



EXECUTIVE SUMMARY



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10 YEAR FINANCIAL SUSTAINABILITY PLAN

UPDATE

10 YEAR FINANCIAL SUSTAINABILITY PLAN UPDATE

Background

In 2012, the City Council adopted its 2012-14 Goals. Goal #1 was “Strengthen Shoreline’s economic base”. Action Step #3 under this goal was “Develop a 10-year Financial Sustainability Plan to achieve sufficient fiscal capacity to fund and maintain priority public services, facilities, and infrastructure”. To implement this item the City conducted an extensive process.

The City formed a Ten Year Financial Sustainability team to plan the project and review past community processes. The team introduced the project to all employees and worked with them to identify thousands of tasks performed to provide City services in Shoreline. Tasks were grouped into hundreds of activities, and finally into 127 unique City services. The Administrative Services Department (ASD) calculated the cost of each service. The Leadership Team prioritized each service. Finally, ASD developed a 10 Year Financial Sustainability Model (10 YFSM) for the City’s Operating Budget (General Fund and Street Fund) that became the key for developing and modeling various financial scenarios.

Staff identified over 20 economic development, revenue, and expenditure strategies and built models of the financial impacts of each strategy. A Council subcommittee (Mayor Winstead, Deputy Mayor Eggen, and Councilmember Salomon) held six meetings in the first quarter of 2014 to review the 10 YFSM, assumptions, and strategies. Based on its review the subcommittee determined which strategies to pursue, narrowing them down to one economic development, two expenditure, and four revenue strategies. The seven strategies were prioritized to develop a resilient draft 10 Year Financial Sustainability Plan (10 YFSP).

The subcommittee also established a public process to gather information and seek input on the draft 10 YFSP. This process included an article in the May 2014 *Currents* newsletter, development of a webpage on the City’s website seeking public input, a presentation at the May 7th Council of Neighborhoods meeting, and an open house on May 14th. All of the presentations, staff reports, memos, etc., regarding the project are readily available on the Ten Year Financial Sustainability Project webpage, which can be accessed at the following link: <http://cityofshoreline.com/government/departments/administrative-services/ten-year-financial-sustainability-project>.

Ultimately, the 10 YFSP was accepted by the City Council on June 16, 2014. The 10 YFSP and 10 YFSM are now incorporated as part of the City’s annual budget process. The 10 YFSM has since been utilized in presenting the long-term financial projections for the preliminary and proposed budgets since 2015, as well as amendments to the budgets since 2015. The model is having the effect on budget planning that was desired by the Council as ASD is monitoring the progress in relation to the 10 YFSM.

Any major budget decision impacting the City’s Operating Budget can be modeled in the 10 YFSM, showing the financial impact on the proposed budget and nine forecast years. It is important to note that the Baseline Model reflects revenues and expenditures for the ten-year forecast at 100% and the 10 YFSM models adjust budgeted revenues and expenditures for the third through tenth years to reflect the fact that, historically, the City tends to collect revenues at 101% of the budgeted amounts, and tends to expend money at 98% of the budgeted amounts. This trend is expected to continue into the future.

10 Year Financial Sustainability Plan 2019-2020 Update

As noted above, the preliminary 2019-2020 Operating Budget and updated ten year forecast was previewed by Council in the September 17, 2018 staff report. The update incorporates the 2019-2020 proposed budget with the updated results of the revenue and expenditure strategies that comprise the 10 YFSP into the 10 YFSM. Based on audited 2017 results, 2018 estimates, and 2018 projections, the 10 YFSM shows a potential gap is likely to occur in 2023. At that time, the forecast indicates that growth in expenditures may begin to outpace the growth in revenues.

Since the 10 YFSP was accepted by Council in June 2014, staff has begun implementing some of the strategies, including:

- Increasing investment returns by 100 basis points;
- The Parks, Recreation and Cultural Services Department conducted a study to evaluate cost recovery percentages for an appropriate combination of fee based programs with targeted implementation beginning with the 2016 budget;
- The City completed a Cost of Service and Cost Recovery evaluation of the Permitting and Inspection fee revenues in 2016. Staff presented recommendations on proposed permitting cost recovery objectives on April 26, 2016 and those recommendations were incorporated in the 2017 Fee Schedule;
- As the Levy Lid Lift approved by voters in 2010 was set to expire at the end of 2016, Council exercised its authority on July 25, 2016 by adopting Resolution No. 389, which placed a measure on the November general election ballot to renew the Levy Lid Lift. This action was taken after a significant stakeholder outreach effort was conducted, including publishing several articles in Currents and engaging a Financial Sustainability Citizen Advisory Committee (FSCAC). The City Manager engaged the FSCAC through the months of February through May 2016. The outcome of the FSCAC work was reported in detail in the 10 YFSP Update provided to Council on June 13, 2016. The committee learned about City services, engaged in a budget exercise to help identify service priorities, and learned about the 10 YFSP with a focus on the potential renewal of the Levy Lid Lift. Staff recommended a renewal of the 2010 Levy Lid Lift, an option supported by 11 of 13 members of the FSCAC. Proposition 1, Basic Public Safety, Parks & Recreation, and Community Services Maintenance and Operations Levy passed with a 66.5% (19,272 votes) approval and set the new tax rate for 2017 at \$1.39 with the lid for the ensuing years to be “lifted” each year by a percentage increase tied to CPI; and,
- During the City Council’s 2017 Strategic Planning Workshop, the City Council directed staff to provide an update of Strategy 6 in the summer. Staff procured the support of BERK, a local consulting firm, to engage the business community in the discussion about the potential implementation of a B&O Tax in Shoreline. BERK worked with City staff to develop an online survey focused on soliciting input from businesses about the various options available to a city when implementing a B&O Tax. BERK also facilitated two, two-hour Business Outreach Workshops (held June 21 at 5:00 p.m. and June 22 at 11:00 a.m.). The City’s Economic Development Manager, Dan Eernisse, and Administrative Services Director, Sara Lane, made a presentation on the proposed work plan to the Shoreline Chamber of Commerce, Economic Development Committee. Staff provided the City Council an update on staff’s progress related to implementation of Strategy 6 of the 10 YFSP during the August 14, 2017 meeting. The City Council directed staff to continue to pursue implementation of a B&O Tax. Proposed Ordinance No. 808 providing for a B&OL Tax and creating two new Chapters in the Shoreline Municipal Code was adopted by the City Council on December 4, 2017.

10 YEAR FINANCIAL SUSTAINABILITY PLAN

As accepted by the City Council on June 16, 2014

The Shoreline City Council has evaluated the City's history of financial sustainability. Based on existing circumstances it appears that existing revenue sources may not be sufficient to maintain financial sustainability into the future.

The City Council believes that Shoreline's citizens have repeatedly emphasized that it is important to the community that the City maintain existing service levels whenever possible. In addition, the City Council states its intent to fulfill its obligations to the citizens, maintain public safety, and maintain existing City infrastructure. The City Council also intends to fulfill its regional obligations.

As such, the City Council intends to emphasize the priorities identified by our citizens in Vision 2029, the community's long-term vision for Shoreline. The City should invest in economic development necessary to improve its tax base. In its efforts to accomplish these things the City Council also needs to minimize the effects of new and existing taxes on its citizens and businesses.

A. FINANCIAL SUSTAINABILITY

In order to preserve the City's financial sustainability, and taking into account the obligations listed above, the City Council believes that it is necessary to establish various economic development, revenue, and expenditure targets over the 2014-2024 timeframe. These targets are listed below in priority order.

- 1) Achieve the development of an additional 160 units of multi-family residential housing and 7,500 square feet of retail redevelopment annually, beginning in 2014*.
- 2) Reduce the expenditure growth rate to 0.2% below the average projected ten year growth rate and attempt to maintain existing service levels, beginning in 2015. Continue to seek out efficiencies and cost-saving strategies.
- 3) During 2014, research ways to increase investment returns by 100 basis points (1%) per year, and implement strategies to accomplish this.
- 4) During 2015, perform a study that will evaluate higher cost recovery percentages for an appropriate combination of fee based programs. The results will be reviewed, with target implementation beginning with the 2016 budget.
- 5) In 2014, begin to identify ways to replace the \$290,000 transfer from the General Fund to the Roads Capital Fund with another dedicated source of funding.
- 6) In 2016 or later, engage the business community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax.
- 7) Monitor the City's progress in relation to the Financial Sustainability Model. In 2016 or later, engage Shoreline residents in a discussion regarding the possibility of renewing the property tax levy lid lift.

The targets outlined above are over and above pre-existing revenue, growth, and expenditure assumptions for the City of Shoreline. The City intends to use this information to inform future budget processes.

B. COMMUNICATIONS

In addition to communications and public processes conducted to date, the Council directs staff to communicate the Financial Sustainability Project and Model to Shoreline's residents through *Currents* articles. This discussion should include the final recommendation considered and ultimately approved by the City Council.

C. POTENTIAL SURPLUSES AND UNANTICIPATED SAVINGS

The City Council states that the City's first priority is to ensure adequate reserves. If reserves are below policy levels then surpluses should be used to restore reserves to mandated levels. If reserves meet or exceed policy requirements the surpluses should be used to fund economic development investment in Shoreline, fund infrastructure improvements, fund other high priority one-time needs or be held to fund future deficits if they are forecast in the Financial Sustainability Model. If it appears that surpluses are sustainable on a recurring basis, the City Council will review and consider funding for new on-going operational needs.

* The City will strive to achieve this target in 2014; however, the revenue impact will not be realized until 2019.

**10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST**

	2019 Proposed	2020 Proposed	2021 Forecast	2022 Forecast	2023 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$13,641,180	\$11,710,379	\$11,578,172	\$11,567,429	\$11,491,709
Baseline Revenues:					
Taxes					
Property	13,301,684	13,666,865	14,049,064	14,425,226	14,636,839
Sales and Use	10,668,958	11,021,779	11,310,422	11,662,224	12,044,110
Business and Occupation	1,033,000	1,064,819	1,097,089	1,130,882	1,167,434
Gambling	1,587,425	1,587,425	1,587,425	1,587,425	1,587,425
Utility	3,828,373	3,878,130	3,967,675	4,035,910	4,104,723
Other	7,200	7,200	7,200	7,200	7,200
Franchise/Utility Contract Payments	5,179,900	5,369,100	5,527,700	5,697,852	5,875,670
Licenses and Permits	2,886,213	2,587,918	2,402,816	2,383,291	2,422,949
Intergovernmental	3,915,040	3,494,120	2,946,363	2,939,993	2,625,993
Charges for Services	1,734,396	1,758,221	1,791,478	1,823,421	1,854,924
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	73,100	73,100	80,849	91,855	89,660
Miscellaneous Revenues	895,232	898,252	904,857	911,200	917,456
Total Baseline Revenue	45,514,521	45,810,929	46,076,937	47,100,479	47,738,382
Baseline Operating Expenditures:					
Salaries & Benefits	18,614,378	19,048,887	19,604,694	19,894,368	20,242,672
Supplies	1,088,691	955,860	921,567	921,567	939,458
Services & Charges	8,528,799	7,949,030	7,885,256	8,190,975	8,499,507
Intergovernmental	15,779,485	16,276,674	16,738,738	17,224,455	17,726,776
Interfund	709,681	677,578	655,326	662,660	669,925
Budgeted Contingency	1,534,585	1,524,883	267,000	267,000	267,000
Capital Outlay	503,762	30,000	-	-	-
Total Baseline Operating Expenditures	46,759,381	46,462,912	46,072,582	47,161,025	48,345,338
Baseline Revenue Over (Under) Expenditures	(1,244,860)	(651,983)	4,355	(60,546)	(606,956)
Baseline Other Financing Sources (Uses):					
Operating Transfers In	1,838,688	2,194,658	2,230,287	2,257,634	2,292,404
Transfers Out	3,664,068	2,819,660	2,245,386	2,272,809	2,221,416
Gain / (Use) of Operating Funds Fund Balance	(3,070,240)	(1,276,985)	(10,743)	(75,720)	(535,968)
Baseline Ending Operating Funds Fund Balance	\$10,570,940	\$10,433,394	\$11,567,429	\$11,491,709	\$10,955,740
Required Operating Funds Fund Balance	\$4,393,456	\$4,404,682	\$4,410,582	\$4,431,631	\$4,444,979
Over (Under) Required Operating Funds Fund Balance	\$6,177,484	\$6,028,712	\$7,156,847	\$7,060,077	\$6,510,762
10 YFSM:					
Beginning Operating Funds Fund Balance	\$13,641,180	\$11,710,379	\$11,578,172	\$11,567,429	\$11,491,709
Total 10YFSM Revenues & Transfers In	47,353,209	48,005,587	48,790,297	49,851,694	50,531,094
Total 10YFSM Operating Expenditures & Transfers Out	50,423,449	49,282,572	47,351,608	48,445,157	49,555,420
Gain / (Use) of Operating Funds Fund Balance	(3,070,240)	(1,276,985)	1,438,688	1,406,537	975,675
10YFSM Ending Operating Funds Fund Balance	\$10,570,940	\$10,433,394	\$13,016,861	\$12,973,967	\$12,467,383
Required Operating Funds Fund Balance	\$4,393,456	\$4,404,682	\$4,410,582	\$4,431,631	\$4,444,979
Over (Under) Required Operating Funds Fund Balance	\$6,177,484	\$6,028,712	\$8,606,279	\$8,542,335	\$8,022,405
Assumptions:					
Inflation	0.00%	2.32%	2.36%	2.23%	2.16%
Annual Revenue Growth		0.65%	0.58%	2.22%	1.35%
Annual Regular Levy Assessed Value Change		-0.64%	2.77%	3.49%	3.84%
Annual Sales & Use Tax Change	3.35%	3.05%	3.19%	3.16%	3.34%
General Fees & Licenses Increases	0.00%	1.85%	1.89%	1.78%	1.73%
Investment Interest Rate	2.63%	2.70%	2.80%	2.90%	2.90%
Building Permit Charge	-16.39%	-11.52%	-2.17%	-1.25%	1.83%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	100.00%	100.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate	12.87%	12.87%	12.92%	12.92%	12.92%
Health Benefit Escalator	8.00%	0.00%	6.50%	6.50%	6.50%
Regular Salary Escalator	1.00%	3.09%	3.16%	3.03%	2.96%
Police Contract Escalator	3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	100.00%	100.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth		-0.63%	-0.84%	2.36%	2.51%
Contribution to / (Refund From) Revenue Stabilization Fund	\$313,752	\$360,049	\$44,944	\$128,325	\$153,430
New Maintenance Costs for Completed Capital Projects	\$120,474	\$120,519	\$120,519	\$120,519	\$120,519

**10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST**

	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$10,955,740	\$9,740,130	\$7,770,970	\$4,871,946	\$1,034,965
Baseline Revenues:					
Taxes					
Property	14,851,722	15,070,555	15,290,084	15,509,418	15,730,365
Sales and Use	12,432,777	12,830,606	13,233,170	13,653,626	14,087,014
Business and Occupation	1,204,725	1,242,765	1,281,409	1,321,535	1,362,951
Gambling	1,587,425	1,587,425	1,587,425	1,587,425	1,587,425
Utility	4,175,668	4,249,391	4,325,959	4,405,367	4,487,316
Other	7,200	7,200	7,200	7,200	7,200
Franchise/Utility Contract Payments	6,065,767	6,185,920	6,309,834	6,437,396	6,567,935
Licenses and Permits	2,441,433	2,398,501	2,336,994	2,272,879	2,226,930
Intergovernmental	2,646,317	2,667,217	2,688,697	2,710,738	2,733,218
Charges for Services	1,887,061	1,920,251	1,954,496	1,989,743	2,025,724
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	74,116	48,344	(10,731)	(97,702)	(212,811)
Miscellaneous Revenues	923,838	930,430	937,231	944,230	951,376
Total Baseline Revenue	48,702,049	49,542,605	50,345,768	51,145,855	51,958,643
Baseline Operating Expenditures:					
Salaries & Benefits	21,007,048	21,756,087	22,543,661	23,371,160	24,237,516
Supplies	921,567	921,567	921,567	921,567	921,567
Services & Charges	8,874,061	9,181,262	9,564,649	9,898,469	10,307,288
Intergovernmental	18,246,767	18,787,631	19,347,780	19,927,863	20,528,457
Interfund	677,367	685,086	693,085	701,353	709,832
Budgeted Contingency	267,000	267,000	267,000	267,000	267,000
Capital Outlay	-	-	-	-	-
Total Baseline Operating Expenditures	49,993,810	51,598,633	53,337,742	55,087,412	56,971,660
Baseline Revenue Over (Under) Expenditures	(1,291,761)	(2,056,028)	(2,991,975)	(3,941,557)	(5,013,016)
Baseline Other Financing Sources (Uses):					
Operating Transfers In	2,346,747	2,402,601	2,463,061	2,527,149	2,595,670
Transfers Out	2,270,596	2,315,733	2,370,109	2,422,573	2,479,179
Gain / (Use) of Operating Funds Fund Balance	(1,215,610)	(1,969,161)	(2,899,023)	(3,836,981)	(4,896,526)
Baseline Ending Operating Funds Fund Balance	\$9,740,130	\$7,770,970	\$4,871,946	\$1,034,965	(\$3,861,560)
Required Operating Funds Fund Balance	\$4,464,852	\$4,482,271	\$4,498,967	\$4,515,622	\$4,532,552
Over (Under) Required Operating Funds Fund Balance	\$5,275,278	\$3,288,698	\$372,979	(\$3,480,657)	(\$8,394,112)
10 YFSM:					
Beginning Operating Funds Fund Balance	\$10,955,740	\$9,740,130	\$7,770,970	\$4,871,946	\$1,034,965
Total 10YFSM Revenues & Transfers In	51,559,284	52,464,658	53,336,917	54,209,734	55,099,856
Total 10YFSM Operating Expenditures & Transfers Out	51,219,118	52,836,079	54,593,695	56,359,785	58,261,822
Gain / (Use) of Operating Funds Fund Balance	340,166	(371,421)	(1,256,778)	(2,150,051)	(3,161,966)
10YFSM Ending Operating Funds Fund Balance	\$11,295,906	\$9,368,709	\$6,514,192	\$2,721,895	(\$2,127,000)
Required Operating Funds Fund Balance	\$4,464,852	\$4,482,271	\$4,498,967	\$4,515,622	\$4,532,552
Over (Under) Required Operating Funds Fund Balance	\$6,831,054	\$4,886,438	\$2,015,225	(\$1,793,727)	(\$6,659,552)
Assumptions:					
Inflation	2.17%	2.20%	2.23%	2.25%	2.25%
Annual Revenue Growth	#REF!	1.73%	1.62%	1.59%	1.59%
Annual Regular Levy Assessed Value Change	#REF!	4.23%	3.93%	3.55%	0.00%
Annual Sales & Use Tax Change	3.35%	3.37%	3.32%	3.38%	3.38%
General Fees & Licenses Increases	1.73%	1.76%	1.78%	1.80%	1.80%
Investment Interest Rate	2.90%	3.00%	3.00%	3.00%	3.00%
Building Permit Charge	0.70%	-2.44%	-3.48%	-3.75%	-3.75%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	101.00%	101.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate	12.92%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.97%	3.00%	3.03%	3.05%	3.05%
Police Contract Escalator	3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	98.00%	98.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth	#REF!	3.21%	3.37%	3.28%	3.42%
Contribution to / (Refund From) Revenue Stabilization Fund	\$147,346	\$130,662	\$121,436	\$122,127	\$122,127
New Maintenance Costs for Completed Capital Projects	\$120,519	\$120,519	\$120,519	\$120,519	\$120,519

