

# Budget Workshop

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## 2021-2022 Biennial Budget

CITY COUNCIL | October 20, 2020 (continued from October 13, 2020)

# Agenda

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- ❑ Budget Recap
- ❑ Funding for staff positions
- ❑ General Fund Surplus
- ❑ Remaining Department Overviews
- ❑ Capital Improvement Program
- ❑ Next Steps

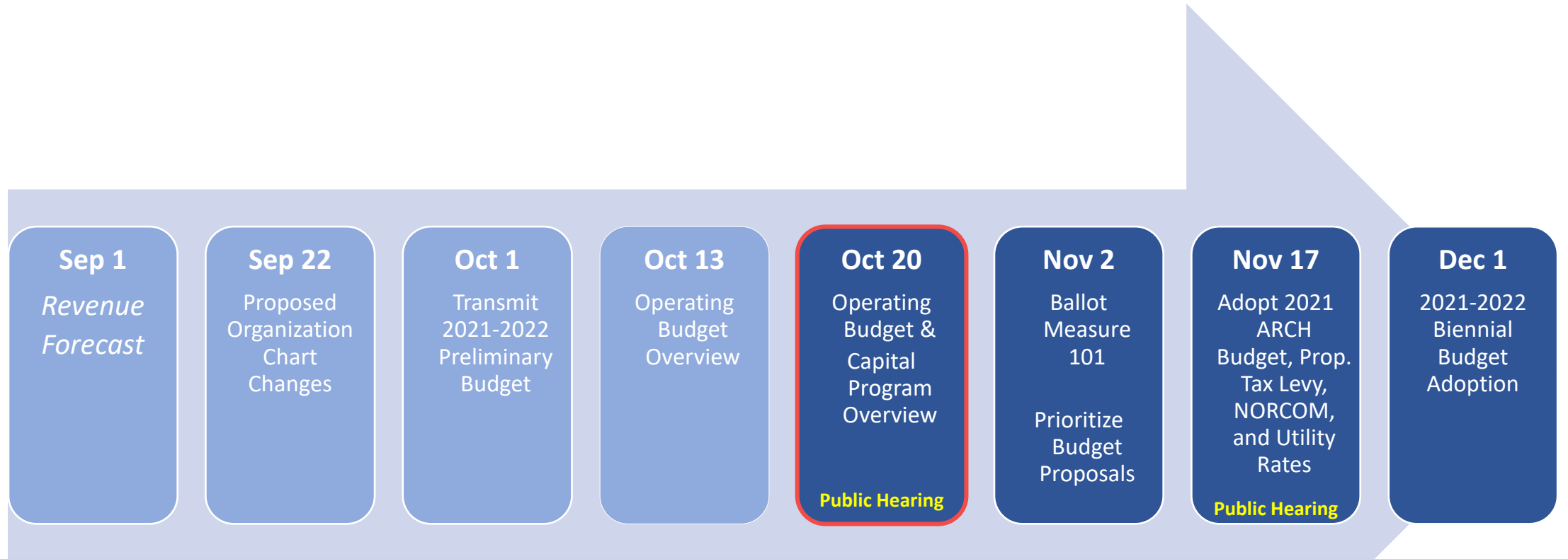


# Budget Recap

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# Budget Calendar



# Expenditure Snapshot

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- ❑ Total 2021-2022 Expenditure Budget is \$142.4 million
  
- ❑ General Fund Expenditures
  - ❑ \$29.2 M in 2021
  - ❑ \$29.6 M in 2022
  
- ❑ Youth and Family Service Fund Expenditures
  - ❑ \$2.2 M in 2021
  - ❑ \$2.1 M in 2022
  
- ❑ Capital Improvement Program
  - ❑ \$16.1 M in 2021
  - ❑ \$21.8 M in 2022



# Funding for Staff Positions

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# Funding for Staff Positions

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- ❑ At the October 13, 2020 City Council meeting we reviewed the various “funds” that make up the City’s Biennial budget.
- ❑ We did not, however, cover in detail the fund split for the various positions.
- ❑ In fact, this is a shortcoming of our current budget format and something we’ll update for the next biennial budget.



