

## BUDGET WORKSHOP AGENDA ITEM COVER SHEET

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DATE: September 4, 2008

SUBJECT: General Fund Assumptions – Five Year Forecast

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### SUMMARY:

The attached materials incorporate the department goals and objectives and first draft budgets.

City staff put together their first draft budgets based on direction from the Mayor and City Council at the budget retreat in June. The first draft budget is “unencumbered” by the reality of the City finances.

The department budgets are based on what each director would like to accomplish. The next step is to get Council direction on specific policy questions. Details of the policy questions are provided in the agenda packet.

After Council has provided policy direction, staff will finalize the Mayor’s recommended budget. The tentative schedule is to complete the recommended budget and deliver it to the City Council for consideration at its Saturday, October 18 budget retreat.

### General Fund

The General Fund anticipates receiving **\$1,869,619** in revenues for 2009. Due to the downturn in the housing market and the current state of the economy, staff anticipate a decrease of **\$86,901** in General Fund revenues in 2009 over 2008.

2009 Anticipated Revenues	\$1,869,619
2009 Anticipated Expenses	<u>\$1,879,069</u>
Anticipated Ending Fund Balance	\$ (9,451)

The negative ending balance reflects the nature of the first draft. The Mayor’s recommended budget will be balanced. The Mayor and City Staff recommend having a \$50,000 -~~\$10,000~~ anticipated ending fund balance.

**\$100,000**

## **GENERAL FUND REVENUES**

### **Revenue Forecasts**

Attachment A details the sources of revenues and sources of expenses.

General fund revenues are broken into six categories:

	<u>June 2008 Estimate</u>	<u>Sept 2008 Estimate</u>
1. Taxes	\$1,383,079	\$1,377,354
2. License and Permits	\$71,488	\$29,450
3. Intergovernmental	\$187,196	\$202,071
4. Charges for Services	\$133,575	\$30,100
5. Fines and Penalties	\$73,300	\$72,150
6. <u>Miscellaneous</u>	<u>\$159,744</u>	<u>\$158,494</u>
<b>Total</b>	<b>\$1,993,382</b>	<b>\$1,855,994</b>

### **Property Taxes**

Property taxes are expected to increase by 1% over 2008. The 1% maximum increase is not tied to assessed property values so the softening economy will not affect the property taxes the city collects.

### **License and Permits/Charges for Services**

The biggest change in the budget assumption is the severe reduction in planning (community development) and building permit revenue and associate changes for zoning fees, building plan review and building inspection.

The 2009 budget is built on the assumption the City will receive 5 single family residential building permits. These permits will be outside formal subdivision plats.

The budget assumes no commercial development.

Overall, General Fund revenues are expected to decrease and will be slightly higher than the 2006 actual budget of \$1,846,100.

### **General Fund Miscellaneous**

#### **Investment Interest**

Code cities may now apportion some investment earnings from funds commingled for investment purposes to the general fund rather than the participating funds unless restricted by law (RCW 35.39.034). Utility funds, bond

covenants or other provisions may require that the interest be allocated to the utility fund.

In 2007 the City Council adopted a policy of allocating investment interest. The 2009 budget estimates \$93,500 in investment interest which is a \$70,000 increase over the 2007 budgeted investment interest.

### Rents and Royalties

In August 2007, the City Council approved redirecting rent from the Post Office building owned by the City to the General Fund as part of the budget amendment approved by Council to balance the General Fund Budget.

The estimated revenue for 2009 from Post Office rent is \$52,144.

The policy question for the City Council is whether to set aside some of this income into a building maintenance and repair fund

## **GENERAL FUND EXPENSES**

### Summary

At the Council Retreat in June, the Mayor and Council directed staff to focus tax payer dollars on key themes in 2009 including:

- 2030 Comprehensive Plan
- Economic Development
- Building Repair and Maintenance
- Streamline Permitting
- Garbage Utility Rate Study
- Open Space Acquisition

City staff are in the process of putting together their first draft budgets based on direction from the Mayor and City Council at the budget retreat in June. Copies of department goals and policies and first draft budgets are included with this cover sheet.

There are a number of policy questions that have come up. Each of these policy questions have a costs associated with the alternatives and potential levels-of-service.