CHART 1A

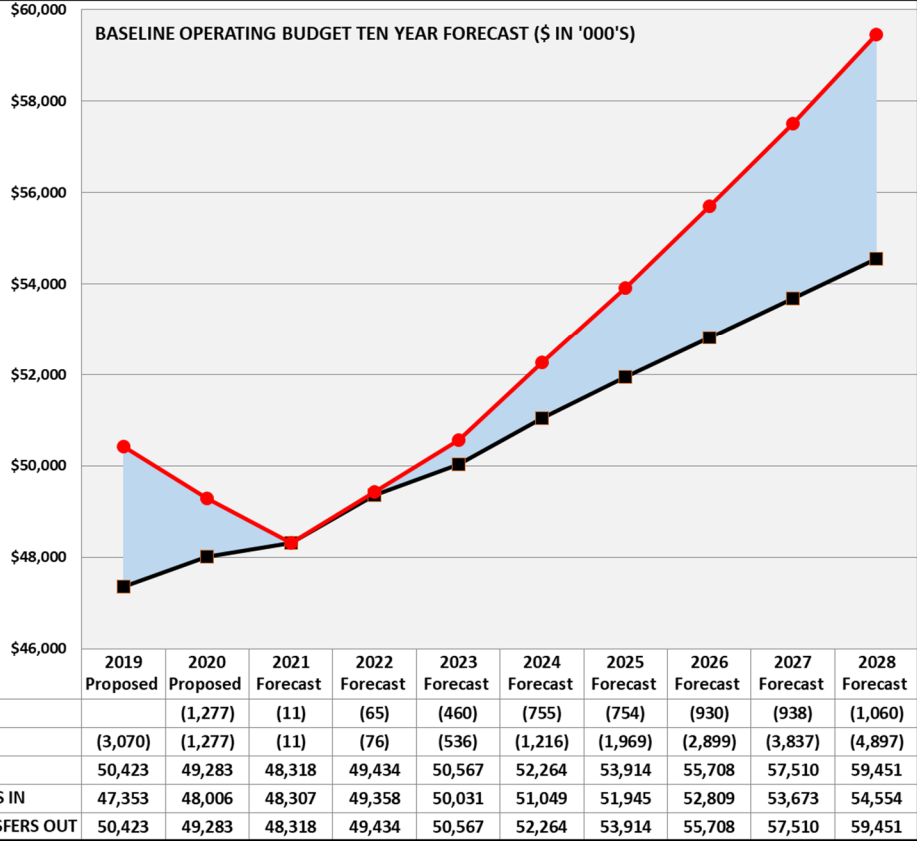
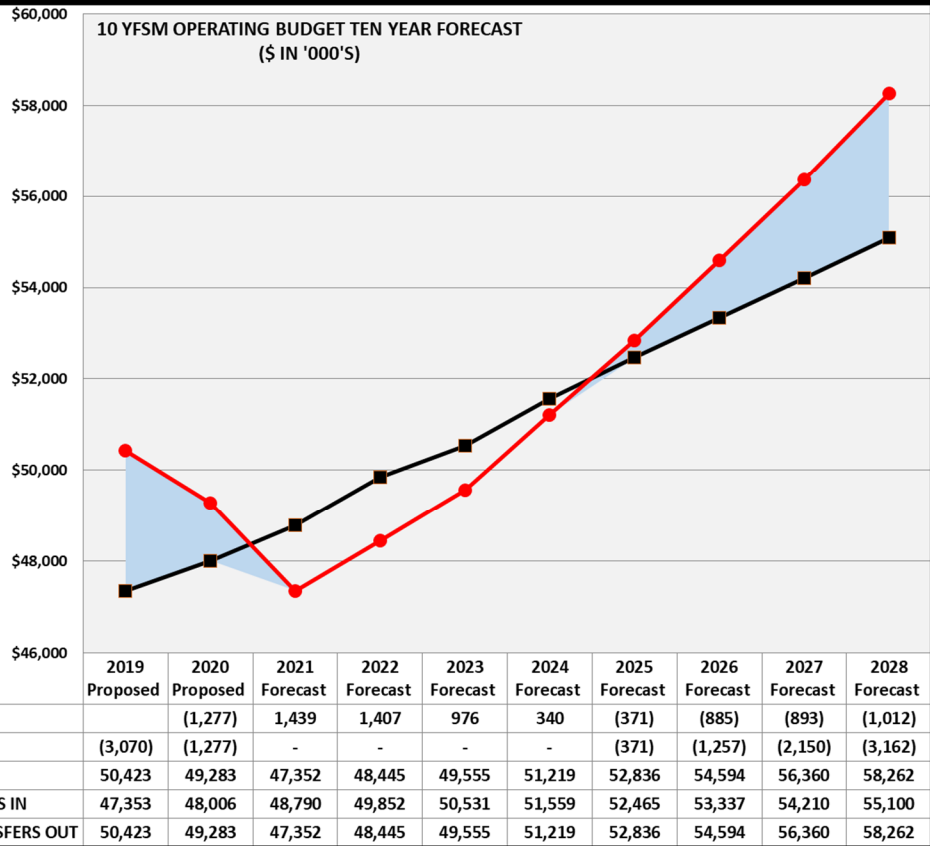


CHART 1B





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2019-2020 PROPOSED BIENNIAL BUDGET HIGHLIGHTS

Budget Highlights

The City's 2019-2020 Proposed Biennial Budget is balanced in all funds and totals 171.155 million. The 2019-2020 Proposed Biennial Budget is \$11.567 million, or 7.2%, more than the 2017-2018 biennial budget (2017 Actual plus 2018 Current Budget as amendments, excluding re-appropriations from 2017-to-2018, which have been adopted by the City Council through September 2018). The more can be linked to the following changes:

- \$7.964 million increase in the City's Enterprise Funds;
- \$0.666 million decrease in the City's Capital Funds; and,
- \$3.228 million increase in the Operating Funds.

The increase in the enterprise funds is the result of a full biennium of wastewater operations in 2019-20 as well as the implementation of the Proactive Management Strategy for surface water operations and capital. The increase in the Operating Funds is largely due to the creation of the Unified Landscape Maintenance Unit and the addition of a patrol officer in 2020 along with regular personnel operating cost increases.

Table 1 summarizes the 2019-2020 Proposed Biennial Budget by fund and provides a comparison to the 2017-2018 biennial budget by fund.

TABLE 1

Fund Type	2019-2020 Biennial Budget				2017-2018 Biennium Budget Estimate	Expenditure Percentage Change
	Beginning Fund Balance	Revenue & Transfers In	Expenditures & Transfers Out	Ending Fund Balance		
Operating Funds:						
General Fund	\$13,233,643	\$91,532,266	\$95,731,855	\$9,034,054	\$90,172,765	6.16%
Revenue Stabilization Fund	5,150,777	673,801	0	5,824,578	0	0.00%
Property Tax Equalization Fund	0	0	0	0	506,938	-100.00%
Street Fund	407,540	3,826,530	3,974,166	259,904	3,877,710	2.49%
Code Abatement	378,830	60,000	200,000	238,830	134,000	49.25%
Public Art Fund	139,387	11,000	134,413	15,974	271,082	-50.42%
State Drug Enforcement Forfeiture Fund	66,454	36,486	36,486	66,454	627,732	-94.19%
Federal Drug Enforcement Forfeiture Fund	24,653	26,000	26,000	24,653	300,397	-91.34%
Federal Criminal Forfeiture Fund	0	0	0	0	984,740	-100.00%
Sub-Total Operating Funds	\$19,401,284	\$96,166,083	\$100,102,920	\$15,464,447	\$96,875,364	3.33%
Debt Service Funds:						
2006 General Obligation Bond	\$2,276	\$3,389,937	\$3,389,937	\$2,276	\$3,400,896	-0.32%
2009 General Obligation Bond	21,455	3,320,072	3,320,072	21,455	3,322,511	-0.07%
2013 General Obligation Bond	470	519,771	519,771	470	521,180	-0.27%
2018 General Obligation Bond	200,000	1,460,400	1,460,400	200,000	200,000	630.20%
Sub-Total Debt Service Funds	\$224,201	\$8,690,180	\$8,690,180	\$224,201	\$7,444,587	16.73%
Capital Funds:						
General Capital	\$838,688	\$6,634,349	\$7,464,925	\$8,112	\$38,456,408	-80.59%
City Facility-Major Maintenance Fund	54,417	248,064	288,936	13,545	257,143	12.36%
Roads Capital	6,085,004	25,813,175	28,753,584	3,144,595	23,325,127	23.27%
Transportation Impact Fees Fund	2,037,535	0	162,000	1,875,535	221,400	-26.83%
Park Impact Fees Fund	0	175,000	175,000	0	50,000	250.00%
Sub-Total Capital Funds	\$9,015,644	\$32,870,588	\$36,844,445	\$5,041,787	\$62,310,078	-40.87%
Enterprise Funds:						
Surface Water Utility Fund	\$6,476,694	\$15,419,282	\$19,086,020	\$2,809,956	\$13,158,008	45.05%
Wastewater Utility Fund	202,160	4,924,892	4,924,892	202,160	2,888,781	70.48%
Sub-Total Enterprise Funds	\$6,678,854	\$20,344,174	\$24,010,912	\$3,012,116	\$16,046,789	49.63%
Internal Service Funds:						
Equipment Replacement	\$3,941,769	\$970,540	\$382,989	\$4,529,320	\$690,922	-44.57%
Unemployment	55,095	0	35,000	20,095	21,396	63.58%
Vehicle Operations & Maintenance	99,668	1,048,547	1,088,547	59,668	1,198,516	-9.18%
Sub-Total Internal Service Funds	\$4,096,532	\$2,019,087	\$1,506,536	\$4,609,083	\$1,910,834	-21.16%
Total City Budget	\$39,416,515	\$160,090,112	\$171,154,993	\$28,351,634	\$184,587,652	-7.28%

TABLE 2

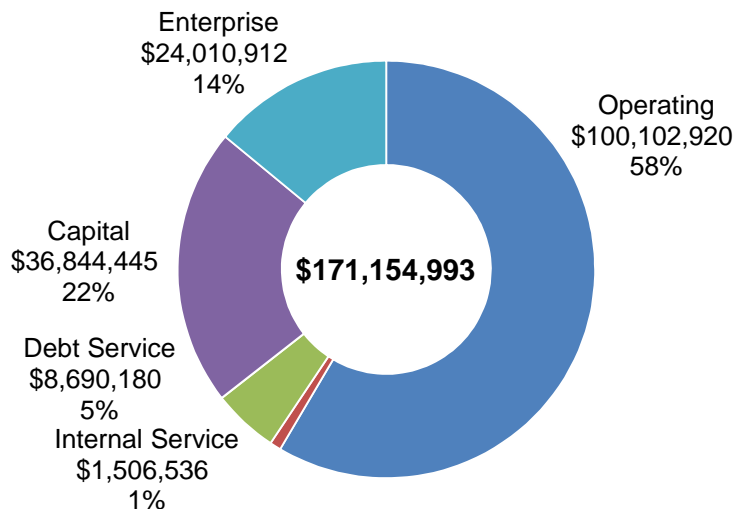
2019-2020 PROPOSED BIENNIAL BUDGET DEPARTMENT/FUND OVERVIEW

The following table provides an illustration of the relationship between the City's departments and funds. Most departments manage programs in the General Fund. Administrative Services, Police, Planning & Community Development and Public Works are also responsible for programs in other funds.

Fund Type	City Council	City Manager	City Attorney	Administrative Services	Human Resources	Police	Criminal Justice	Parks & Recreation	Planning & Community Development	Public Works	Community Services	Utilities	Transfers Out	Total
Operating Funds														
General Fund	\$494,200	\$8,799,708	\$1,625,871	\$15,019,162	\$1,011,660	\$25,343,985	\$6,266,118	\$15,109,473	\$6,650,409	\$6,855,276	\$2,554,157		\$6,001,836	\$95,731,855
Street Fund										3,492,274			481,892	\$3,974,166
Code Abatement Fund		200,000												\$200,000
State Drug Forfeiture Fund						36,486								\$36,486
Public Arts Fund								134,413						\$134,413
Federal Drug Forfeiture Fund						26,000								\$26,000
Sub-Total Operating Funds	\$494,200	\$8,999,708	\$1,625,871	\$15,019,162	\$1,011,660	\$25,406,471	\$6,266,118	\$15,243,886	\$6,650,409	\$10,347,550	\$2,554,157	\$0	\$6,483,728	\$100,102,920
Debt Service														
2006 General Obligation Bond Fund				\$3,389,937										\$3,389,937
2009 General Obligation Bond Fund				3,320,072										\$3,320,072
2013 General Obligation Bond Fund				519,771										\$519,771
2018 General Obligation Bond Fund				1,460,400										\$1,460,400
Sub-Total Debt Service Funds	\$0	\$0	\$0	\$8,690,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,690,180
Capital Budget														
General Capital Fund										\$4,602,205			\$2,862,720	\$7,464,925
Facility Major Maint. Fund				288,936										\$288,936
Roads Capital Fund										28,463,604			289,980	\$28,753,584
Transportation Impact Fees Fund													162,000	\$162,000
Park Impact Fees Fund													175,000	\$175,000
Sub-Total Capital Funds	\$0	\$0	\$0	\$288,936	\$0	\$0	\$0	\$0	\$0	\$33,065,809	\$0	\$0	\$3,489,700	\$36,844,445
Enterprise Funds														
Surface Water Utility Fund												\$17,705,677	\$1,380,343	\$19,086,020
Wastewater Utility Fund												4,317,207	607,685	\$4,924,892
Sub-Total Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$22,022,884	\$1,988,028	\$24,010,912
Internal Service Funds														
Equipment Replace. Fund				\$1,088,547										\$1,088,547
Vehicle Maint. & Ops. Fund				382,989										\$382,989
Unemployment Fund				35,000										\$35,000
Sub-Total Internal Service Funds	\$0	\$0	\$0	\$1,506,536	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,506,536
Total City Budget	\$494,200	\$8,999,708	\$1,625,871	\$25,504,814	\$1,011,660	\$25,406,471	\$6,266,118	\$15,243,886	\$6,650,409	\$43,413,359	\$2,554,157	\$22,022,884	\$11,961,456	\$171,154,993

The budget can be divided into five types of funds: Operating, Internal Service, Debt Service, Capital and Enterprise as shown in Chart 2. The Operating Funds totaling \$100.103 million represent the cost of providing services to the Shoreline community on a day-to-day basis and includes such items as public safety (police, court, jail), park maintenance, recreation programming, street maintenance, street lighting, land use planning, permitting, communications, emergency management, and administration. The Operating Funds also include some special revenue funds that must be used for designated purposes such as police services. The Debt Service Funds account for the annual repayment of the 2006 voter approved park bonds, the 2009 councilmanic bonds issued to pay for a portion of City Hall, the 2013 councilmanic bonds issued for a maintenance facility, and the 2018 bond anticipation notes issued to acquire properties for the Parks, Recreation and Open Space Plan. The Enterprise Funds consist of the operation and capital improvements of the surface water utility and operation of RWD under a service contract. The Capital Funds represent the cost of making improvements to the City's facilities, parks, and transportation systems. The Internal Service Funds represent transfers between funds (Vehicle Operations, Equipment Replacement, Public Art, and Unemployment funds) to fund maintenance and replacement of City equipment, installation of public art, and unemployment claims.

CHART 2: 2019-2020 Proposed Biennial Budget



Within the Operating Funds it is important to focus on the operating budget, which is comprised of the General Fund and the Street Fund. The 2019-2020 Proposed Operating Budget totals \$99,706,021 million; and is \$5.656 million, or 6.0%, more than the 2017-2018 biennial budget. It includes one-time transfers, some of which were previously programmed to occur in 2018 in support of specific capital projects but delayed per the 2019-2024 CIP:

- ◆ General Capital Fund:
 - \$200,000 for the Playground Replacement project.
- ◆ Roads Capital Fund:
 - \$305,034 for the Sidewalk Rehabilitation project;
 - \$178,030 for the Trail Along the Rail project;
 - \$299,945 for the 147th/148th Non-Motorized Bridge project;
 - \$80,000 for the 160th and Greenwood/Innis Arden project; and,
 - \$390,691 for the 185th Corridor Study project.

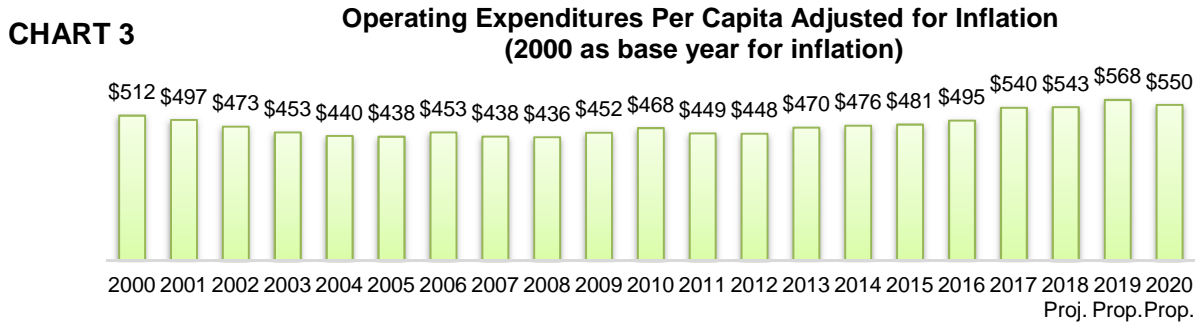
The 2018 operating budget, which totals \$99.706 million, includes the following one-time transfers, some of which is not needed as reflected in the 2019-2024 CIP:

- ◆ General Capital Fund:
 - \$743,505 for the Police Station at City Hall project.
- ◆ Roads Capital Fund:
 - \$273,436 for the Westminster and 155th Improvements project;
 - \$213,030 for the Trail Along the Rail project;
 - \$349,945 for the 147th/148th Non-Motorized Bridge project;
 - \$105,000 for the 160th and Greenwood/Innis Arden project; and,
 - \$515,691 for the 185th Corridor Study project.
- ◆ Equipment Replacement Fund:
 - \$63,623 to upgrade certain vehicles.

Table 1 (above) reflects a \$5.559 million, or 6.2%, increase in the General Fund budget for 2019-2020.

Chart 3 shows the cost of providing City services on a per capita basis, adjusted for inflation, since 2000. The projected cost per capita in 2019 and 2020 is \$568 and \$550, which is approximately \$56 (10.8%) and \$38 (7.4%) higher than in 2000, respectively.

The 2019-2020 General Fund ending fund balance (reserves) is projected to be \$9.034 million, with \$2.187 million budgeted as an operational contingency and insurance reserve. This complies with the



City's adopted reserve policy, which requires, for 2019 and 2020, that the General Fund maintain a reserve level of \$4.093 million and \$4.093 million, respectively, for cash flow and budget contingency purposes.

In addition to the General Fund reserves, the City's Revenue Stabilization Fund is projected to have an ending 2019-2020 fund balance of \$5.825 million. This is above the City's reserve policy requiring that this fund be maintained at 30% of the budgeted economically sensitive revenues.

The 2019-2020 Enterprise Funds are projected to increase by \$7.964 million, or 49.6%.

The City's 2019-2020 capital budget, exclusive of projects budgeted within the Enterprise Funds and transfers out from the Transportation Impact Fees Fund and Park Impact Fees Fund, will decrease by \$0.731 million, or 2.0%, from 2017-18. The capital budget reflects the 2019-2020 Capital Improvement Program projects proposed in the 2019-2024 Capital Improvement Plan included in this book.

2019-2020 Proposed **Biennial Budget Highlights include the following:**

◆ **Regular Property Tax Levy:**

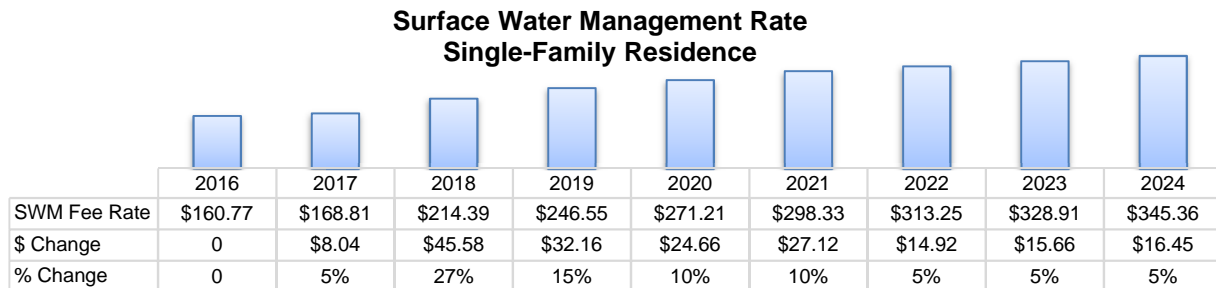
- 2019 Property Tax Levy: The King County Assessor's Office has not yet released preliminary assessed valuation (AV) for the City, but staff is estimating an increase of 4.8% based on available information. This increase will allow the City to take advantage of the provision in Proposition 1 to increase the property tax levy by the June-to-June percentage change in the CPI-U index, which equals 3.28%. With the inclusion of new construction AV estimated at \$48.107 million, the resulting estimated 2019 property tax levy would be \$13.302 million while the projected levy rate would decline from the current levy rate of \$1.26752 to an estimated \$1.24694 per \$1,000 AV. The preliminary estimate for City property taxes that will be collected in 2019 totals \$13.302 million, assumes a 100% collection rate, and is \$457,000, or 3.6%, more than the projected 2018 tax collections.
- 2020 Property Tax Levy: It is anticipated the City will be able to take advantage of the provision in Proposition 1 to increase the property tax levy by the June-to-June percentage change in the CPI-U index, which is forecast at 2.32%. With the inclusion of new construction AV forecast at \$45.732 million, the resulting estimated 2020 property tax levy would be \$13.667 million, which is \$365,000, or 2.8%, more than the estimated 2019 tax collections.