# Positions by Fund

<b>Fund</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General Fund - 001	146.2	147.2	127.30	125.30
Street Fund - 104	3.7	3.7	5.20	5.20
YFS Fund* - 160	25.1	26.1	12.87	12.87
Capital Improvement Fund - 343	1.8	1.8	3.25	3.25
Water Fund - 402	12.3	12.4	13.90	13.90
Sewer Fund - 426	11.3	11.3	11.40	11.40
Storm Water Fund - 432	7.4	7.4	7.25	7.25
Equipment Rental Fund - 503	1.3	1.3	1.20	1.20
Computer Equipment Fund - 520	4.0	4.0	4.15	4.15
<b>Total</b>	<b>213.0</b>	<b>215.0</b>	<b>186.5</b>	<b>184.5</b>

- ❑ This is an overview of all positions by fund.
- ❑ Many positions are split across multiple funds.





# New/Restored Staff Positions

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- ❑ The City Manager's recommended staffing levels included in the 2021-2022 Preliminary Budget largely reflect the current (September 2020) staffing levels, with some changes. The position changes are noted in **gold** in the organizational charts included in the budget.
  - ❑ These positions are **included** in the 2021-2022 Preliminary Budget.
- ❑ A number of other potential positions have been identified for funding consideration, subject to feedback and final direction from the City Council. The positions are noted in **purple** in the following charts.
  - ❑ These positions are **not** included in the 2021-2022 Preliminary Budget.



# Staffing Changes – New/Restored Positions

Position Title	FTE	General Fund	Street and Capital Improvement Funds	Utility Funds	YFS Fund
Customer Service Supervisor <sup>1</sup>	1.0	105,859	2,662	18,256	
Customer Service Representative <sup>1</sup>	1.5	119,137	2,996	20,546	
Permit Technician <sup>2,4</sup>	0.5	47,831			
Planner <sup>2,4</sup>	1.0	119,384			
HYI Prevention Specialist (Grant Funded)	0.8				71,512
Programs Assistant	0.5				43,388
Operations Transition Team Manager <sup>3</sup>	1.0	174,303			
Recreation & Operations Coordinator <sup>3</sup>	1.0	126,778			
Recreation & Operations Coordinator	0.8	95,083			
Deputy Public Works Director	1.0	30,464	20,310	152,322	
Parks Foreman <sup>1</sup>	1.0	128,266	6,751		
Support Services Manager	1.0	83,089	83,089		
Cityworks Coordinator	1.0	24,895		74,684	
Custodian <sup>5</sup>	2.0	141,740			15,749
CIP Project Manager	3.0		133,518	267,037	
Development Engineer	1.0		35,091	105,273	
<b>Totals</b>	<b>18.05</b>	<b>\$ 1,196,829</b>	<b>\$ 284,417</b>	<b>\$ 638,118</b>	<b>\$ 130,649</b>

<sup>1</sup> Utility Funds charged via Overhead Allocation Rates

<sup>2</sup> Restored Position

<sup>4</sup> Permit Revenue Backed

<sup>3</sup> Limited Term Position

<sup>5</sup> Funded by Reduction in Contract Services



# Staffing Changes – Proposed Positions

Position Title	Fiscal Year	FTE	General Fund	Street and Capital Improvement Funds	Utility Funds	YFS Fund
Patrol Officer	2022	2.0	243,242			
Financial Analyst	2022	1.0	55,143		55,143	
Sr. Policy Analyst	2021	1.0	135,480			
Economic Development Coordinator	2021	1.0	119,882			
Sustainability Program Manager	2021	1.0	35,640		106,920	
Parks Maintenance Casual Labor	2021		263,224			
<b>Totals</b>		<b>6.0</b>	<b>\$ 852,611</b>	<b>\$ -</b>	<b>\$ 162,063</b>	<b>\$ -</b>

- ❑ These positions are included in the budget proposals that will be considered by the City Council at the November 2, 2020 meeting.



