



2007

Budget in Brief
Shoreline, Washington

January 1, 2007 – December 31, 2007



2007 Budget-in-Brief

Robert L. Ransom, Mayor
Maggie Fimia, Deputy Mayor
Rich Gustafson, Councilmember
Ron Hansen, Councilmember
Keith McGlashan, Councilmember
Cindy Ryu, Councilmember
Janet Way, Councilmember

Robert Olander, City Manager
Debbie Tarry, Finance Director

Prepared by the Finance Department
For Fiscal Year January 1, 2007 - December 31, 2007

For more detail, copies of the 2007 Budgets are available on the City's web site, at City Hall, both Neighborhood Police Centers, Shoreline Library and Richmond Beach Library



2007 Budget-in-Brief

<u>Table of Contents</u>	<u>Page</u>
City Organization Chart.....	4
2007 City Resources & Expenditures by Category.....	5
2007 Budget by Strategic Objective.....	6
2007 Program Budget Summary.....	7
City Manager's 2007 Budget Message.....	8
City Budget Summary.....	27
2007 FTE Summary.....	28
All Funds Historical Revenue/Expenditure Summary.....	29
Ending Fund Balances.....	30
Explanation of Change in Ending Fund Balance.....	31

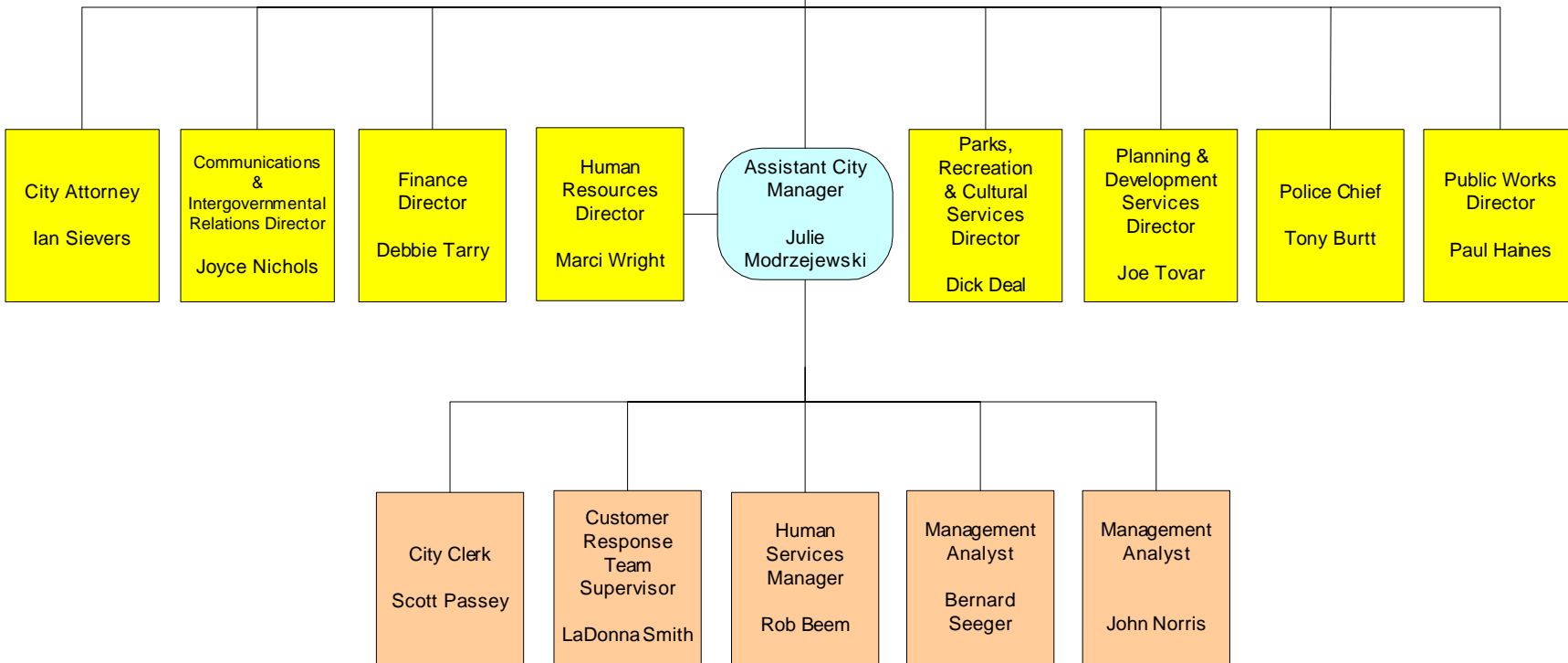


Citizens of Shoreline

Shoreline City Council

City Manager
Bob Olander

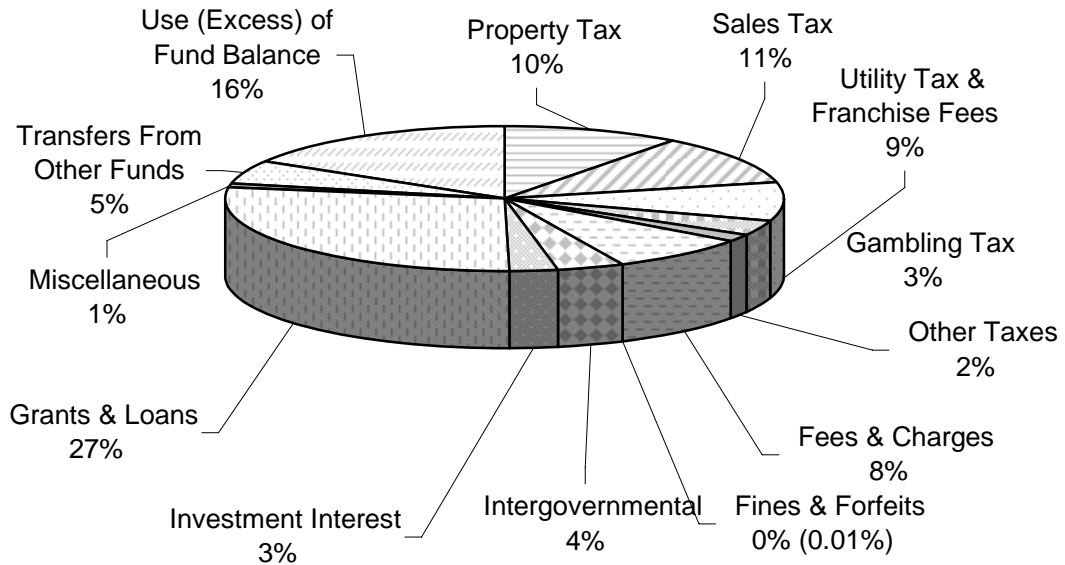
Economic
Development
Program Manager
Tom Boydell