- ◆ **Fees:** Generally fees included in the fee schedule are increased from the current year's level by the June-to-June percentage change of the Seattle / Tacoma / Bellevue Consumer Price Index-All Urban Consumer (CPI-U; link to historical table: https://www.bls.gov/regions/west/data/consumerpriceindex_seattle_table.pdf). Unless otherwise discussed below, many fees presented in the 2019 proposed schedule are increased by 3.28% and fees presented in the 2020 proposed schedule are increased by the forecast change of 2.32%. The text in the fee schedules may have changed with deletions shown as ~~strikethrough~~ and additions shown as **bold**.
 - *Business License Fee:* The fee schedule for initial business registrations incorporate *FileLocal's* standard proration approach, under which the fee for initial applications for a City-issued license filed between January 1 and June 30 set at \$40 and those filed between July 1 and December 31 set at \$20. The license issued under either application will expire at the end of the calendar year.
 - *Park, Aquatic and Recreation Fees:* The Parks, Recreation and Cultural Services (PRCS) Department performed a comprehensive cost recovery evaluation in 2015 identifying cost recovery objectives for the various PRCS fees. Since that time PRCS performs cost recovery evaluation on a subset of their fees annually to ensure that fees continue to meet identified objectives and stay competitive in the market. Fees not evaluated each year are adjusted by CPI-U as described above. One addition to the fee schedule beginning in 2019 is 3.01.300(E)(5), a \$1 fee for a visitor at the Shoreline Pool that only uses the shower. This fee is being added to bring the schedule for Aquatics Drop-In Fees in alignment with the fee charged in 3.01.300(D)(1) for a visitor at the Spartan Recreation Center that only uses the shower. As a result of the conversion of extra help positions to part-time benefitted Recreation Specialist I positions, discussed earlier, certain Specialized Recreation Program fees will be increased in order to maintain a reasonable level of cost recovery.
 - *Impact Fees:* When adopted in November 2014, Ordinance No. 690 included an escalator of the Transportation Impact Fees using the Washington State Department of Transportation's Construction Cost Index (WSDOT CCI). WSDOT no longer maintains this CCI and instead has moved to a new CCI model that uses a different methodology. Unfortunately, the new CCI is not published in a manner that makes it readily available. Park Impact Fees are adjusted by the same percentage changes in the most recent annual change of the CCI published in the Engineering News-Record (ENR) for the Seattle area. Staff will bring to the City Council an amendment to the Shoreline Municipal Code 3.80.130(B) to make consistent the use of the ENR CCI for Transportation Impact Fees and Park Impact Fees. Application of the ENR CCI to the Transportation Impact Fees and Park Impact Fees results in a year-over-year increases of 2.8% each for 2019 and 2020.
 - *Vehicle Impound Fees:* The intent of the impound ordinance codified in Shoreline Municipal Code (SMC) 10.05.030, MTO amendments, was to reduce Driving While License Suspended (DWLS) violations by taking the vehicle away from the violator and ensuring their license, registration and insurance was in order before release. The climate has changed and through discussion between the Shoreline Police Department (PD), City Manager and City Council, the ordinance is viewed as punitive and charging the administrative fee in SMC 3.01.230, Vehicle impound fees, only serves to deepen the financial burden for a large group of individuals with a license suspended resulting from the individuals' inability to pay the fine(s). The Courts have established payment plans and relicensing programs for eligible individuals to address this issue. There is no longer a need for the City of Shoreline to be involved with most impounds as Shoreline PD has established other ways to address DWLS offenders,

such as finding a driver with a valid license or parking the vehicle legally. In the event a vehicle needs to be impounded, the owner of the vehicle will need to pay impound and storage fees to the tow company and comply with the Revised Code of Washington (RCW) when releasing the vehicle from impound but there is no longer any need for the City of Shoreline to also charge the administrative fee in SMC 3.01.230. This fee is stricken from the fee schedule in the 2019-20 budget.

- **Surface Water Management Rates:** The City Council provided direction to staff to pursue the Proactive Management Strategy for the 2018 Surface Water Master Plan update. The 2019 and 2020 Surface Water Management fees reflect the financial impacts of the Proactive Management Strategy as was presented to the City Council in development of the 2018 Surface Water Master Plan. Rates will be increased by 15% in 2019, 10% in 2020 and 2021, and 5% in 2022 through 2024. Chart 4 shows annual increases for a single family residential home are \$45 in 2018, \$33 in 2019, \$24 in 2020, \$27 in 2021, \$15 in 2022, and \$16 in 2023. Cumulatively, this represents increases of \$45 in 2018, \$78 by 2019, \$102 by 2020, \$129 by 2021, \$144 by 2022, and \$160 by 2023.

CHART 4



Source: City of Shoreline

- ◆ **Personnel Costs:** The 2019-2020 Proposed Biennial Budget reflects changes in personnel costs as summarized in Table 3 below.

TABLE 3

	2018 Current Budget	2017/2018 Personnel Changes	2019 Budget Changes							2019 Budget	2019 v. 2018 \$ Change	2019 v. 2018 % Change
			Extra-Help, OT, Standby Pay and Callback Pay	Step Increases	Market Adjust.	Increase in Retirement (PERS)	Increase in Health Premium	L&I Changes	New Positions / Reclass / Elimination			
Salaries	\$16,689,128	(\$197,076)	(\$248,694)	\$150,882	\$441,523	\$0	\$0	\$0	\$518,826	\$17,354,589	\$665,461	4.0%
Benefits	6,439,796	(113,711)	(27,663)	53,036	89,122	3,594	40,478	0	228,482	6,713,134	273,338	4.2%
Total	\$23,128,924	(\$310,787)	(\$276,357)	\$203,918	\$530,645	\$3,594	\$40,478	\$0	\$747,308	\$24,067,723	\$938,799	4.1%

	2019 Proposed Budget	2019/2020 Personnel Changes	2020 Budget Changes							2020 Budget	2020 v. 2019 \$ Change	2020 v. 2019 % Change
			Extra-Help, OT, Standby Pay and Callback Pay	Step Increases	Market Adjust.	Increase in Retirement (PERS)	Increase in Health Premium	L&I Changes	New Positions / Reclass / Elimination			
Salaries	\$17,354,589	(\$617,796)	\$70,094	\$90,820	\$448,962	\$0	\$0	\$0	\$518,826	\$17,865,495	\$510,906	2.9%
Benefits	6,713,134	(260,630)	16,370	18,666	91,541	0	0	0	228,482	6,807,563	94,429	1.4%
Total	\$24,067,723	(\$878,426)	\$86,464	\$109,486	\$540,503	\$0	\$0	\$0	\$747,308	\$24,673,058	\$605,335	2.5%

The major changes in personnel costs for 2019 include a combination of the following:

- **Salaries:** The budget reflects a 4.0% increase and is comprised of both regular and part-time (benefited) and extra-help (non-benefited) personnel. The change is inclusive of personnel changes made since the time the 2018 budget was developed in 2017 and through amendments throughout 2018; eligible employees receiving a step increase; a recommended COLA calculated at 90% of the percentage change in

the CPI-U from June 2017-to-June 2018; addition of positions; and, requested changes related to existing positions.

- Regular salaries: The budget for regular salaries reflects a 6.0% increase.
- Extra-Help salaries: The budget for extra help salaries reflects a 20.4% decrease largely due to the conversion of extra help positions to regular (benefited positions). It accommodates extra-help COLA and step increases for the remaining extra help staff.
- Benefits: The budget reflects a 4.2% increase. The change is inclusive of personnel changes made since the time the 2018 budget was developed in 2017 and through amendments throughout 2018; application of the COLA and step increase that affects social security, Medicare and retirement contributions; retirement contribution costs as a result of the state controlled employer rate for PERS contributions; addition of positions; and, requested changes to existing positions.

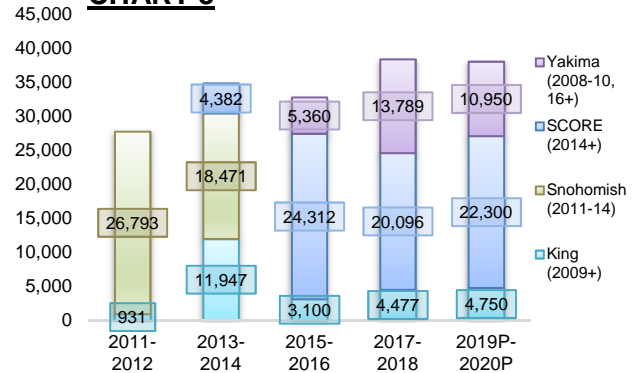
The major changes in personnel costs for 2020 include a combination of the following:

- Salaries: The budget reflects a 2.9% increase and is comprised of both regular and part-time (benefited) and extra-help (non-benefited) personnel. The change is inclusive of personnel changes between the 2019 and 2020 budgets; eligible employees receiving a step increase; a recommended COLA calculated at 95% of the forecast percentage change in the CPI-U from June 2018-to-June 2019; addition of positions; and, requested changes related to existing positions.
 - Regular salaries: The budget for regular salaries reflects a 2.7% increase.
 - Extra-Help salaries: The budget for extra help salaries reflects a 6.5% increase. It accommodates extra-help COLA and step increases for the remaining extra help staff.
- Benefits: The budget reflects a 1.4% increase. The change is inclusive of personnel changes between the 2019 and 2020 budgets; application of the COLA and step increase that affects social security, Medicare and retirement contributions; retirement contribution costs as a result of the state controlled employer rate for PERS contributions; addition of positions; and,
- **Police Contract:** The 2019-2020 budget includes the addition of one officer in 2020. The City has been under its target ratio of 1 officer per 1,000 residents for some time. Public safety and keeping crime rates low in Shoreline continue to be a priority for the community and council. The addition of a K9 Unit in 2018 helped to address this issue but is not sufficient. The addition of two additional officers in 2019 would increase the ratio to 0.99 per 1,000 residents. However, given the current financial forecast, the City Manager is proposing to add one officer in 2020.

Negotiations for the King County Sheriff's Office (KCSO) guild contract are currently underway for the contract that will affect 2019 and 2020. As the level of COLA for 2019 and 2020 is not known, staff projects that the 2019 police services contract will total \$12.304 million, which is 4.3% more than the 2018 police services contract and the 2020 police services contract will total \$12.798 million, which is 4.0% more than the 2019 police services contract. The first detailed estimate will be provided by KCSO in late September or early October. For future years (2021 onward), staff has assumed an annual escalator of 3.5%.

- ◆ **Jail:** The projection for the 2019-2020 Proposed Biennial Budget is based on activity trends over the last couple of years, the number of guaranteed beds at the South Correctional Entity (SCORE), and an inflation rate factor outlined in the interlocal agreement (ILA) with King County. The current contract with SCORE is being continued as the City's primary booking facility; however, since 2016 inmates serving a sentence longer than three days are being housed at Yakima County Jail. The daily cost for housing inmates at Yakima is roughly half that for SCORE. To ensure that housing sentenced inmates at Yakima County Jail has a positive net impact on the City's

CHART 5



budget, the number of guaranteed beds at SCORE for which the City is billed whether they are used or not was reduced in 2016. While the use of jail services from SCORE will be maximized by housing inmates being held pre-disposition that are not eligible for work release, the overall projected cost, including housing, medical, booking, etc. of \$2.000 million (unchanged from 2017) will still result in a decrease of 9.1% from the 2016 adopted budget. Additionally, a new judge may affect District Court and Jail Service costs.

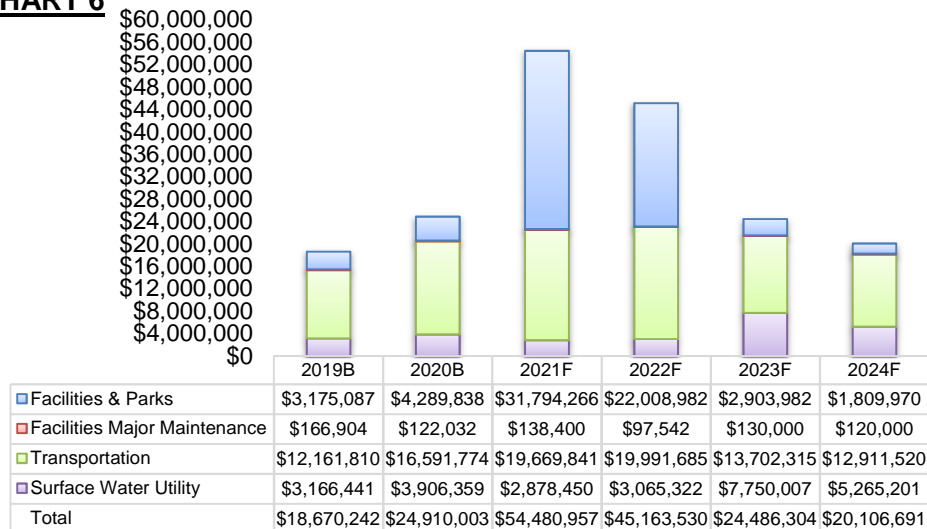
- ◆ **Budgeted Contingency Expenditures:** The 2019-2020 Operating Budget includes the required Operating Contingency and Insurance Reserve. Per the City's financial policies, these contingencies total \$2.187 million and are funded by allocating a portion of the existing fund balance in the General Fund.
- ◆ **City Hall Debt Service Costs:** The 2019-2020 Proposed Biennial Budget includes \$3.320 million in debt service costs for City Hall, of which \$640,000 is paid directly by the Federal Government as the subsidy for the Build America Bonds (BABs). The remaining \$2.680 million comes from two sources; the General Fund, based on monies previously budgeted for lease payments for City Hall and Annex (\$1.339) and Real Estate Excise Tax (REET) collected in the General Capital Fund (\$1.341). The City Council authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall.
- ◆ **Support for Contracted Services:** The 2019-2020 Proposed Biennial Budget includes funding for the operation of the Kruckeberg Botanic Garden, funding for the Shoreline-Lake Forest Park Arts Council, the Shoreline Historical Museum and additional funding for the Shoreline/Lake Forest Park Senior Center, as follows:
 - *Kruckeberg Botanic Garden:* \$40,000 to fund the long-term operational plan for the Gardens between the City and the Kruckeberg Botanical Garden Foundation.
 - *Shoreline-Lake Forest Park Arts Council and Shoreline Historical Museum:* \$60,000 in funding for each of these organizations to provide services to the Shoreline community and to partner with the City for special events.
 - *Senior Center:* \$18,000 in continued funding.
- ◆ **Capital Programs:** The 2019-2020 capital budget reflects the 2019-2020 Capital Improvement Program projects proposed in the 2019-2024 Capital Improvement Plan (CIP). The 2019-2024 CIP, including surface water projects totals \$187.818 million, while the 2019-2020 Capital Improvement Program budget, including surface water projects, totals \$43.580 million.

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), grants, and debt issuance.

Chart 6 provides a breakdown of the allocation of capital spending throughout the 2019-2024 CIP.

The change in spending can vary significantly from year to year based on available resources to complete projects and the impact of previously completed capital projects on the City's operating budget. Detailed information on the CIP may be found in the Capital Improvement Program section of this budget document.

CHART 6

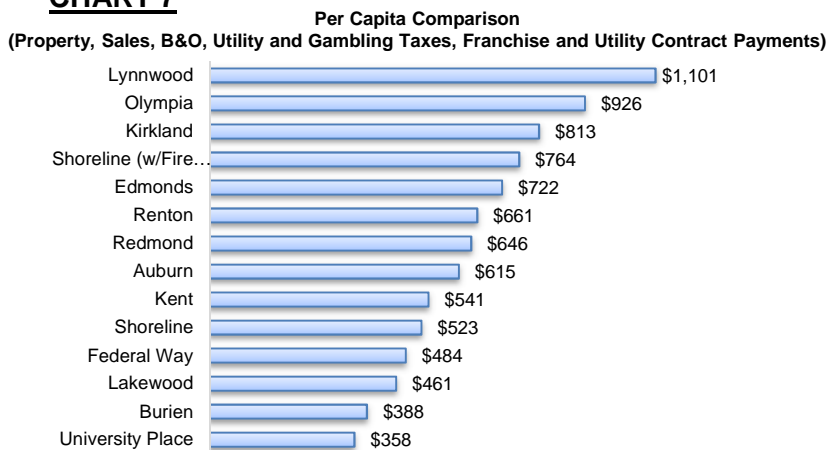


More detailed information regarding changes within the 2019-2020 Proposed Biennial Budget can be found in the individual department sections of this document.

Fiscal Capacity:

As a City, we are challenged by currently limited fiscal capacity. Shoreline is primarily a residential community, with 92.4% of the City's taxable assessed valuation in residential properties. Chart 7 shows a comparison of tax per capita with comparable cities using 2017 data (the most recent year for audited financial data).

CHART 7



Shoreline ranks 10th out of 13 comparable cities in per capita tax revenues. Shoreline also has relatively low sales tax revenue per capita, \$156.73 in 2017, as compared to many other jurisdictions of similar population. This is especially true with those jurisdictions that have much larger retail centers within their communities. 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 \$764, which would rank 4th out of the 13 comparable cities.

Staffing:

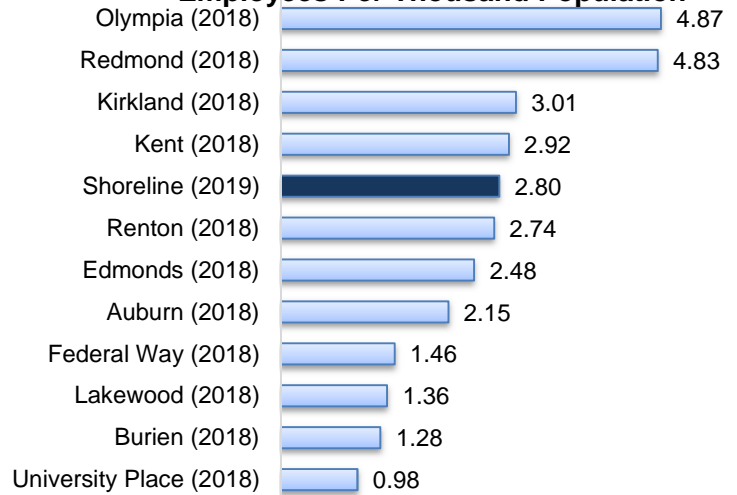
The 2019-2020 Proposed Biennial Budget increases the net number of full-time equivalent (FTE) positions in the City's personnel complement from the 2018 total by 9.45 FTE. This number reflects the following:

- ◆ Addition of 7.00 FTEs for the in-house landscaping program;

- ◆ Conversion of on-going extra help personnel in the City's Specialized Recreation Program to three regular part-time positions for a total of 1.95 FTEs; and,
- ◆ Changes to FTEs according to staffing needs during phases of various projects, including elimination of limited-term positions as terms come to an end.

The City's 2020 ratio of employees per 1,000 population is 2.68, which is a 10.3% increase as compared to the 2018 Adopted Budget. As Chart 8 depicts, a comparison of staffing to population shows the City of Shoreline staffing level is less than 3% more than the median of 2.61. These ratios have been adjusted to exclude fire, police, special programs and utility personnel from comparable cities.

CHART 8 Employees Per Thousand Population



City of Shoreline Regular FTE Summary

Department	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2019	2020
										Prop.	Prop.	Changes	Changes
City Manager ^{b,d,g}	9.50	8.75	8.75	13.00	13.00	13.00	17.00	16.75	23.50	22.88	21.25	(0.63)	(1.63)
City Clerk	4.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Services ^{a,g}	8.68	8.68	10.18	8.68	8.68	8.68	8.68	8.68	4.78	4.78	4.78	0.00	0.00
City Attorney	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00
Administrative Services ^{c,e,f}	18.50	18.70	21.20	21.20	21.20	21.45	21.45	21.45	25.65	25.65	25.65	0.00	0.00
Human Resources	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00
Police	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Community Development ^{d,g}	24.35	24.35	20.45	20.00	20.00	21.00	22.00	23.00	23.00	22.82	23.32	(0.18)	0.50
Parks, Recreation & Cultural Services	27.30	27.30	27.80	27.68	28.68	29.48	30.60	31.30	32.48	34.63	34.53	2.15	(0.10)
Public Works ^b	28.29	28.14	30.38	24.00	24.30	25.45	30.38	31.31	31.00	37.12	37.52	6.12	0.40
Surface Water Utility	10.71	10.86	11.12	12.00	13.70	12.55	12.62	12.69	14.92	15.76	15.46	0.84	(0.30)
Wastewater Utility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.00	14.13	14.15	14.15	0.02	0.00
Total FTE	137.33	136.78	135.88	132.56	135.56	137.60	148.73	165.18	175.45	183.78	182.65	8.33	(1.13)
Staffing for Sound Transit Lynnwood Link Extension Project ^d							4.00	3.75	4.75	4.12	2.50	(0.63)	(1.25)
Net FTE	137.33	136.78	135.88	132.56	135.56	137.60	144.73	161.43	170.70	179.66	180.15		0.12

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

b. Reflects shift of staffing for ST Lynnwood Link Extension Project from Public Works to City Manager's Office since 2016

c. Excludes term-limited 1.00 FTE IT Projects Manager for 2016 - December 2018

d. Excludes term-limited 1.00 FTE Senior Planner for 2017 - 2019; excludes 0.50 FTE in 2020.