# Unemployment Costs

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- ❑ City Council \$300,000 set aside in a reserve for unemployment charges
- ❑ Difficult to determine future unemployment costs:
  - ❑ Former employees may not apply, find other employment opportunities, or may not utilize full benefits.
  - ❑ City required to cover portion of charges for former employees working elsewhere in 2019 and 2020.
  - ❑ ESD still working on reversing charges for fraudulent claims.
  - ❑ Federal supplement of \$600 or \$300 per week.
- ❑ The City has paid \$160,065 in unemployment costs
  - ❑ Q1 = \$15,687
  - ❑ Q2 = \$73,493
  - ❑ Q3 = \$30,885



# General Fund Surplus

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# Disposition of General Fund Surplus on 11/2

<b>Unassigned Fund Balance</b> (millions)	<b>2021</b>	<b>2022</b>
Revenues exceed Expenditure Estimates	\$0.8	\$1.07
One-time Carry-Over from Prior Years	\$3.6	-
<b>Total Unassigned Fund Balance</b>	<b>\$4.4</b>	<b>\$1.07</b>

- ❑ Staff recommends that the City Council appropriate the one-time carryover.
- ❑ Some thoughts on how these one-time funds may be appropriated, for further discussion on November 2, 2020 and during the budget process:
  - ❑ One-time contribution to LEOFF-1 Reserve.
  - ❑ Set aside one-time funds/start-up resources for the Thrift Shop, MICEC, and Recreation Programming.
  - ❑ Fund one-time budget proposals – special projects or one-time work items.



# Key Questions to Consider

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- ❑ What budget proposals or other items should Council consider funding in 2021 and 2022?
- ❑ What resources should be held in reserves to address future needs?
- ❑ How should we address, and fund service recovery planning related to the COVID-19 Pandemic?
- ❑ What other priorities are not reflected in the preliminary budget?
- ❑ Feedback regarding the Capital Improvement Program and financing strategy over the next two years?



# Departmental Overviews

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# Public Works/Operations

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# Public Works/Operations

(\$ in millions)	2019	2020	2021	2022
Expenses	\$18.3	\$19.4	\$19.8	\$21
FTE's	47.95	47.95	56.30	56.30

- ❑ Divisions providing varied internal and external functions
  - ❑ Administration
  - ❑ Capital & Engineering Services
  - ❑ Right-of-Way Services
  - ❑ Water, Sewer, and Storm Water Utilities
  - ❑ Solid Waste Services
  - ❑ Facilities Management
  - ❑ Fleet Services
  - ❑ Park Maintenance
  - ❑ Customer Field Response Services



# Public Works/Operations

(\$ in millions)	2019	2020	2021	2022
Expenses	\$18.3	\$19.4	\$19.8	\$21
FTE's	47.95	47.95	56.30	56.30

## ❑ Key Themes/Work Plan

- ❑ Develop standard operating procedures for City's asset management system.
- ❑ Draft a new Master Facility Use Agreement with MISD.
- ❑ Implement a succession planning program within the Department.
- ❑ Provide safe and efficient public services while maintaining critical infrastructure.
- ❑ Prepare for Sound Transit Bus/Rail Interchange.
- ❑ Advance sustainable practices throughout the organization and community.



# Public Works/Operations

(\$ in millions)	2019	2020	2021	2022
Expenses	\$18.3	\$19.4	\$19.8	\$21
FTE's	47.95	47.95	56.30	56.30

## □ Budget Proposals

- 1.0 FTE Sustainability Program Manager, \$145K ongoing annual expense.
- Park Maintenance Casual Labor, \$270K ongoing annual expense.
- Town Center Parking Study, one-time \$80K in 2021.
- Town Center Beautification, \$60K ongoing annual expense.