The City Budget

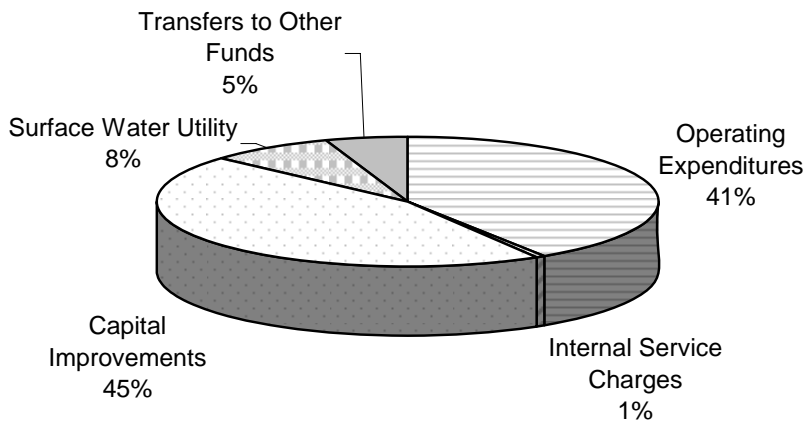
Where the money will come from

2007 City Resources By Category \$68,206,170

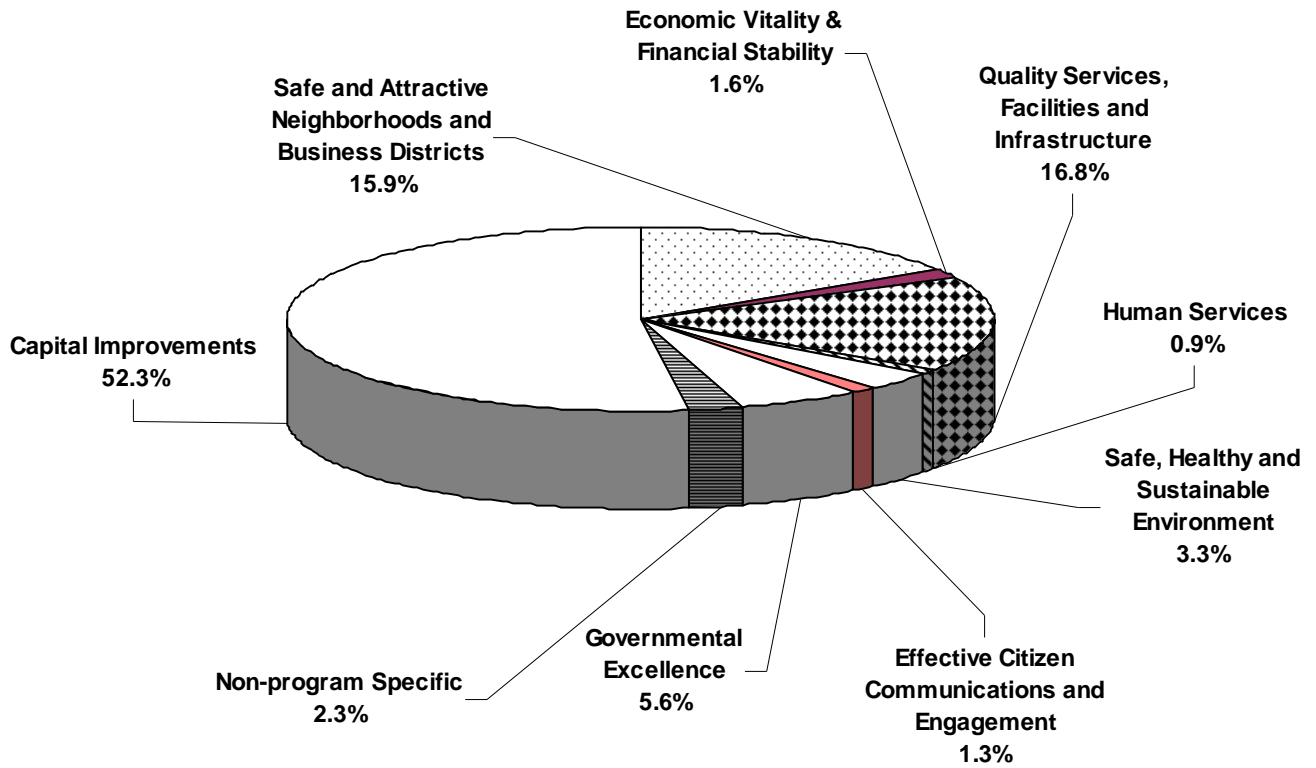


How will the money be spent

2007 City Expenditures By Category \$68,206,170



2007 BUDGET DISTRIBUTED BY STRATEGIC OBJECTIVES



Operating Transfers totaling \$ 2,554,123 not included

2007 Program Budget Summary

Program List	2007 Proposed Budget
Aquatics	792,939
Athletic Field Maintenance & Operations	273,348
Code Enforcement	465,790
General Recreation Programs	779,088
Jail	1,225,217
Neighborhoods	180,648
Parks Administration	406,930
Police Community Storefronts	277,216
Police Investigations Crime Analysis	543,009
Police Patrol	3,887,461
Prosecuting Attorney	168,000
Public Defender	154,209
Police Support Services	1,631,429
Environmental Services	152,028
Right-of-Way Permit and Inspection Program	113,526
Street Crime Investigations	426,649
Street Operation & Pavement Resurfacing Programs	2,865,850
Surface Water Management	1,672,867
Teen Recreation Programs	418,219
Traffic Services & Neighborhood Traffic Safety	458,714
Economic Development: Business Attraction and Retention	257,725
Financial Planning and Accounting Services	765,382
24 Hour Customer Response Team	158,990
Building and Inspections Team	752,182
Geographical Information Systems	185,234
Information Technology Operations and Security Administration	904,387
Legal Services	382,782
Park and Opens Space Maintenance Program	1,059,999
Parks Cultural Services Program	231,445
Permit Services Team	718,932
Planning - Long Range Team	322,219
Planning and Development Operations Support Team	252,624
Police Administration	853,915
Police Traffic Enforcement	700,404
Public Facility & Vehicle Maintenance & Operations	907,389
Public Records & City Council Meeting Management	397,027
Public Works Administration	292,980
Purchasing Services	210,450
Recreation Facility Rental Program	28,763
City Council	174,493
Current Planning Team	540,385
Grant Research & Development	18,672
Information Technology Strategic Plan Implementation	346,474
Organization Strategic Planning and Council Policy Support & Implementation	692,636
Emergency Management Planning	122,715
Human Services: Support for Social Agencies	592,010
Intergovernmental Participation	101,987
Intergovernmental Relations	115,750
School Resource Officer Program	134,899
Sister City Relations	6,000
Communications	282,303
Employee Recruitment, Compensation Administration & Organizational Development	391,553
Sub-Total Program Expenditures	29,795,843
Non-Program Expenditures	
City-Wide:	
Contingencies	598,465
Supplies, Equipment, Election & Liability Insurance	679,491
Code Abatement	100,000
Asset Seizure	23,500
Equipment Replacement	100,000
Unemployment	10,000
Sub-Total Non-Program Expenditures	1,511,456
<i>Operating Transfers (General Fund)</i>	2,554,123
<i>Capital Improvement Program (Less Neighborhood Traffic Safety Program and Road Surface Program)</i>	34,344,748
TOTAL 2007 BUDGET	<u>68,206,170</u>



SHORELINE
CITY COUNCIL

Robert L. Ransom
Mayor

Maggie Fimia
Deputy Mayor

Rich Gustafson

Ron Hansen

Keith McGlashan

Cindy Ryu

Janet Way

October 16, 2006

Honorable Mayor, City Council, and Shoreline Residents:

I am pleased to present the 2007 Proposed Budget. This document presents the overall plan for allocating the resources of the City to a variety of programs necessary to keep the community safe, enhance the quality of life, and maintain and develop quality facilities, parks, roads, and storm drainage systems.

The City of Shoreline is in excellent financial condition. This condition has intentionally been obtained as a result of the prudent financial policies adopted by the City Council and the implementation of those policies with fiscally constrained budgets. To date, the City has been able to maintain service levels for existing programs and increase maintenance levels as street and park capital projects have been completed within existing revenue sources. Although we have been able to maintain our service levels, and in some cases improved service levels, both our near-term and long-range forecasts indicate that this will become more challenging, as the City's revenue growth is anticipated to be below the projected inflation and expenditure levels for the next several years.

In preparing this budget, it was my goal to allocate our resources to provide services that support "Shoreline Strategic Directions" for 2007-08. Consistent with Council direction and input, the budget places primary emphasis on maintaining current services, investing in capital projects to enhance the facility, transportation, surface water, and environmental systems throughout the City, and implementing programs to enhance the economic development, health and sustainability, and human service programs within our community.

Budget Highlights

The City's 2007 proposed budget is balanced in all funds and totals \$68.2 million. The 2007 proposed budget is \$21.4 million or 23.9% less than the current 2006 Budget. This is primarily a result of the 2007 capital budget being \$22.5 million less than the 2006 capital budget. The decrease in capital expenditures is a result of the near completion of the Aurora Avenue Improvements from 145th to 165th and the completion of the North City Business District/15th Avenue improvements. The Civic Center project and the parks bond related projects remain as the most significant capital projects that will occur in 2007.

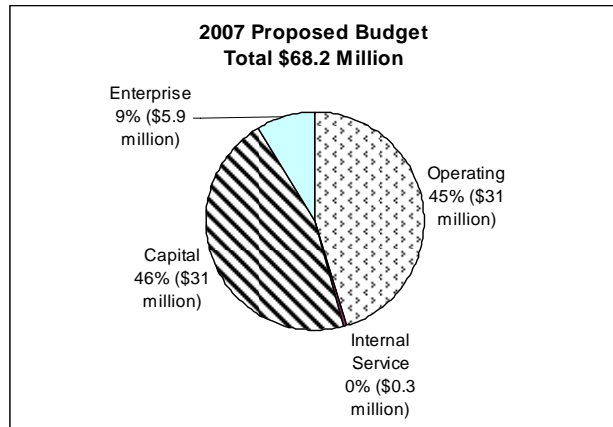
The following table summarizes the 2007 budget and provides a comparison to the 2006 current budget by fund. The 2006 budgeted expenditures represent the adopted budget and any budget amendments, such as reappropriations, that have occurred in 2006 through September.

Fund	Beginning Fund Balance	2007 Proposed Budget		Ending Fund Balance	2006 Current Budget Expenditures
		Revenue	Expenditures		
Operating Funds:					
General Fund	\$ 7,394,350	\$ 27,775,480	\$ 28,426,981	\$ 6,742,849	\$ 29,398,166
General Reserve	2,282,647	58,546	0	2,341,193	0
Streets	795,243	2,302,087	2,422,087	675,243	2,559,651
Code Abatement	68,128	82,500	100,000	50,628	100,000
Asset Seizure	33,831	23,500	23,500	33,831	23,000
Sub-Total Operating Funds	10,574,199	30,242,113	30,972,568	9,843,744	32,080,817
Internal Service Funds:					
Equipment Replacement	1,470,072	315,569	100,000	1,685,641	138,180
Public Art Fund	212,240	0	0	212,240	115,775
Unemployment	72,258	10,500	10,000	72,758	10,000
Vehicle Operations & Maintenance	59,637	139,988	139,988	59,637	88,717
Sub-Total Internal Service Funds	1,814,207	466,057	249,988	2,030,276	352,672
Enterprise Funds:					
Surface Water Utility Fund	6,363,913	5,339,508	5,948,957	5,754,464	3,682,346
Sub-Total Enterprise Funds	6,363,913	5,339,508	5,948,957	5,754,464	3,682,346
Capital Funds:					
General Capital	12,232,990	14,930,580	23,691,223	3,472,347	18,951,460
City Facility-Major Maintenance Fund	177,152	77,972	110,000	145,124	60,000
Roads Capital	7,885,027	5,883,505	7,233,434	6,535,098	34,488,919
Sub-Total Capital Funds	20,295,169	20,892,057	31,034,657	10,152,569	53,500,379
Total City Budget	\$ 39,047,488	\$ 56,939,735	\$ 68,206,170	\$ 27,781,053	\$ 89,616,214

The Surface Water Utility Fund does not include the operating transfer that was originally included in the Surface Water Management Fund to the Surface Water Capital Fund. This transfer was eliminated when the two funds were consolidated. For this reason the 2006 Budget on this table is \$3,242,693 less than the actual adopted 2006 budget.

The budget can be divided into four parts: Operating, Internal Service, Enterprise and Capital. The City's operating budget represents the cost of providing services to the Shoreline Community on a day-to-day basis. The capital budget represents the cost of making improvements to the City's facilities, parks, and transportation systems. Internal service funds represent transfers between funds (Vehicle Operations, Equipment Replacement, and Unemployment) to fund maintenance and replacement of City equipment and unemployment claims. The enterprise fund consists of the operation and capital improvements of the surface water utility.

The 2007 operating budget supports current service levels along with some minor on-going service enhancements and one-time special projects. The operating budget totals \$31 million. The City's operating expenditures decreased by \$1,108,249 or 3.5%, when compared to the 2006 budget.



The 2006 operating budget included \$2.3 million in one-time transfers. Approximately \$1.65 million was to be used towards the purchase of property for the future Civic Center/City Hall, \$200,000 for traffic calming devices and the remaining \$450,000 was to provide funding for the rehabilitation of six to eight traffic signals during the next three years. This transfer was possible because revenues exceeded expenditures for the past five years in the General Fund resulting in annual surpluses. As these surpluses were considered one-time savings, the City's financial policies dictate that the savings should be expended for one-time expenditures. Currently staff is estimating that the General Fund will end 2006 with a \$7.4 million ending fund balance. This is approximately \$1.4 million greater than was anticipated when the 2006 budget was adopted. This was primarily because the 2006 beginning fund balance was \$9.68 million, or \$1.87 million more than originally projected.

I have proposed in the 2007 budget that we use \$651,500 of the General Fund fund balance for one-time expenditures. The largest portion of this is the budgeting of \$505,000 for general budget contingencies and insurance reserves, per the City's adopted financial policies. In addition to the \$505,000, I am proposing to use \$146,500 for one-time investments. This includes \$100,000 that will be used to develop a Natural Resources Management Strategy (NRMS) in conjunction with Council Goal No. 6 - Create an "environmentally sustainable community"; \$30,000 to develop a Town Center Development Plan, and \$16,500 to purchase a truck for the new Parks Maintenance Worker position.

The projected 2007 General Fund ending fund balance is \$6.7 million. Combined with the projected \$2.3 million in General Reserve fund balance, total General Reserves will be approximately \$9 million, or 33% of budgeted General Fund revenue.

The preceding table reflects a 3.3% decrease in the General Fund budget for 2007. When comparing the 2007 budget to the 2006 budget, it is important to remember that the 2006 budget includes \$2.3 million in one-time expenditures and approximately \$613,000 in carry-over appropriations from 2005. If these items were eliminated from the 2006 budget and the \$146,500 in one-time appropriations were eliminated from the 2007 budget, the 2007 General Fund budget increased by 6.8%, \$1.8 million when compared to 2006. The most significant changes between the 2006 and 2007 General Fund budget will be discussed later in this letter.