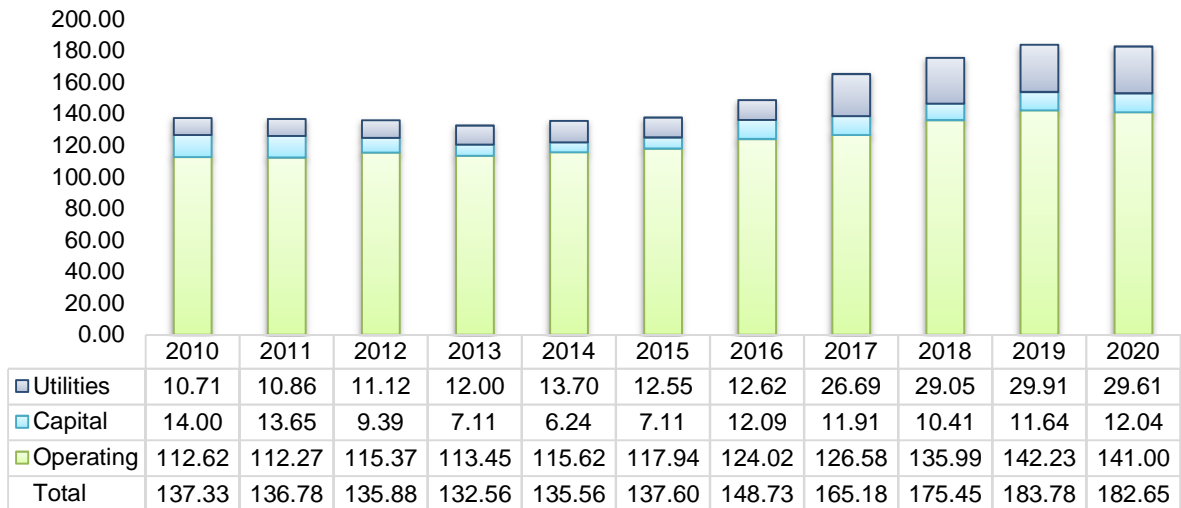
e. Excludes term-limited 1.00 FTE Staff Accountant for 2018-2019

f. Excludes term-limited 0.37 FTE increase for Finance Technician for 2017 - 2020

g. Reflects shift of staffing for Code Enforcement & Customer Response Team to City Manager's Office since 2018

CHART 9

City of Shoreline Regular FTE Summary by Fund Type



Explanation of 2019-20 Changes in FTE:

The City aligns staff positions with long-term community service expectations, City Council goals, and the City's ongoing work plan. As such, the 2019-2020 Biennium budget includes the following changes:

Extra Help to FTE Conversion: Given the on-going nature of the need for these positions, the City Manager is recommending that the position be filled by regular benefitted employees.

Parks, Recreation & Cultural Services:

The functions of the Specialized Recreation Program, which includes the CHOICES day program and events and trips for adults with disabilities, currently operates with a benefitted Recreation Specialist II supported by four extra help positions. The Extra Help positions provide ongoing service and provide supervision to vulnerable population participants, at times without the direct oversight of a regular, benefitted staff person due to programmatic needs on trips and current staffing structure. Therefore, the budget includes conversion of three extra help positions to three regular part-time, benefitted Recreation Specialist I positions, comprised of two positions at 0.60 FTE and one position at 0.75 FTE. One extra help position will be retained with responsibilities and hours modified from the current structure to deliver services that are not on-going in nature.

Unified Landscape Maintenance Service:

The City Manager is recommending that the City create an in-house unified landscape/grounds maintenance crew. The budget includes the addition of seven regular full-time, benefitted positions, comprised of one 1.00 FTE Grounds Maintenance Supervisor, one 1.00 FTE Sr. Grounds Maintenance Worker, two 1.00 FTE Grounds Maintenance Worker II, and three 1.00 FTE Grounds Maintenance Worker I positions.

Positions Necessary for Specific Projects: While not all of these positions are term-limited, should the future demand for these positions diminish and supporting revenue not be available, the positions would be eliminated.

Administrative Services - Financial System Replacement Backfill:

The 1.00 FTE 1-year term limited Staff Accountant is added in 2018 to provide backfill support to Accounting and Budget staff during the implementation of the Financial and Human Resources system has been eliminated.

Light Rail Project:

The budget reflects the following changes to positions permitting and coordinating the Lynnwood Link Extension Light Rail Project. Most are term-limited positions. Funding is provided via an agreement with Sound Transit:

- o Administrative Assistant II: Reduced from 0.75 FTE in 2019 to 0.50 FTE in 2020.
- o Senior Planner: Reduced from 1.00 FTE to 0.375 FTE in 2019 and eliminated in 2020.
- o Senior Planner (3-year term limited): This position was added in September 2017 as a 1.00 FTE to support the Light Rail Project and Planning and Community Development Department. In 2019 the support this position provides to the Light Rail Project will be reduced to 0.75 FTE and in 2020 it will be reduced to 0.50 FTE. The balance of the FTE will support the Planning and Community Development Department.
- o Development Review Engineer II: Included at 1.00 FTE in 2019 and eliminated in 2020.

Wastewater:

The Wastewater budget includes changes in allocation of staff that support the Wastewater operations to better reflect the support provided including the allocation of permit counter staff function and inspection management oversight and reduction of other oversight and support. The net change in allocation was 0.02 FTE increase.

Reclassifications

Parks, Recreation & Cultural Services:

Sr. Parks Maintenance Worker: Unique titles and descriptions for these positions have been approved to distinguish between Urban Forestry or General Maintenance.

Administrative Assistant I: One 1.00 FTE position is proposed to be reclassified to an Administrative Assistant II classification given the level of workload and duties at the Spartan Recreation Center that are required of the

Administrative Services Department:

Budget Supervisor: A reclass from range 56 to 59 and title of Budget and Tax Manager is proposed based on new responsibilities assigned to the incumbent relating to administration and oversight of the Business & Occupation Tax program.

City Manager's Office - Code Enforcement and Customer Response Team:

CRT Supervisor: A reclass from range 53 to 54 and title of Code Enforcement and CRT Supervisor is proposed based on a widening of the span of control as it relates to the code enforcement program oversight.

During 2018 the following changes occurred:

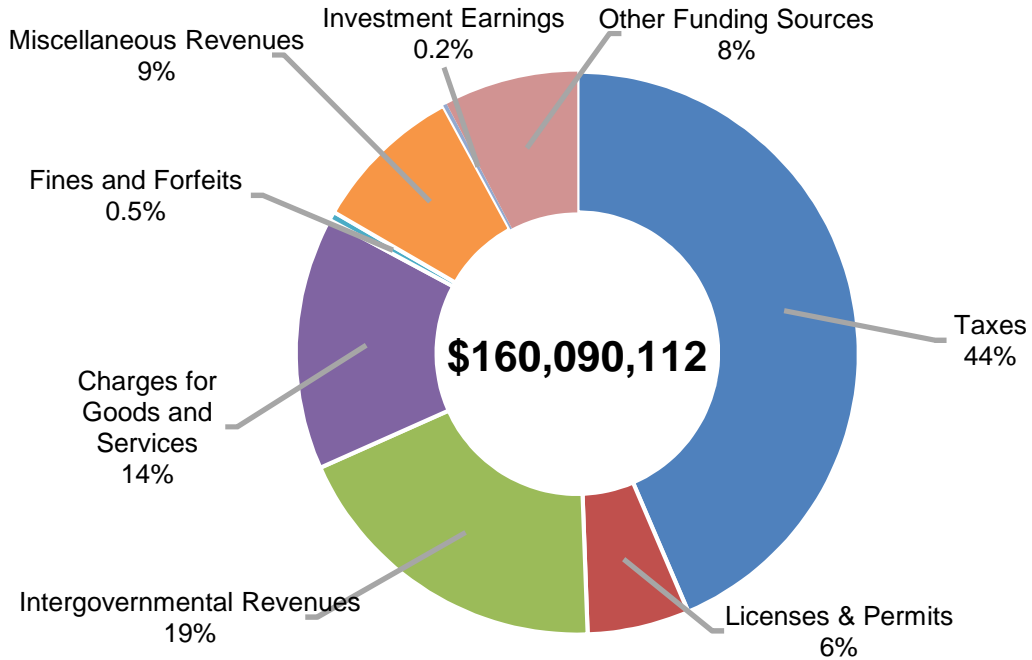
Parks, Recreation & Cultural Services

Two 0.50 FTE Recreation Specialist I positions were added through Ordinance No. 826 to address staffing needs and program alterations at the Shoreline Pool, Spartan Recreation Center, and Teen and Youth Development Programs needed to serve the community interests.

THE CITY BUDGET

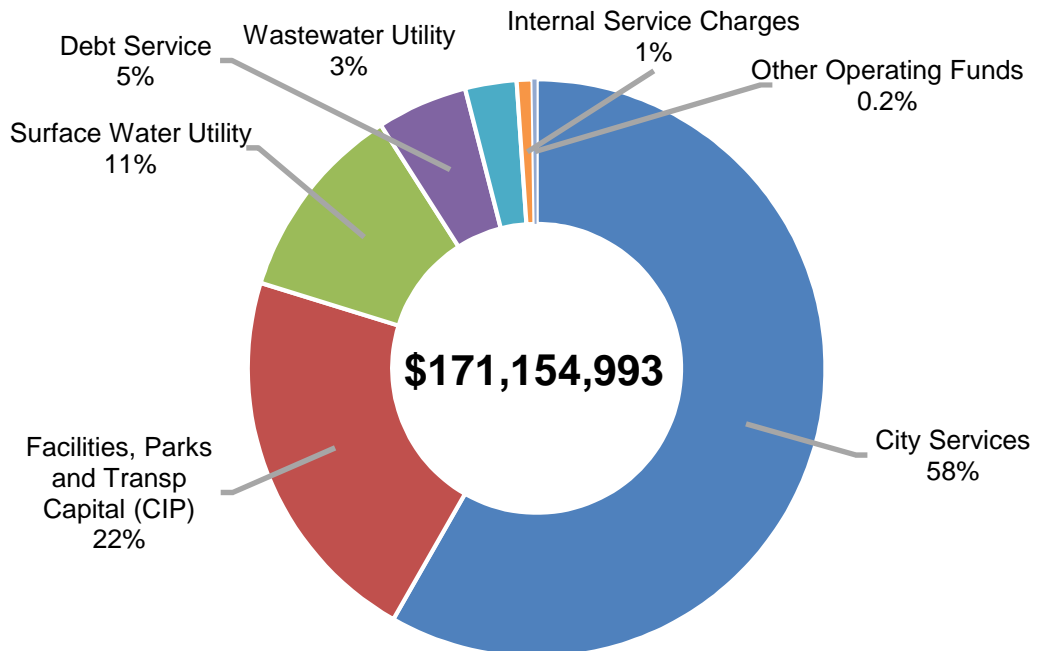
Where the money will come from ...

CHART 10: 2019-2020 Proposed Sources by Category



How will the money be spent ...

CHART 11: 2019-2020 Proposed Uses by Category



City of Shoreline
2019-2020 All Funds Resources/Appropriations Summary

Fund	Beginning Fund Balance (A)	Revenue (B)	Other Financing Sources (C)	Transfers In (D)	Total Resources (A+B+C+D+E)	Expenditures (F)	Transfers Out (G)	Total Expenditures (F+G+H)	Ending Fund Balance (E-F-G+I)	Total Appropriation (F+G+J)
General Fund (O)	\$13,233,643	\$88,710,842	\$0	\$2,821,424	\$104,765,909	\$89,730,019	\$6,001,836	\$95,731,855	\$9,034,054	\$95,731,855
Street Fund (O)	407,540	2,614,608	0	1,211,922	4,234,070	3,492,274	481,892	3,974,166	259,904	3,974,166
Revenue Stabilization Fund (O)	5,150,777	0	0	673,801	5,824,578	0	0	0	5,824,578	0
Property Tax Equalization Fund (O)	0	0	0	0	0	0	0	0	0	0
Code Abatement Fund (O)	378,830	60,000	0	0	438,830	200,000	0	200,000	238,830	200,000
State Drug Enforcement Forfeiture Fund (O)	66,454	36,486	0	0	102,940	36,486	0	36,486	66,454	36,486
Federal Drug Enforcement Forfeiture Fund (O)	24,653	26,000	0	0	50,653	26,000	0	26,000	24,653	26,000
Federal Criminal Forfeiture Fund (O)	0	0	0	0	0	0	0	0	0	0
Public Arts Fund (O)	139,387	11,000	0	0	150,387	134,413	0	134,413	15,974	134,413
Transportation Impact Fees Fund (C)	2,037,535	0	0	0	2,037,535	0	162,000	162,000	1,875,535	162,000
Park Impact Fees Fund (C)	0	175,000	0	0	175,000	0	175,000	175,000	0	175,000
2006 Unltd. General Obligation Bond Fund (D)	2,276	3,389,937	0	0	3,392,213	3,389,937	0	3,389,937	2,276	3,389,937
2009 Ltd. General Obligation Bond Fund (D)	21,455	640,000	0	2,680,072	3,341,527	3,320,072	0	3,320,072	21,455	3,320,072
2018 Ltd. General Obligation Bond Fund (D)	200,000	0	0	1,460,400	1,660,400	1,460,400	0	1,460,400	200,000	1,460,400
2013 Ltd. General Obligation Bond Fund (D)	470	0	0	519,771	520,241	519,771	0	519,771	470	519,771
General Capital Fund (C)	838,688	5,899,349	0	735,000	7,473,037	4,602,205	2,862,720	7,464,925	8,112	7,464,925
City Facility-Major Maint. Fund (C)	54,417	0	0	248,064	302,481	288,936	0	288,936	13,545	288,936
Roads Capital Fund (C)	6,085,004	23,878,173	0	1,935,062	31,898,179	28,463,604	289,980	28,753,584	3,144,595	28,753,584
Surface Water Utility Fund (E)	6,476,693	15,419,282	0	0	21,895,975	17,705,677	1,380,343	19,086,020	2,809,955	19,086,020
Wastewater Utility Fund (E)	202,160	4,924,892	0	0	5,127,052	4,317,207	607,885	4,924,892	202,160	4,924,892
Vehicle Operations Fund (I)	99,668	1,048,547	0	0	1,148,215	1,088,547	0	1,088,547	59,668	1,088,547
Equipment Replacement Fund (I)	3,941,769	970,540	0	0	4,912,309	382,989	0	382,989	4,529,320	382,989
Unemployment Fund (I)	55,096	0	0	0	55,096	35,000	0	35,000	20,096	35,000
Total City Funds	\$39,416,515	\$147,804,656	\$0	\$12,285,456	\$199,506,627	\$159,193,637	\$11,961,456	\$171,154,993	\$28,351,634	\$171,154,993

CHART 12: Appropriation by Fund

\$171,154,993

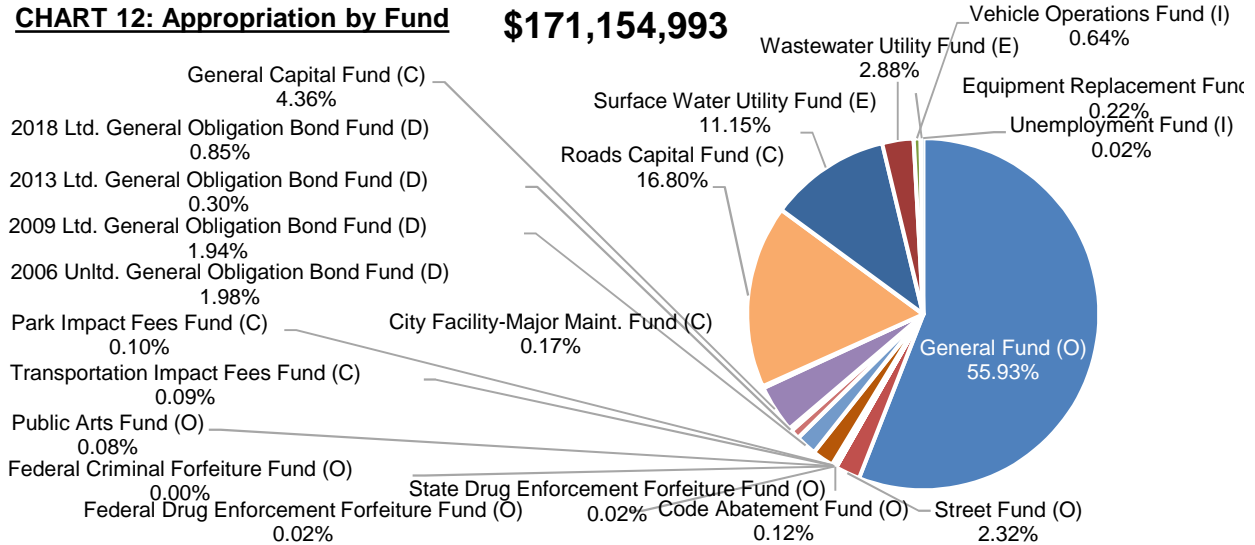


CHART 13: Appropriation by Fund Type

\$171,154,993

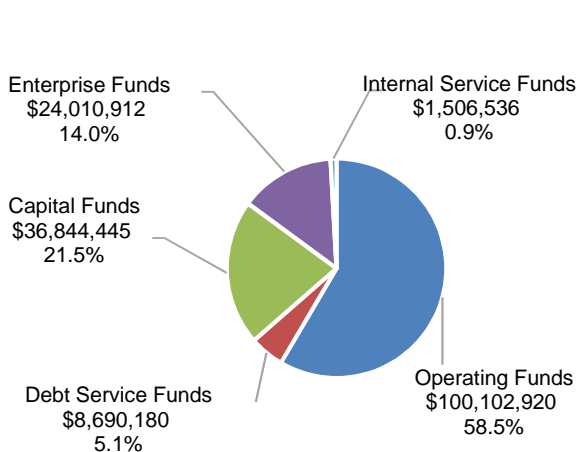
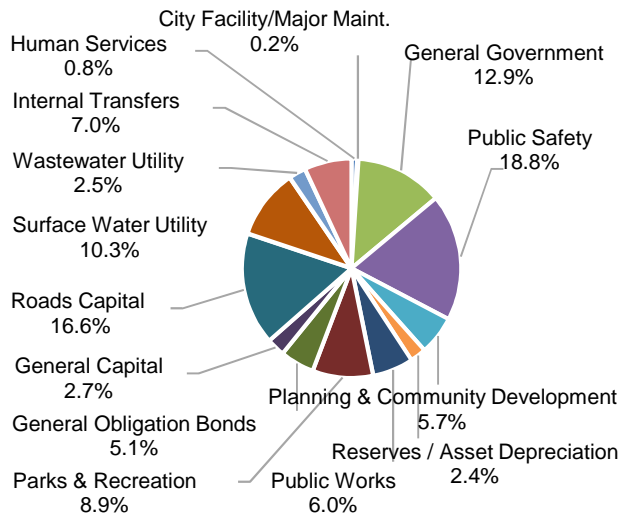


CHART 14: Appropriation by Service Type

\$171,154,993



CITY REVENUE SOURCES

The City of Shoreline receives revenues from local property, sales, utility, and gambling taxes; a variety of population based state-shared revenues; user fees for development services and parks programs; and, grants, fines, and other miscellaneous revenues. Budgeted resources for all of the City's funds, inclusive of the budgeted use of fund balance and transfers between funds, totals \$199.307 million. Budgeted appropriations, including transfers between funds, total \$171.155 million. Excess resources will remain in fund balance until they are appropriated at a later date.

General Fund

The General Fund resource base is \$88.711 million and is comprised of the budgeted use of fund balance (\$6.518 million, 6.6%), operating revenues (\$88.711 million, 90.5%), and transfers-in from other funds for their share of the General Fund overhead (\$2.821 million, 2.9%).

CHART 15: General Fund Resources

\$98,050,126

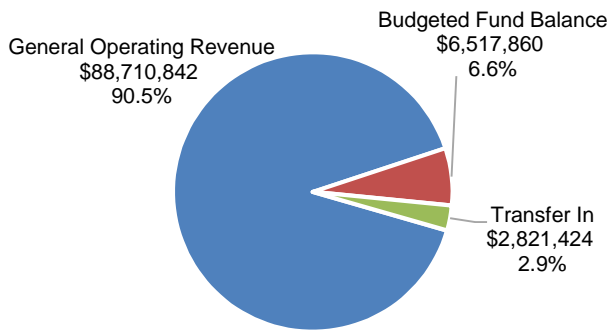
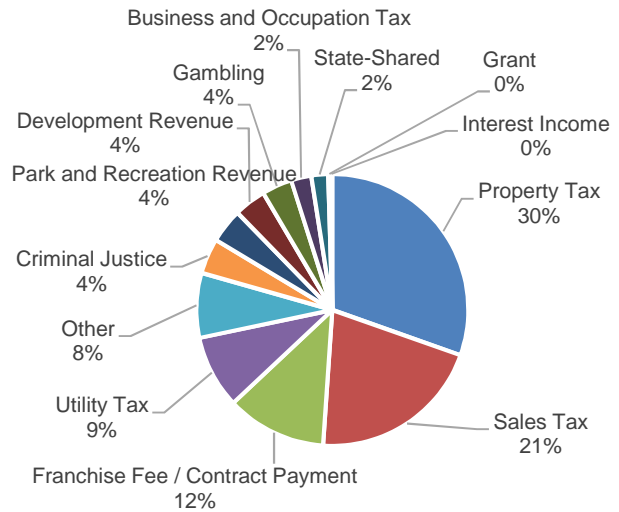


CHART 16: General Fund Operating Revenues

\$88,710,842



Property Tax

Shoreline voters approved Proposition 1 in November 2010, which set a property tax rate of \$1.48 per \$1,000 assessed valuation (AV) for 2011. It also included an annual escalator based upon the change in the June-to-June Consumer Price Index for All Urban Consumers for the Seattle Area (CPI-U) for years 2012 through 2016. In 2011, the AV was \$6.695 billion and the property tax levy was set at \$9.909 million. At the time that Proposition 1 was before voters, staff assumed that the AV for 2012 taxes was projected to increase by approximately 2.3%. In fact, the AV actually dropped by 5.0% to \$6.369 billion. As a result the levy was not allowed to increase by inflation as the levy rate increased from the 2011 rate of \$1.48 to the maximum rate of \$1.60. This created a situation where the City's total property tax levy could only increase through new construction to a total of \$10.191 million. In 2013, the AV decreased by 5.0% to \$6.052 billion. This decline in AV caused the levy rate to remain at the maximum rate of \$1.60. With the levy rate remaining at \$1.60, the levy was not allowed to increase by inflation because it was ratcheted down to \$9.684 million. In 2014, the AV increased by 6.6% to \$6.452 billion. For first time growth in the City's AV allowed the City to increase the property tax levy by the rate of inflation as allowed in Proposition 1. The levy base was returned the previous highest year's base of \$10.191 million (from 2012) and allowed to increase to \$10.324 million; however, the levy rate remained at \$1.60. In 2015, the AV increased by 15.0% to \$7.422 billion allowed the levy to increase by the rate of inflation and new construction to \$10.617 million. For the first time the levy rate dropped to \$1.43. In 2016, the AV increased by 10.4% to \$8.196 billion which allowed the levy to increase by the rate of inflation and new construction to \$10.908 million and the levy rate to drop to \$1.33. Shoreline voters renewed Proposition 1 in November 2016, which set the property tax rate of \$1.39 per \$1,00 AV for 2017 and included an annual escalator based upon the change in the June-to-June CPI-U for years 2017-2022.