# Recreation Transition Team

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# Recreation Transition Team

(\$ in millions)	2019	2020	2021	2022
Expenses	\$2.9	\$1.3	\$0.74	\$0.44
FTE's	14.35	14.35	2.75	2.75

## ❑ Key Themes/Work Plan

- ❑ Develop and implement a transition plan to re-open MICEC and restore recreation services and arts programming.
- ❑ Process athletic field reservations and provide customer service support.
- ❑ Support the Parks & Recreation Commission and Arts Council.
- ❑ Provide emergency response services related to the Pandemic.

## ❑ No Budget Proposals

- ❑ Note: Transition planning work pending, **anticipated for follow-up in Q1 2021.**



# Recreation Transition Team

(\$ in millions)	2019	2020	2021	2022
Expenses	\$2.9	\$1.3	\$0.74	\$0.44
FTE's	14.35	14.35	2.75	2.75

## Operating Expenditures in Detail

- Limited staffing model to focus on supporting the EOC operations, COVID-19 grant administration, parks facility scheduling, and the recreation recovery plan.
  - MICEC budget includes fixed operating costs for the building.

Department Function	2019 Actual	2020 Forecast	2021 Budget	2022 Budget
Administration	843,189	517,162	491,504	193,058
MI Community & Event Center	1,147,340	579,749	216,489	218,001
Recreation & Special Programs	957,200	263,451	35,536	35,536
<b>Total</b>	<b>\$ 2,947,729</b>	<b>\$ 1,360,362</b>	<b>\$ 743,529</b>	<b>\$ 446,595</b>



# Recreation Transition Team

(\$ in millions)	2019	2020	2021	2022
Expenses	\$2.9	\$1.3	\$0.74	\$0.44
FTE's	14.35	14.35	2.75	2.75

## ❑ Additional Factors to Consider

### ❑ Recreation and Arts Programming

- ❑ Re-opening plan will require one-time startup capital & ongoing subsidy
- ❑ Typical General Fund subsidy is \$600,000/ year

### ❑ Community and Event Center

- ❑ Re-opening plan will require one-time startup capital & ongoing subsidy
- ❑ Typical General Fund subsidy is \$770,000/ year





# Key Questions to Consider

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- ❑ What is an appropriate amount to budget for one-time start-up costs for the MICEC, recreation, and arts programming?
- ❑ What amount of ongoing subsidy should we assume in 2021 and 2022 for these services?
- ❑ We need to add these assumptions to the budget proposal list for discussion on November 2.



# Youth & Family Services

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# Youth & Family Services

(\$ in millions)	2019	2020	2021	2022
Expenses	\$3	\$2.6	\$2.2	\$2.1
FTE's	22.33	21.50	12.87	12.87

## □ Key Themes

- Develop a long-term funding strategy for Human Services.
- Provide access to mental health for all MISD students.
- Provide emergency assistance and geriatric case management.
- Resume Thrift Shop operations and manage special projects.

## □ Budget Proposal

- Expand diversity, equity, and inclusion training, \$5K ongoing annual expense.



# Youth & Family Services

(\$ in millions)	2019	2020	2021	2022
Expenses	\$3	\$2.6	\$2.2	\$2.1
FTE's	22.33	21.50	12.87	12.87

- ❑ Restoring furloughed YFS positions for the biennium:
  - ❑ 1.69 FTE increase
  - ❑ \$257,624 financial increase (\$127,460 in 2021, \$129,984 in 2022)
- ❑ Restoring furloughed Thrift Shop leadership positions for the biennium:
  - ❑ 1.0 FTE increase
  - ❑ \$194,618 financial increase (\$96,026 in 2021, \$98,592 in 2022)
  - ❑ Additional contract or seasonal positions will be needed.



