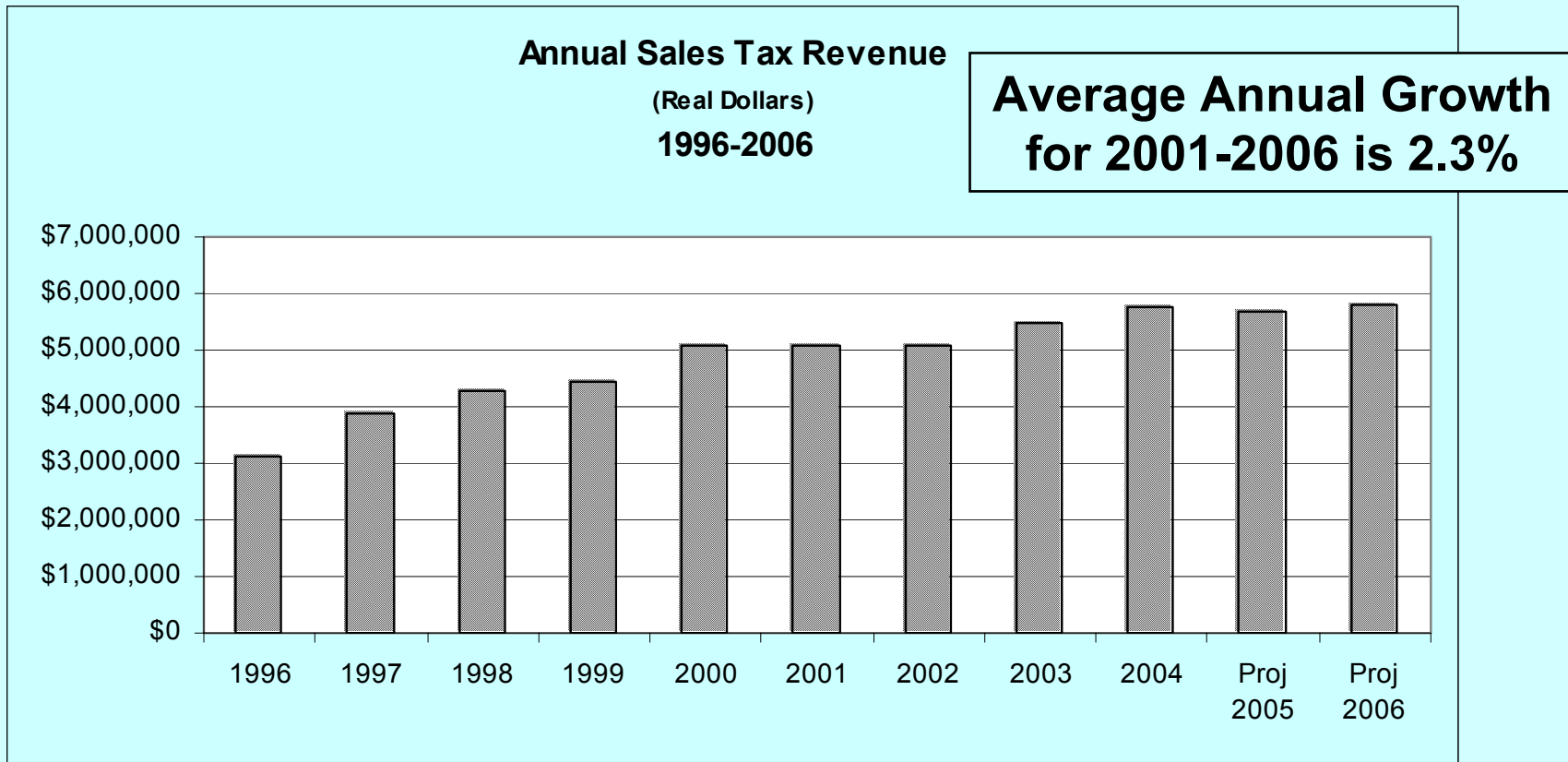
City Property Tax Revenue Growth

City Property Tax Growth Rate 1997-2006
(Constant Dollars)