In 2018, the City of Shoreline property tax regular levy rate and excess voted levy rates decreased from \$1.39 to \$1.27 and \$0.21 to \$0.17, respectively. When all the taxing jurisdictions' levy rates are combined the total levy rate increased from \$11.23 to \$11.65. Chart 17 exhibits the amount a homeowner of a residence with a median value (as determined by the King County Department of Assessments) paid to the City and all other taxing jurisdictions. In 2018, a total of \$5,171 in property taxes is paid to all taxing jurisdictions, which is \$836 more than that paid in 2017.

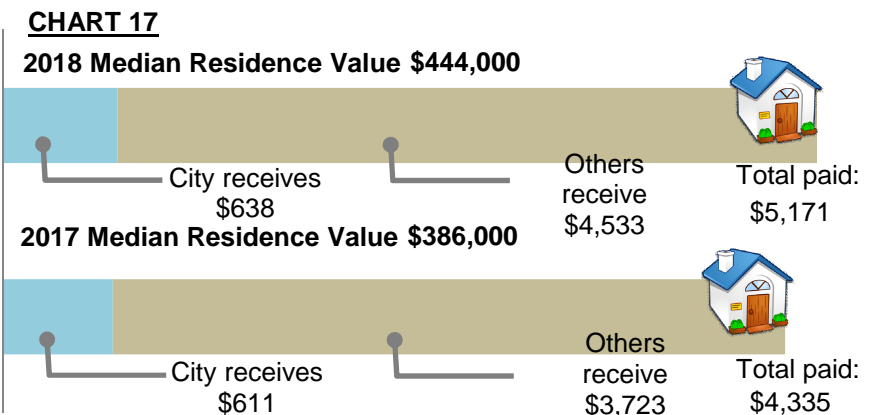
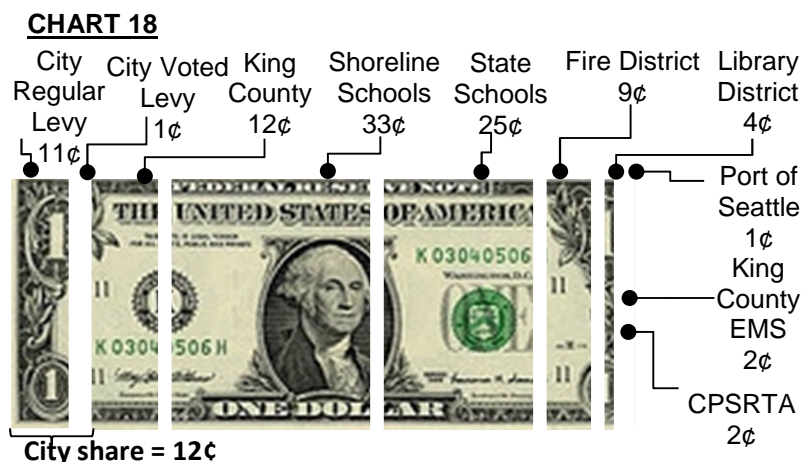


Chart 18 and the table below provide information regarding the allocation of the total 2018 levy rate for all taxing districts within Shoreline. The City receives 12¢ of each dollar of property tax paid, which would equate to 11¢ (\$563 total) for the regular levy and 1¢ (\$75 total) for the excess voted levy. A homeowner will pay \$26 more than that paid in 2017.

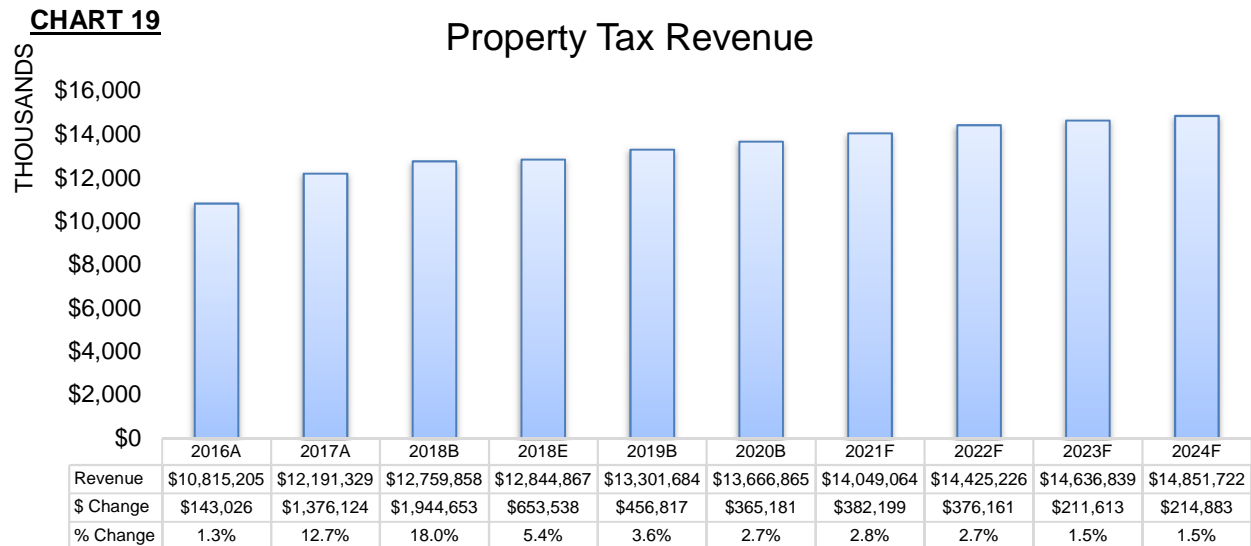


	Assessed Value	Per \$1,000 (AV/\$1,000)		Rate		Assessment	%
City	\$ 444,000	444.00	X	\$1.44	=	\$638	12%
King County	\$ 444,000	444.00	X	1.43	=	637	12%
Shoreline School Dist.	\$ 444,000	444.00	X	3.81	=	1,690	33%
State Schools	\$ 444,000	444.00	X	2.92	=	1,296	25%
Fire District	\$ 444,000	444.00	X	1.04	=	461	9%
Library District	\$ 444,000	444.00	X	0.41	=	183	4%
Port of Seattle	\$ 444,000	444.00	X	0.14	=	60	1%
King Co. EMS	\$ 444,000	444.00	X	0.24	=	106	2%
CPSRTA	\$ 444,000	444.00	X	0.23	=	101	2%
TOTAL				\$11.65		\$5,171	100%

Source: King County Department of Assessments; 2018 Median Residence Value for Shoreline reported per

In 2019, it is assumed the AV will increase by 5.3% from the current 2018 AV of 10,228,874,349, including the value of new construction, to \$10.668 billion according to the latest forecast available from the Puget Sound Economic Forecaster, and the regular property tax levy will generate \$13.302 million. The 2019-2020 Proposed Biennial Budget assumes the regular property tax levy will generate 13.667 in 2020. AV, excluding new construction, is projected to grow in future years, as follows: 2.3% growth in 2021; 3.0% growth in 2022; 3.4% growth in 2023; and, 3.4% in 2024.

Property Tax Historical Comparison & Forecast



Sources: City of Shoreline; King County Department of Assessments

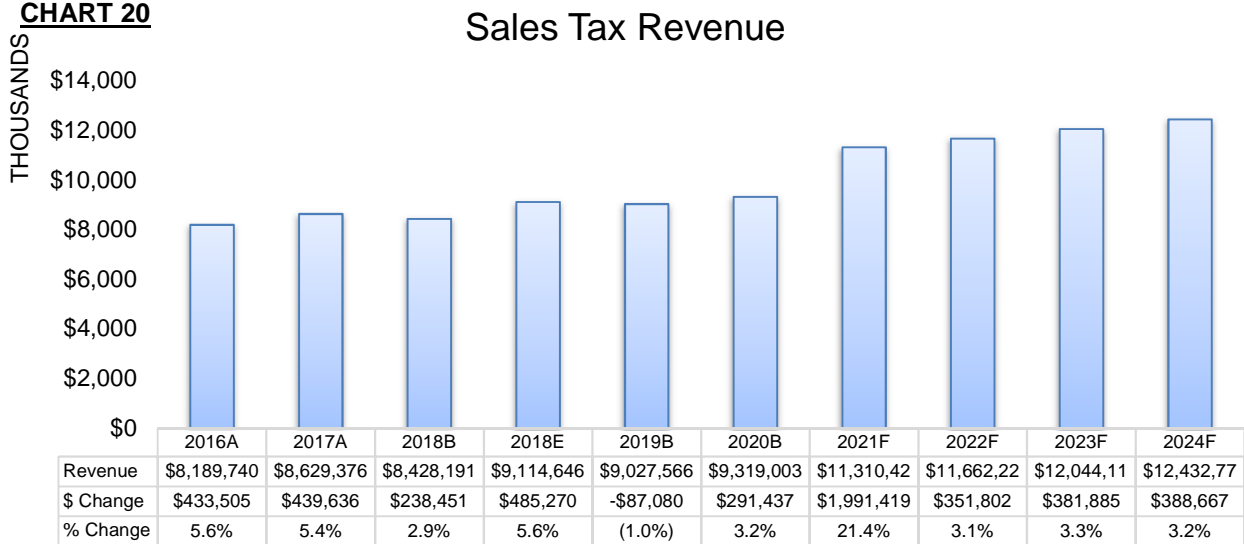
Sales Tax

General sales tax, the third largest revenue source for City operations, totals \$18.347 million and reflects increases over the 2018 revised projection for the Current Biennium of \$1.932, or 1.932.

Shoreline's sales tax base consists largely of basic consumer goods, and, therefore, sales tax collections were fairly consistent prior to the recession. The recession resulted in a significant reduction in construction and building material sales taxes prior to 2011. Automobiles are large ticket items in the Shoreline sales tax base, and these sales held fairly steady even during the height of the recession. There was some growth in automobile sales during 2011, 2012, 2013, and 2014 and more substantial growth in 2015 and 2016. Staff will continue to be conservative in future projections and use a rate of growth of 3.0% in 2021, 3.1% in 2022, and 3.2% in 2023 and 2024.

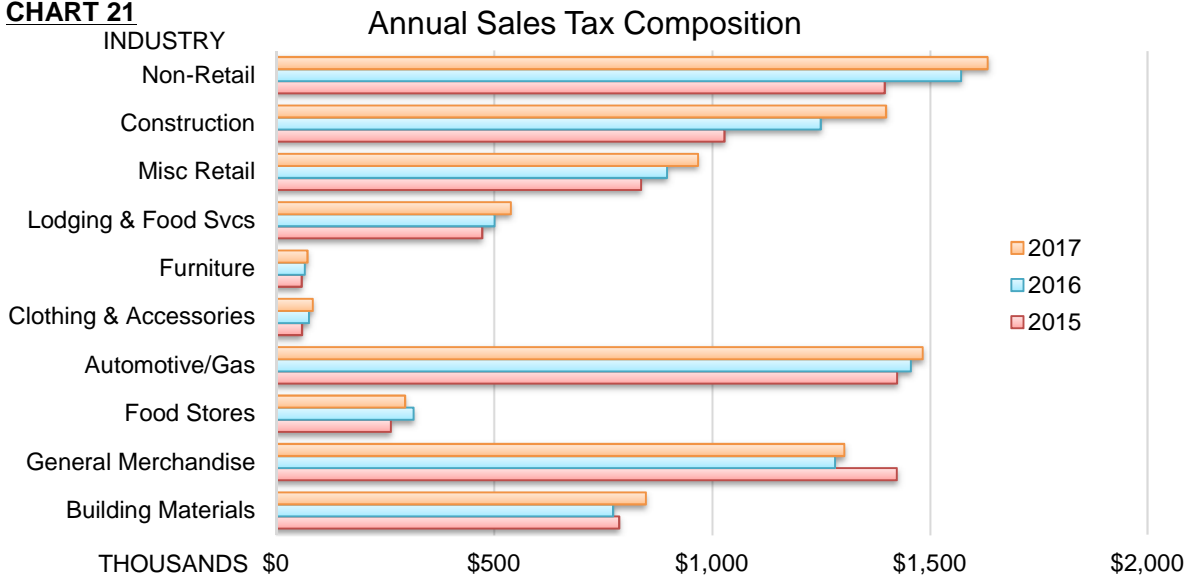
Sales Tax Historical Comparison & Forecast

CHART 20



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017

CHART 21



Business & Occupation Tax

During the City Council's 2017 Strategic Planning Workshop, the City Council reviewed the plan to support implementation of the remaining strategies of the 10 Year Financial Sustainability Plan, including Strategy 6 to engage the community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax. RCW 35A.82.020 (<http://app.leg.wa.gov/rcw/default.aspx?cite=35A.82.020>) provides Shoreline the authority to impose a B&O Tax on businesses that operate within the city limits. The City Council directed staff to move forward with implementation of the 10 YFSP and provide an update of Strategy 6 in the summer. Staff procured the support of BERK, a local consulting firm, to engage the business community in the discussion about the potential implementation of a B&O Tax in Shoreline. BERK worked with City staff to develop an online survey focused on soliciting input from businesses about the various options available to a city when implementing a B&O Tax. BERK also facilitated two, two-hour Business Outreach Workshops (held June 21 at 5:00 p.m. and June 22 at 11:00 a.m.). The City's Economic Development Manager and Administrative Services Director made a presentation on the proposed work plan to the Shoreline Chamber of Commerce, Economic Development Committee.

Staff provided the City Council an update on staff's progress related to implementation of Strategy 6 during the August 14, 2017 meeting. The City Council directed staff to continue to pursue implementation of a B&O Tax and authorized staff to move into the next phase of implementation and bring back a draft B&O Tax Ordinance for the City Council's consideration. Proposed Ordinance No. 808, creating two new chapters in the Shoreline Municipal Code (SMC): Chapter 3.22, Business and Occupation Tax and Chapter 3.23, Tax Administrative Code, were presented to City Council for discussion on November 13, 2017. Both chapters are based on the Association of Washington Cities' 2012 B&O Tax Model Ordinance with some modifications. These include the City Council's guidance provided during the Council's August 14, 2017 discussion. The staff report for the November 13th Council discussion is available at the following link: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport111317-9a.pdf>. Proposed Ordinance No. 808 providing for a B&O Tax and creating two new Chapters in the Shoreline Municipal Code was adopted by the City Council on December 4, 2017.

Effective January 1, 2019, Shoreline will begin imposing a B&O Tax primarily measured on gross proceeds of sales or gross income. For purposes of calculating the B&O Tax, businesses may be divided into several classifications (e.g., retailing, manufacturing, services, or wholesale) and those conducting multiple activities will report in more than one classification. The implementation of a B&O Tax, up to a rate of 0.002 does not require a public vote; however, Ordinance No. 808 imposing the tax included a provision for a referendum procedure.

All businesses operating in Shoreline that have gross receipts in excess of \$500,000 per year (or \$125,000 per quarter), except 501(C)(3) non-profits, will be subject to the tax. A rate of 0.001 will be applied to all gross receipts for all business classifications except services which will be taxed at a rate of 0.002. More information regarding tax and licensing in the City of Shoreline may be found at the following link: <http://www.shorelinewa.gov/government/departments/administrative-services/taxes-in-shoreline>.

Gambling Tax

Gambling tax rate limits are set by the state and vary by game. In 1998, the State allowed the opening of “mini-casinos” and expanded the number of card rooms and the betting limits. This expansion resulted in revenue increases of 76% and 48% in 1998 and 1999, respectively. The City’s gambling tax revenues come from card room and pull-tab activity. For the next few years, gambling tax revenues stabilized at around \$2.5 million. A new mini-casino was opened during the fourth quarter of 2003. This resulted in a total collection of \$2.86 million in 2003. Actual revenue for 2004 totaled \$3,321,060, which is an increase over the prior year of \$465,779. The City’s tax rate has held at 10% since April 2007.

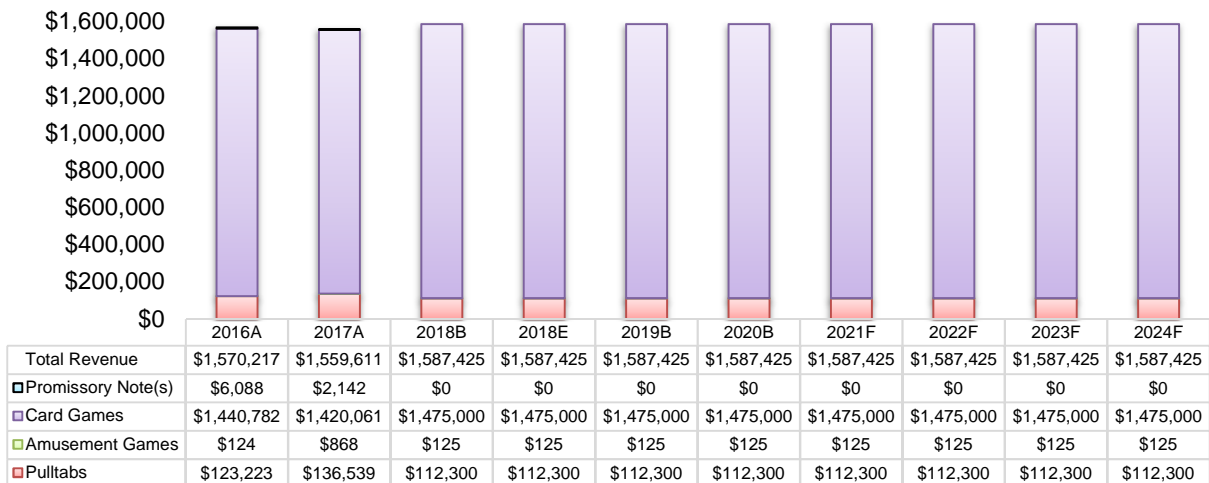
In 2019-2020, collections are projected to total \$3.175 million. Staff has assumed no growth in future years in tax collections with a baseline of \$3.175 million.

The City Council has a policy to retain only an amount equal to a 7% card room tax rate in the General Fund's on-going revenue base and transfer the difference of 3% to support capital project planning and delivery. This policy was adopted in order to reduce the General Fund’s reliance on this revenue source for general operations of the City in response to several attempts by the State Legislature to lower the allowable City tax rate. In 2012 the Transportation Planning Program was moved from the Roads Capital Fund to the General Fund and the transfer was decreased starting in 2014 by the amount required to fund this program. The transfer for 2019-2020 totals \$195,302.

Gambling Tax Historical Comparison & Forecast

CHART 22

Gambling Tax Revenue



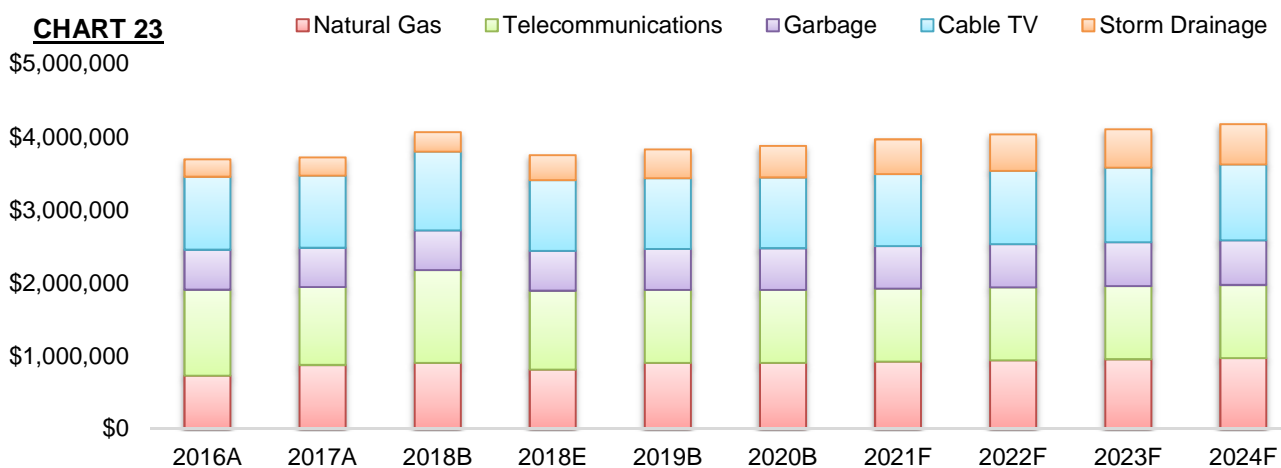
Utility Taxes

The Council enacted a 6% utility tax on natural gas, telephone, cellular telephone, pager services, and sanitation services along with a 1% utility tax on cable effective in 2000. In 2005 a 6% utility tax was applied to storm drainage and the tax rate for cable television was increased to 6% on July 1, 2007. Projected revenues in 2019-2020 from utility taxes total \$7.707 million.

