

SULTAN CITY COUNCIL AGENDA ITEM COVER SHEET

ITEM NO: Discussion D 2
DATE: May 24, 2007
SUBJECT: Budget Workshop – Proposed Agenda

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is to review and discuss the proposed 2008/2009 budget themes (Attachment A) for the Council's June 23, 2007 Budget Workshop. This is the kick-off meeting for the Budget Timeline (Attachment B) There will be additional opportunities to review the proposed budget in fourth quarter of the year.

City staff are seeking feedback from the Mayor and the City Council on the 2008/2009 budget themes prior to finalizing the agenda and preparing staff reports to assist the Mayor and Council during the budget workshop.

The City Council may wish to add, delete or change proposed themes for discussion at its retreat. Staff would like to focus on the budget themes during this review and save specific analysis and "shaping" of each theme for the budget workshop.

The City may not be able to financially support all of the proposed tasks under each theme. Part of the budget workshop will be a prioritization exercise to ensure the most essential tasks are funded in the proposed 2008 budget.

SUMMARY:

The purpose of the budget workshop is to set the stage for preparing the 2008 budget. Toward this end, City staff are seeking direction from the Mayor and Council on key budget themes before beginning to draft their department budgets.

City staff have identified 5 themes. Attachment A provides additional details on the staff proposal. This will be the core of the discussion at the retreat.

1. Economic Development
2. Community Vision
3. Financial Health

4. Staff Resources

5. Strategic Partnerships

There may be additional themes identified during the budget discussion. The Mayor and Council should be careful not to identify too many themes or risk diluting the staff effort given the City's limited resources.

The intent is to have a clear understanding of Mayor and Council priorities in order to avoid creating "wish-lists" that do not address City priorities. The purpose of the workshop is to develop a team approach where everyone is working toward the same identified goals and objectives.

In order to get the ball rolling, the management team members met together and identified a number of possible budget themes. There are specific tasks listed under each theme.

The Mayor and Council may want to add, change or delete specific tasks in addition to amending the budget themes.

The budget themes are intended to be a multi-year strategy to address the most important and pressing issues in the Sultan community. They are intended to help the City keep focused and to direct staff and financial resources. Without a multi-year plan the City can lose its focus and waste valuable time and resources attending to less strategic issues.

DISCUSSION:

Budgeting is perhaps one of the most important functions of local governments. Budgets determine spending levels for programs and services; consequently, the budget reflects the City's priorities.

As the focal point for key resource decisions, the budget process is a powerful tool. A budget process that is well-integrated with other activities of government, such as the planning and management functions, will provide better financial and program decisions and lead to improved operations. A process that effectively involves all stakeholders (elected officials, City staff, citizen groups, and business leaders) and reflects their needs and priorities will serve as a positive force in maintaining good public relations and enhancing citizens' and other stakeholders' overall impression of Sultan.

A good budget process is characterized by several essential features:

- Incorporates a long-term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provide incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time. Good budgeting is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line item expenditure control, providing incentives and flexibility that can lead to improved program efficiency and effectiveness.

Goals and Policies

The Government Financial Officers Association (GFOA) promotes linking the budget process with other activities of the government. The Mayor and City Council should develop organizational goals, establish policies and plans to achieve these goals, and allocate resources through the budget process to implement the City's goals, policies, and plans.

The Mayor and Council should provide resources for measuring performance to determine what has been accomplished with scarce government resources. The budget should have a long-range perspective, and not be simply an exercise in balancing revenues and expenditures one year at a time. The focus is on long-term financial planning.

The Government Finance Officers Association has put together a list of recommended budget practices.

1. Establish Broad Goals to Guide Government Decision Making – the City should have broad goals that provide overall direction for the City and serve as a basis for decision making.
2. Develop Approaches to Achieve Goals – the City should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.
3. Develop a Budget Consistent with Approaches to Achieve Goals - A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.
4. Evaluate Performance and Make Adjustments - Program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.

ANALYSIS:

The proposed package of budget themes is intended to kick-start the budget discussion and help focus the Mayor and Council on long-term strategic planning and budgeting.

The GFOA recommends starting with broad goals to guide decision making. The staff proposed themes achieve this objective. The second step is to identify specific policies,

plans and programs to implement the themes. The staff proposed work tasks achieve this objective. The third step is to develop a budget that is built around the themes and work tasks. This is the work that staff will be doing over the summer months so that the Mayor can present a budget to the City Council that achieves the highest priority tasks identified in the community.

Each year during future budget processes, the Mayor, City Council and staff will have the opportunity to evaluate and measure the City's success towards its goals.