The proposed 2007 General Fund budget has \$63,465 in unallocated resources. These monies have been placed in a contingency account. I am recommending that the City Council leave these monies in contingency because there are two significant items that could have additional budget impact on the City in 2007. The first would be an additional increase in the 2007 Washington State Public Employees Retirement System (PERS) employer contribution. When the 2006 Washington State Legislature established the long-term PERS employer contribution rates they did not address the funding for the gain-sharing provisions in PERS 1 and 3. On September 29, 2006, the Pension Funding Council set the proposed PERS employer contribution rates for the 2007-2009 biennium. The rates set by the Council included rate increases to fund the gain-sharing provisions and a phasing in of the unfunded PERS 1 liability. As a result, the rates set by the Council are 0.64% greater than those adopted by the Legislature in 2006. It is unclear at this time whether the 2007 Legislature will adopt the rates set by the Council or modify them in some manner. If the Legislature adopts the Council's rates, then the City's PERS contributions will increase an additional \$31,000 in 2007.

The second item that may have a negative budget impact to the City in 2007 is the proposed Seattle City Light (SCL) rate increases for street lights. At this time it is estimated that the proposed rate increases could result in increased costs, beyond those in the 2007 budget, to the City ranging from \$40,000 to \$120,000. The primary reason for the range is that staff and SCL are still trying to reconcile the SCL inventory of street lights so that the City has a comprehensive billing inventory of the street lights in Shoreline.

The \$63,465 in contingency would not be sufficient to fund both the street light increase and the PERS rate increase in a worse case scenario, but it would fund a significant portion if the need arises.

From 2006 to 2007 the City's capital expenditures are projected to decrease by \$22.5 million, or 42%. The capital budget includes resources that are allocated for completion of projects that enhance the City's facilities, parks, and transportation systems.

Major changes within the City's 2007 budget include the following:

- ◆ **Personnel Costs:** The 2007 budget includes an increase of \$991,310, 8.4%, in personnel costs. This table summarizes the changes with a more detailed explanation following.

	2006 Budget	New Positions	Position Adjust.	Extra-Help Budget Change	Vacation Buy-Out	Step Increases	Market Adjust.	Retirement, L&I and Health Premium Changes	2007 Budget	% Change
Salaries	9,266,184	51,510	(22,997)	33,362	(20,000)	147,642	341,830		9,797,531	5.7%
Benefits	2,493,062	19,553	(1,733)	-		17,709	41,001	383,430	2,953,022	18.4%
Sub-Total	11,759,246	71,063	(24,730)	33,362	(20,000)	165,351	382,831	383,430	12,750,553	8.4%
Budget Reductions/New Revenues		(95,326)		(30,000)					(125,326)	
Net Budget Impact	11,759,246	(24,263)	(24,730)	3,362	(20,000)	165,351	382,831	383,430	12,625,227	7.4%

- ◆ The major changes in personnel costs include a combination of the following:
 - Salaries and wages are increasing by \$531,352 or 5.7% in 2007. Increases to salaries and wages include:
 - New employee positions account for 9.7% of the increase in budgeted salaries. (\$51,510, net budget impact is savings of \$24,263): The proposed 2007 budget includes a recommendation to increase the City's regular employee full time equivalents (FTE's) by a net 1.25 FTEs. The proposed position changes include:
 - Increasing the Finance Technician in the Purchasing Services program from a 0.625 FTE to a 0.75 FTE (\$5,842)
 - Increasing the Finance Technician in the Financial Planning and Accounting Services program from a 0.50 FTE to a 0.625FTE (\$5,337)
 - The addition of a Parks Maintenance Worker II for the Athletic Field Maintenance and Operations programs (\$40,331)
 - All of these changes were off-set by expenditure reductions
 - In 2006 the City implemented a new vacation buy-out program. The budget for this was estimated at \$50,000. Based on current experience the 2007 budget has been lowered to \$30,000, resulting in a \$20,000 reduction.
 - Market salary adjustments and budgeted step increases. 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); and
 - Reductions as a result of changes in organizational structure, such as in the City Manager's Office, with the elimination of the Deputy City Manager position and the addition of a second Management Analyst position.
 - Increase of budgeted extra-help (\$33,362) primarily related to performing athletic field maintenance work with extra-help as opposed to a contract service. \$30,000 of this increase was off-set by a reduction in contract services.
 - Projected benefit cost increases (\$459,958) are related primarily to the following:
 - Proposed position changes discussed in the previous section increase benefit costs by \$19,553.
 - Health benefit costs are projected to increase by \$124,000, 8.8%.
 - 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.
 - Increases in rates for workers compensation will result in an increase of \$9,900 cost for labor and industry premiums.
 - 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 of \$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.
- ◆ **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.

The contract with King County provides that the Sheriff's Office give an estimate of the 2007 costs by September 2006, and then reconcile this cost with the budget adopted by the County in March of 2007. Whichever cost is less is the amount that the City will actually pay. As a result of this process, it is not unusual that the City's budget may be slightly different from the actual annual contract with King County. This is the case in 2006. The amount budgeted for 2006 was more than the actual contract obligation for 2006, resulting in budget savings. The budget savings estimated for 2006 projected at \$100,000.

- ◆ **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.
- ◆ **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. I am aware that the Council has a desire to provide more funding in this area, but at this time, I believe that this is the level of funding we can sustain within the General Fund. As the Council considers additional revenue options in the future, the Council may want to consider how some of those revenues could be used to support the City's human service needs.
- ◆ **2006 Base Budget Adjustments:** The 2006 budget contains approximately \$3 million in either one-time expenditures or 2005 carry-over expenditures. These items were removed while preparing the 2007 budget. In addition to these base adjustments, staff reduced the 2007 operating base budget expenditures by \$169,000 in order to balance the 2007 budget. These reductions were made in areas where the City has under expended budgeted amounts during 2004 through 2006. The following table highlights these base budget reductions:

<i>Department</i>	<i>Division</i>	<i>Line-Item</i>	<i>Amount</i>
Parks	Operations	Extra-Help	24,456
Public Works	Traffic Services	Professional Services	16,800
Comm & Intergovt Relations	Communications	Professional Services	17,500
Parks	Operations	Water	10,000
City Manager's Office		Professional Services	7,000
Finance	GIS	Professional Services	5,000
Finance	General Admin	Transfer Out to Abatement Fund	20,000
Customer Response Team		Professional Services	1,300
City Attorney		Professional Services	15,000
Economic Development		Professional Services	30,000
City-Wide		Vacation Buy-Out	20,000
Planning	Long-Range	Professional Services	2,000
		Total	<u>169,056</u>

- ◆ **Budgeted Contingency Expenditures:** The 2007 budget includes two main types of budgeted contingencies: operational and insurance contingency and other anticipated cost increases. These contingency accounts total \$598,465. The largest contingency is the operational and insurance contingency. Per the City's financial policies, these contingencies total \$505,000 and are funded by allocating a portion of the existing General Fund Balance. Other budgeted contingencies include a contingency for future PERS contribution increases or SCL street light rate increases in the amount of \$63,465. Since any increases in these areas will be on-going costs, reserving \$63,000 as a contingency only serves as a way to prevent these monies from being programmed into other on-going obligations. The remaining \$30,000 in contingencies will fund the anticipated salary changes related to the 2006 salary survey.
- ◆ **Liability and Property Insurance Assessment:** The City's liability and property insurance assessment will increase by \$50,442 from 2007 to 2006. This is approximately a 13% increase. The City's insurance assessment is determined by a combination of 5 year loss rate and worker hours. The City's work hours increased by 2.5% from 2004 to 2005, which is the time period used to determine the 2007 assessment. The City's 5 year loss rate actually improved from 2004 to 2005, but so did the overall group rating of agencies that are included within the City's risk management group. The overall 5 year loss rate improved by 11%. As a result the City's relative improvement was proportionately lower than the overall group improvement rating, resulting in a higher rate of risk still being applied towards the City's assessment determination.
- ◆ **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, an additional \$60,000 is budgeted in the Surface Water Utility Fund, is allocated for the purchase of a street sweeper and \$30,000 for contract street sweeping as it is anticipated that it will take 3 to 4 months to receive the street sweeper. I am proposing that the City purchase a street sweeper and perform this task with internal staff, as opposed to external contracts. My recommendation is

based on the anticipated annual budget savings (\$42,000) and the improved environmental quality that we anticipate will occur with a regenerating street sweeper.

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.

- ◆ **Lease Costs:** The 2007 budget reflects a significant decrease in lease costs as a result of the acquisition of the City Hall Annex. Since the City will own the building, there will be no lease costs for the space currently occupied by the City. There is also no debt service costs related to a new City Hall in 2007. Although this is the case, the 2007 budget includes a transfer of the lease savings (\$288,000) to the General Capital Fund in order to reserve those monies towards the acquisition of the Civic Center property and City Hall construction. Staff had estimated a total of \$350,000 of lease savings between 2007 and 2008 that would be allocated for this purpose. It is anticipated in 2009 that the annual reduction in lease payments would be used towards the annual debt service costs of the City Hall.

Staff is currently developing a management plan for the ownership of the Kimm Property and the City Hall Annex building. At this time, staff has not incorporated any lease revenue or operational expenses associated with these facilities outside of those related to the operation of City Hall into the 2007 proposed budget. This information will be presented to Council during the budget discussions and will be included in the 2007 adopted budget.

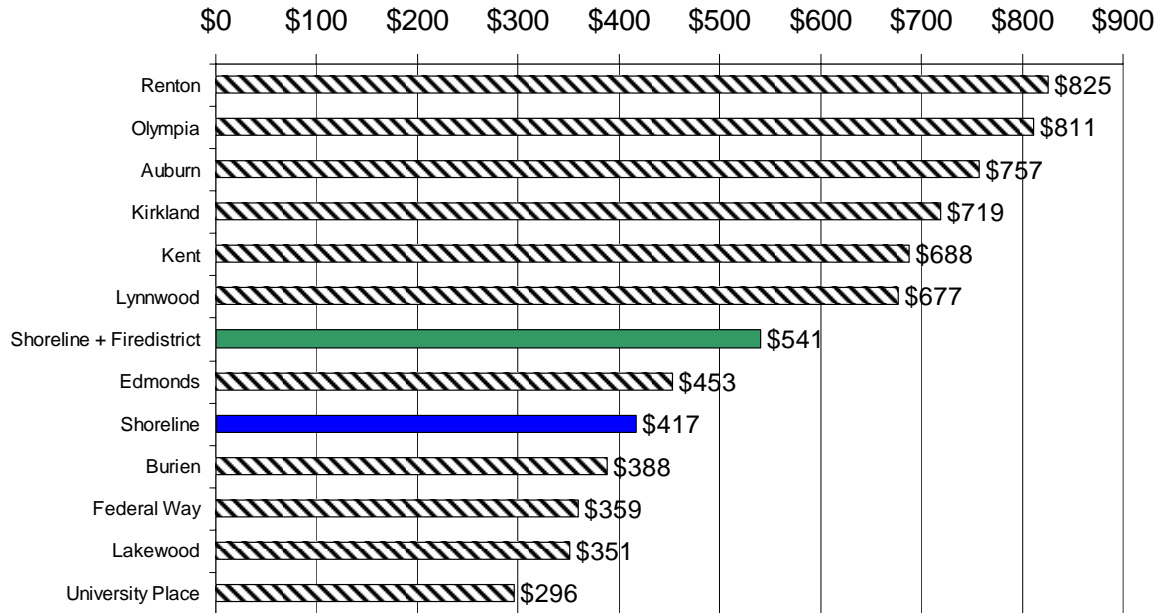
- ◆ **Surface Water Utility Fund:** The 2007 budget accurately reflects the accounting for the surface water utility (SWM) by budgeting for both the operational and capital components of the utility in a single fund.
- ◆ **Fee Changes:** The 2007 budget reflects the policy adopted by the City Council 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.
- ◆ **Capital Programs:** The City's 2007 capital budget reflects the first year of the City's adopted 2007-2012 capital improvement program (CIP).