# Youth & Family Services

(\$ in millions)	2019	2020	2021	2022
Expenses	\$3	\$2.6	\$2.2	\$2.1
FTE's	22.33	21.50	12.87	12.87

## ❑ Additional Factors to Consider

- ❑ Thrift Shop remodel timing and completion.
- ❑ Thrift Shop re-opening plan will require one-time startup capital.
- ❑ General Fund subsidy projected for YFS Fund (Budget Proposal Request)
  - ❑ \$103,122 in 2021
  - ❑ \$857,455 in 2022



# Key Questions to Consider

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- ❑ Currently, the revenue projections for the Thrift Shop are held flat for 2021 and 2022 at \$310,000 each year. This is an extremely conservative assumption and was used as a placeholder only.
- ❑ Would the City Council like to modify the Thrift Shop operation projections as part of the budget process? An increase in the revenue assumption will also require an increase in expenditures.
- ❑ Or, modify the Thrift Shop projections as recovery progresses utilizing the budget amendment process?



# Capital Improvement Program

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# What's Ahead

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- ❑ Overview – Capital Improvement Program (CIP)
- ❑ Financing Strategy
- ❑ News from I-976
- ❑ Utility Rate Change Recommendations
- ❑ Overview – Capital Projects
- ❑ Next steps





# Overview – What is a CIP?

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- ❑ Strategic financial plan to acquire, expand, or rehabilitate public infrastructure.
- ❑ Capital budget set for two years, with six-year perspective.
- ❑ Project's must be in excess of \$50k with a minimum 3-year useful life.
- ❑ Transportation Improvement Plan (TIP) reviewed and approved in June 2020.



# Overview – What is Different?

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- ❑ Carefully managed both financial and staff resources.
  - ❑ Prioritized what needs to be done first.
  - ❑ Critical eye on total staff time estimates per project.
  - ❑ New FTE's will provide much-needed support for capital program.



# Overview – What is Different?

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- ❑ Revived CIP committee evaluation process.
- ❑ Evaluated all projects against standard weighted criteria.
- ❑ Overall, focus on less to do more.



# Overview – Proposed Expenditures

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- ❑ Capital Budget is \$37.9 million
  - ❑ \$16.1 M in 2021
  - ❑ \$21.8 M in 2022
  
- ❑ 74 total proposed projects (compared to 97 in 2019-2020)



# Overview – existing versus new..?

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## Capital Reinvestment Plan

\$36.7 M (97%)



Projects preserve  
existing infrastructure.

## Capital Facilities Plan

\$1.2 M (3%)



Projects propose new  
capital assets.



# Financing Strategy

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# Financing Strategy

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- ❑ “Pay as you go” funding philosophy guides the Capital Program.
  - ❑ Funding plan relies on existing fund balances.
  - ❑ Leads to incremental and well-informed utility rate increases.
- ❑ Project estimates include associated staff time costs.