- Revenues from telecommunications is closely monitored as it has declined since 2010 and will most likely continue to do so due to competition and the change in use of technology.
- Revenues from garbage are projected to increase based upon current inflation rates as allowed under the contract.
- Revenues from the storm drainage utility tax are projected to increase commensurate with Surface Water Utility Fee rate increases.

Utility Tax Historical Comparison & Forecast

CHART 23



Revenue	2016A	2017A	2018E	2019B	2020B	2021F	2022F	2023F	2024F
Natural Gas	\$730,924	\$876,548	\$815,000	\$906,500	\$906,500	\$923,647	\$940,116	\$956,358	\$972,927
Annual Change		\$145,624	(\$61,548)	\$91,500	\$0	\$17,147	\$16,469	\$16,242	\$16,569
% Change		19.9%	(7.0%)	11.2%	0.0%	1.9%	1.8%	1.7%	1.7%
Telecomm.	\$1,176,088	\$1,067,914	\$1,079,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Annual Change		(\$108,174)	\$11,086	(\$79,000)	\$0	\$0	\$0	\$0	\$0
% Change		(9.2%)	1.0%	(7.3%)	0.0%	0.0%	0.0%	0.0%	0.0%
Garbage	\$548,522	\$536,343	\$546,000	\$560,300	\$570,700	\$581,495	\$591,863	\$602,089	\$612,520
Annual Change		(\$12,179)	\$9,657	\$14,300	\$10,400	\$10,795	\$10,368	\$10,225	\$10,431
% Change		(2.2%)	1.8%	2.6%	1.9%	1.9%	1.8%	1.7%	1.7%
Cable TV	\$998,465	\$990,281	\$968,000	\$968,000	\$968,000	\$986,310	\$1,003,896	\$1,021,240	\$1,038,934
Annual Change		(\$8,184)	(\$22,281)	\$0	\$0	\$18,310	\$17,586	\$17,344	\$17,693
% Change		(0.8%)	(2.2%)	0.0%	0.0%	1.9%	1.8%	1.7%	1.7%
Storm Drainage	\$239,060	\$249,735	\$342,237	\$393,573	\$432,930	\$476,223	\$500,034	\$525,036	\$551,288
Annual Change		\$10,676	\$92,502	\$51,336	\$39,357	\$43,293	\$23,811	\$25,002	\$26,252
% Change		4.5%	37.0%	15.0%	10.0%	10.0%	5.0%	5.0%	5.0%
Total Revenue	\$3,693,058	\$3,720,822	\$3,750,237	\$3,828,373	\$3,878,130	\$3,967,675	\$4,035,910	\$4,104,723	\$4,175,668
Annual Change		\$27,763	\$29,415	\$78,136	\$49,757	\$89,545	\$68,235	\$68,813	\$70,945
% Change		0.8%	0.8%	2.1%	1.3%	2.3%	1.7%	1.7%	1.7%

Source: City of Shoreline

Franchise Fee & Contract Payments

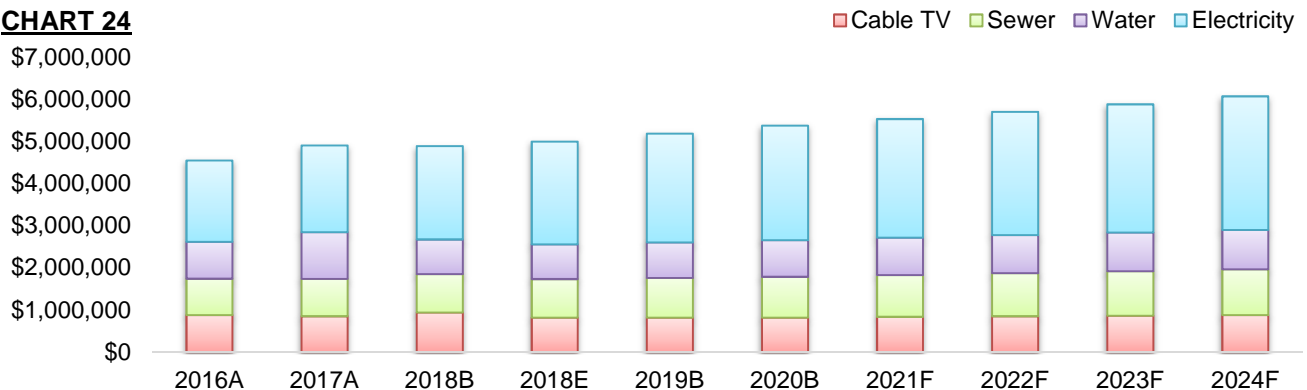
The City has entered into agreements with many of the public utilities that provide services to our citizens. Agreements have been reached with Seattle City Light, Seattle Public Utilities (Water), North City Water District, and Ronald Wastewater District. With the exception of Seattle City Light, these utilities pay a contract fee to the City in an amount equal to six-percent of their revenues. Until April 1, 2008 Seattle City Light (SCL) paid six-percent of the “power” portion of the electric revenues. On April 1, 2008, SCL began to pay a 3% contract payment on the “distribution” revenues. That rate increased to 6% on January 1, 2009 which ultimately resulted in a 6% payment on total electrical revenues. For residential customers the power portion of charges for electricity is approximately 60% of the total. The remaining 40% is linked to the cost of distribution of electricity.

Projected revenues in 2019-2020 from franchise fees and contract payments total \$10.549 million.

- Sewer contract payments are \$933,000 based on the City’s agreement with the Ronald Wastewater District.
- The cable television franchise fee is set at a rate equal to five-percent of gross cable service revenues.

Franchise Fees Historical Comparison & Forecast

CHART 24



Revenue	2016A	2017A	2018E	2019B	2020B	2021F	2022F	2023F	2024F
Cable TV	\$882,412	\$854,848	\$823,000	\$823,000	\$823,000	\$838,567	\$853,519	\$868,265	\$883,308
Annual Change		(\$27,564)	(\$31,848)	\$0	\$0	\$15,567	\$14,952	\$14,746	\$15,043
% Change		(3.1%)	(3.7%)	0.0%	0.0%	1.9%	1.8%	1.7%	1.7%
Sewer	\$860,000	\$886,000	\$912,000	\$936,000	\$964,000	\$992,920	\$1,022,708	\$1,053,389	\$1,084,990
Annual Change		\$26,000	\$26,000	\$24,000	\$28,000	\$28,920	\$29,788	\$30,681	\$31,602
% Change		3.0%	2.9%	2.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Water	\$874,680	\$1,107,025	\$822,900	\$846,600	\$868,800	\$885,234	\$901,018	\$916,584	\$932,464
Annual Change		\$232,344	(\$284,125)	\$23,700	\$22,200	\$16,434	\$15,784	\$15,567	\$15,880
% Change		26.6%	(25.7%)	2.9%	2.6%	1.9%	1.8%	1.7%	1.7%
Electricity	\$1,925,632	\$2,055,988	\$2,433,200	\$2,574,300	\$2,713,300	\$2,810,979	\$2,920,607	\$3,037,431	\$3,165,003
Annual Change		\$130,356	\$377,212	\$141,100	\$139,000	\$97,679	\$109,628	\$116,824	\$127,572
% Change		6.8%	18.3%	5.8%	5.4%	3.6%	3.9%	4.0%	4.2%
Total Revenue	\$4,542,724	\$4,903,860	\$4,991,100	\$5,179,900	\$5,369,100	\$5,527,700	\$5,697,852	\$5,875,670	\$6,065,767
Annual Change		\$361,136	\$87,240	\$188,800	\$189,200	\$158,600	\$170,152	\$177,818	\$190,097
% Change		7.9%	1.8%	3.8%	3.7%	3.0%	3.1%	3.1%	3.2%

Source: City of Shoreline

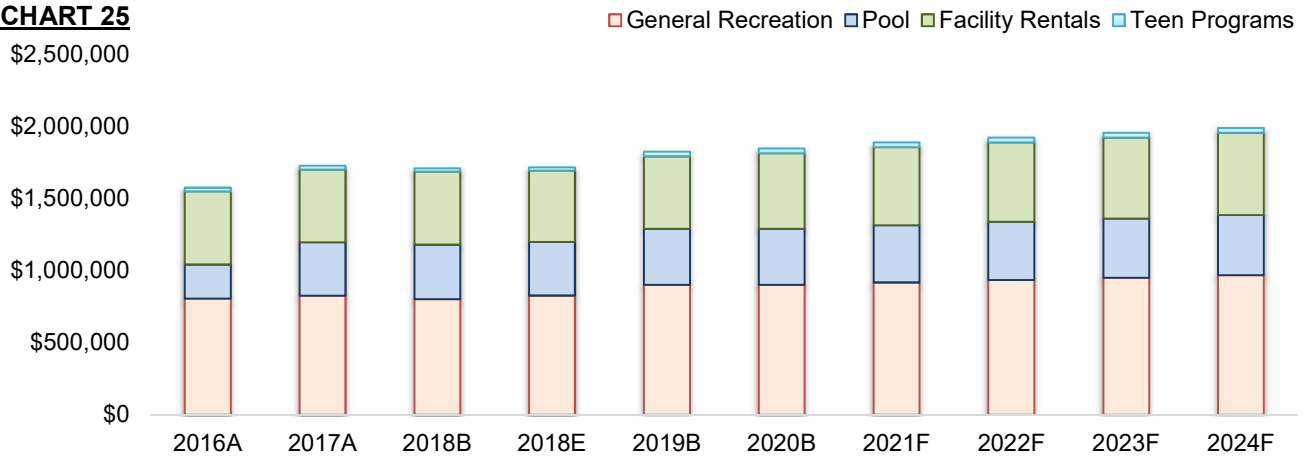
Recreation Fees

In 2015, revenue was 11.4% more than 2014 collections largely due to increased participation in recreation program offerings and a higher level of facility rentals. In 2016, receipts were \$91,300 less than 2015 collections due to the extended closure of the Shoreline Pool while maintenance was performed. In 2017, the pool returned to a full year of operation; however, Facility Rentals revenues were affected by the three month maintenance closure of Twin Ponds soccer fields.

Projected revenues in 2019-2020 from recreation fees total \$3.668 million. Revenue projections for 2018 were conservative since pool usage is currently at full capacity. Revenue from the general recreation activities were projected to decrease largely due to the Shoreline School District's earlier start for the 2018-2019 school year, which may have directly impacted the summer camps. Revenue from facility rentals is expected to return to the 2016 level as Twin Ponds soccer fields return to a full year of operation. In the future the fees are expected to increase by the June-to-June percentage change of the CPI-U. As revenues will likely be impacted by programming changes, facility maintenance, and other unforeseen issues, the growth projection is limited to 80% of projected inflation rates.

Recreation Fee Historical Comparison & Forecast

CHART 25



Revenue	2016A	2017A	2018E	2019B	2020B	2021F	2022F	2023F	2024F
Recreation	\$804,487	\$824,932	\$826,339	\$900,536	\$900,536	\$917,570	\$933,931	\$950,066	\$966,526
Annual Change		\$20,445	\$1,407	\$74,197	\$0	\$17,034	\$16,361	\$16,135	\$16,460
% Change		2.5%	0.2%	9.0%	0.0%	1.9%	1.8%	1.7%	1.7%
Pool	\$237,277	\$370,920	\$370,865	\$388,800	\$388,800	\$396,154	\$403,218	\$410,184	\$417,291
Annual Change		\$133,643	(\$55)	\$17,935	\$0	\$7,354	\$7,064	\$6,966	\$7,107
% Change		56.3%	0.0%	4.8%	0.0%	1.9%	1.8%	1.7%	1.7%
Facility Rentals	\$507,133	\$503,829	\$494,800	\$501,975	\$523,800	\$541,802	\$551,410	\$560,884	\$570,550
Annual Change		(\$3,304)	(\$9,029)	\$7,175	\$21,825	\$18,002	\$9,607	\$9,475	\$9,665
% Change		(0.7%)	(1.8%)	1.5%	4.3%	3.4%	1.8%	1.7%	1.7%
Teen Programs	\$25,006	\$27,161	\$23,500	\$31,909	\$31,909	\$32,513	\$33,092	\$33,664	\$34,247
Annual Change		\$2,155	(\$3,661)	\$8,409	\$0	\$604	\$580	\$572	\$583
% Change		8.6%	(13.5%)	35.8%	0.0%	1.9%	1.8%	1.7%	1.7%
Total Revenue	\$1,573,903	\$1,726,842	\$1,715,504	\$1,823,220	\$1,845,045	\$1,888,039	\$1,921,650	\$1,954,798	\$1,988,614
Annual Change		\$152,939	(\$11,338)	\$107,716	\$21,825	\$42,994	\$33,611	\$33,148	\$33,815
% Change		9.7%	(0.7%)	6.3%	1.2%	2.3%	1.8%	1.7%	1.7%

Source: City of Shoreline

Criminal Justice Funding

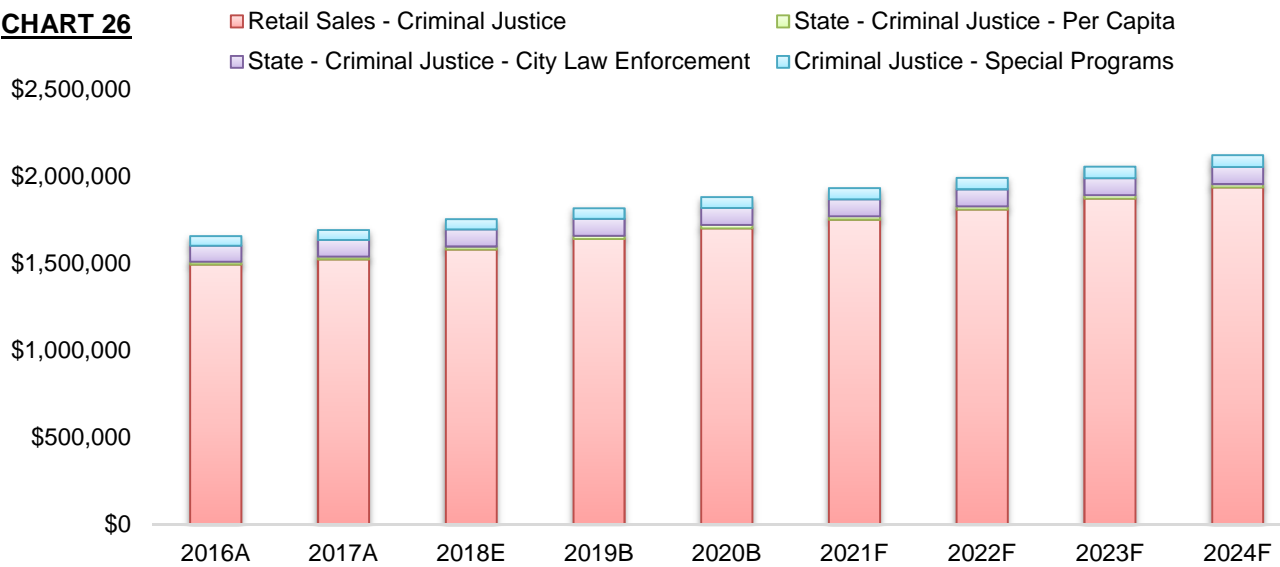
There are two sources of dedicated funding for local criminal justice programs: an optional County sales tax of 0.1% and state shared funding. Prior to 2000, state funding consisted of a combination of Motor Vehicle Excise Tax (MVET) and state general revenues. Due to the repeal of the MVET by the State legislature, the MVET portion was eliminated, subsequently; the only state funding anticipated is from the State's General Fund.

Projected revenues in 2019-2020 for criminal justice total \$3.668 million.

The largest revenue source in this category is the Criminal Justice Retail Sales tax, which was negatively impacted by the recent recession. This tax is collected at the county level and distributed to the cities on a per capita basis. Local Criminal Justice Sales Tax revenue is expected grow between 2.9% and 3.8% in 2019 through 2024. The remainder of the revenues in this category increase only slightly each year based upon per capital projections provided by state forecasters.

Criminal Justice Funding Historical Comparison & Forecast

CHART 26



Revenue	2016A	2017A	2018E	2019B	2020B	2021F	2022F	2023F	2024F
Retail Sales - Criminal Justice	\$1,495,353	\$1,524,609	\$1,580,603	\$1,641,392	\$1,702,776	\$1,752,929	\$1,810,334	\$1,873,791	\$1,937,591
State - Criminal Justice - Per Capita	\$15,011	\$15,547	\$17,619	\$18,391	\$18,996	\$19,043	\$19,091	\$19,138	\$19,186
State - Criminal Justice - City Law Enforcement	\$92,950	\$95,985	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160
Criminal Justice - Special Programs	\$54,731	\$56,429	\$58,914	\$60,746	\$62,573	\$63,917	\$65,219	\$66,512	\$67,833
Total Revenue	\$1,658,045	\$1,692,571	\$1,755,296	\$1,818,689	\$1,882,505	\$1,934,049	\$1,992,804	\$2,057,601	\$2,122,770
Annual Change		\$34,526	\$62,725	\$63,393	\$63,816	\$51,544	\$58,755	\$64,797	\$65,169
% Change		2.1%	3.7%	3.6%	3.5%	2.7%	3.0%	3.3%	3.2%

Sources: King County; Municipal Research and Services Center 2018 Budget Suggestions

Liquor Excise Tax & Board Profits

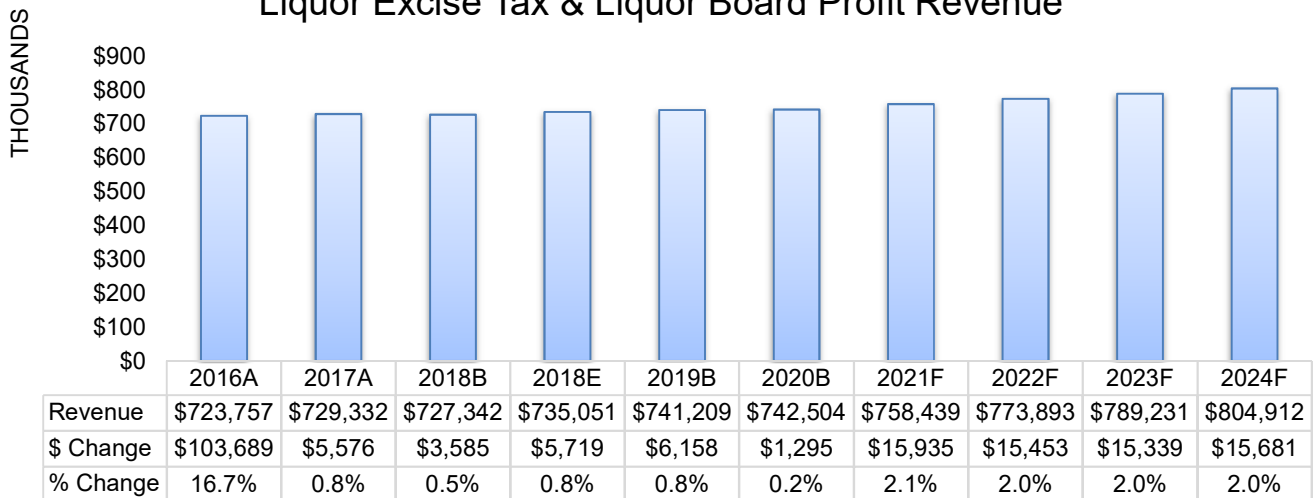
Revenue sources in this category used to be comprised of a portion of the liquor excise tax receipts collected by the State and a portion of the markups on liquor, commonly referred to as Liquor Board Profits. Much has changed with the passage of Initiative 1183 in November 2011, which resulted in the privatization of the distribution and retail sale of liquor, effective June 1, 2012. The Liquor Board Profits have been replaced as a state revenue source by license fees that are paid to the state by retailers and distributors. In 2012, the legislature passed ESHB 2823, ch. 5, Laws of 2012, 2nd sp. Sess, which diverted all liquor excise tax revenue that would have been distributed to cities and counties to the State General Fund for one year beginning in October 2012. In addition to that one-time loss, beginning with the October 2013 distribution, the state treasurer began transferring \$2.5 million per quarter from the Liquor Excise Tax Fund to the State General Fund before the distribution is made to cities and counties. The distribution to cities and counties was also reduced in the State's 2013-2015 budget, which increased the share of liquor taxes deposited into the state general fund from 65.0% to 82.5%, thereby reducing the share going to the Liquor Excise Tax Fund for distribution to cities and counties from 35.0% to 17.5%. When the 2015 budget was developed, it was assumed that the legislature would take action to continue with the reduced share of revenues. The 2015-2017 state budget, passed by the 2015 legislature returned the percentage distribution to the pre-2013 state budget provisions which means that 35% of revenues are to be deposited in the Liquor Excise Tax Fund to be distributed to cities, counties, and towns. The percentage distribution remains at 35% in the 2017-2019 state budget, passed by the 2017 legislature.