More detailed information regarding changes within the 2007 budget can be found in the individual department sections of the budget.

Fiscal Capacity

As a City, we are challenged by our limited fiscal capacity. We are primarily a residential community, with 87% of our City assessed valuation in residential properties. We also have low sales tax revenue per capita, \$109, as compared to many other jurisdictions of a similar population. This is especially true with those jurisdictions that have much larger retail centers within their communities. The following chart shows a comparison of tax per capita with comparable cities:

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



Some of these jurisdictions operate their own fire departments. If the City of Shoreline per capita tax collections included the Fire District's property tax collections, the per capita tax collections would be \$541, still significantly below many of the other jurisdictions. Given this, we have been very conservative and prudent in our financial planning.

Economic Outlook & Revenue Growth

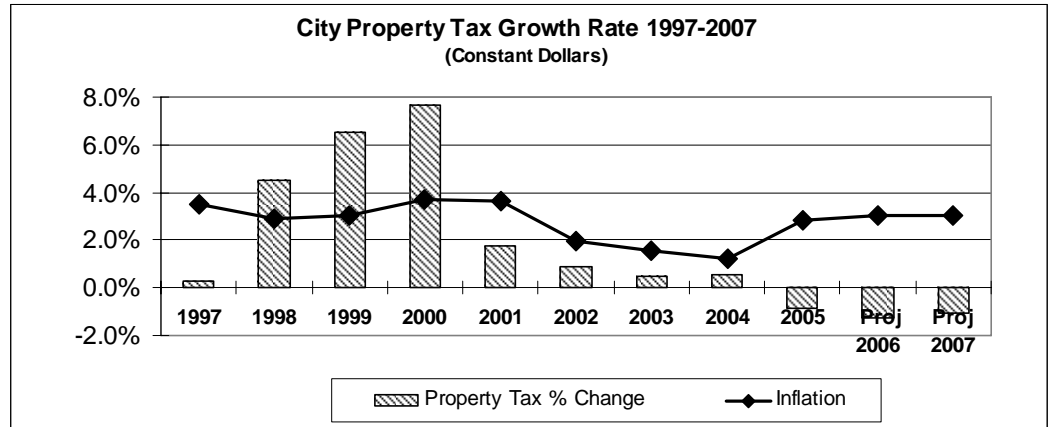
The long-term forecast for the Puget Sound Region economic growth remains positive. Although the U.S. economy as a whole is facing a slow down in the housing market and slower overall growth in the economy, economists are not predicting a recession, but rather slightly lower real Gross Domestic Product growth in 2007. Regionally economists project that job growth will slow from 3.8 percent in 2006 to 2.5 percent in 2007, still almost twice the U.S. pace. This will contribute to healthy income growth, sizable population gains, and a stable rate of homebuilding.

The long-term outlook is also positive. Between 2006 and 2016, employment is projected to rise at a 1.6 percent annual rate, slightly more than the national rate. This is expected to add over 300,000 jobs to the regional economy during this time period, and over half of those are projected to be added in King County.

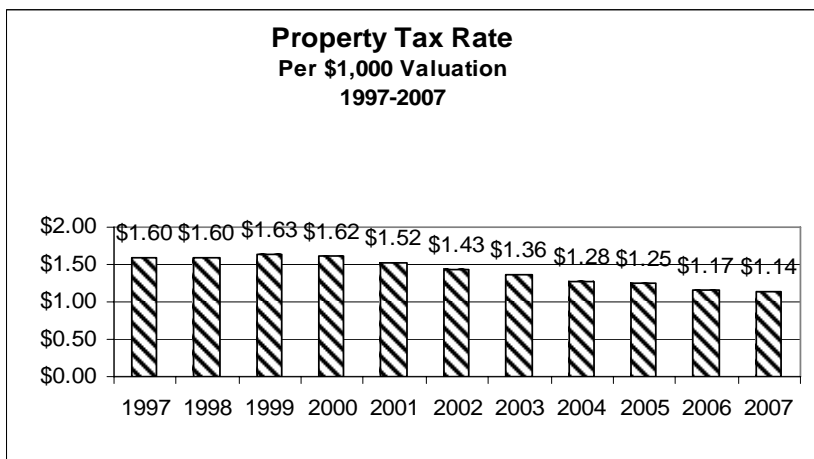
Annual personal income growth over the next several years is projected to exceed 4.8 percent, closely matching the national forecasts. Housing permits are projected to increase by 6.1% in 2006, and then drop to a more modest 3.3% level in 2007. Retail sales are projected to grow in excess of 5 percent annually for the next several years.

Although the economic outlook for the Puget Sound region is very positive, we remain conservative in our revenue forecasting. Overall, the City's operating revenues are projected to decrease by 2% when comparing the 2007 proposed budget to the 2006 budget. When comparing the 2007 proposed budget to the 2006 projected operating revenue collections, the 2007 operating revenues grow by 2.9%, \$805,000. The most significant changes are occurring in the City's gambling tax, utility tax, utility franchise, and utility contract payments.

Property taxes represent 23% of the City's operating revenue. The City's property tax collections are projected to increase by 1.9% over 2006 collections to a total of \$7 million for 2007. This



amount includes a 1% property tax levy increase, with an additional 0.9% of property tax revenue generated from new construction valued at approximately \$39 million. The 1% levy increase is the annual limit allowed by I-747, approved by Washington State voters in 2002. Although the 2007 budget provides for increased property tax revenues on a real basis, when adjusted for inflation and presented on a constant dollar basis, the City has had property tax revenue growth below inflation since 2001, and since 2005 the increases will not provide positive buying power.

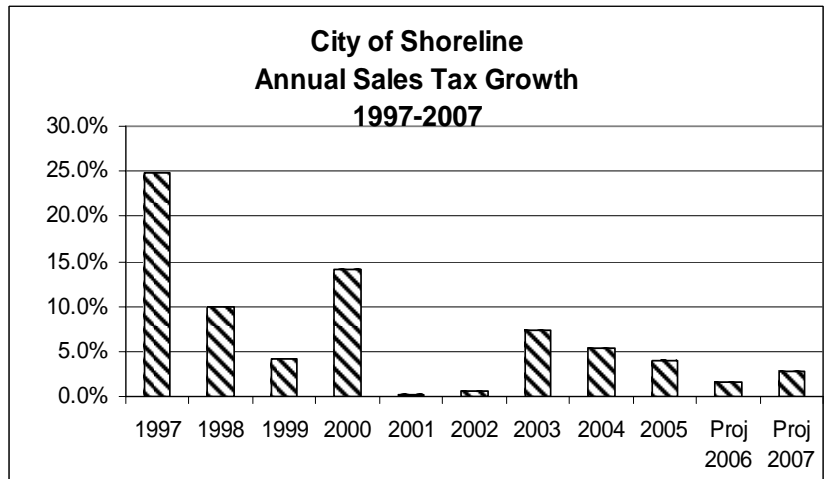


As a result of assessed valuation increases outpacing the increase in property tax levy over the last several years, the City's property tax rate has fallen every year since 2000. The estimated property tax levy rate for 2007 is \$1.14 per \$1,000 assessed valuation, a reduction from the 2006 rate of \$1.17. Statutorily, the City could levy up to a maximum property tax rate of \$1.60 per

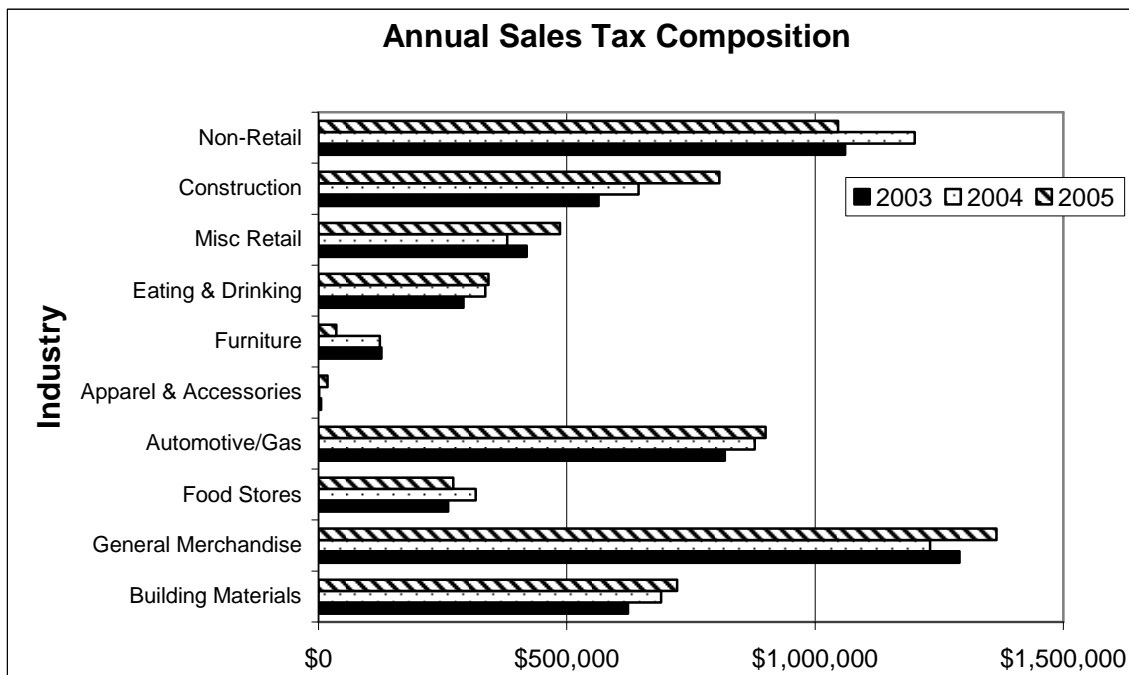
\$1,000 assessed valuation. The average valued price home rose from \$289,000 in 2005 to \$314,000 in 2006. This is a 8.6% increase in average valuation. Assuming an overall 4% increase in valuation for 2007, the average valued home would increase to \$325,560 for

2007. The owner of an average valued home in 2007 could expect the City portion of their property tax to increase by approximately \$5, or 1.3%, in 2007. This property tax levy rate information is for the City's general levy. In May 2006 the Shoreline voters authorized the issuance of \$18.795 million in general obligation bonds. Property owners will be assessed a separate levy rate to begin the repayment of these bonds in 2007.