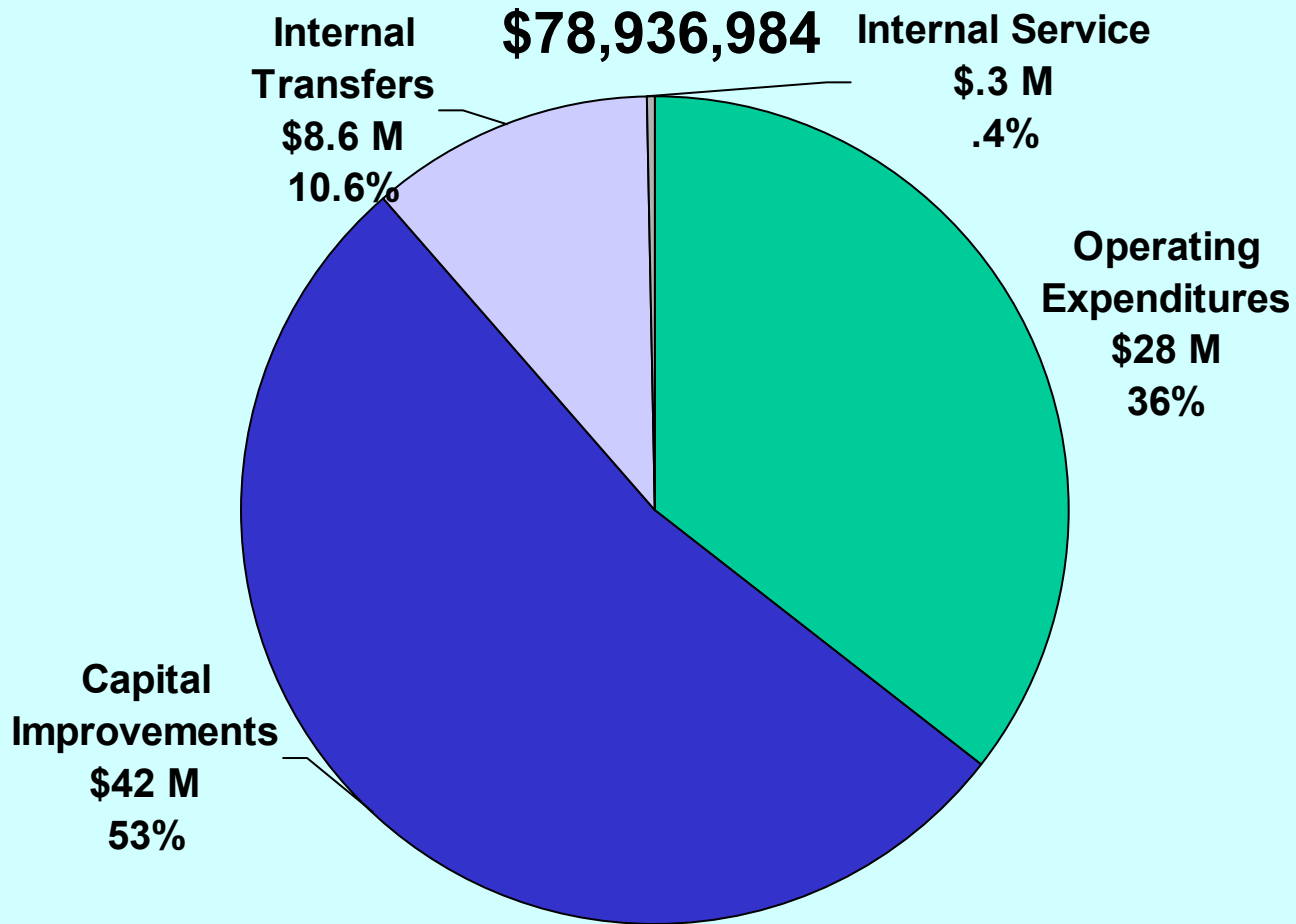
Sales Tax

- **Local Sales Tax Rate is 8.8%**
 - Each \$10 sale a total of 88 cents of sales tax paid
 - **8.5 cents comes to the City of Shoreline (10%)**



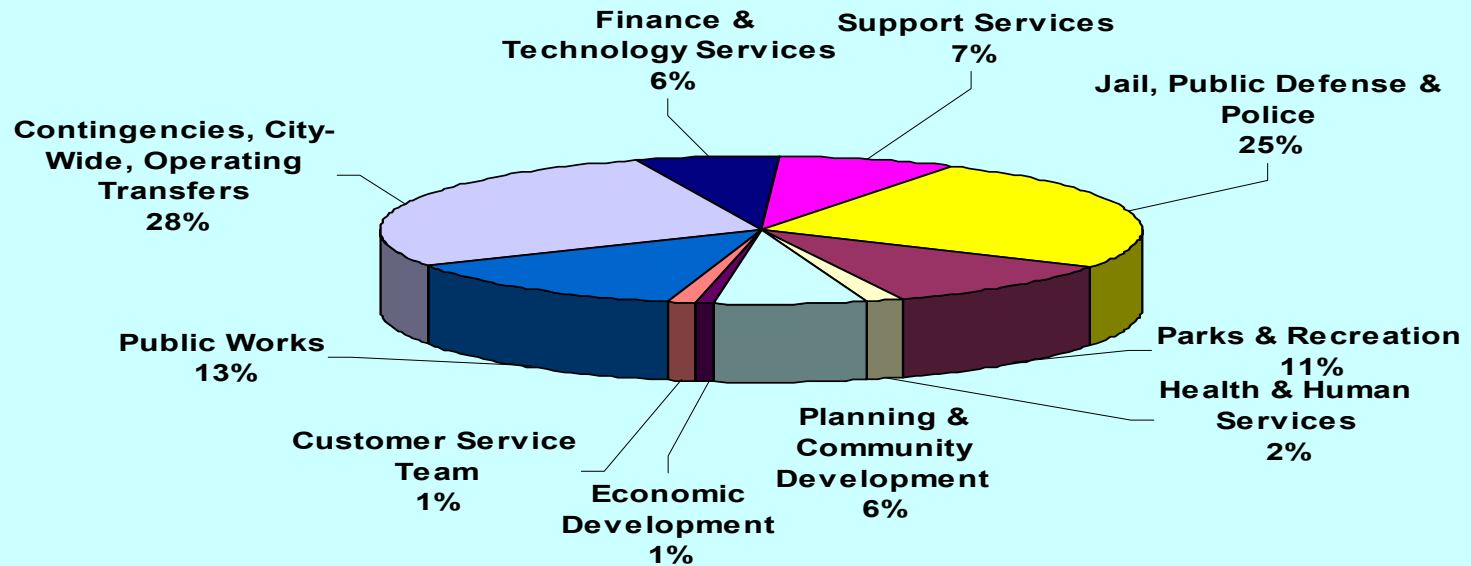
Where Will The Money Go?