Staff is seeking Council direction at a Budget Workshop on the following policy questions:

- Police Department Organizational Structure (e.g. contract chief vs. in-house chief) **\$36000 - \$85000** increase over existing budget

- Full-time law enforcement technician with evidence room responsibilities **\$50,000** over existing budget
- Public Works Department reorganization **\$0 - \$75,000**
- Increased financial support for the volunteer program **\$0 - \$16,000**
- Building Department Organizational Structure (e.g. contract building official and building inspector vs. part-time employee) **\$0**. The cost is the same but the level of service is different.
- Beginning an annual fire inspection program **\$29,000**. Could be off-set by fees and fines.
- Full-time Code Enforcement and/or Animal Control **\$35,000** over existing budget
- Separate state excise taxes on water, sewer and garbage so customer pays direct. Currently city pays excise taxes out of charges for service. Potential revenue source. **Cost savings to Enterprise funds**
- Debt Service for water/sewer bonds and loans paid from operating funds
- Analyze cemetery expenses and budget actual cost

#### Cost of Living Adjustment

The City's bargaining agreements with law enforcement, public works and clerical staff are currently under negotiation.

The cost of living adjustment estimated in June 2008 for 2009 was 3.5%. The actual rate based on the CPI-W June to June for the Seattle-Tacoma-Bremerton area will be 6.2%.

This will have a significant impact on service delivery in all areas of the City. As the cost of wages increases and revenues are below last year's actual, the City must reduce its expenditures for operations, maintenance and program delivery.

The Mayor, City Council and Sultan community will need to carefully prioritize where to invest tax payers dollars to get the maximum value and return on investment.

#### **Benefit Costs**

##### Medical, Dental and Vision Coverage

Medical premiums increased by 14.8% in 2008. This is a significant impact the General Fund as well as the Street Fund and enterprise funds (water, wastewater, garbage, cemetery, and storm water).

In June 2008 City staff noted a significant (10% or more) increase in medical benefit costs will require the City Council to cut expenses in other areas of the budget.

As of July 2008, AWC anticipates a 9%-10% increase in medical premiums and a 4% increase in dental premiums.

Medical premium increases will affect the public works and clerical workers contract currently under negotiation. A premium cost share agreement will help the City control rising health care costs.

### Public Employees Retirement System (PERS) - Pension Contribution Rates

PERS contribution rates for employers have been increasing quite significantly over the last couple of years. There was a jump from 6.12% effective July 1, 2007. There will be another increase to 8.31% effective July 1, 2008. A projected 9.10% increase will take effect in 2009 and a 9.12% increase is projected for each year from 2011-2013.

### **Library Annexation**

As a result of the annexation of the City into the Sno-Isle Library District, the City will see a \$103,000 decrease in general fund expenditures. The City Council will want to carefully consider whether to "save" or "invest" this money into service delivery or level-of-service increases.

### **Legal Services**

The City budgeted \$16,250 in the Civil Service budget for legal services. These funds were reallocate funds to other uses in the 2009 budget.