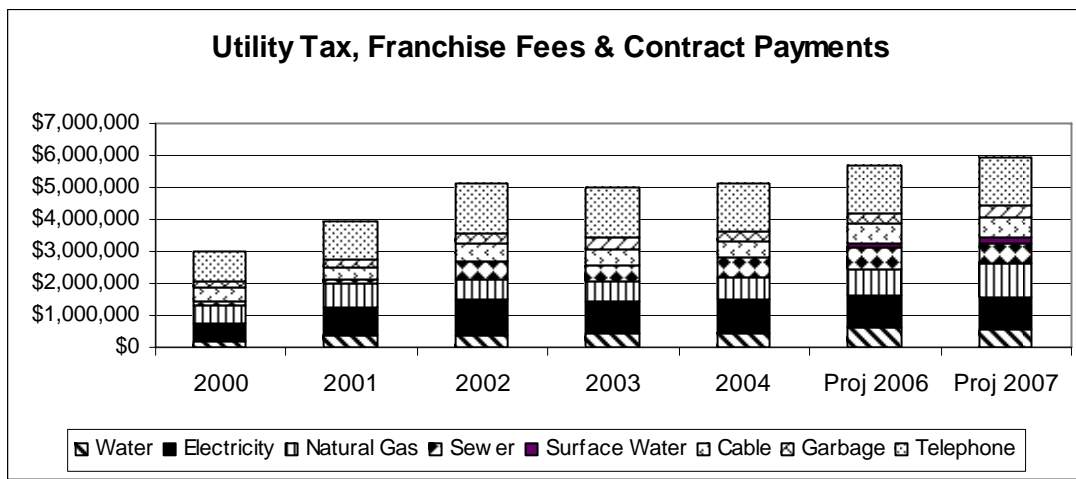
General sales tax, the second largest revenue source for City operations, totals \$6.25 million for 2007. Between 2001 and 2005 the City's annual sales tax growth has averaged 3.5% on a real dollar basis. The City continues to be conservative in its sales tax projections. The projected 2007 sales tax collections are estimated to increase by 8% as compared to the 2006 budget and 2.7% compared to projected 2006 collections.



Shoreline's tax base consists largely of basic consumer goods, and therefore our sales tax collections have been fairly consistent over the last few years. Automobiles are the most significant luxury item in the Shoreline sales tax base, and these sales will need to be monitored throughout 2006. In 2005 sales tax from service industries decreased by 5%, construction related sales tax grew by 25%, while retail based sales tax grew by 6%.



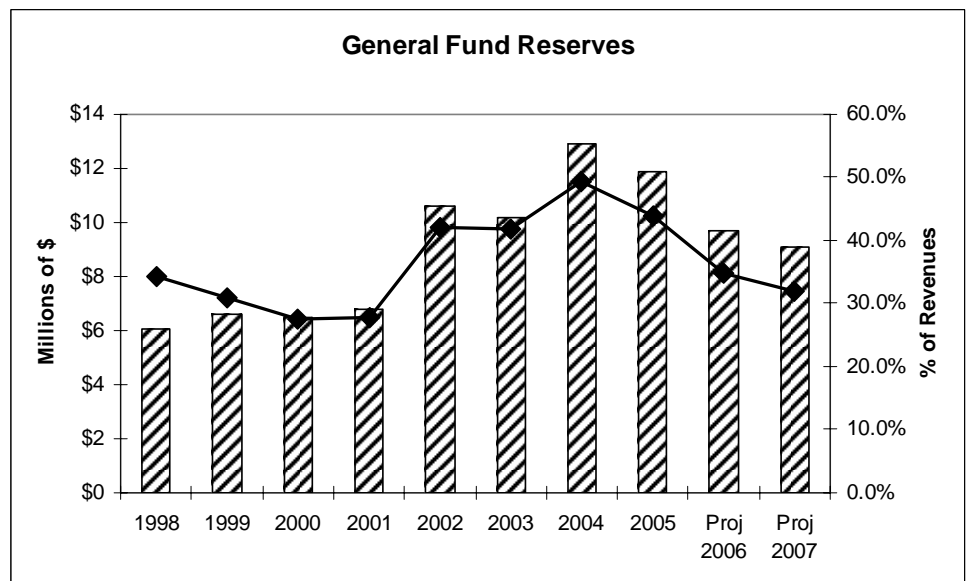
Utility taxes, franchise fees, and contract payments from utility providers are the third largest source of revenue for the City's operating budget. These revenues are projected to increase by approximately 5% when compared to projected 2006 collections. The most significant increase is projected to be from natural gas utilities. Natural gas collections are projected to increase 23% between 2006 and 2007.



2007. The primary reason for this change is that Puget Sound Energy received approval for a 9% pass-through rate increase to be effective October 1, 2006, and other rate increases were approved in late 2005. The increases from telephone and cable are primarily related to usage increases. At this time electric rates charged by Seattle City Light (SCL) are projected to increase slightly for residential consumers, but decrease for commercial consumers. As a result we are projecting flat revenues from the contract payment made by SCL between 2006 and 2007. Other franchise fees and utility tax sources will remain relatively flat.

Reserves

The City saves a portion of its operating revenues as fund balance or "reserves". These funds are used to continue providing services when the economy weakens, to cover one-time expenditure needs and to meet unforeseen emergencies. To demonstrate prudent financial management, the City Council adopted a policy of maintaining

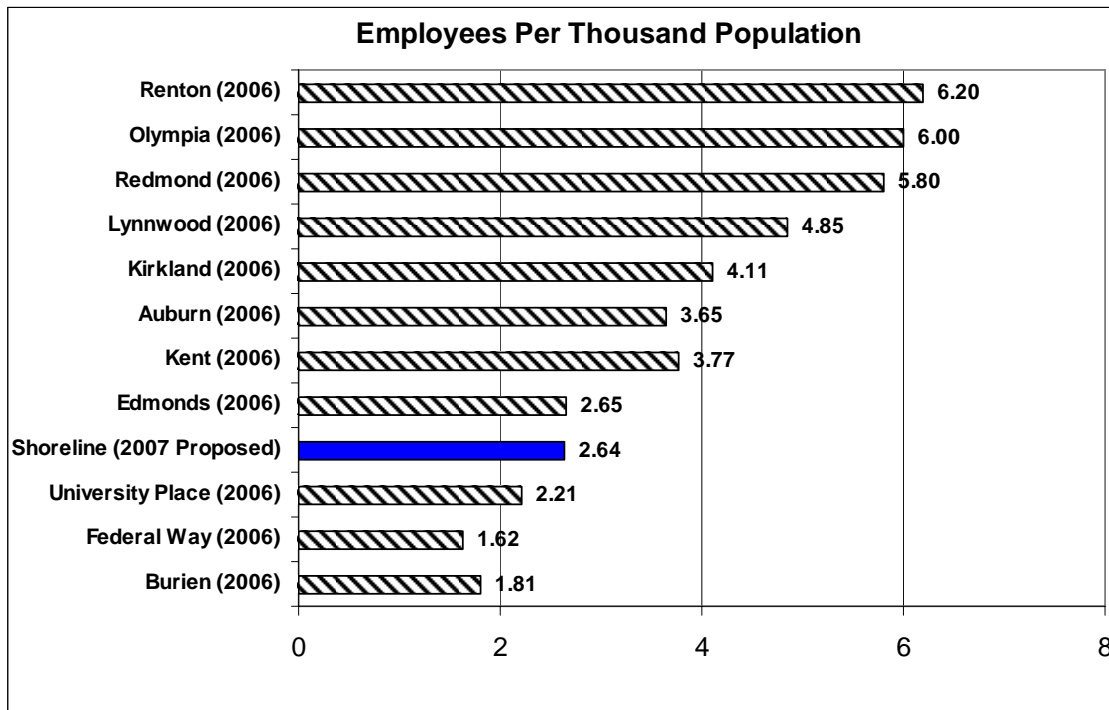


general reserves (General Fund and General Reserve Fund) at 10% of operating revenues. At the end of 2007, the City's general reserves are projected to total \$9.1 million or 32% of projected General Fund operating revenues.

The City's general reserves will be in excess of the required 10% policy levels, and will be at the level maintained prior to 2002.

Staffing

The 2007 budget provides funding for 146.5 regular full-time equivalent (FTE) positions. Of these, 1.25 FTEs represent new positions: a Parks Maintenance Worker, and an increase of 0.25 FTE for two Finance Technicians. The City's 2007 ratio of employees per 1,000 population is 2.64. As the graph below depicts, a comparison of staffing to population still shows the City of Shoreline staffing levels significantly below comparable cities. These ratios have been adjusted to **exclude** fire, police, special programs and utility personnel from comparable cities.



One-Time Expenditures

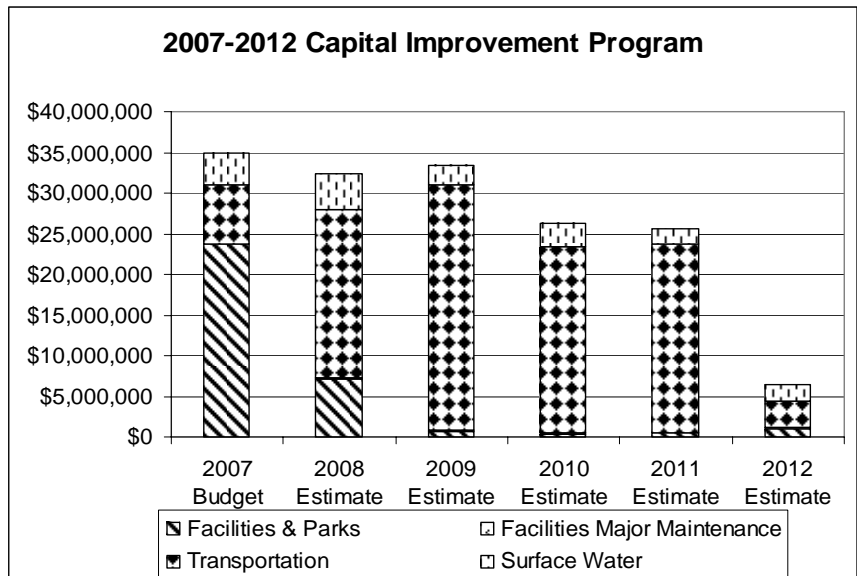
The 2007 operating budget includes \$266,500 in one-time resource allocations. \$120,000 of one-time expenditures is included in the City Street Fund. Of this amount, \$90,000 is allocated for the purchase of a street sweeper (an additional \$60,000 is budgeted in the Surface Water Utility Fund) and \$30,000 for contract street sweeping as it is anticipated that it will take 3 to 4 months to receive the street sweeper. The City's General Fund includes \$146,500 in one-time expenditures.

Capital Budget

The City Council adopted the 2007-2012 Capital Improvement Program (CIP) in July of this year. The total CIP budget for facilities, parks, and transportation 2007 is \$31 million. The total 2007-2012 CIP is \$158.9 million. The 2007 budget for facilities, parks, and transportation is approximately \$22.5 million, 42%, less than the 2006 capital budget. The

surface water capital expenditures for 2007 total \$3.9 million. The surface water capital improvements are budgeted within the Surface Water Utility fund.

The CIP covers projects over \$10,000 and includes buildings, land acquisition, park facilities, road and transportation projects, and drainage system improvements. Much of the capital improvement activity is funded through contributions from the General Fund, Real Estate Excise Tax (REET), federal grants, and Public Works Trust Fund loans.