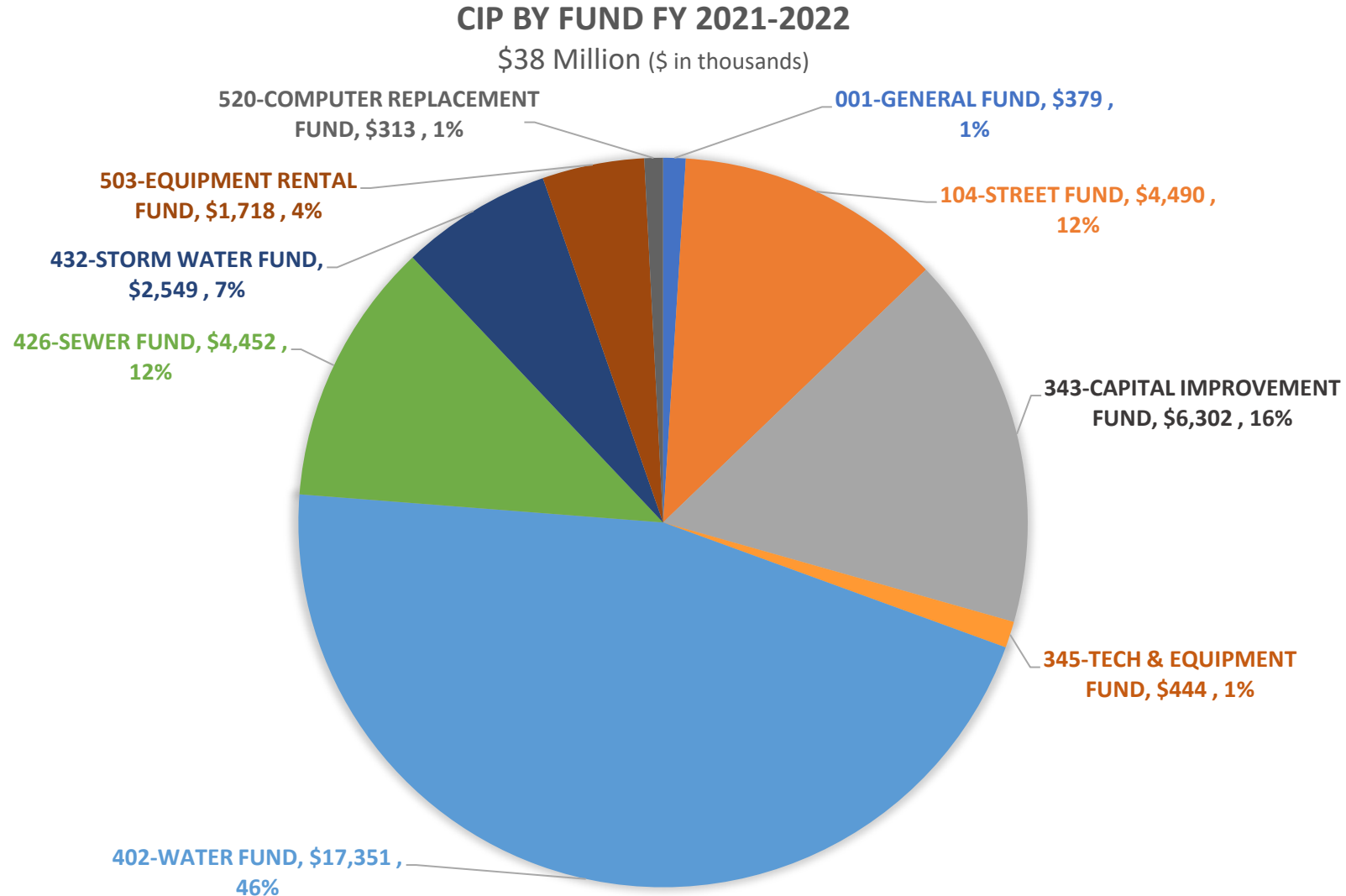
# Overview – Proposed Expenditures

Capital Improvement Program Expenditures





# Overview – Proposed Revenues



# Financing Strategy – Capital Funds

CIP Supporting Funds	Revenue Sources	Types of Projects
<b>Capital Improvement Fund</b>	REET, grants, contributions, property tax, debt service	Open space vegetation management, public parks and buildings
<b>Street Fund</b>	REET, fuel taxes, state funds, Sound Transit Mitigation, TBD	Arterial and residential street maintenance, pedestrian and bicycle facilities
<b>Technology &amp; Equipment Fund</b>	<i>General funds</i> , utility funds, sinking funds	Management software, security technology, GIS data collection
<b>Town Center Parking Fund</b>	REET, Contingency dollars, and Settlement Agreements	Purchasing or constructing parking facilities in the Town Center.
<b>Water Fund</b>	Water <b>rates</b> , connection charges, earned interest	New meters, water system maintenance and enhancements
<b>Sewer Fund</b>	Sewer <b>rates</b> , connection charges, earned interest	Pump station improvements, software system enhancements
<b>Stormwater Fund</b>	Storm water <b>rates</b> , earned interest	Storm water capture, repair and maintenance of storm water infrastructure