Five Year Expenditure Forecast

General Fund Revenues

TAXES	2003	2004	2005	2006	2007 Budget	2007 Actual	2008 Budget	2009
R&P TAX	\$ 442,760	\$ 463,776	\$ 481,338	\$ 500,576	\$ 566,663	\$ 555,301	\$ 572,538	\$ 578,263
SALES TAX	\$ 243,703	\$ 241,035	\$ 239,716	\$ 240,000	\$ 250,000	\$ 316,324	\$ 250,000	\$ 256,250
Property Tx Int	\$ 47,615	\$ 51,495	\$ 756	\$ 350	\$ 960	\$ 773	\$ 900	\$ 1,007
B&O Electric	\$ 102,792	\$ 131,070	\$ 113,976	\$ 116,704	\$ 122,373	\$ 123,398	\$ 125,310	\$ 128,317
B&O Gas	\$ 32,562	\$ 46,296	\$ 54,489	\$ 56,000	\$ 60,337	\$ 75,070	\$ 62,630	\$ 65,010
Cable Franch.	\$ 29,114	\$ 31,084	\$ 31,996	\$ 32,069	\$ 33,265	\$ 39,089	\$ 34,506	\$ 35,793
B&O Cable	\$ 79,348	\$ 85,259	\$ 80,565	\$ 80,168	\$ 42,000	\$ 65,460	\$ 42,000	\$ 43,470
B&O Phone					\$ 79,549	\$ 88,670	\$ 81,935	\$ 84,803
Water Utility					\$ 34,640	\$ 39,905	\$ 39,540	\$ 40,726
Sewer Utility					\$ 48,684	\$ 52,847	\$ 49,617	\$ 51,106
Garbage Utility					\$ 25,872	\$ 24,243	\$ 22,741	\$ 23,423
Gambling Tax	\$ 6,276	\$ 6,207	\$ 3,784	\$ 4,500	\$ 1,625	\$ 1,097	\$ 1,630	\$ 1,650
Sales Tax CJ	\$ 91	\$ 170	\$ 57,355	\$ 56,347	\$ 64,283	\$ 72,823	\$ 66,211	\$ 67,595
<b>Total Taxes</b>	<b>\$ 984,261</b>	<b>\$ 1,056,392</b>	<b>\$ 1,063,975</b>	<b>\$ 1,086,714</b>	<b>\$ 1,330,251</b>	<b>\$ 1,455,000</b>	<b>\$ 1,349,558</b>	<b>\$ 1,377,354</b>

Lisc&Permits	2003	2004	2005	2006	2007	2007	2008	2009
#LU APPS/# BLDG PRMT								
Business Lisc	\$ 3,745	\$ 9,293	\$ 13,625	\$ 12,000	\$ 12,000	\$ 15,865	\$ 13,000	\$ 13,500
Bldgs/Struct	\$ 26,779	\$ 50,446	\$ 266,636	\$ 279,398	\$ 182,700	\$ 68,705	\$ 47,000	\$ 10,000
Permits Other			\$ 4,529	\$ 5,000	\$ 15,000	\$ -	\$ 7,500	\$ 5,000
Animal Lics	\$ 385	\$ 335	\$ 340	\$ 200	\$ 300	\$ 1,315	\$ 1,500	\$ 500
Non Bus Prmts	\$ 396	\$ 417	\$ 566	\$ 450	\$ 450	\$ 451	\$ 500	\$ 450
<b>Total Lic&amp;Prmts</b>	<b>\$ 31,305</b>	<b>\$ 60,491</b>	<b>\$ 285,696</b>	<b>\$ 297,048</b>	<b>\$ 210,450</b>	<b>\$ 86,336</b>	<b>\$ 69,500</b>	<b>\$ 29,450</b>

Int Govt	2003	2004	2005	2006	2007	2007	2008	2009
CTED Pining	\$ 40,849	\$ 25,380	\$ 25,010	\$ 5,543	\$ 5,500	\$ 19,000	\$ -	\$ -
WSTC Gmts	\$ 813		\$ 4,529	\$ 4,000	\$ 4,000	\$ 2,430	\$ -	\$ 3,500
FEMA			\$ 7,880	\$ -	\$ -	\$ -	\$ -	\$ 12,500
PUD Priviege	\$ 22,229	\$ 22,927	\$ 23,321	\$ 24,500	\$ 25,500	\$ 24,666	\$ 28,750	\$ 30,321
DUI Cities	\$ 662	\$ 692	\$ 695	\$ 700	\$ 800	\$ 1,024	\$ 825	\$ 900
Liquor Exs	\$ 13,999	\$ 15,852	\$ 16,919	\$ 16,604	\$ 18,959	\$ 20,228	\$ 21,291	\$ 22,932
Liquor Profit	\$ 24,598	\$ 29,682	\$ 29,328	\$ 31,307	\$ 33,034	\$ 32,480	\$ 32,072	\$ 33,443
CJ Fund	\$ 1,000	\$ 1,000	\$ 1,000	\$ 930	\$ 1,000	\$ 1,000	\$ 1,042	\$ 1,000
CJ Special		\$ 2,965	\$ 2,802	\$ 2,169	\$ 2,400	\$ 2,281	\$ 2,488	\$ 2,475
Hardship			\$ 40,590	\$ 62,691	\$ 106,000	\$ 105,553	\$ 104,000	\$ 95,000
<b>Total Intergovt.</b>	<b>\$ 104,150</b>	<b>\$ 98,498</b>	<b>\$ 152,074</b>	<b>\$ 148,444</b>	<b>\$ 197,193</b>	<b>\$ 208,662</b>	<b>\$ 190,468</b>	<b>\$ 202,071</b>