2006 City Expenditures by Category



2006 Operating Dollars

(Operating Budget + Transfers of Operating Dollars = \$36.5 Million)



2006 Major Operating and Capital Budget Changes

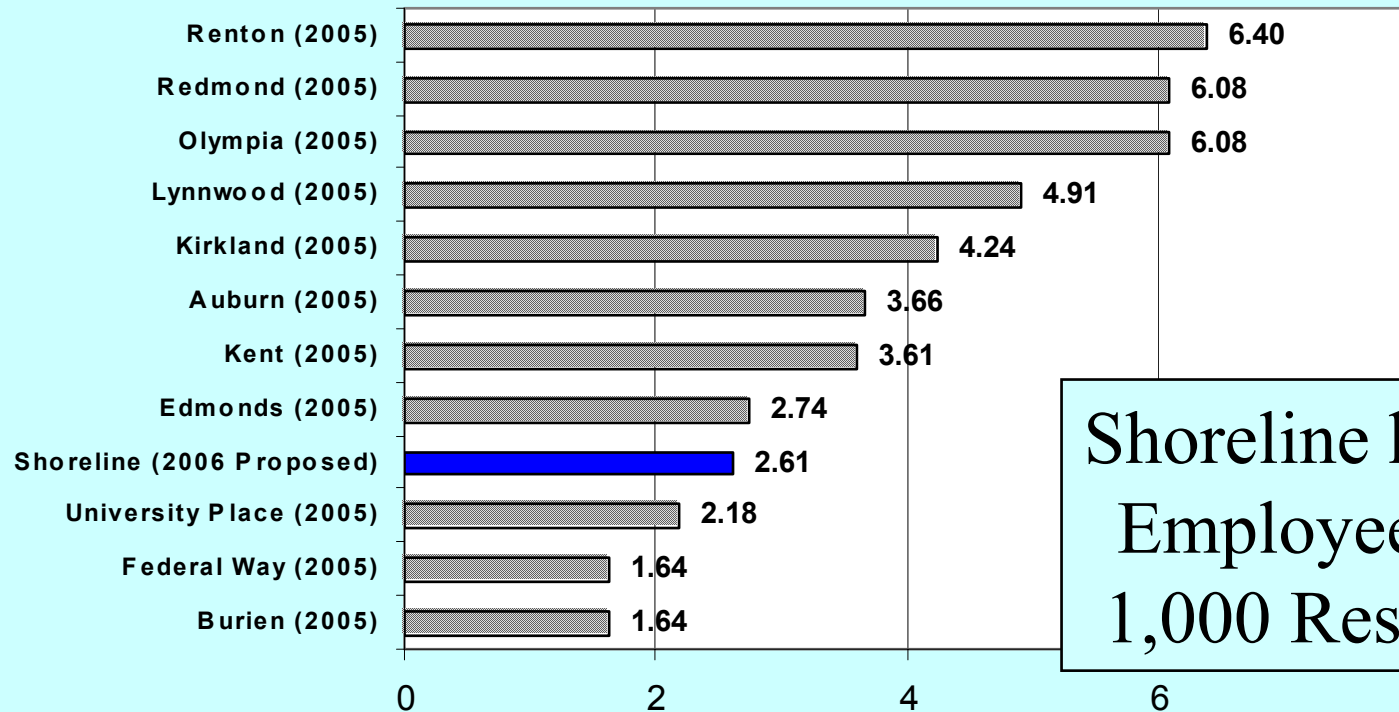
Major Operating Budget Changes

- **Personnel Costs – Net Budget Impact \$524,740 (4.8%)**
 - **4.5 Net FTE Change - Net Budget Impact \$178,543**
 - *Parks & Recreation Project Coordinator*
 - *Parks Maintenance Worker*
 - *.5 FTE Technical Assistant for Electrical Permit Program*
 - *Engineer Technician for Surface Water Program*
 - *.25 FTE Increase in Assistant City Attorney*
 - *Conversion of Contracted Network Specialist to Regular FTE*
 - *Conversion of .75 FTE Domestic Violence Victim Coordinator to Prosecuting Attorney Contract*
 - *Conversion of Extra-Help Recreation Assistant to .5 Regular FTE*
 - **Compensation Policy - Budget Impact \$271,400**
 - *Market Adjustment (2.28%) & Step Increases*
 - **Proposed Vacation Buy-Out Program – \$50,000**
 - **Benefit Cost Increases - Budget Impact \$48,200**
 - **2005 Salary Survey - \$64,000 Budgeted Contingency**