# Financing Strategy – Fund Balance

FUNDS (\$ in thousands)	2021 Estimated Beginning Fund Balance	2021-2022 Proposed Revenues	2021-2022 Proposed Expenditures	2022 Estimated Ending Fund Balance	Fund Balance % Δ
343 Capital Improvement Fund	\$2,490	\$7,523	\$7,330	\$2,081	-16%
104 Street Fund	\$2,524	\$7,340	\$7,335	\$2,217	-12%
345 Technology & Equipment Fund	\$278	\$723	\$562	\$440	58%
342 Town Center Parking Fund	\$492	\$0	\$0	\$492	0%
402 Water Fund	\$6,329	\$28,887	\$28,887	\$2,404	-62%
426 Sewer Fund	\$3,257	\$24,388	\$22,362	\$5,284	62%
432 Stormwater Fund	\$2,763	\$5,607	\$5,607	\$2,228	-19%

❑ *Transportation Benefit District and Multimodal funds (~\$410k) back in play, will include in the Street Fund in final adopted budget.*



# Financing Strategy – REET

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- ❑ Real Estate Excise Tax of 0.5% on property transactions.
- ❑ REET-1
  - ❑ 100% to Capital Improvement Fund.
  - ❑ Used for streets, parks, utilities, or facilities.
- ❑ REET-2
  - ❑ 90% to Street Fund, 10% to Capital Improvement Fund.
  - ❑ Used for streets, parks, utilities, NOT facilities, or affordable housing until 2026.
- ❑ REET may not be used for vehicles, equipment, or technology.
- ❑ Some REET can be used for maintenance.



# Financing Strategy – I-976 Update

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- ❑ Nov 2019, I-976 passed with statewide majority.
  - ❑ Repealed authority from local transportation benefit districts.
- ❑ Oct 15, State Supreme Court ruled I-967 unconstitutional.
- ❑ \$374,000 TBD funds and \$34,000 state multimodal funds no longer in limbo.
  - ❑ These funds will now be collected as revenue in the Street Fund.



# Financing Strategy – Utility Rate Update

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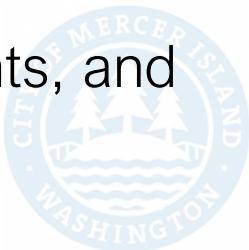
- ❑ Last external rate study completed in 2010.
- ❑ Water, Sewer, and Storm Water Rate Study conducted this Fall.
- ❑ Proposed Rate Plan
  - ❑ Balances financial needs and minimizes customer impacts.
  - ❑ Reaches target system reinvestment funding goals AND current capital needs.



# Financing Strategy – Utility Rate Update

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- ❑ Multi-year rate plan with focus on 2021-2022.
- ❑ Considered operating costs, current debt service, & capital program costs.
- ❑ Where appropriate, recommend debt financing new capital assets.
  - ❑ Projects cost greater than \$2 million.
  - ❑ Debt-funded project can be used by future residents/ratepayers.
  - ❑ Bond money can be spent within three years of issuance.
- ❑ Issue \$6M in bonds in 2022 to help finance SCADA, Water Reservoir Improvements, and Meter Replacement Project.



# Financing Strategy – Proposed Rates

- Unanimous recommendation from Utility Board on October 14, 2020.

Rate	Percent Increase 2021 and 2022	Increase per Month in 2021	Increase per Month in 2022
Water	5.25%	\$2.89	\$3.05
Sewer (local)	4.00%	\$1.81	\$1.88
Storm Water	5.50%	\$.98	\$1.04





# Overview of Capital Projects

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# Overview – Capital Project Categories

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Buildings Reinvestment



Vehicles and Equipment



Technology

**General Government**



**Parks & Recreation**



**Streets, Pedestrian, and Bicycle Facilities**



**Sewer, Storm Water, and Water Utilities**



# Gen Gov – Public Buildings



Projects Funded in 2021-2022

8

2021: \$1.3 M    2022: \$0.9 M

Total Projects 2021-2026

8

Projected six-year investment: \$6.3 M

## Major Projects

- BG0101 – Public Works Building Repairs
- GB0102 – MICEC Building Repairs
- GB0104 – Luther Burbank Administration Repairs