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**Five Year Expenditure Forecast**

	2003	2004	2005	2006	2007	2007	2007	2008	2009
<b>Charges For Sys</b>									
Sale of Mps Pub	\$ 364	\$ 337	\$ 2,508	\$ 2,500	\$ 700	\$ 37	\$ 750	\$ 100	
Certifications	\$ 1,086	\$ 850	\$ 2,458	\$ 800	\$ 900	\$ 3,771	\$ 1,000	\$ 1,100	
Law Ent.Cps.	\$ 774	\$ 784	\$ 935	\$ 750	\$ 850	\$ 479	\$ 900	\$ 500	
Candidate Filing									
Animal Control Fees	\$ 11,537	\$ 13,137	\$ 12,068	\$ 12,000	\$ 12,000	\$ 34,524	\$ 15,000	\$ 13,400	
Passport Fees	\$ 725	\$ 535	\$ 652	\$ 500	\$ 850	\$ 525	\$ 850	\$ 500	
L/E Service	\$ 6,026	\$ 2,800	\$ 4,650	\$ 3,300	\$ 4,000	\$ 1,750	\$ 7,800	\$ 2,000	
Oth Environ Prct	\$ 500	\$ 3,000	\$ 6,000	\$ 6,000	\$ 7,500	\$ 2,000	\$ 12,000	\$ 2,500	
Hearing Exam		\$ 5,100	\$ 36,812	\$ 49,000	\$ 40,000	\$ -	\$ 12,000	\$ -	
Cnsit Review Dep									
Zoning Fees	\$ 33,600	\$ 61,905	\$ 159,329	\$ 72,590	\$ 84,245	\$ 74,705	\$ 55,000	\$ 5,000	
Plan Check Fees	\$ 13,467	\$ 25,409	\$ 31,990	\$ 24,500	\$ 136,990	\$ 41,056	\$ 20,000	\$ 5,000	
<b>Total Charges</b>	<b>\$ 68,079</b>	<b>\$ 113,857</b>	<b>\$ 251,402</b>	<b>\$ 172,440</b>	<b>\$ 288,035</b>	<b>\$ 158,847</b>	<b>\$ 125,800</b>	<b>\$ 30,100</b>	

	2003	2004	2005	2006	2007	2007	2007	2008	2009
<b>Fines &amp; Penalty</b>									
Dist.Ct	\$ 76,692	\$ 70,469	\$ 51,939	\$ 67,500	\$ 55,000	\$ 62,570	\$ 56,500	\$ 62,000	
Violations Bur.	\$ 15,742	\$ 11,817	\$ 20,512	\$ 21,964	\$ 15,000	\$ 5,903	\$ 7,500	\$ 10,000	
Animal Cntrl	\$ 25	\$ -	\$ 47	\$ 150	\$ 150	\$ 305	\$ 1,250	\$ 150	
<b>Total F&amp;P</b>	<b>\$ 92,459</b>	<b>\$ 82,286</b>	<b>\$ 72,498</b>	<b>\$ 89,614</b>	<b>\$ 70,150</b>	<b>\$ 68,778</b>	<b>\$ 65,250</b>	<b>\$ 72,150</b>	