Projected revenues in 2019-2020 from these two sources totals \$1.484 and are forecast based on state-provided per capita estimates.

Liquor Tax Historical Comparison & Forecast

CHART 27

Liquor Excise Tax & Liquor Board Profit Revenue



Source: Municipal Research and Services Center 2018 Budget Suggestions

Development Fees

Fees are charged for a variety of development permits obtained through the City's Planning and Community Development Department. These include building, structure, plumbing, electrical, and mechanical permits; land use permits; permit inspection fees; plan check fees; and fees for environmental reviews. Year-over-year growth in the number of permits pulled and revenues was experienced in 2012 (+8.4% / +7.0%), 2014 (+17.3% / +26.5%), and 2016 (+6.9% / +46.6). The number of permits pulled in 2017 as compared to 2010 increased 68.1%. Revenues for 2013 and 2016 were lower than the year-ago levels (-0.6% and 6.0%, respectively), but the number of permits pulled increased by 6.5% and 2.8%, respectively. Revenue for 2017 is 25.4% more than the year-ago level but the number of permits pulled decreased by 4.0%. In 2011, 2012 and 2017, the City received a significant amount of one-time revenue from Shoreline School District's major capital projects to construct new schools. The City expects to receive one-time revenue from Shoreline School District's projects related to its recent bond measure in 2018 and 2019.

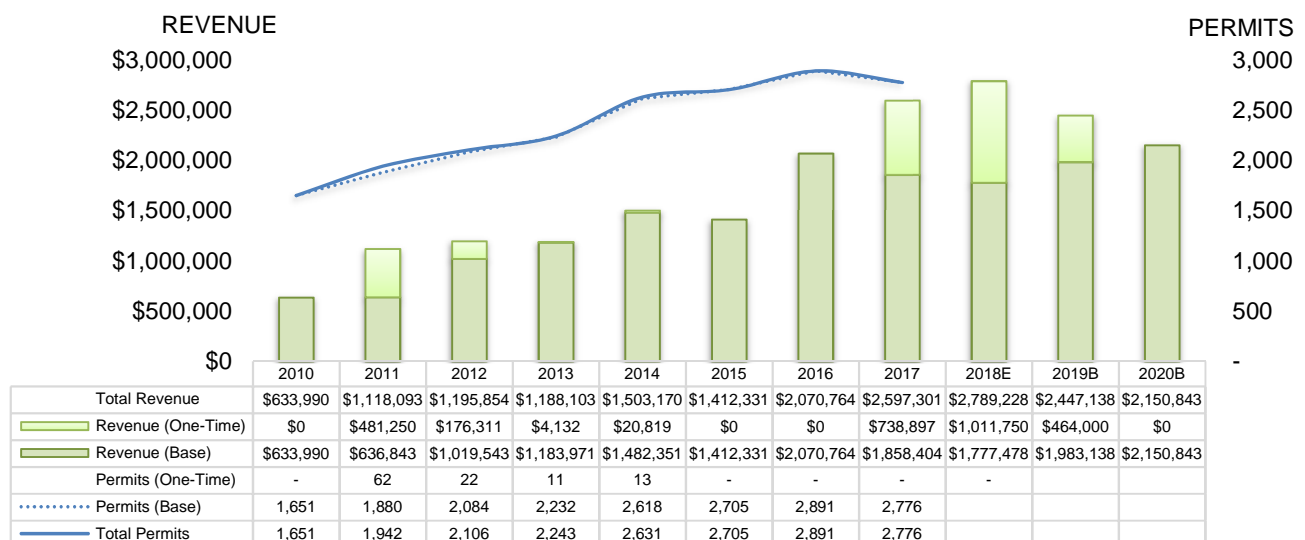
The following is information on the number of building permits and the valuation of the improvements that have been issued for residential, commercial and multi-family for 2009 through August 2018:

City of Shoreline
Residential and Commercial Building Permits

	Residential				Commercial				Multi-Family			
	New		Add/Remodel		New		Add/Remodel		New		Add/Remodel	
	#	Valuation	#	Valuation	#	Valuation	#	Valuation	#	Valuation	#	Valuation
2018*	36	13,082,742	154	7,969,156	7	38,419,576	31	16,850,957	10	51,909,675	8	1,467,008
2017	74	28,194,291	233	10,803,178	2	32,619,602	40	17,956,614	5	27,127,181	13	4,391,075
2016	70	23,852,920	232	10,915,235	4	16,709,540	49	24,673,774	4	41,725,086	15	1,059,007
2015	43	2,888,288	203	9,160,174	2	207,988	39	7,280,571	4	12,674,933	14	717,618
2014	53	15,878,402	179	8,762,660	7	11,249,892	39	6,381,031	1	474,476	24	738,306
2013	71	19,784,809	147	6,233,852	7	12,232,894	32	7,468,758	3	18,459,015	21	2,659,789
2012	39	8,882,833	157	7,810,928	6	76,206,418	43	5,194,527	2	787,545	51	4,045,935
2011	29	5,941,298	141	5,926,189	6	64,508,846	48	13,459,131	1	433,728	10	1,238,186
2010	11	2,876,833	173	6,092,215	3	2,566,947	37	5,608,506	0	-	10	2,127,500
2009	24	4,486,564	152	6,000,820	10	794,814	41	16,274,132	3	19,057,081	5	801,222

Development Fee Historical Comparison & Forecast

CHART 28

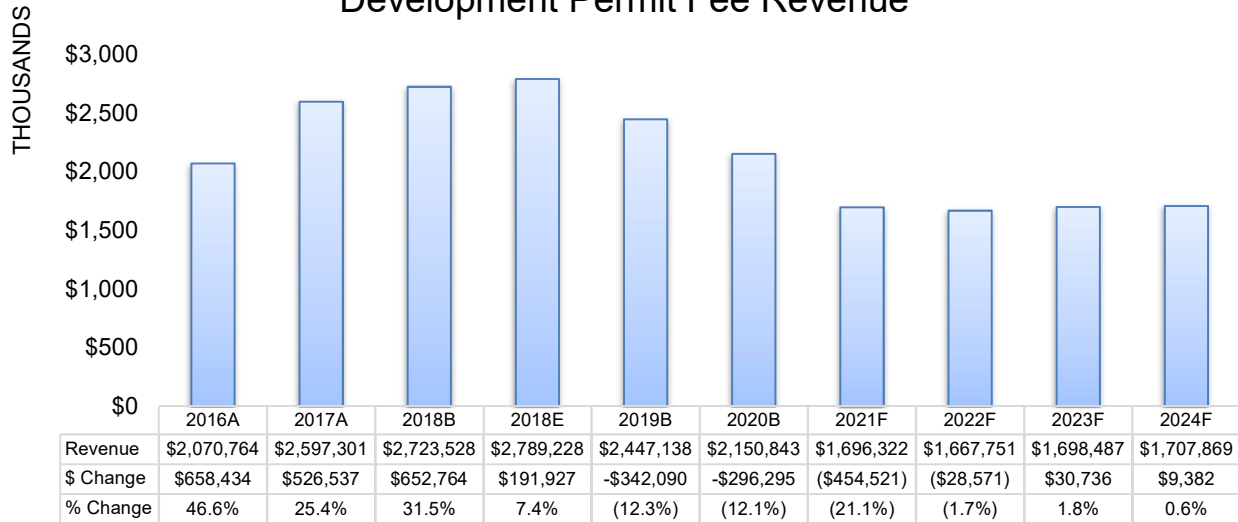


Permit Categories: Building, Plan Check, Plumbing, Electrical, Mechanical, Land Use/SEPA, Fire System, MF Tax Exemption, Interfund

The base level of revenue is expected to remain above \$1.6 million, through 2024. Revenue is projected to remain well above the 2009 level through the ten year forecast period.

CHART 29

Development Permit Fee Revenue



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017

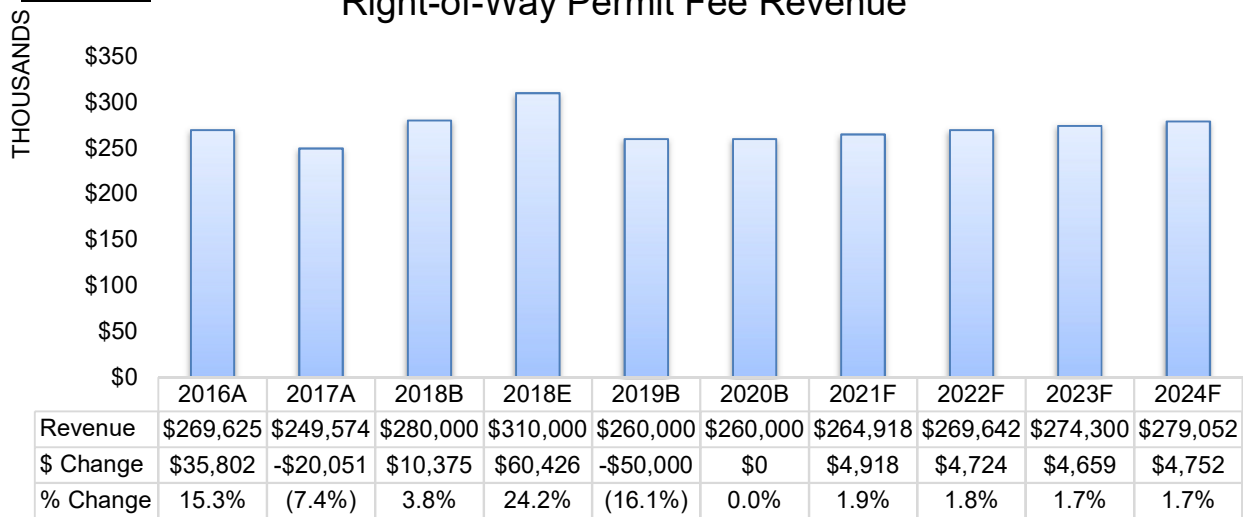
Right-of-Way Permit Fees

Fees are charged for the use of the City’s right-of-way. This revenue source was affected by the drop in the level of construction activity occurring within the City during the recession. In 2012, many local utilities made significant upgrades to their infrastructure, resulting in the collection of fees totaling \$315,400. Projected revenue for 2018 have been increased to \$310,000. The chart below shows collections vary from year-to-year based on the level of activity. Future revenues are expected to rise by 1.7% to 1.9%, which is equal to projected inflation rates, from the 2019 base of \$260,000.

Right-of-Way Permit Fee Historical Comparison & Forecast

CHART 30

Right-of-Way Permit Fee Revenue



Source: City of Shoreline

Street Fund

Fuel Tax

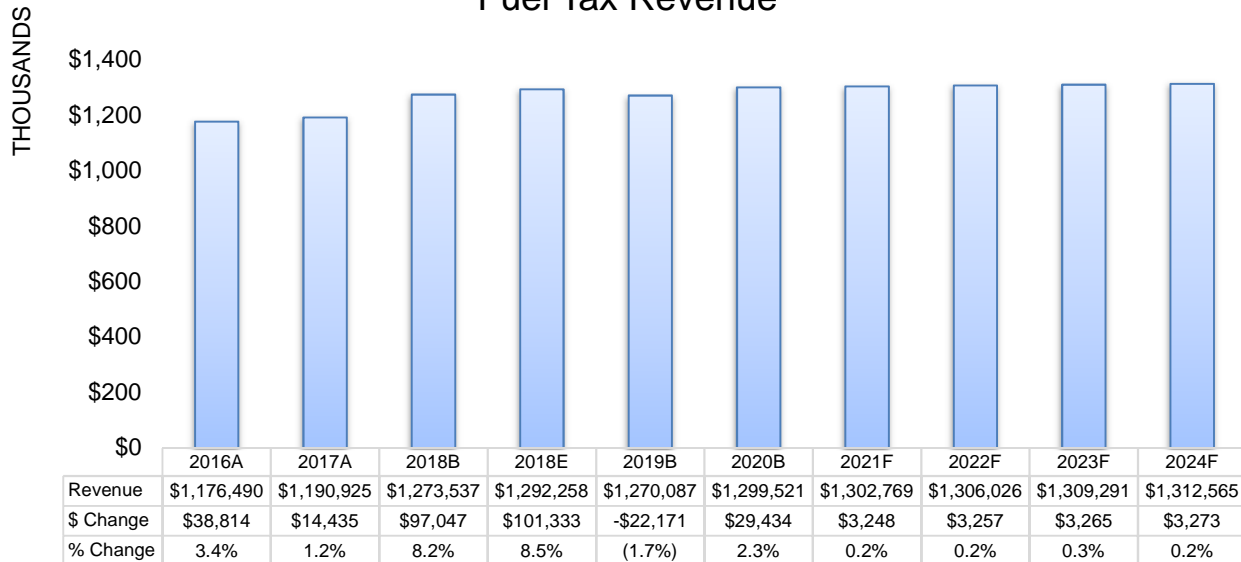
The major source of revenue for the City’s Street Fund is fuel tax. State collected gasoline and diesel fuel tax is shared with cities and towns on a per capita basis. This revenue is to be used for street repairs and maintenance. Fuel taxes are assessed as cents per gallon; therefore, fuel tax revenue depends on the number of gallons sold, not the dollar value of the sales. Gasoline and diesel fuel prices and Washington personal income are the primary variables affecting fuel consumption. Fuel prices are forecast to decrease over the next two years and personal incomes are anticipated to increase, both of these factors may contribute to an increase in gallons sold and fuel tax revenue received.

The 2015 legislative session produced a transportation package that was adopted in 2nd ESSB 5987, laws of 2015, 3rd sp. session. The results of this legislation is that there will be an increase in the motor vehicle fuel tax of 11.9 cents. The tax increased over the next two years with the first increase in place as of August 1, 2015 and the second as of July 1, 2016. The resulting revenues from the motor vehicle fuel tax increase are being shared with cities and counties based upon a set allocation provided in the bill. The direct transfers are to be split equally between cities and counties. This fuel tax increase may have an impact on the number of gallons sold at the pump.

Fuel Tax Historical Comparison & Forecast

CHART 31

Fuel Tax Revenue



Source: City of Shoreline

Surface Water Utility Fund

The budget accounts for the surface water utility operations in a Surface Water Utility Fund. This complex utility fund includes revenue from storm drainage utility fees, debt financing, grants and investment interest. It serves in both an operating and capital capacity and operates much like a private business.

Surface Water Management Fee

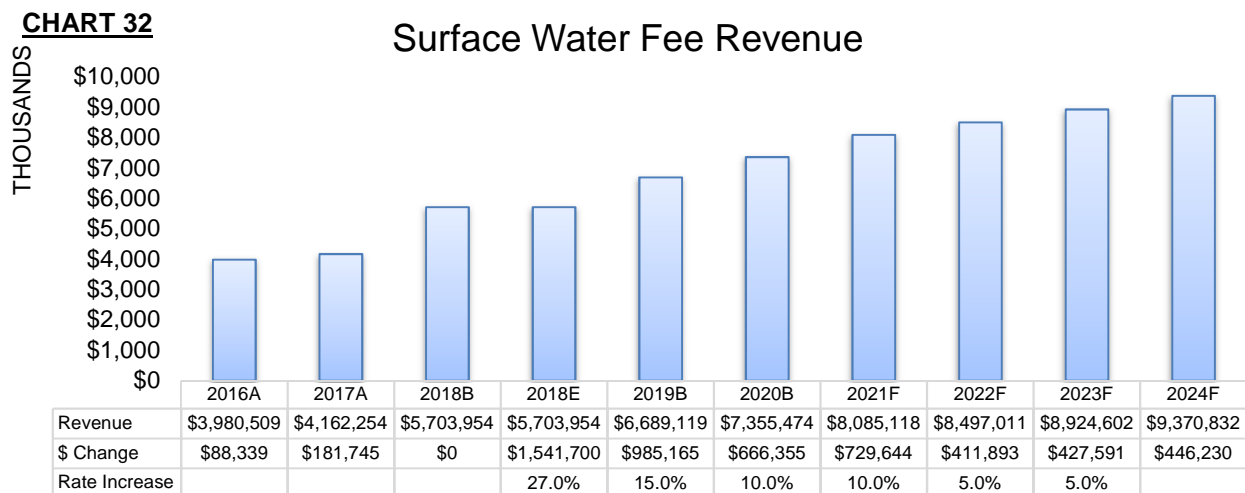
The City contracts with King County to collect the utility revenues via the annual property tax assessments. In 2005, the City Council adopted a Surface Water Master Plan. This plan included operational needs and capital projects for the next twenty years to improve drainage, surface water facilities, and water quality within the City. This plan included a surface water utility fee structure that supports both the operational and capital needs of the utility. The annual rate for a single-family residence was \$130 for the years 2009 through 2011. It increased by 2.5% for 2012, 3.0% in 2013, 2014, and 2015, 4.0% in 2016, and 5.0% in 2017.

The City Council provided direction to staff to pursue the Proactive Management Strategy for the Surface Water Utility Master Plan update. The rate is proposed to increase 15.0% in 2019. Future year rate increases are expected to be 10.0% each in 2020 and 2021, and 5.0% each in 2022 through 2024. Multi-family and commercial users are charged at a rate that reflects the area of impervious surface. These rates will be increased by the same percentages as those for a single-family residence.

The City inherited a commercial / private stormwater facility inspection program from King County at incorporation and its associated fee credit for those property owners that pass the City's maintenance inspections. This credit provided a one-rate category fee reduction for those facilities that pass a maintenance inspection. This credit was eliminated in the 2017 fee schedule.

In 2012, the Surface Water Utility established the Education Fee Credit (EFC) program which provided a credit up to 100% of its standard rates based on the value of an approved educational curriculum that promoted water quality and environmental awareness. Ordinance No. 642 establishing the EFC Program included a provision to sunset the program on July 1, 2015. This credit was reinstated in the 2017 fee schedule.

Surface Water Utility Fund Historical Comparison & Forecast



Source: City of Shoreline

Capital Improvement Fund Revenues

Real Estate Excise Tax (REET)

All real estate property sales in the county are taxed at a rate of 1.28%. A portion of these revenues, equal to a 0.5% tax rate, is distributed by King County to the cities on a monthly basis. The use of REET funds is restricted by State law. The first 0.25% of the REET tax rate must be spent on capital projects listed in the City’s Comprehensive Plan. These projects could include local capital improvements, including streets, parks, pools, municipal buildings, etc. The second 0.25% of the REET tax rate must be spent on public works projects for planning, acquisition, construction, reconstruction, repair, replacement, or improvement of streets roads, highways, sidewalks, street lighting, etc.

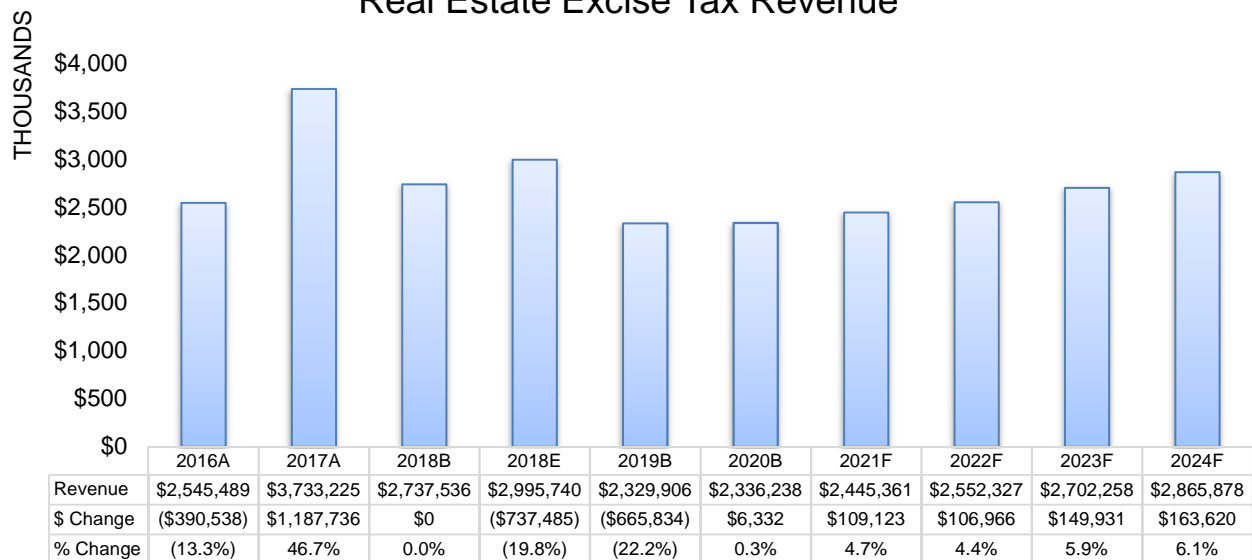
Collections increased in 2013, 2014 and 2015 by 25.5%, 18.2%, and 24.7%, respectively. Collections for 2016 decreased by 13.3%. Collections for 2017 increased 46.7%. Projected collections for 2018 to 2024 are based on the projected increase in the average sales price and in the projected level of real estate sales.

Starting in 2009, a portion of the first 0.25% of the tax is being used for debt service payments for City Hall. In 2019 to 2024, \$4.036 million will be used for this purpose.

Real Estate Excise Tax (REET) Historical Comparison & Forecast

CHART 33

Real Estate Excise Tax Revenue



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017

Capital Grants

Grants are applied for and received for specific capital improvements. The amount of capital grants received in any given year can vary greatly depending on the number of projects, their cost and the amount of grant funding available. For more details, see the Capital Improvement Plan section of this document.

