



CITY OF LAKE FOREST PARK

CITY COUNCIL

AGENDA COVER SHEET

Meeting Date	October 24, 2024
Originating Department	Finance Department
Contact Person	Lindsey Vaughn, Finance Director
Title	2025-2026 Biennial Budget and related items

Legislative History

- First Presentation - September 12, 2024 Mayor's Preliminary 2025-2026 Biennial Budget
 - Second Presentation – October 24, 2024 Public Hearing
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Attachments:

1. Ordinance 24-1299 Adopting the 2025-2026 Biennial Budget and attachments
 2. Ordinance 24-1300 Adopting the 2025 Property Tax Levy
 3. Ordinance 24-1301 Adopting the 2025 General Taxes
 4. Resolution 24-1980 Adopting the 2025 and 2026 Sewer Rates
 5. Resolution 24-1981 Adopting the 2025 Surface Water Rate
 6. Resolution 24-1982 Adopting the 2025 User Fees
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Executive Summary

The Mayor's Preliminary 2025-2026 Biennial Budget is balanced as required by law. Balancing the 2025-2025 biennial budget has only been possible through proposed increases to certain utility rates, the use of unallocated fund balance, and utilization of the 2024 anticipated ending fund balance, also commonly referred to as the City's unallocated ending fund balance.

In the previous biennial budgeting process, the City Council took commendable steps to close the gap between general fund expenditures and revenues. The Council's approval of a forward-thinking investment policy has also resulted in additional interest income across all funds. Regrettably, all that

good and difficult work was quickly negated by inflation, significant increases in jail and dispatch expenditures, and increases in necessary consultant services.

The City is proposing to use \$3.1 million in unallocated fund balance in the general fund, and forecast projections show future year expenditures drastically outpacing revenues, as we have been discussing for over five years. The City Council has begun exploring potential new sources of revenue due to the limitations of the 1% cap on property tax revenues which will generate \$34,736 in new revenue for 2025.

The only requested position increase is the proposal of a 0.8 full-time equivalent, Human Resources Specialist, to support the City’s Human Resources department, which is currently a department of one employee. The human resources department is responsible to support both internal and external customer service and over the past two years due to a multitude of retirements and employees leaving for new employment opportunities, the HR Director has recruited and filled over 18 current positions.

Property Tax Increase for 2025:

The preliminary budget does include increasing the allowable levy limit by the 1% which equates to \$34,736 for 2025. Although the City approves a biennial budget the property taxes must be approved by Council on an annual basis.

See the table below for the financial makeup to match the ordinances presented in the packet.

2024 Regular Property Tax Levy	\$3,473,591
Limit Factor 1%	\$34,736
Subtotal	\$3,508,327
<u>New Construction</u>	<u>\$25,263</u>
Re-levy prior year refunds	\$5,861
Subtotal	\$3,508,327
<i>Estimate high due to preliminary numbers</i>	<u>\$200,000</u>
Estimated 2025 Property Tax Levy	\$3,739,451

Sewer Rate Increases 2025 and 2026

King County’s sewer charges will be increased by 5.75% in 2025 and 7% in 2026, which equals a \$3.17 monthly increase in 2025 and a \$4.08 monthly increase in 2026 to the City of Lake Forest Park residents that will have to be passed through as a rate increase. The rate increase will go into effect on January 1, 2025, and January 1, 2026, as stated in Resolution 24-1980.

The City has also included a rate increase of 5% for 2025 and 2026 based on a 2004 rate study that will go into effect on January 1, 2025, and January 1, 2026. That will increase the sewer rate by \$1.07 per month for 2025 and \$1.12 per month for 2026. Both rate increases, totaling \$4.24 for 2025 and \$5.20 for 2026, are included in the 2025-2026 biennial budget. Sewer utility rates increases are also shown on the 2025 User Fee Schedule.