	2003	2004	2005	2006	2007	2007	2007	2008	2009
<b>Miscellaneous</b>									
Invest Interest	\$ 31,031	\$ 17,233	\$ 19,208	\$ 18,000	\$ 20,000	\$ 83,919	\$ 93,500	\$ 93,500	
Sales Tax Interest	\$ 502	\$ 406	\$ 776	\$ 750	\$ 1,500	\$ 1,543	\$ 1,700	\$ 2,000	
Rents & Royalties	\$ 8,351	\$ 6,252	\$ 3,745	\$ 5,000	\$ 7,000	\$ 46,782	\$ 52,644	\$ 52,644	
Contributions	\$ 2,811	\$ 8,678	\$ 1,461	\$ 5,000	\$ 10,000	\$ 52,354	\$ 1,000	\$ 2,100	
WASPC Grants	\$ 10,896	\$ 11,399	\$ 4,000	\$ 8,000	\$ -	\$ -	\$ -	\$ -	
Admin Fees			\$ 3,535		\$ -	\$ 3,270	\$ -	\$ -	
Judgments	\$ 50	\$ 3,805	\$ 2,009		\$ 1,500	\$ 1,289	\$ -	\$ -	
Over/Short	\$ 20	\$ 55	\$ (62)		\$ -	\$ (3)	\$ -	\$ -	
NSF	\$ 1,375	\$ 990	\$ 2,026	\$ 1,500	\$ 1,000	\$ 1,475	\$ 850	\$ 750	
Admin Impact				\$ 10,290	\$ 7,350	\$ -	\$ 5,250	\$ 2,500	
Misc	\$ 3,287	\$ 9,994	\$ 1,647	\$ 3,300	\$ 5,000	\$ 4,164	\$ 1,000	\$ 5,000	
<b>Total Misc</b>	<b>\$ 58,323</b>	<b>\$ 58,812</b>	<b>\$ 38,343</b>	<b>\$ 51,840</b>	<b>\$ 53,350</b>	<b>\$ 194,793</b>	<b>\$ 155,944</b>	<b>\$ 158,494</b>	
Operating Transfer				\$ -	\$ -	\$ 80,000	\$ -	\$ -	
<b>Total Revenues</b>	<b>\$ 1,338,577</b>	<b>\$ 1,470,336</b>	<b>\$ 1,863,988</b>	<b>\$ 1,846,100</b>	<b>\$ 2,149,429</b>	<b>\$ 2,252,416</b>	<b>\$ 1,956,520</b>	<b>\$ 1,869,619</b>	

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**Five Year Expenditure Forecast**

Expenditures	2003	2004	2005	2006	2007 Budget	2007 Actual	2008	2009
Legislative	\$ 5,512.00	\$ 9,002.00	\$ 9,525.00	\$ 12,805.00	\$ 8,586.00	\$ 8,951.00	\$ 9,914.58	
Executive	\$ -	\$ -	\$ -	\$ 30,147.00	\$ 27,972.00	\$ 41,505.00	\$ 42,957.68	
Finance	\$ 36,995.00	\$ 35,344.00	\$ 60,380.00	\$ 64,825.00	\$ 38,446.00	\$ 34,215.00	\$ 43,748.00	
Grants	\$ 15,275.00	\$ 17,293.00	\$ 24,445.00	\$ 27,736.00	\$ 9,278.00	\$ 16,600.00	\$ 31,925.00	
Legal Services	\$ 34,294.00	\$ 34,489.00	\$ 36,447.00	\$ 61,271.00	\$ 52,275.00	\$ 49,610.00	\$ 51,346.35	
Civil Service	\$ 8.00	\$ 113.00	\$ 1,250.00	\$ 1,500.00	\$ 20,965.00	\$ 16,250.00	\$ 1,500.00	
Other Governmental Services	\$ 34,821.00	\$ 37,674.00	\$ 79,081.00	\$ 57,803.00	\$ 56,771.00	\$ 63,788.00	\$ 66,020.58	
Law Enforcement	\$ 968,132.00	\$ 1,000,345.00	\$ 899,270.00	\$ 1,021,612.00	\$ 1,152,474.00	\$ 905,428.00	\$ 965,473.00 ①	
Law Enforcement Agency Fees	\$ 136,279.00	\$ 257,695.00	\$ 186,500.00	\$ 183,000.00	\$ 252,491.00	\$ 179,400.00	\$ 194,400.00	
Code Enforcement	\$ 60.00	\$ 200.00	\$ 17,425.00	\$ 20,000.00	\$ 14,348.00	\$ 31,250.00	\$ 28,473.00	
Planning and Development	\$ 102,000.00	\$ 139,892.00	\$ 96,943.00	\$ 158,787.00	\$ 273,189.00	\$ 219,465.00	\$ 292,615.00	
Building and Development	\$ 103,007.00	\$ 95,446.00	\$ 125,567.00	\$ 131,049.00	\$ 126,999.00	\$ 95,280.00	\$ 120,350.00 ②	
Public Health					\$ 791.00	\$ 700.00	\$ 724.50	
Library	\$ 81,170.00	\$ 76,236.00	\$ 90,113.00	\$ 97,208.00	\$ 87,751.00	\$ 102,915.00	\$ -	
Parks and Recreation	\$ 102,011.00	\$ 120,255.00	\$ 122,187.00	\$ 136,312.00	\$ 55,130.00	\$ 28,620.00	\$ 28,621.70	
Miscellaneous					\$ 8,000.00	\$ 1,433.00	\$ 1,488.16	
Debt Service Payments					\$ -	\$ -	\$ -	
Operating Transfers					\$ -	\$ -	\$ -	
<b>Total Expenditures</b>	<b>\$ 1,620,564.00</b>	<b>\$ 1,823,984.00</b>	<b>\$ 1,749,133.00</b>	<b>\$ 2,006,055.00</b>	<b>\$ 2,220,466.00</b>	<b>\$ 1,847,630.00</b>	<b>\$ 1,879,069.39</b>	