Comparison of City Staffing Levels

(Excludes Police, Fire, Utilities, Special Business Enterprises)

Employees Per Thousand Population



Shoreline has 2.6
Employees Per
1,000 Residents

Major Operating Budget Changes

- ***Public Safety - \$238,401 Increase***
 - Police Contract - \$272,297 (3.5%)
 - *Primarily related to personnel cost increases & County-wide wireless project*
 - Jail Contract - \$33,896 Decrease (-3.4%)
 - *Greater allocation of bed days to Yakima County*
- ***Economic Development Small Business Program - \$95,000***
 - Community Capital Development & Environmental Cooperative of South Seattle Programs
 - Implement a business license/registration program in 2006
- ***Human Service Funding - \$83,000***
 - Maintain \$62,000 that was one-time & \$21,000 increase to off-set anticipated federal CDBG reductions

Major Operating Budget Changes

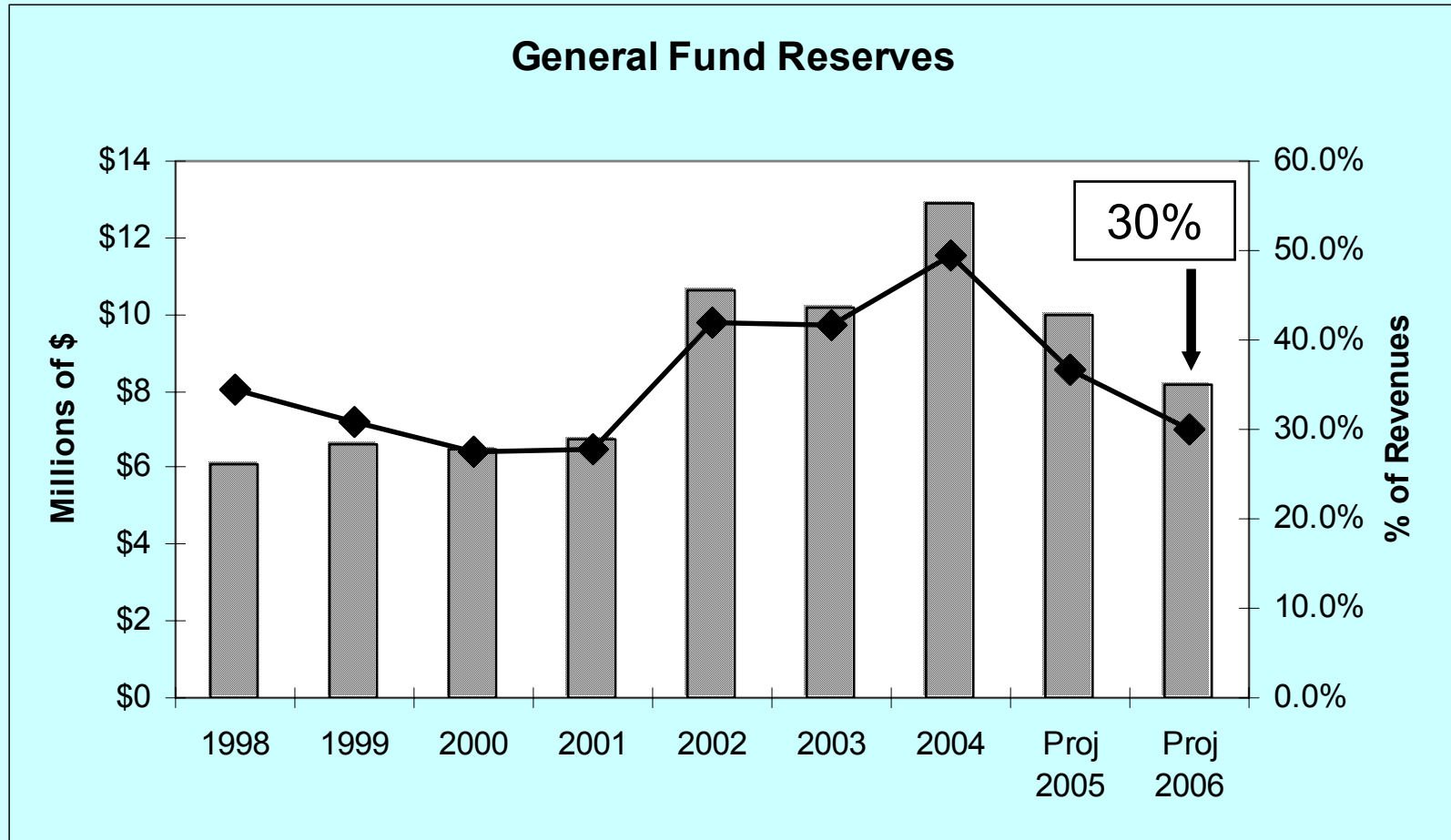
- ***City Streetlight Program - \$77,000***
- ***Miscellaneous Budget Changes***
 - Utilities - \$62,000 Increase
 - Elimination of the 2004 Carryover Requests - \$927,000 Reduction
- ***Budgeted Contingencies - \$333,000***
 - Future Employer Washington State Public Employee Retirement System Contribution Increases
 - 2005 Salary Survey Implementation
 - Other Contracts to be Negotiated