The previous chart provides a breakdown of the allocation of capital dollars for 2007 through 2012. The change in capital dollars can vary significantly from year to year based on available resources to complete projects and the impact of completed capital projects on the City's operating budget.

Following are highlights from the 2007-2012 CIP projects that are either in progress or will be completed in 2007. Additional information on the CIP may be found in the Capital Improvement Program section of this budget document.

- ◆ The 2007-2012 CIP includes funding for the acquisition of property for a Civic Center and the construction of a City Hall. The current estimated project cost is \$28 million. This is a preliminary estimate, as the project is still in the early planning stages. It is anticipated that a property acquisition agreement will be completed in 2006, with design and construction occurring in 2007 through 2008.
- ◆ Parks Repair & Maintenance Program. The 2007-2012 CIP includes \$1.47 million for the systematic repair and replacement of major components of existing parks. These items may include benches, tables, fences, paths, and playground equipment. This funding is approximately 50% of the amount needed to fully fund all features of existing parks at their optimum life cycle replacement schedule.
- ◆ Initiate a Master Plan for the Twin Ponds Park. Total cost for developing the master plans is estimated at \$31,000. Funding for project implementation is not included in the 2007-2012 CIP.
- ◆ Funding towards the replacement of the Richmond Beach Saltwater Park Bridge is included in the CIP at \$869,000. This level of funding is not adequate to fully replace the bridge.

- ◆ The 2007-2012 CIP includes several projects that will be funded by the bond issue passed by voters in May 2006. These projects include the installation of artificial turf on some of the City's soccer fields, acquisition of open space properties, new pedestrian walkways and trail corridors, creation of an off-leash dog park, park improvements and improvements to tennis courts and baseball fields. Total improvements are approximately \$18.8 million.
- ◆ Annual preservation projects for roads, sidewalks, and traffic small works projects are funded at an annual average of \$1.3 million.
- ◆ The 2007-2012 CIP includes \$5.5 million for the construction of pedestrian walkways and sidewalks on priority City routes. During 2007-2008 funding the annual funding is from City resources. Beginning in 2009 alternative funding resources will be required to fully fund the projected CIP expenditures. The alternative funding may include Local Improvement Districts or other dedicated revenue streams.
- ◆ The most significant transportation project in the 2007-2012 CIP is the Aurora Corridor improvements between 165th and 205th.
 - Planning and design work start on the second phase of the Aurora Corridor project, 165th – 205th, in 2005 and will continue through 2007. The total estimated cost for this project is \$88 million, with \$77.5 million being funded through grants and other agency participation. The 2007 budget includes \$1.6 million for planning, design and right-of-way acquisition in 2007.
- ◆ The 2007 budget provides for the continuation of the Neighborhood Traffic Safety Program with approximately \$200,000 funded annually for capital improvements and \$50,000 funded within the operating budget for increased police traffic enforcement.
- ◆ In 2005 the City Council adopted the first surface water utility master plan. This plan included a recommended 20 year operating and capital improvement plan for the utility. The capital projects for the first 6 years of the plan are included in the 2007-2012 CIP. These projects focus on the desired level of service for flood protection, water quality, stream rehabilitation and habitat enhancement.

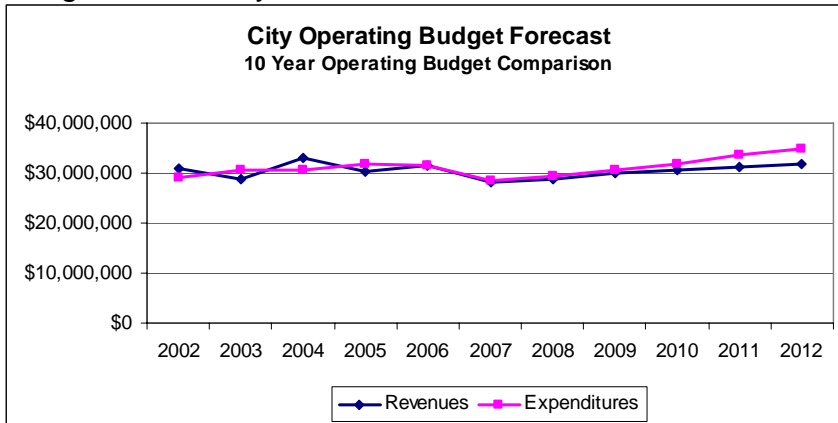
More detailed information about the projects within the City's 2007-2012 CIP can be obtained with a copy of the Adopted 2007-2012 CIP.

Other Budget Issues

One initiative that will be up for voter approval in the November state-wide election is I-933. Under I-933, state or local governments would have to compensate owners of private property when government regulations affect the value of their property. Government would be required to either "pay or waive" – compensate owners financially or waive the regulations.

A recently released study by the University of Washington found government most likely will be unable to do either. The three most common land-use laws – the Growth Management Act, the State Environmental Policy Act, and Shoreline Management Act – do not permit waivers. Meanwhile, the payments would likely be well beyond the budgets of cities or the state – totaling more than the state spends

In 2005 the City of Shoreline and several other cities that have a franchise agreement with Seattle City Light (SCL) were sued by a group of City of Seattle rate payers. The claim of the rate payers is that a contract payment made by SCL to the cities is not legal. Currently the City receives approximately \$1,000,000 a year from SCL as provided in the City's franchise agreement. It is anticipated that it will take time for this issue to be resolved through the court system.



In 2006 the Shoreline voters approved a \$17.8 million Park and Recreation bond issue. The City is currently in the process of obtaining a bond rating and issuing the bonds. It is anticipated that the bonds will close in mid-December 2006. During the bond issuance process the City Council will adopt a

property tax levy rate for 2007 to start repayment of the bonds and will adopt a budget for the debt service requirements for 2007.

Shoreline Strategic Directions

Our organization has continued to focus on performance and results. This year the City Council updated the City's strategic plan. This included revising the City's vision, values, and strategic objectives. Included in the budget document is a working draft of the revised strategic plan. This plan identifies the desired community condition for each of the strategic objectives and the key strategies that the City will implement to obtain that condition. In order to measure the City's progress towards these goals, key performance measures have been identified. As annual results of these measures are recorded, the City will monitor trends to determine which strategies have been successful in moving us towards our desired community condition, and which strategies may need to be modified. I plan to use the Shoreline Strategic Directions tool to help communicate with the Shoreline community how we are doing as an organization in meeting the community's needs.

In addition to the performance measures included in the Strategic Directions document, the department budgets include service program summaries along with key performance measures and results of those measures for the last 3 years.

Our Financial Condition and Future Challenges

The City's current financial condition is excellent. Over the last five years, the City's revenue collections have exceeded expenditures as a result of conservative financial planning, efficient management, restraint from using budget savings as a way to fund on-going operations and modest budget increases. This has allowed the City Council to allocate monies towards significant capital projects such as the Civic Center in order to lower the amount of borrowing that will be necessary to complete the project.

Although the City reviews the long-term position of all funds, the primary focus is on the long-term financial position of the City's operating budget. The City is entering a time period in which annual expenditure growth is projected to outpace annual revenue growth, therefore resulting in future budget gaps. Based on the assumptions that the City uses in its long-term financial planning, this graph depicts the projected budget gaps between annual operating revenues and expenditures in the future.

The City's budget policies and state law dictate that the operating budget must be balanced on an annual basis with on-going revenue sources, unless a policy decision is made to use reserves in an emergency or as a one-time event. One of the advantages of doing long-term financial planning is that we can anticipate the need to either reduce expenditures, increase revenues, or do both. It also allows us to anticipate the need for future policy changes.

In light of the long-term forecasts, our focus over the last few years has been on cost containment, expenditure reductions and improving service efficiencies and I believe we have been very successful in this effort. Some of our successes include:

- In 2003 an employee group developed an alternative health benefit policy. As a result of this policy change, the City's health benefit costs in 2006 were \$313,000 less than would have been budgeted under the previous policy.
- We have initiated agreements with Yakima County and Issaquah to house prisoners at a lower rate than is charged by King County.
- We have changed the way we pay for Police Department canine services by purchasing this on a call-out basis instead of having a dedicated unit. This has resulted in annual savings of \$100,000.
- Departments absorbed \$167,000 in baseline budget reductions in 2005 and an additional \$169,000 in baseline reductions for 2007.

Based on our long-range projections, I believe the City will either have to implement new revenue sources or will need to reduce direct services in the future in order to balance the annual budget. The following table shows the anticipated budget gaps for 2008 through 2012 to maintain current service levels:

Expenditure Assumption	Operating Fund Projections					
	2007 100%			Others	99%	
	Base Projections					
	2007	2008	2009	2010	2011	2012
Annual Revenues	28,147,270	28,846,091	29,902,749	30,484,188	31,082,056	31,732,384
Annual Expenditures	28,413,771	29,261,795	30,706,207	31,917,785	33,487,243	34,826,839
Annual (Budget Gap)/Surplus	(266,501)	(415,704)	(803,458)	(1,433,597)	(2,405,187)	(3,094,455)

**2007 budget gap represents one-time expenditures which are being funded by reserves.*

The City has several revenue options that could be implemented in the future. These include increasing the utility tax on cable from the current 1% up to 6%, increasing the utility tax on surface water fees beyond the current 6%, implementing the electricity contract payment on the distribution portion of the Seattle City Light rates, implementing a

revenue generating business license program, implementation of a business & occupation tax, increasing the gambling tax rate, or asking the voters to approve a property tax levy lid lift. Although all these options are available, I would recommend that we consider increasing the cable utility tax, implementing the electricity contract payment on the distribution portion of the electric fees, and a property tax levy lid lift in the future.

As the projections above portray, the City will need to either implement alternative revenues in 2008 or make program reductions in order to balance the 2008 budget. I would recommend that the Council consider a strategic plan to gradually implement the cable utility tax increase and the electricity contract increase starting in 2008. If the cable utility tax was increased to the full 6%, the City could anticipate collecting an additional \$500,000 in annual revenue, and if the full 6% contract payment were implemented on the distribution portion of the electric rates the City could collect up to \$850,000 in additional annual revenue. These rate changes can be phased in over time. One example would be the following:

	2008	2009	2010	2011	2012
Projected Annual (Budget Gap)/Surplus	(415,704)	(803,458)	(1,433,597)	(2,405,187)	(3,094,455)
Cable Utility Tax Increase (1%-2008, 2%-2009, 2%-2010)	100,000	300,000	500,000	500,000	500,000
Electric Contract Payment Increase (2%-2008, 2%-2009, 2%-2010)	283,333	566,667	850,000	850,000	850,000
Net Budget Gap	(32,371)	63,209	(83,597)	(1,055,187)	(1,744,455)

As stated earlier this scenario only assumes that the City maintain current service levels. As can be seen from this scenario these revenue sources would provide the means to be able to maintain the existing level of service through 2010, but will not be sufficient to maintain service levels beyond that time frame.

Council has discussed a desire to enhance service levels specifically in the areas of human service funding and public safety. In addition to those needs I believe that we may need additional funding in our park and right-of-way maintenance areas in the future. The Council may want to consider revenue from a levy lid-lift to fund enhanced levels of service. The City may levy a property tax rate up to \$1.60 per \$1,000 assessed valuation. The current projected 2007 levy rate is \$1.14. This leaves an additional \$0.46 that could be levied. Each \$0.05 of additional levy generates approximately \$310,000 in annual revenue.