## Main Funding Sources

- Capital Improvement Fund
- General Fund



# Gen Gov – Vehicles & Equipment



Projects Funded in 2021-2022

2

2021: \$0.9 M    2022: \$0.8 M

Total Projects 2021-2026

4

Projected six-year investment: \$5.8 M

## Major Projects

- GE0107 – Fleet Replacements
- GE0101 – Fire Training Tools & Equipment

## Main Funding Sources

- Technology & Equipment Fund
- Vehicle Replacement Reserve in the Equipment Rental Fund



# Gen Gov – Technology



Projects Funded in 2021-2022

9

2021: \$0.5 M    2022: \$0.4 M

Total Projects 2021-2026

10

Projected six-year investment: \$2.0 M

## Major Projects

- GT0106 – Financial Management Software Project Scoping
- GT0110 – Permitting System Upgrade/Replacement
- GT0104 – Mobile Asset Data Collection

## Main Funding Sources

- Technology & Equipment Fund

## Ongoing Technology Replacements

- Funded via the Computer Replacement Reserve (Fund 520)



# Parks & Recreation



Projects Funded in 2021-2022

14

2021: \$1.6 M    2022: \$3.0 M

Total Projects 2021-2026

36

Projected six-year investment: \$23.0 M

## Major Projects

- PA0100 – Open Space Management
- PA0109 – Aubrey Davis Park Trail Safety Improvements
- PA0136 – Luther Burbank South Shoreline Restoration

## Main Funding Sources

- Capital Improvement Fund
- King County Levy and Grants



# Streets, Pedestrians, and Bikes



Projects Funded in 2021-2022

11

2021: \$2.5 M    2022: \$3.1 M

Total Projects 2021-2026

25

Projected six-year investment: \$19.5 M

## Major Projects

- SP0102 – East Mercer Way Overlay (SE 53<sup>rd</sup> Place to SE 68<sup>th</sup> Street)
- SP0120 – Sunset Hwy/ 77<sup>th</sup> Ave SE Improvements
- SP0121 – Mid-block crosswalk 76<sup>th</sup> Ave SE b/t SE 24 and SE 27<sup>th</sup>

## Main Funding Sources

- Street Fund



# Sewer Utility



Projects Funded in 2021-2022

7

2021: \$2.1 M    2022: \$2.2 M

Total Projects 2021-2026

13

Projected six-year investment: \$18.0 M

## Major Projects

- SU0113 – SCADA System Replacement (Sewer)
- SU0108 – Comprehensive Pipeline R&R Program
- SU0109 – Sewer System Generator Replacement

## Main Funding Sources

- Sewer Fund





# Storm Water Utility



Projects Funded in 2021-2022

10

2021: \$0.9 M    2022: \$1.0 M

Total Projects 2021-2026

22

Projected six-year investment: \$5.8 M

## Major Projects

- SW0119 – Conveyance System Assessments
- SW0120 – East Mercer Way Trenchless Culvert Replacements
- Several watercourse stabilization projects in various sub-basins

## Main Funding Sources

- Storm Water Fund



# Water Utility



Projects Funded in 2021-2022

13

2021: \$6.3 M    2022: \$10 M

Total Projects 2021-2026

20

Projected six-year investment: \$28 M

## Major Projects

- WU0117 – Meter Replacement Implementation
- WU0101 – Booster Chlorination Station
- WU0102 – SCADA System Replacement (Water)
- WU0103 – Water Reservoir Improvements

## Main Funding Sources

- Water Fund



# Next Steps

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## ❑ November 2

- ❑ Address follow-up questions.
- ❑ Prioritize budget proposals for potential use of Unassigned General Fund Balance.

## ❑ November 17

- ❑ Address follow-up questions.
- ❑ Adopt Property Tax Levy, NORCOM rates, and Water, Sewer, and Storm Water Utility rate increases per Utility Board recommendations.

## ❑ December 1

- ❑ Return with final 2021-2022 Biennial Budget for City Council adoption.



# Questions

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