One-Time Budget Allocations from General Reserves

- ***Proposed in 2006 Budget - \$1.3 Million***
 - Anticipated Amount of 2005 Revenues in Excess of Expenditures
 - Transfer \$635,000 to General Capital Fund
 - *Appropriate to Specific Projects during 2007-2012 CIP process*
 - Traffic Signal Rehabilitation - \$450,000
 - *Currently 40 Traffic Signals and Individual Rehabilitation Costs estimated at \$75,000*
 - Handicapped Accessible Van - \$62,000
 - 2006 Capital Bond Election - \$99,000
 - Urban Forestry Assessment - \$50,000

General Reserves

Reserve Policy Minimum of 10%



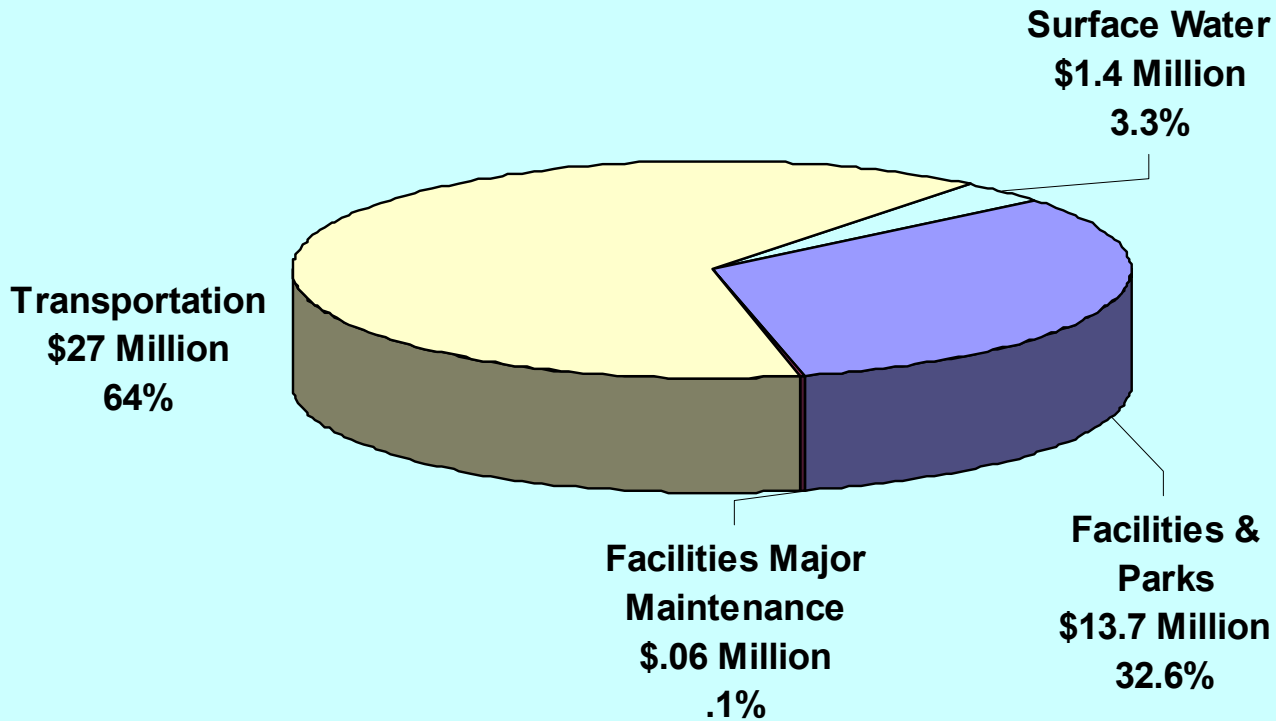
Recommended Revenue & Fee Changes

- ***Land Use & Non-Building Permit Fees***
 - Inflationary Adjustment
 - Hourly Rate increase from \$124 to \$127
- ***Recreation Fees***
 - Inflationary Adjustment
 - In 2006 Determine Future Soccer Field Rental Fees after Turf Improvements Completed
- ***Surface Water Utility Rate Increase***
 - Surface Water Master Plan Service Levels
 - Annual Residential Rate from \$102 to \$111
 - Annual impact to residential home - \$9.50