I realize that revenue enhancement options are not popular, but at the same time our community desires a responsive and responsible City government. I believe we have served the community well during our first decade of incorporation as we have used resources efficiently to improve the services our community received in public safety, park and street maintenance, communications and human services. Also we have provided many capital and infrastructure improvements within current revenue sources.

I believe that 2007 will be a critical year for us to make decisions about our long-term financial strategy and therefore I anticipate bringing additional information to the City Council in early 2007 so that these policy decisions may be made as we plan for 2008 and beyond.

I am very confident, given our past conservative financial planning and spending policies that we will develop a long-term financial strategic plan that will support our City vision.

Conclusion

This budget is an effort to comprehensively address the City's service and capital investment needs for 2007. It is a budget that continues to provide current service levels, but it does not satisfy all the demands placed on the City. The 2007 proposed budget addresses the top priorities identified by the Council and the Shoreline community. It does this through conservative revenue estimates and modest expenditure growth.

In presenting the budget to the Council, I would like to acknowledge and express appreciation to the City Leadership Team and their staff for their willingness to submit realistic budget requests and develop alternatives to meet the Council priorities. I would also like to thank the Finance Department for its assistance in preparing this budget. Finally, I would like to thank you, the Council, for the policy direction you have provided for service delivery to our community.

Respectfully submitted,

Robert Olander
City Manager

City Budget Summary

Listed below are the resources and expenditures for all City funds. City Resources shows all revenue by category. City Expenditures lists the operating uses by department and functional area. The Operating Budget represents expenses necessary to run the City government on a daily basis. Contingencies represent funding that set aside for potential or unforeseen expenditures that may occur. Capital Improvements are the purchase land, construction of a building, major street construction or reconstruction, or drainage system improvements. Transfers to Other Funds represent transfers of appropriations from one City fund to another City fund for services or the transfer of funds for capital purposes from the operating funds to the capital funds. Revenue and expenditures are recorded in both funds. Ending Fund Balance represents the reserves that are available to the City at the end of any given year. These reserves represent both reserves for unanticipated events and reserves designated for future capital purposes.

	2004 Actual	2005 Actual	2006 Current Budget	2006 Projected	2007 Proposed Budget	\$ Change From 2006 Budget	% Change from 2006 Budget
Resources:							
Beginning Fund Balance	41,160,152	44,810,019	35,972,706	45,372,334	39,047,488	3,074,782	8.5%
Revenues:							
Property Tax	6,714,399	6,822,871	6,935,415	6,935,415	7,066,510	131,095	1.9%
Sales Tax	6,798,535	7,108,440	6,886,187	7,237,089	7,474,500	588,313	8.5%
Utility Tax & Franchise Fees	5,132,665	6,249,469	5,386,000	5,692,000	5,965,595	579,595	10.8%
Gambling Tax	3,321,060	3,003,004	2,930,500	2,053,800	2,134,500	(796,000)	-27.2%
Other Taxes	2,023,780	2,678,132	1,428,848	1,953,500	1,225,672	(203,176)	-14.2%
Fees & Charges	4,380,437	4,990,255	5,166,603	5,229,327	5,573,190	406,587	7.9%
Fines & Forfeits	127,917	77,831	11,000	31,261	10,000	(1,000)	-9.1%
Intergovernmental	1,994,377	7,149,388	6,051,035	5,809,626	2,531,582	(3,519,453)	-58.2%
Investment Interest	851,635	1,208,119	1,233,738	2,260,274	1,975,514	741,776	60.1%
Grants & Loans	6,139,190	8,341,852	31,889,393	40,889,943	18,833,541	(13,055,852)	-40.9%
Miscellaneous	349,077	438,077	867,671	788,771	548,561	(319,110)	-36.8%
Sub-Total Revenues	<u>37,833,072</u>	<u>48,067,438</u>	<u>68,786,390</u>	<u>78,881,006</u>	<u>53,339,165</u>	<u>(15,447,225)</u>	<u>-22.5%</u>
Transfers From Other Funds	<u>7,239,729</u>	<u>8,996,559</u>	<u>8,641,650</u>	<u>6,547,222</u>	<u>3,600,570</u>	<u>(5,041,080)</u>	<u>-58.3%</u>
Total Revenues	<u>45,072,801</u>	<u>57,063,997</u>	<u>77,428,040</u>	<u>85,428,228</u>	<u>56,939,735</u>	<u>(20,488,305)</u>	<u>-26.5%</u>
Total Resources	<u>86,232,953</u>	<u>101,874,016</u>	<u>113,400,746</u>	<u>130,800,562</u>	<u>95,987,223</u>	<u>(17,413,523)</u>	<u>-15.4%</u>
Uses:							
Operating Expenditures:							
City Council	163,784	165,668	167,738	173,123	174,494	6,756	4.0%
City Manager	620,438	895,736	864,358	879,464	815,352	(49,006)	-5.7%
City Clerk	320,170	351,677	387,159	371,393	403,027	15,868	4.1%
Community & Govt. Relations	472,999	493,268	580,158	560,082	578,700	(1,458)	-0.3%
Human Services	453,325	564,457	587,209	576,397	592,010	4,801	0.8%
City Attorney	414,970	445,997	523,040	553,040	550,782	27,742	5.3%
Finance	3,000,927	3,083,800	3,254,050	3,453,113	3,289,883	35,833	1.1%
Human Resources	340,294	344,954	369,222	369,222	391,553	22,331	6.0%
Customer Response Team	380,971	365,609	410,283	407,783	440,585	30,302	7.4%
Police	7,299,588	7,459,839	8,109,873	7,991,308	8,555,045	445,172	5.5%
Criminal Justice	924,993	1,156,910	973,104	1,348,400	1,379,426	406,322	41.8%
Parks & Recreation	2,794,532	3,352,058	3,932,369	3,819,718	3,879,687	(52,682)	-1.3%
Planning & Development Services	1,994,862	2,091,168	2,526,641	2,380,640	2,856,866	330,225	13.1%
Economic Development	77,066	155,259	294,521	296,078	245,596	(48,925)	-16.6%
Public Works	4,416,937	2,973,148	3,326,797	3,362,692	3,118,428	(208,369)	-6.3%
Contingencies	-	-	758,572	-	598,465	(160,107)	-21.1%
Operating Expenditures	<u>23,675,856</u>	<u>23,899,548</u>	<u>27,065,094</u>	<u>26,542,453</u>	<u>27,869,899</u>	<u>804,805</u>	<u>3.0%</u>
Internal Service Charges	<u>237,817</u>	<u>249,630</u>	<u>277,176</u>	<u>278,914</u>	<u>309,284</u>	<u>32,108</u>	<u>11.6%</u>
Capital Improvements	<u>10,269,534</u>	<u>19,289,020</u>	<u>53,513,476</u>	<u>56,409,227</u>	<u>30,943,898</u>	<u>(22,569,578)</u>	<u>-42.2%</u>
Surface Water Utility	<u>-</u>	<u>4,066,936</u>	<u>3,395,403</u>	<u>2,966,603</u>	<u>5,482,519</u>	<u>2,087,116</u>	<u>61.5%</u>
Transfers to Other Funds	<u>7,239,730</u>	<u>8,996,558</u>	<u>8,607,758</u>	<u>5,555,878</u>	<u>3,600,570</u>	<u>(5,007,188)</u>	<u>-58.2%</u>
Total Expenditures	<u>41,422,937</u>	<u>56,501,692</u>	<u>92,858,907</u>	<u>91,753,075</u>	<u>68,206,170</u>	<u>(24,652,737)</u>	<u>-26.5%</u>
Ending Fund Balance	<u>44,810,016</u>	<u>45,372,324</u>	<u>20,541,839</u>	<u>39,047,487</u>	<u>27,781,053</u>	<u>7,239,214</u>	<u>35.2%</u>
Use (Excess) of Fund Balance	<u>(3,649,864)</u>	<u>(562,305)</u>	<u>15,430,867</u>	<u>6,324,847</u>	<u>11,266,435</u>	<u>(4,164,432)</u>	<u>-27.0%</u>

*The difference between transfers in and transfers out represents the transfer of monies from the City's capital funds to the Public Arts Fund. The expenditure of these funds is incorporated within the project costs as opposed to being shown as an operating transfer.

City of Shoreline - 2007 FTE Summary

Department	2007											Changes
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.0	7.0	7.0	0.0
City Manager	9.00	10.00	10.00	9.00	6.00	6.00	6.00	6.00	6.0	6.0	7.0	1.0
City Clerk	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	3.8	3.8	3.8	0.0
Economic Development						1.00	1.00	1.00	1.0	1.0	1.0	0.0
Communications & Inter-Governmental Relations	3.00	3.00	2.00	2.50	3.50	3.50	3.00	3.50	3.5	3.5	3.5	0.0
Health and Human Services	2.00	2.00	2.00	2.00	2.00	2.00	0.00	1.80	1.8	1.8	1.8	0.0
City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	2.50	3.50	3.5	3.0	3.0	0.0
Customer Response Team	0.00	0.00	0.00	0.00	5.00	5.00	5.00	5.00	5.0	5.0	5.0	0.0
Finance / Information Services	12.00	12.00	12.00	14.00	16.63	17.13	17.13	17.33	16.8	17.8	18.1	0.3
Human Resources	2.00	2.00	2.00	2.50	2.50	2.50	3.00	3.00	3.0	3.0	3.0	0.0
Police	0.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.0	2.0	1.0	(1.0)
Planning and Development Services	20.00	24.00	25.00	27.00	28.50	26.00	25.90	25.90	26.9	28.5	28.5	0.0
Parks, Recreation & Cultural Services	12.50	16.50	13.00	17.12	21.65	22.02	24.52	23.30	23.3	25.8	26.8	1.0
Public Works	10.00	15.00	22.00	28.00	27.50	30.00	33.10	35.60	36.1	37.0	37.0	0.0
Total FTE	81.50	96.50	100.00	114.12	126.28	128.15	133.15	138.93	139.7	145.2	146.5	1.3

Explanation of 2007 Changes in FTE

City Manager

The Emergency Management Coordinator (1.0 FTE) position was moved from Police to City Manager during 2006. The Deputy City Manager (1.0 FTE) position was eliminated and a new Management Analyst (1.0 FTE) position was created during 2006.

Finance

The FTE allocation has been increased for the Finance Technician in Purchasing (from 0.62 FTE to 0.75 FTE) and the Finance Technician in Accounting Services (from 0.50 FTE to 0.625 FTE) for a total change of 0.25 FTE in order to keep up with current workload. Demands in Financial Operations have increased for the current Finance Technician that does accounts payable and payroll functions. Since 2003 the number transaction that this position completes has increased by 16%. The number of purchasing transaction and contracts has increased as additional projects have come on-line.

Police

The Emergency Management Coordinator (1.0 FTE) position was moved from Police to City Manager

Planning & Development Services

A new Development Review Engineer (1.0 FTE) was added in 2006 to meet increased demand and is funded by additional development review revenue.