See the sewer rate increases in the table below:

Sewer Monthly Service Monthly Residential Rates				
	2023	2024	2025	2026
King County	52.11	55.11	58.28	62.36
City	20.77	21.39	22.46	23.58
	\$ 72.88	\$ 76.50	\$ 80.74	\$ 85.94
Monthly Increase:	\$ 3.45	\$ 3.62	\$ 4.24	\$ 5.20
Total Increase	5.0%	5.0%	5.5%	6.4%
County Portion	5.75%	5.75%	5.75%	7.00%
City Portion	3.0%	3.0%	5.0%	5.0%
Utility Tax 6%	\$ 77.25	\$ 81.09	\$ 85.58	\$ 91.10

Sewer Monthly Service Commercial & Multi-Family				
	2023	2024	2025	2025
King County	\$ 6.57	\$ 6.95	\$ 7.35	\$ 7.87
City	\$ 4.20	\$ 4.33	\$ 4.55	\$ 4.77
	10.78	11.28	11.90	12.64
Monthly Increase:	\$ 0.48	\$ 0.50	\$ 0.62	\$ 0.74
% Increase:	4.7%	4.7%	5.5%	6.2%
Utility Tax 6%	\$ 11.42	\$ 11.96	\$ 12.61	\$ 13.40

Surface Water Rate Increases 2025 and 2026

To address the ongoing maintenance and operations costs associated with the City’s surface water infrastructure, the 2025-2026 budget includes a 15% increase in surface water rates, which equals a \$3.39 monthly increase in 2025 and a \$3.89 increase for the City of Lake Forest Park residents in 2026. Five percent of that increase is dedicated to an NPDES Project Manager position that is being proposed due to increasing federal stormwater requirements and operational demands.

The table below shows the annual amount that will be charged for Surface Water on property taxes within the City limits. Surface Water utility rate increases are shown on the 2025 User Fee Schedule.

Surface Water				
Class	Class Description	Type	2025 Rate	2026 Rate
1	single family residential	house	\$ 311.49	\$ 358.21
2	very light (0-10 IA)	commercial unit	\$ 311.49	\$ 358.21
3	light (10-20% IA)	commercial unit	\$ 748.70	\$ 861.00
4	moderate (20-45% IA)	commercial unit	\$ 1,505.76	\$ 1,731.62
5	moderately heavy (45-65% IA)	commercial unit	\$ 2,907.62	\$ 3,343.77
6	heavy (65-85% IA)	commercial unit	\$ 3,686.40	\$ 4,239.36
7	very heavy (85-100% IA)	commercial unit	\$ 4,828.71	\$ 5,553.02

2025 User Fee Schedule:

In addition to the annual proposed rate increases in sewer and surface water, the City is proposing to keep up with the increasing cost of the building fees. Prior to the Building Official’s recent retirement, he explained that costs were increasing minimally at 1.8%, and the City is proposing to keep up with those increasing costs with a pass through. An additional proposal is to increase the administration fee from

\$120 to \$145 per hour to keep up with increasing wages and benefit. This adjustment is based on a previously completed detailed evaluation done to make sure the City continues covering its direct costs.

Background

The City adopts a biennial budget every other year in even-numbered years. The budget process begins with the Mayor proposing a budget, followed by City Council deliberations on the Mayor's proposal and public hearings. The City Council can make any changes that it desires to the Mayor's proposal and when the City Council has a budget that it is satisfied with, then the City Council moves to adopt the budget. The budget ordinance will be the result of this process. The budget must be adopted by December 31 to ensure the continuity of city services.

The currently proposed budget will continue existing levels of service for all city services. The Mayor's Preliminary 2025-2026 Biennial Budget and video recordings of the Budget and Finance Committee budget deliberations are all posted and available on the City's website.

Fiscal & Policy Implications

The proposed 2025-2026 budget ordinance will provide funding for city services through December 31, 2026. The proposed budget is balanced using an unallocated ending fund balance to supplement where ongoing revenues lag ongoing expenditures and maintain reserves in accordance with the City's adopted financial policy.

Staff Recommendation

Hold and close the public hearing on October 24, 2024, and November 7, 2024, for the 2025-2026 biennial budget and associated rates and taxes.