Revenue-Expenditures	\$ 1,338,577	\$ (150,228)	\$ 40,004	\$ 96,967	\$ 143,374	\$ 31,950	\$ 108,890	\$ (9,451)
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① in-house Chief full-time Law Enf. Tech

② 1/2-time bld official in-house

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# Salaries 2009

PAYROLL DISTRIBUTION CLASSIFICATION	SALARIES FOR 2009				STREET PROJECTS FUND 303	PARKS 576.00	STREET 542.00	CEMETERY 536.10	UT WATER 534.80	UT SEWER 535.80	GARBAGE 537.80	STORMWATER	TOTAL DIST.
	TOTAL WAGES	PARK PROJECTS FUND 105	FINANCE 814.23	GRANTS 514.00									
MAYOR/COUNCIL (?)	0.00						3720.00						14880.00
ADMINISTRATOR	0.00						19982.25						79929.01
CITY CLERK/DEP FIN	0.00						3448.19						48519.43
UTILITY CLERK	32515.89												29264.30
PERMIT TECH	0.00						2221.11						6663.33
GRANT ADMIN.	57498.80	2874.94											40249.16
ADMIN. ASSIT/UT	48575.02												48575.03
UTILITY CLERK	32515.89												30890.10
PUBLIC WORKS DIR	73269.50						10257.73						73269.50
FIELD/WWTP SUPERVISOR	59443.11						2972.16						59443.11
WWTP OPERATOR	53810.27												53810.27
WATER SYSTEM MANAGER	66301.93												66301.93
WATER PLANT OPERATOR	53810.27												53810.27
UTILITY WORKER	45980.55						16556.60						45980.55
UTILITY WORKER	47749.22						2387.46						47749.22
UTILITY WORKER	36955.90						5543.39						36955.90
ENGINEER	70377.47												70377.47
UTILITY WORKER	36955.90												36955.90
ADMIN ASST	0.00												20075.03
STORMWATER ENGINEER	0.00												0.00
COMMUNITY DEV DIR	0.00												26461.13
LONG RANGE PLANNER	0.00												0.00
PT SUMMER HELPERS	15992.87												15992.87
TOTAL	731762.60	14931.45	44687.58	514.00	511.10	813.10	18239.81	296646.56	246411.67	164256.65	7571.21		906263.51
CLASSIFICATION	TOTAL WAGES	9811.26	16896.11	17249.64	19982.25	3448.19							19982.25
ADMINISTRATOR	58963.73												20344.30
CITY CLERK/DEP FIN	0.00												17249.64
GRANTS	25093.79												5018.76
ADMIN ASST.	60282.52												60282.52
BUILDING OFFICIAL	0.00												3251.59
UTILITY CLERK	88203.77												88203.77
COMMUNITY DEV DIR	0.00												1625.79
UTILITY CLERK	4422.19												4422.19
PERMIT TECH	16257.95												16257.95
BUILDING INSPECTOR	15992.87												15992.87
POLICE RECORDS CLERK - PT	84249.73												84249.73
POLICE CHIEF	70802.05												70802.05
POLICE OFFICER	72159.76												72159.76
POLICE OFFICER	70802.05												70802.05
POLICE OFFICER	62553.29												62553.29
POLICE OFFICER	62556.48												62556.48
POLICE OFFICER	69722.05												69722.05
POLICE OFFICER	36218.16												36218.16
POLICE OVERTIME	18600.00												18600.00
MAYOR/COUNCIL (?)	96791.65	21773.50	17249.64	3720.00	25001.01	3448.19	545321.52	19982.87	79511.52	80272.51			792290.74
TOTALS	1698554.25												