Ending Fund Balances

The following table and graphs illustrate the City's ending fund balance through the Proposed 2019-2020 biennium. The fund balances are segregated into three major components: unreserved/undesignated, reserved, and designated.

	2015 Actual	2016 Actual	2017 Actual	2018 Current Budget	2018 Year-End Estimate	2017-2018 as a Biennium Budget	2017-2018 Biennium Year-End Estimate	2019 Budget	2020 Budget	2019-2020 Biennium Budget
Reserved:										
General Capital Fund	\$2,953,678	\$3,007,656	\$2,099,479	\$138,219	\$838,688	\$138,219	\$838,688	\$135,464	\$8,112	\$8,112
City Facility-Major Maintenance Fund	84,800	90,285	111,244	82,946	54,417	82,946	54,417	11,545	13,545	13,545
Roads Capital Fund	2,183,867	5,882,386	6,468,370	3,520,416	6,085,004	3,520,416	6,085,004	4,146,313	3,144,595	3,144,595
Street Fund	1,061,657	1,043,717	996,276	407,538	407,540	407,538	407,540	259,904	259,904	259,904
Transportation Impact Fees Fund	254,780	1,201,065	2,058,935	2,037,535	2,037,535	2,037,535	2,037,535	1,875,535	1,875,535	1,875,535
Park Impact Fees Fund	0	0	0	0	0	0	0	0	0	0
2006 Unltd. General Obligation Bond Fund	25,206	4,295	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276
2009 Ltd. General Obligation Bond Fund	3,957	41	21,455	21,455	21,455	21,455	21,455	21,455	21,455	21,455
2013 Ltd. General Obligation Bond Fund	237	67	470	470	470	470	470	470	470	470
2018 Ltd. General Obligation Bond Fund	0	0	0	0	200,000	0	200,000	200,000	200,000	200,000
Surface Water Utility Fund	2,094,989	3,464,030	2,909,745	6,004,699	6,476,694	6,004,699	6,476,694	4,834,240	2,809,956	2,809,956
Wastewater Utility Fund	0	0	35,695	35,695	202,160	35,695	202,160	202,160	202,160	202,160
Subtotal Reserved	\$8,663,171	\$14,693,542	\$14,703,945	\$12,251,249	\$16,326,239	\$12,251,249	\$16,326,239	\$11,689,362	\$8,538,008	\$8,538,008
Designated:										
Equipment Replacement Fund	\$3,090,418	\$3,512,065	\$3,703,663	\$3,941,769	\$3,941,769	\$3,941,769	\$3,941,769	\$4,337,820	\$4,529,320	\$4,529,320
Vehicle Operations and Maintenance Fund	196,394	268,516	292,623	24,107	99,668	24,107	99,668	79,668	59,668	59,668
Unemployment Fund	77,778	75,863	72,595	55,095	55,095	55,095	55,095	37,595	20,095	20,095
Code Abatement Fund	164,968	167,937	378,830	329,380	378,830	329,380	378,830	308,830	238,830	238,830
State Drug Enforcement Forfeiture Fund	205,641	207,833	465,730	65,833	66,454	65,833	66,454	66,454	66,454	66,454
Federal Drug Enforcement Forfeiture Fund	300,030	309,623	69,543	24,543	24,653	24,543	24,653	24,653	24,653	24,653
Federal Criminal Forfeiture Fund	2,600,244	838,818	0	0	0	0	0	0	0	0
Property Tax Equalization Fund	1,192,112	506,938	0	0	0	0	0	0	0	0
Public Arts Fund	183,410	357,872	326,775	136,529	139,387	136,529	139,387	96,169	15,974	15,974
Subtotal Designated	\$8,010,996	\$6,245,465	\$5,309,759	\$4,577,256	\$4,705,856	\$4,577,256	\$4,705,856	\$4,951,189	\$4,954,994	\$4,954,994
Unreserved/Undesignated:										
General Fund	\$12,266,600	\$12,869,910	\$14,049,641	\$9,473,608	\$13,233,643	\$9,473,608	\$13,233,643	\$10,311,039	\$9,034,054	\$9,034,054
Revenue Stabilization Fund	5,150,777	5,150,777	5,150,777	5,150,777	5,150,777	5,150,777	5,150,777	5,464,529	5,824,578	5,824,578
Subtotal Unreserved/Undesignated	\$17,417,377	\$18,020,687	\$19,200,418	\$14,624,385	\$18,384,420	\$14,624,385	\$18,384,420	\$15,775,568	\$14,858,632	\$14,858,632
	\$34,091,544	\$38,959,695	\$39,214,123	\$31,452,891	\$39,416,515	\$31,452,891	\$39,416,515	\$32,416,119	\$28,351,634	\$28,351,634

Unreserved/Undesignated Fund Balances

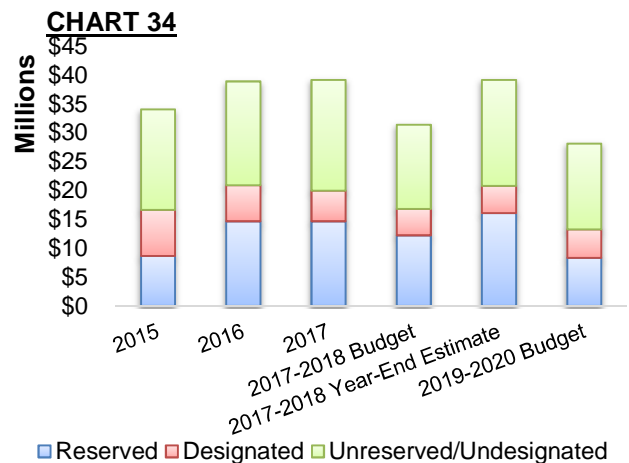
The unreserved/undesignated fund balance is the balance of net financial resources that are available for discretionary appropriations. The 2019-2020 Biennium Budget estimates unreserved/undesignated fund balance of \$14,858,632 at the end of 2020.

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 \$8,538,008 at the end of 2020.

Designated Ending Fund Balances

The third component of ending fund balances, totaling \$4,954,994 in 2020, 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. The designated fund balances are estimated to be \$4,954,994 at the end of 2020.



Change in Ending Fund Balance

	2017-2018 Biennium Year-End Estimate	2019-2020 Biennium Budget	2019 - 2020 vs. 2017 - 2018 Biennium Budget	Percentage Change
General Fund	\$ 13,233,643	\$ 9,034,054	\$ (4,199,589)	(32%)
Street Fund	407,540	259,904	(147,636)	(36%)
Revenue Stabilization Fund	5,150,777	5,824,578	673,801	13%
Property Tax Equalization Fund	0	0	0	0%
Code Abatement Fund	378,830	238,830	(140,000)	(37%)
State Drug Enforcement Forfeiture Fund	66,454	66,454	0	0%
Federal Drug Enforcement Forfeiture Fund	24,653	24,653	0	0%
Federal Criminal Forfeiture Fund	0	0	0	0%
Public Arts Fund	139,387	15,974	(123,413)	(89%)
Transportation Impact Fees Fund	2,037,535	1,875,535	(162,000)	(8%)
Park Impact Fees Fund	0	0	0	0%
2006 Unltd. General Obligation Bond Fund	2,276	2,276	0	0%
2009 Ltd. General Obligation Bond Fund	21,455	21,455	0	0%
2013 Ltd. General Obligation Bond Fund	470	470	0	0%
2018 Ltd. General Obligation Bond Fund	200,000	200,000	0	0%
General Capital Fund	838,688	8,112	(830,576)	(99%)
City Facility-Major Maintenance Fund	54,417	13,545	(40,872)	(75%)
Roads Capital Fund	6,085,004	3,144,595	(2,940,409)	(48%)
Surface Water Utility Fund	6,476,694	2,809,956	(3,666,738)	(57%)
Wastewater Utility Fund	202,160	202,160	0	0%
Vehicle Operations and Maintenance Fund	99,668	59,668	(40,000)	(40%)
Equipment Replacement Fund	3,941,769	4,529,320	587,551	15%
Unemployment Fund	55,095	20,095	(35,000)	(64%)
Total	\$ 39,416,515	\$ 28,351,634	\$ (11,064,881)	(28%)

Explanation of Changes in Fund Balance Equal or Greater than 10%

General Fund: The 2020 ending fund balance is \$4.200 million less than the projected 2018 ending fund balance. While the 2019-2020 Proposed Biennial Budget projects a surplus totaling \$2.318 million, available fund balance totaling \$ 6,517,860 million will be used for the Operating Contingency of 1.774 million, Insurance Reserve of 0.510 million, one-time CIP support of \$1.374 million, transfers to the Revenue Stabilization Fund of 0.674 million, and one-time supplemental requests totaling \$2.186 million as detailed in the Transmittal Letter.

Street Fund: The 2020 ending fund balance is \$0.148 million less than the projected 2018 ending fund balance. A total of \$ 147,636 million is budgeted for one-time supplemental requests.

Code Abatement Fund: The 2020 ending fund balance is \$0.140 million less than the projected 2018 ending fund balance. Accumulated funds from prior years will be used for City code abatement efforts (public nuisances, dangerous buildings, etc.).

Public Art Fund: The 2020 ending fund balance is \$0.123 million less than the projected 2018 ending fund balance. As capital projects have been constructed, funds have been accumulating in this fund. Available fund balance will support continued work on several public arts projects. The 0.500 FTE Public Art Coordinator is funded 50% in the General Fund and 50% in the Public Arts Fund.

General Capital Fund: The 2020 ending fund balance is \$0.831 million less than the projected 2018 ending fund balance. Additional information can be found in the 2019-2024 Proposed Capital Improvement Plan section in this book.

City Facility – Major Maintenance Fund: The 2020 ending fund balance is \$0.041 million less than the projected 2018 ending fund balance. Additional information can be found in the 2019-2024 Proposed Capital Improvement Plan section in this book.

Roads Capital Fund: The 2020 ending fund balance is \$2.940 million less than the projected 2018 ending fund balance. Additional information can be found in the 2019-2024 Proposed Capital Improvement Plan section in this book.

This fund balance includes Vehicle License Fees, which is restricted in its use and is partly programmed for the Annual Road Surface Maintenance Program and Sidewalk Rehabilitation Program.

Surface Water Utility Fund: The 2020 ending fund balance is \$3.667 million less than the projected 2018 ending fund balance. Additional information can be found in the 2019-2024 Proposed Capital Improvement Plan section in this book. The 2018 Surface Water Master Plan identified several new capital projects as necessary to deliver the Proactive Management Strategy. These projects have been programmed in the 2019-2024 Proposed Capital Improvement Plan. It is anticipated that a bond will be issued in 2018 to provide funding for several capital projects.

Vehicle Operations Fund: The 2020 ending fund balance is \$0.040 million less than the projected 2018 ending fund balance. This fund strives to maintain a minimum balance needed to fund a \$40,000 contingency.

Equipment Replacement Fund: The 2020 ending fund balance is \$0.588 million more than the projected 2018 ending fund balance. Funds are being accumulated for the future replacement of the City's fleet.

Unemployment Fund: The 2020 ending fund balance is \$0.035 million less than the projected 2018 ending fund balance. Accumulated fund balance will be used for expenditures instead of a transfer from the General Fund as the current fund balance is equal to approximately three years of average expenditures.

MUNICIPAL DEBT

Municipal Debt Capacity

There are four types of General Obligation Debt that the City is currently authorized to use for financing purposes. They each have statutory limitations and require approval by either the City Council or City voters.

1. General Purpose Councilmanic Debt: The City Council may approve bond issues without voter approval up to 1.5% of the City's assessed valuation. Prior to the passage of new legislation in 1994, councilmanic debt was available for lease-purchase contracts only (RCW 35.43.200). This statutory authority can be used for any municipal purpose now, including using the entire 1.5% for bonds. Councilmanic debt must be approved by a majority of the City Council and must be repaid from existing operational revenue sources. In July of 2009, the City Council authorized the issuance of bonds totaling \$22,145,000 to purchase the Civic Center/City Hall. The bonds will be repaid over 30 years. In August of 2013, the City Council authorized the issuance of bonds totaling \$3,565,000 for the acquisition and improvements to a maintenance facility. The bonds will be repaid over 20 years. In 2018 the City Council can levy up to \$153,433,115, or 1.5%, of the City's estimated assessed value. Because the City currently has outstanding Councilmanic debt of \$21,410,000, the remaining Councilmanic Debt Capacity for 2018 is \$132,023,115.
2. General Purpose Voted Debt: As authorized by the Revised Code of Washington (RCW) 39.36.020(2), the public may vote to approve bond issues for general government in an amount not to exceed 2.5% of the value of all taxable property within the City. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. The debt would be repaid from an increase to the City's existing property tax levy. An amount up to 2.5% of the City's assessed value can be levied or an estimated \$255,721,859 for 2018. Because the City currently has outstanding Councilmanic debt of \$21,410,000 (as noted above) and General Purpose voted debt of \$0 the remaining Voted Debt Capacity for 2018 is \$234,311,859.

The total General Purpose Voted Debt and Councilmanic Debt cannot exceed 2.5% of the City's assessed value.

Under RCW 39.36.030(4), the public may also vote to approve park facilities and utility bond issues, each of which is also limited to no more than 2.5% of the City's assessed valuation.

3. Parks and Open Space Debt: The City is authorized to issue debt and increase the property tax levy for acquiring or developing open space and park facilities. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. In May of 2006, Shoreline voters approved a bond levy totaling \$18,795,000 for open space acquisition and parks improvements. The bonds will be repaid over 15 years. An amount up to 2.5% of the City's estimated assessed value, less outstanding debt, can be levied or \$249,727,859 for 2018. The projected levy rate for 2018 collections is 17¢ per \$1,000 assessed valuation.
4. Utility Purpose Debt: The City is authorized to issue debt and increase the property tax levy for utility purposes if a utility is owned and controlled by the City. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. An amount up to 2.5% of the City's estimated assessed value can be levied \$255,721,859 for 2018.

City of Shoreline Total Debt Capacity

2018 Assessed Valuation:		\$10,228,874,349							
	General Purpose Debt				Parks & Open Space Debt		Utility Purpose Debt		TOTAL DEBT CAPACITY
	Legal Limit	Councilmanic (Non-voted)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	
Total Debt Capacity	1.50%	\$153,433,115	2.50%	\$255,721,859	2.50%	\$255,721,859	2.50%	\$255,721,859	\$920,598,691
Less Councilmanic Debt		21,410,000		21,410,000		N/A		N/A	42,820,000
Less Voted Debt		N/A		0		5,994,000		0	5,994,000
Remaining Debt Capacity		\$132,023,115		\$234,311,859		\$249,727,859		\$255,721,859	\$871,784,691

Long-Term Debt

General obligation bonds have been issued for general government activities only and are being repaid from a voter-approved “excess” property tax levy, real estate excise tax and lease revenue. All principal and interest payments on the general obligation debts are recorded as expenditures in the City’s debt service funds. The City issued unlimited tax general obligation bonds in 2006 to finance the acquisition of open space and for the construction of improvements to parks and recreation facilities. The City issued limited general obligation bonds of which a

portion were direct pay taxable Build America Bonds in 2009 to finance the lease pre-payment of the City’s administration building. The City issued limited general obligation bonds in 2013 to finance the purchase of and improvements to a maintenance facility.

Purpose	Maturity Range	Interest Rate	Original Amount	Outstanding 12/31/2017
Unlimited Tax General Obligation Bonds, 2006 - Parks and Open Space	2007 - 2021	3.55%-4.09%	\$18,795,000	\$5,994,000
Limited Tax General Obligation Bonds, 2009 Series A - City Hall	2010 - 2017	3.00%-4.00%	3,805,000	0
Limited Tax General Obligation Bonds, 2009 Series B (Taxable Build America Bonds-Direct Pay) - City Hall	2019 - 2039	4.69%-6.40%	18,340,000	18,340,000
Limited Tax General Obligation Bonds, 2013 - Maintenance Facility	2014 -2033	3.75%	3,565,000	3,070,000
Total			\$44,505,000	\$27,404,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities	
December 31	Principal	Interest Rate
2018	\$2,309,000	\$1,304,967
2019	2,345,000	1,254,674
2020	2,392,000	1,200,054
2021-2025	5,238,000	5,221,444
2026-2030	4,980,000	3,986,975
2031-2035	5,525,000	2,464,663
2036-2039	4,615,000	753,280
Total	\$27,404,000	\$16,186,056

Other Long Term Debt

In addition to general obligation debt, the City can utilize a number of other long-term debt instruments, including special assessment bonds and loans from the State of Washington’s Public Works Trust Fund. Special assessment bonds are used to finance public improvements that benefit a specified group of property owners, and are funded from the collection of special assessment payments from property owners. Loans from the Public Works Trust Fund (PWTF)

can be used for pre-construction and construction activities for the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users, and may include reasonable growth as part of the project.

Public Works Trust Fund Loan Debt

The City currently has two PWTF Loans, both of which are being used to fund improvements to the City’s drainage facilities. These loans are the obligation of the Surface Water Fund and are backed by the surface water fees collected from property owners and are not considered in the City’s general obligation debt and are not subject to the limitation of indebtedness calculation.

Ronald Bog Drainage Improvements: This public works trust fund loan was approved for a total of \$4,055,500 on June 18, 2001, but the City used only \$3,852,725. The interest rate of the loan is 0.5%. This project was located in the Ronald Bog Basin whose boundaries are Stone Ave. N, N 190th Street, 15th Ave NE, and NE 167th Street. Improvements were made to the watercourse from the Ronald Bog outlet to N 167th Street along Corliss Avenue N and near Corliss Place. This reduced the potential for flooding and high maintenance requirements of the existing system by replacing the existing pipe along the west side of Corliss Avenue N. This will eliminate the reverse grade that has resulted in silt blocking the pipe and root intrusion issues with the existing system. The fish barriers that exist in the open channel section of the storm system west of Corliss Place will be replaced with fish friendly boxes. This step will significantly reduce the potential for debris dams to build up, blocking the flow and causing flooding. A Thornton Creek Basin Plan will also be initiated to develop a model of the basin and identify additional solutions to flooding and establish a floodplain elevation for Ronald Bog.

3rd Avenue N.W. Drainage Improvements: This public works trust fund loan was approved for a total of \$1,959,500 on June 18, 2001 with an interest rate of 0.5%. This project was located between 3rd and 6th Avenues NW from NW 176th Street to Richmond Beach Road. This project constructed drainage improvements to alleviate flooding impacts to approximately twenty homes. The existing North Pond facility was expanded to mitigate for the peak flows from the new conveyance system and prevent increased erosion in downstream Boeing Creek.

Current PWTF loans outstanding at December 31, 2016 consisted of the following:

Issue Name	Amount Borrowed	Annual Installments	Final Maturity	Effective Rate	Outstanding 12/31/2017
State of WA Public Works Trust Fund Loans:					
3rd Avenue Drainage Improvements	\$1,959,500	\$114,213	2021	0.50%	\$456,852
Ronald Bog Sub Basin Improvements	3,852,725	212,262	2021	0.50%	849,046
Total	\$5,812,225	\$326,475			\$1,305,898

The annual debt service requirements to maturity for the Public Works Trust Fund Loan debt are as follows:

Year Ending	Governmental Activities	
	December 31	Principal Interest Rate
2018	\$326,475	\$5,713
2019	326,475	4,081
2020	326,475	2,449
2021	163,237	816
Total	\$1,142,662	\$13,059

Schedule of All Long Term Debt

Fund	Fund Name	Type of Debt	Issue Date	Maturity Date	Total Amount Authorized	Interest Rate	Outstanding Debt 12/31/2017	Avg Annual Debt Service
General Obligation								
Fund 201	Unltd. Tax GO Bond Fund	Parks and Open Space	12/13/2006	12/1/2021	\$18,795,000	3.55% - 4.09%	\$5,994,000	\$1,582,795
Fund 211	Ltd Tax GO Bond 2009	General Purpose Councilmanic Bonds - City Hall	8/10/2009	12/1/2039	22,145,000	3.00% - 6.4%	18,340,000	1,603,872
Fund 221	Ltd Tax GO Bond 2013	General Purpose Councilmanic Bonds - Maintenance Facility	8/21/2013	12/1/2033	3,565,000	3.75%	3,070,000	258,706
N/A	N/A	General Purpose Voter Approved Bonds	N/A	N/A	0	N/A	0	0
N/A	N/A	Utility Purpose Bonds	N/A	N/A	0	N/A	0	0
N/A	N/A	Special Assessment Bonds	N/A	N/A	0	N/A	0	0
Fund 401	Surface Water Utility Fund	Revenue Bond	12/2/2016	12/1/2031	2,000,000	2.24%	1,886,372	158,352
Total General Obligation					\$46,505,000		\$29,290,372	\$3,603,725
Public Works Trust Fund Loans								
Fund 401	Surface Water Utility Fund	3rd Avenue Drainage Improvements	6/18/2001	7/1/2021	\$1,959,500	0.50%	\$456,852	\$114,213
Fund 401	Surface Water Utility Fund	Ronald Bog Drainage Improvements	6/18/2001	7/1/2021	4,055,500	0.50%	849,046	212,261
Total Public Works Trust Fund Loans					\$6,015,000		\$1,305,898	\$326,474
Total Debt					\$52,520,000		\$30,596,270	\$3,930,199



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