2006 Capital Expenditures

\$42 Million

2006 CIP Funding By Project Type



2006 Major Capital Projects

- ***Facilities & Parks***

- City Hall - \$600,000
- City Gateways - \$100,000
- Park Master Plans - \$167,000
 - *Richmond Beach & Ronald Bog*
- Richmond Beach Area Park Improvements - \$900,000
 - *King County Mitigation*
- Soccer Field Turf Improvements - \$1.6 Million
- Open Space Acquisition
 - *City Funds, Grants, Bond Issue*
 - *Hamlin Park Open Space (SPU Property)*
 - *South Woods*

2006 Major Capital Projects

- ***Transportation***

- Interurban Trail Pedestrian Crossing - \$4.7 Million
- Interurban Trail North Segment - \$1.7 Million
- Sidewalks - \$600,000 (\$5.4 Million 6 Year Allocation)
- Richmond Beach Overcrossing - \$1.2 Million
- Aurora (145th – 165th) - \$10.6 Million
 - ***Utility Improvements - \$3.1 Million***
- Annual Road Surface Program - \$750,000
- North City/15th Ave Improvements - \$1.2 Million
- Retaining Wall @ Dayton Ave/N 175th - \$889,000

2006 Major Capital Projects

- ***Surface Water Projects***

- Surface Water Master Plan Implementation

- ***Flood Protection Projects - \$904,000***

- Small Projects, Midvale Drainage, Boeing Creek Park, Serpentine Place, Cromwell Park Wetland, Thornton Creek Corridor

- ***Water Quality Facilities - \$100,000***

- Third Avenue Oil/Water Separator

- ***Stream Rehabilitation/Habitat Enhancement - \$73,000***

Possible Future Impacts

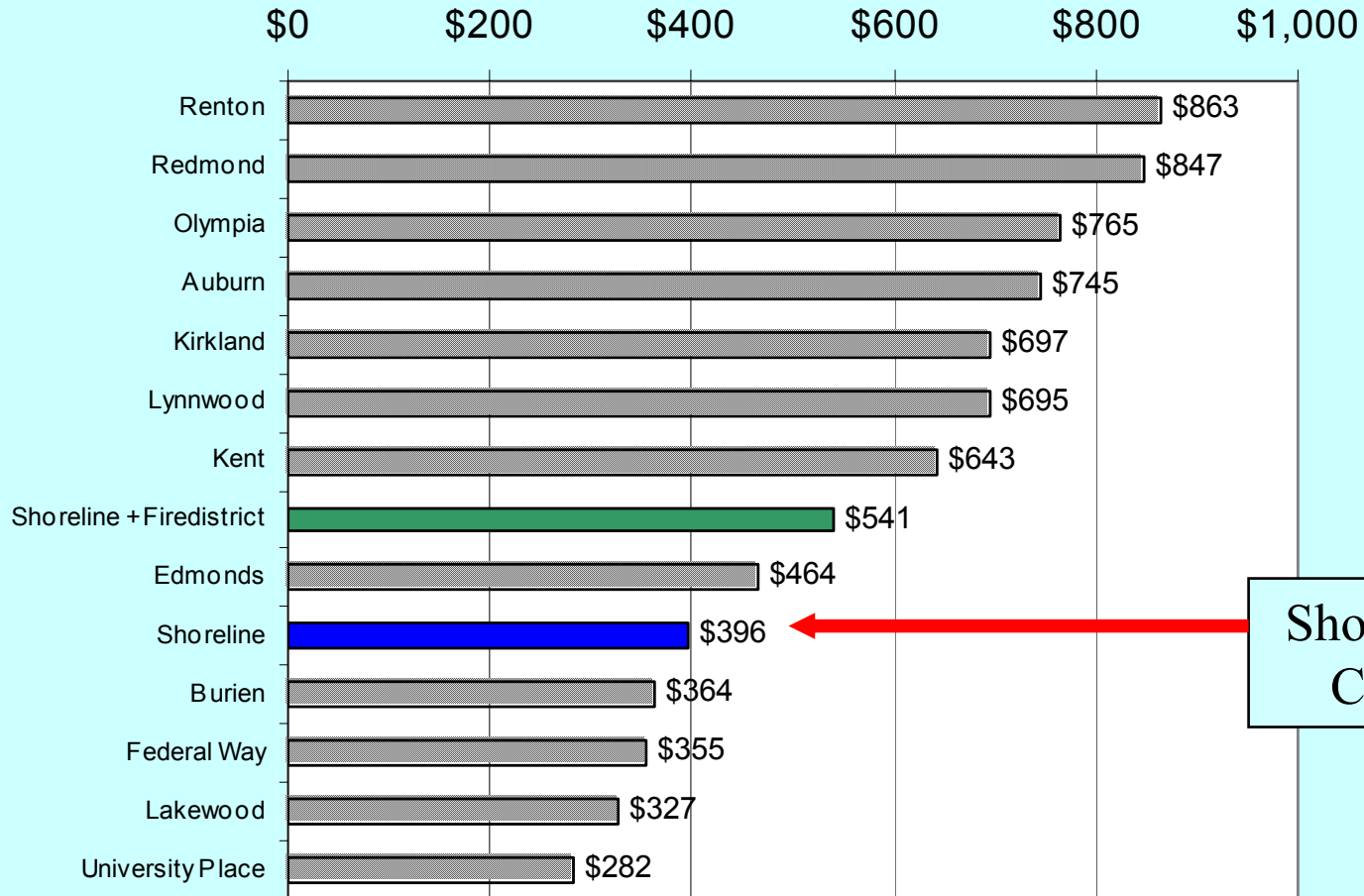
- ***Initiative 912***
 - Reduce Annual Local Funding by \$240,000
 - ***Used by the City of Shoreline for Road Surface Maintenance Program***
 - Reduce Future Appropriation for Aurora Project by \$10 million
- ***Lawsuit against Seattle City Light & City***
 - \$850,000 of Annual Utility Contract Payment used for General City Operations
- ***Long-Term District Court Solution***