ALTERNATIVES:

1. Review and discuss the proposed 2008/2009 budget themes (Attachment A) for the Council's June 23, 2007 Budget Workshop. Accept the proposed themes and work tasks and direct staff to prepare the agenda and materials for the budget workshop.

This alternative will allow City staff plenty of time to prepare materials for the budget workshop.

2. Review and discuss the proposed 2008/2009 budget themes (Attachment A) for the Council's June 23, 2007 Budget Workshop. Add, change and or delete proposed themes and work tasks.

This alternative will allow staff an opportunity to make adjustments and prepare materials for the budget workshop.

3. Do not review and discuss the proposed 2008/2009 budget themes. Direct staff to areas of concern.

This alternative may cause some delay in preparing materials for the budget workshop and require staff to return with materials for Council discuss at its first meeting in June.

RECOMMENDATION:

Review and discuss the proposed 2008/2009 budget themes (Attachment A) for the Council's June 23, 2007 Budget Workshop. Provide staff with direction.

ATTACHMENTS:

1. 2008/2009 Budget Themes
2. 2008 Budget Timeline
3. 12 Elements of the Budget Process

2008/2009 Budget Themes

Economic Development – Donna/Rick

Economic Development is one of the primary planks in the platform of mayoral candidates this election year. Sultan continues to struggle with attracting and retaining retail business. Retail business and a healthy sales tax revenue are needed for long-term financial stability.

- Economic Development Strategic Plan
 - \$20,000 in 2008 \$45,000-\$55,000 in 2009
 - Fund an economic development strategic plan to identify economic development goals, policies and strategies, and prioritize efforts.
 - Begins 3rd/4th quarter 2008 – tied to work on Sultan 2030 and Economic Element and Land Use Element of the Comprehensive Plan
- Prioritize Strategic Public Investment.
 - \$5,000 in 2008 \$5,000 in 2009
 - Identify capital investments to kick-start economic development.
 - Begins during 2009-2014 Capital Improvement Plan process – Review evaluation criteria in the capital improvement plan to identify priority investments such as the East-West Industrial Park Connector Road that will kick-start economic development.
- Hire Economic Development Director (full- or part-time)
 - \$65,000 - \$85,000 in 2010
 - Economic development is a specialty field requiring experience and expertise. City staff are currently doing what they can to perform economic development functions. However, there is no one on staff with the knowledge, skills, and abilities to perform this function at the level needed to make an impact.
 - Begins in 2010 after Economic Development Strategic Plan adopted and priorities established. Perhaps a cost share with the chamber or part-time position shared with other Sky Valley communities.
 - May or may not be feasible given other city priorities and financial resources.

2008/2009 Budget Themes

Community Vision – Rick/Connie

- Sultan 2030 Comprehensive Plan Update
 - \$5,000 in 2007 \$100,000 in 2008 \$50,000 in 2009
 - Review the City's growth strategy in the Comprehensive Plan. A discussion to amend the City's growth strategy will begin in 2007. This effort will include a review of parks and police adopted levels-of-service beginning in 2007.
 - A decision to amend growth strategies will require amending transportation, parks, economic development, capital facilities, and other elements of the Comprehensive.
- Development code update
 - \$7,500 in 2007 \$50,000 in 2008 \$15,000 in 2009
 - Parts of the development code are under review this year including the Council's quasi-judicial authority and expansion of non-conforming uses.
 - Changes to the development code may be necessary in 2008 to implement changes in the City's growth strategy. The City Council has also expressed an interest in a "code scrub". This could begin in 2008 or 2009.
- Wastewater Treatment Plant (WWTP) design and construction
 - \$1,000,000 in 2007 \$1,000,000 in 2008 \$10,000,000 – 2009
 - The City is working to develop a financially sound funding strategy for upgrading the WWTP. The Sewer Rate Study will be complete in 2007. The City will be meeting with the development community to discuss other funding options as the year continues.
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- Open Space Acquisition and Strategic Plan
 - \$350,000 in 2007 \$
 - Staff is exploring capital funding sources and grant opportunities
 - The City is negotiating to acquire open space using park impact fees. The City should consider a strategic plan for acquiring and financing additional open space before development pressures make acquisition financially unfeasible.
- Public Works Shop master plan
 - \$65,000 in 2009 \$10,000 in 2010
 - The City has discussed moving the public works shop on First Street to its property adjacent to the cemetery on Cascade View Drive. There may be an opportunity to partner with Fire District 5 as it further develops its plans to relocate from downtown Sultan.