Parks, Recreation & Cultural Services

A new Athletic Field Maintenance - Park Maintenance Worker II (1.0 FTE) was added for 2007 to perform all daily athletic field maintenance at nine park sites (field watering, dragging and lining) during each sport season and the installation of additional infield soils on baseball/softball fields. This position replaces part of the Parks Landscape and Maintenance Service contract currently in place.

All Funds Historical Revenue/Expenditure Summary

			2006 Current		2007 Proposed		2006 Current
	2004	2005	Actuals	Budget	2006 Projected	Budget	Budget vs. 2007
	Actuals	Actuals				Proposed	Budget
RESOURCES							
Beginning Fund Balance	\$ 41,160,152	\$ 44,810,019	\$ 35,972,706	\$ 45,372,334	\$ 39,047,488	\$ 3,074,782	
Revenues & Transfers-In							
General Fund	\$ 26,627,955	\$ 27,805,737	\$ 27,257,636	\$ 27,026,615	\$ 27,775,480	517,844	
Street Fund	2,333,147	2,384,846	2,469,877	2,530,230	2,302,087	(167,790)	
Arterial Street Fund	348,124	391,928	-	-	-	-	
Surface Water Management Fund	2,507,159	-	-	-	-	-	
General Reserve Fund	201,614	189,350	38,350	122,301	58,546	20,196	
Development Services Fund	1,678,203	-	-	-	-	-	
Code Abatement Fund	9,738	100,312	102,500	49,212	82,500	(20,000)	
Asset Seizure Fund	3,831	10,774	23,500	18,803	23,500	-	
Public Art Fund	37,602	232,827	33,892	49,148	-	(33,892)	
General Capital Fund	1,447,140	5,630,859	13,183,259	23,078,761	14,930,580	1,747,321	
City Facility -Major Maintenance Fund	-	244,549	74,680	76,429	77,972	3,292	
Roads Capital Fund	7,397,891	15,875,942	27,711,789	28,121,540	5,883,505	(21,828,284)	
Surface Water Capital Fund	2,080,000	-	-	-	-	-	
Surface Water Utility Fund	-	3,802,545	6,134,082	3,885,297	5,339,508	(794,574)	
Vehicle Operations Fund	58,705	73,950	88,717	100,782	139,988	51,271	
Equipment Replacement Fund	298,927	307,149	299,308	336,810	315,569	16,261	
Unemployment Fund	42,767	13,229	10,450	32,300	10,500	50	
Total Revenues & Transfers-In	\$ 45,072,803	\$ 57,063,997	\$ 77,428,040	\$ 85,428,228	\$ 56,939,735	\$ (20,488,305)	
Total Resources	\$ 86,232,955	\$ 101,874,015	\$ 113,400,746	\$ 130,800,562	\$ 95,987,223	\$ (17,413,523)	
USES							
Expenditures & Transfers Out							
General Fund	\$ 24,120,530	\$ 29,465,987	\$ 29,398,166	\$ 29,317,275	\$ 28,426,981	\$ (971,185)	
Street Fund	2,392,231	2,224,956	2,559,651	2,513,556	2,422,087	(137,564)	
Arterial Street Fund	347,753	348,545	-	-	-	-	
Surface Water Management Fund	1,920,344	-	-	-	-	-	
General Reserve Fund	-	-	-	-	-	-	
Development Services Fund	1,691,122	-	-	-	-	-	
Code Abatement Fund	19,729	19,717	100,000	100,000	100,000	-	
Asset Seizure Fund	653	9,387	23,000	6,694	23,500	500	
Public Art Fund	-	15,000	115,775	115,775	-	(115,775)	
General Capital Fund	804,454	1,510,378	18,951,460	22,946,344	23,691,223	4,739,763	
City Facility -Major Maintenance Fund	-	83,826	60,000	60,000	110,000	50,000	
Roads Capital Fund	7,555,530	18,020,887	34,488,919	33,386,878	7,233,434	(27,255,485)	
Surface Water Capital Fund	2,339,286	-	-	-	-	-	
Surface Water Utility Fund	-	4,523,081	6,925,039	3,069,835	5,948,957	(976,082)	
Vehicle Operations Fund	67,469	78,981	88,717	88,717	139,988	51,271	
Equipment Replacement Fund	126,093	223,907	138,180	118,000	100,000	(38,180)	
Unemployment Fund	37,743	15,425	10,000	30,000	10,000	-	
Total Expenditures & Transfers Out	\$ 41,422,937	\$ 56,540,077	\$ 92,858,907	\$ 91,753,074	\$ 68,206,170	\$ (24,652,737)	
Ending Fund Balance	\$ 44,810,019	\$ 45,333,936	\$ 20,541,839	\$ 39,047,489	\$ 27,781,053	\$ 7,239,214	
Total Uses	\$ 86,232,956	\$ 101,874,013	\$ 113,400,746	\$ 130,800,563	\$ 95,987,223	\$ (17,413,523)	

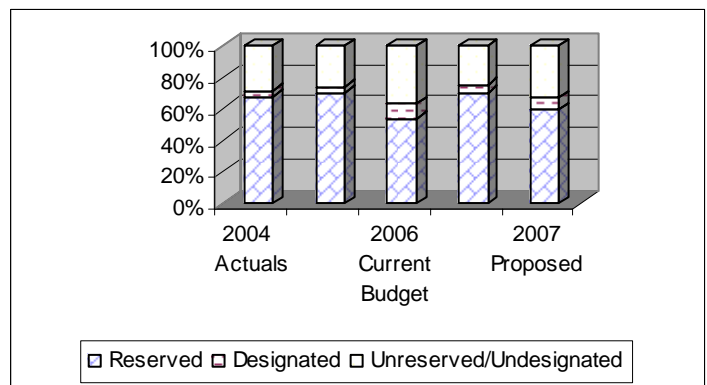
Ending Fund Balances

The following table and graph illustrate the City's ending fund balances between 2002 and 2005. The fund balances are segregated into three major components: unreserved/undesignated, reserved, and designated.

	2004	2005	2006	2006	2007
	Actuals	Actuals	Current Budget	Projected	Proposed
Reserved:					
General Capital Fund	7,980,092	12,100,573	2,103,768	12,232,990	3,472,347
City Facility -Major Maintenance Fund	-	160,723	170,680	177,152	145,124
Roads Capital Fund	15,236,389	13,150,365	3,247,990	7,885,027	6,535,098
Surface Water Capital Fund	3,244,311	-	-	-	-
Development Services Fund	409,248	-	-	-	-
Street Fund	618,679	778,568	437,329	795,243	675,243
Arterial Street Fund	15,535	-	-	-	-
Surface Water Management Fund	2,986,290	-	-	-	-
Surface Water Utility Fund		5,548,452	5,440,548	6,363,913	5,754,464
Subtotal Reserved	30,490,544	31,738,681	11,400,315	27,454,325	16,582,276
Designated:					
Equipment Replacement Fund	1,168,020	1,251,262	1,514,777	1,470,072	1,685,641
Vehicle Maintenance & Operations	52,602	47,572	52,134	59,637	59,637
Unemployment Fund	72,154	69,958	72,604	72,258	72,758
Code Abatement Fund	38,322	118,916	88,595	68,128	50,628
Asset Seizure Fund	20,335	21,722	26,058	33,831	33,831
Public Art Fund	61,040	278,867	324,635	212,240	212,240
Subtotal Designated	1,412,473	1,788,297	2,078,803	1,916,166	2,114,735
Unreserved/Undesignated:					
General Fund	10,936,005	9,685,010	5,675,139	7,394,350	6,742,849
General Reserve	1,970,996	2,160,346	2,178,539	2,282,647	2,341,193
Subtotal Unreserved/Undesignated	12,907,001	11,845,356	7,853,678	9,676,997	9,084,042
	44,810,018	45,372,334	21,332,796	39,047,488	27,781,053

Unreserved/Undesignated Fund Balances

The unreserved/undesignated fund balance is the balance of net financial resources that are available for discretionary appropriations. The 2007 Proposed Budget estimates unreserved/undesignated fund balance of \$9,084,042 at the end of 2007.



Reserved Ending Fund Balances

The second component of ending fund balance is those funds reserved for a specific purpose. These funds are not available for appropriation because they are legally restricted. These reserves primarily represent monies allocated for capital and specific maintenance purposes. The reserved fund balances are estimated to be \$16,582,276 at the end of 2007.

Designated Ending Fund Balances

The third component of ending fund balances, totaling \$2,114,735 in 2007, is those moneys that have been earmarked for specific purposes (equipment replacement, unemployment, etc.). Although designated for specific purposes, there is the ability to appropriate some of these funds for other purposes since the original source of the funds was general revenues from the General Fund.

Change in Ending Fund Balance 2007 Proposed Budget Compared to 2006 Projected

	2006 Projected Ending Fund Balance	2007 Proposed Ending Fund Balance	Change in Fund Balance	% Change
General Fund	\$ 7,394,350	\$ 6,742,849	\$ (651,501)	-9%
Street Fund	795,243	675,243	(120,000)	-15%
General Reserve Fund	2,282,647	2,341,193	58,546	3%
Code Abatement Fund	68,128	50,628	(17,500)	-26%
Asset Seizure Fund	33,831	33,831	-	0%
Public Art Fund	212,240	212,240	-	0%
General Capital Fund	12,232,990	3,472,347	(8,760,643)	-72%
City Facility -Major Maintenance Fund	177,152	145,124	(32,028)	-18%
Roads Capital Fund	7,885,027	6,535,098	(1,349,929)	-17%
Surface Water Utility Fund	6,363,913	5,754,464	(609,449)	-10%
Vehicle Operations Fund	59,637	59,637	-	0%
Equipment Replacement Fund	1,470,072	1,685,641	215,569	15%
Unemployment Fund	72,258	72,758	500	1%
	\$ 39,047,488	\$ 27,781,053	\$(11,266,435)	-29%

Explanation of Changes in Fund Balance Greater Than 10%

Street Fund - The 2007 proposed ending fund balance is \$120,000 less than the projected 2006 ending fund balance. Available fund balance is being used to purchase a street sweeper.

Code Abatement – The 2007 proposed ending balance is \$17,500 less than the projected 2006 ending fund balance. Since this fund has accumulated funds they will be used for abatement activities during 2007.

General Capital Fund – The 2007 proposed ending balance is \$8,760,643 less than the projected 2006 ending balance. The majority of the fund balance being appropriated will be used for the Civic Center project. These funds have been set aside in prior years for this project.

City Facility - Major Maintenance Fund – The 2007 proposed ending balance is \$32,028 less than the projected 2006 ending balance. These funds will be used for maintenance projects at the Shoreline Pool.

Roads Capital Fund – The 2007 proposed ending balance is \$1,349,929 less than the projected 2006 ending balance. These funds will be used for various transportation improvements including the Sidewalks – Priority Routes, Dayton Avenue & N. 175th Wall, and Traffic Small Works projects.

Surface Water Utility Fund – The 2007 proposed ending balance is \$609,449 less than the projected 2006 ending balance. These funds will be used for drainage improvements in the Boeing Creek Basin.

Equipment Replacement Fund – The 2007 proposed ending fund balance is \$215,569 more than the projected 2006 ending fund balance. This represents the continued collection of replacement funds to be used to future purchases of equipment.