Long-Range Financial Planning

Fiscal Capacity Constraints

Per Capita Comparison

(Property Sales, B&O, Utility and Gambling Taxes, Franchise and Utility Contract Payments)



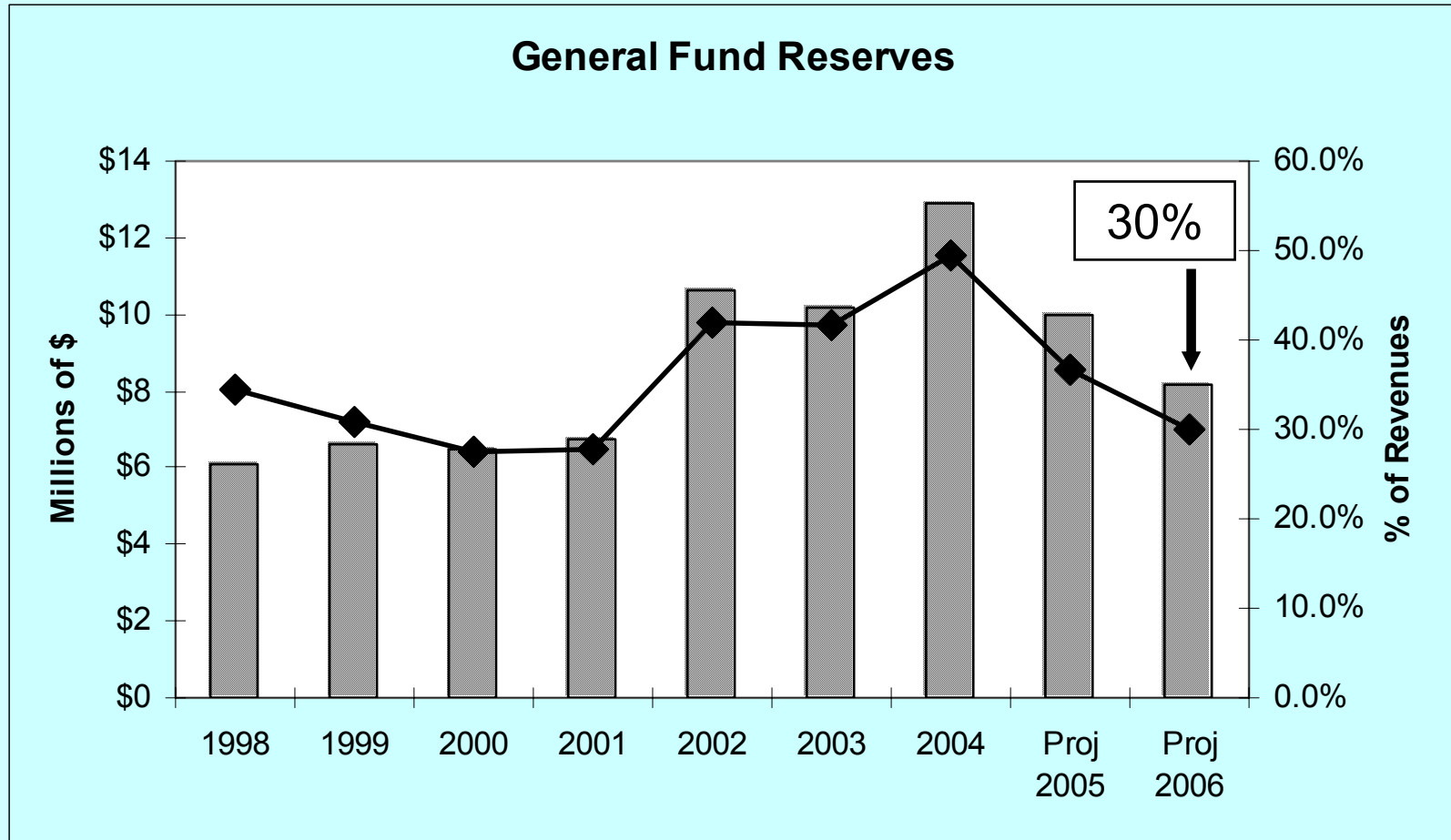
Shoreline's Per Capita Tax

General Obligation Debt Comparisons

| Entity | 2005 Outstanding GO Bonds | 2005 Per Capita |
|------------------|---------------------------|-----------------|
| Auburn | \$ 6,754,000 | \$ 142.28 |
| Burien | \$ 2,970,000 | \$ 95.68 |
| Edmonds | \$ 26,966,042 | \$ 676.52 |
| Federal Way | \$ 30,802,892 | \$ 359.01 |
| Kent | \$ 71,631,199 | \$ 843.51 |
| Kirkland | \$ 25,000,000 | \$ 546.57 |
| Lakewood | \$ - | \$ - |
| Lynnwood | \$ 10,330,693 | \$ 296.60 |
| Olympia | \$ 3,650,000 | \$ 84.24 |
| Redmond | \$ 7,697,432 | \$ 161.71 |
| Renton | \$ 30,518,153 | \$ 536.91 |
| Shoreline | \$ - | \$ - |
| University Place | \$ 8,660,000 | \$ 279.54 |

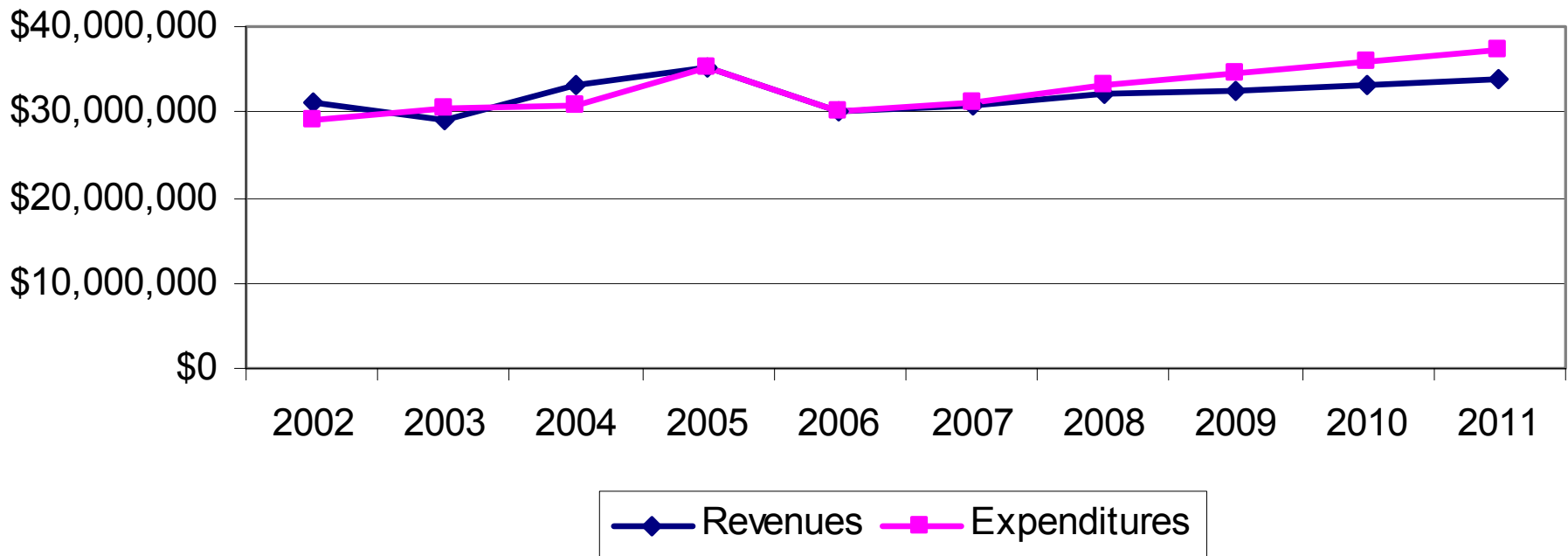
General Reserves

Reserve Policy Minimum of 10%



Operating Budget Long-Term Forecast

City Operating Budget Forecast
10 Year Operating Budget Comparison



City Manager Long-Range Financial Plan Recommendation

| Action | Effective Year | | |
|---|----------------|------|------|
| | 2005 | 2006 | 2007 |
| Reduce department base budgets by 1% and review low priority services for elimination | | | |
| Implement a utility tax on our surface water utility | | | |
| Increase recreation fees by approximately 10% and enhance the City's scholarship program | | | |
| Implement a revenue generating regulatory business license program | | | |
| Seattle City Light contract payment (6%) on the distribution portion of the electric utility fees | | Wait | |
| Property tax levy lid lift | | | |

Conclusion

- ***2006 Proposed Budget***
 - Supports City's vision and Council Goals
 - Maintains a Focus for strong Long-Term Financial Position
 - *Takes into account the City's Fiscal Capacity Constraints*
 - *Complies with adopted budget and fiscal policies*
 - *Maintains Reserves within Policy Guidelines*
 - Provides resources to maintain and improve the City's parks, roads and drainage systems
 - Service Level Changes to Benefit the Shoreline Community
 - Conservative Revenue Projections