2008/2009 Budget Themes

Financial Health – Laura/Connie/Chief Walser

- Utility Rate Studies
 - Water \$65,000 2008 Garbage - \$65,000 in 2009
 - The City is completing a Sewer Rate Study. City staff recommend conducting a water rate study in 2008 and a garbage rate study in 2009 to ensure that the remaining utilities are paying for themselves and have long-term financial stability.
- Equipment replacement and acquisition
 - \$xxxxx in 2008 \$xxx in 2009
 - The City should have a long-term plan for equipment replacement and acquisition. The proposed funds would be set aside out of the general fund budget for equipment replacement and acquisition using either depreciation or by establishing a rental fund in the 2009 budget.
- Parks Operations and Maintenance
 - \$35,000 in 2008
 - The City's park system is suffering from neglect. There are not enough staff and financial resources to main the City current park system. The City should explore long-term solutions and develop a strategic plan. This is related to, and could be combined with, the open space strategic plan.
 - Funding in 2008 would be used to explore creating a separate Park Taxing district and a voter approved park maintenance and operations bond.
- Levy Lid Lift and Police levy
 - \$xxx in 2008
 - With the passage of Initiative 747, there only two ways for a jurisdiction to increase property taxes by more than one percent. Sultan does (does not) have "banked capacity".
 - The other way to increase property taxes by more than this amount is to do a levy lid lift under RCW 84.55.050. This is a voter approved method that allows for multiple years of financing and can be dedicated for very specific purposes such as police operations.
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- Land Use and Building – special revenue fund \$50,000-\$65,000
 - \$55,000 in 2009
 - Create a land use and building department special revenue fund to ensure development and building fees are adequate to support review staff time, materials and facilities. The special revenue fund would collect and disburse permit fee revenues to cover permit review expenses.

2008/2009 Budget Themes

Staff Resources – Deborah/Laura

- Compensation/classification Study
 - \$35,000 in 2008 \$35,000 in 2009
 - The study would begin in the second half of 2008 and be finished in 2009. Pay adjustments could be reviewed during the 2008 budget process.
 - The City has not conducted a compensation and classification study to determine its pay and benefit strategy in comparison to the market place.
 - The study would also include review and revision of job descriptions and establish a performance evaluation program
- Recruit and replace retiring staff.
 - \$10,000 in 2008 \$10,000 in 2009 \$10,000 in 2010
 - Several staff including the Community Development Director, City Engineer, and Police Chief have expressed a decision to retire in the next 12 to 36 months.
 - The city must begin to consider how best to ensure that the knowledge held by these staff members is successfully transfer to new employees.

Strategic Partnerships – Chief Walser/Deborah

- Riverfront Park w/Snohomish County and other stakeholders
- Gun range w/ Department of Natural Resources and other stakeholders
- Public Safety Complex master plan

2008 Budget Timeline

Saturday, June 23, 2007	Council budget retreat
Monday, July 2, 2007	Distribute department budget worksheets
August 1-August 31	Department meetings with Mayor/City Administrator
	Economic Development Friday, 8/3
	Police Friday, 8/10
	Public Works Friday, 8/17
	Community Development Friday, 8/24
	Finance Friday, 8/31
Friday, August 31, 2007	Department worksheets due to City Administrator
Thursday, Sept. 6, 2007	Overview with Council Finance Subcommittee
Wednesday, Sept 12	Management Team meeting with Mayor/City Administrator
Thursday, Sept. 20, 2007	Overview with Council Public Works Subcommittee
Wednesday, Sept 26	Management Team meeting with Mayor/City Administrator
Friday, Sept. 28	Mayor's budget message due
Monday, October 1	Budget to City Council for budget workshop Thurs, 10/11
Thursday, October 11	Overview of revenue sources and forecast assumptions
Saturday, October 13	Council retreat
Thursday, October 25	Council meeting devoted to budget workshop
	Department presentations
Tuesday, November 6	Election Day
Thursday, November 8	Budget hearing
Thursday, November 22	Thanksgiving
Thursday, November 29	Budget action items (property taxes, pay plan)
Thursday, December 6	Budget action items
Thursday, December 20	Adopt 2008 budget

The Twelve Elements of the Budget Process

Establish Broad Goals to Guide Government Decision Making

1. Assess community needs, priorities, challenges and opportunities
2. Identify opportunities and challenges for government services, capital assets, and management
3. Develop and disseminate broad goals

Develop Approaches to Achieve Goals

4. Adopt financial policies
5. Develop programmatic, operating, and capital policies and plans
6. Develop programs and services that are consistent with policies and plans
7. Develop management strategies

Develop a Budget Consistent with Approaches to Achieve Goals

8. Develop a process for preparing and adopting a budget
9. Develop and evaluate financial options
10. Make choices necessary to adopt a budget

Evaluate Performance and Make Adjustments

11. Monitor, measure, and evaluate performance
12. Make adjustments as needed