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# Benefits 2009

PAYROLL DISTRIBUTION CLASSIFICATION	BENEFITS 2009 TOTAL BENEFITS		PARK PROJECTS FUND 105	STREET PROJECTS FUND 303	PARKS 576.00	STREET 542.00	CEMETERY 536.10	UT WATER 534.80	UT SEWER 535.80	GARBAGE 537.80	STORMWATER	TOTAL DIST.
	284.58	284.58										
MAYOR/COUNCIL (7)	0.00	0.00				284.58		284.58		284.58		1138.32
ADMINISTRATOR	0.00	0.00				5842.69		5842.69		5842.69		23370.77
CITY CLERK/DEP FIN	0.00	0.00		1215.41		1215.41		4861.65		4861.65		17137.33
UTILITY CLERK	12455.98					1015.26		3736.79		3736.79		11210.38
PERMIT TECH	0.00					1015.26		1015.26		1015.26		3045.78
GRANT ADMIN.	16415.77		820.79	4103.94				3283.13		3283.15	0.00	11491.04
ADMIN. ASSIT/UT	18094.78							5428.43		5428.43		18094.78
UTILITY CLERK	12455.98							3985.91		3861.35		11833.18
PUBLIC WORKS DIR	20285.21							7099.82		3651.34	0.00	20285.21
FIELD/DWWT? SUPERVISOR	23094.67				1154.73			1154.73		2309.47	1154.73	23094.67
WWTP OPERATOR	16637.70							14973.93		16637.70		16637.70
WATER SYSTEM MANAGER	27149.63							26606.64		2720.01		27149.63
WATER PLANT OPERATOR	27200.10							24480.09		2720.01		27200.10
UTILITY WORKER	15398.28				1539.83			1385.85		4619.48	1539.83	15398.28
UTILITY WORKER	15677.03				783.85			3135.41		6270.81		15677.03
UTILITY WORKER	13966.29				1396.63			2793.26		5586.52		13966.29
ENGINEER	14473.89		1447.39	4342.17				4342.17		7706.37		14473.89
UTILITY WORKER	19265.93				1926.59			3853.19		1926.59		19265.93
ADMIN ASST	0.00		1527.49					1527.49		1527.49		6109.98
STORMWATER ENGINEER/INSPECTOR	0.00							2735.78		2735.78		8207.35
COMMUNITY DEV DIR	0.00							0.00		0.00		0.00
LONG RANGE PLANNER	0.00							0.00		0.00		2066.15
PT SUMMER HELPERS	254639.39		3795.67	11391.87	1551.11	517.04		110002.84		78691.34	56543.28	306855.78
TOTAL BENEFITS	29213.46		514.23	514.00	8352.75	26711.62	6671.85	110002.84	539.30	565.60	2694.56	306855.78
ADMINISTRATOR	29213.46					5842.69						5842.69
CITY CLERK/DEP FIN	24308.27					5842.69						7170.94
GRANTS	0.00		514.00		511.10	513.10	515.10	521.00	539.30	559.60	559.60	4924.73
ADMIN ASST	7637.47					1527.49						1527.49
BUILDING OFFICIAL	23489.38										23489.38	23489.38
UTILITY CLERK	0.00											1245.60
COMMUNITY DEV DIR	27357.82									19150.47		19150.47
UTILITY CLERK	0.00									0.00		622.80
PERMIT TECH	20395.17									8122.07		17259.39
BUILDING INSPECTOR	0.00									0.00		0.00
POLICE RECORDS CLERK - PT	6204.47							6204.47				6204.47
ANIMAL CONTROL	6879.87								6879.87			6879.87
POLICE CHIEF	25795.42							25795.42				25795.42
POLICE OFFICER	24076.68							24076.68				24076.68
POLICE OFFICER	29718.48							29718.48				29718.48
POLICE OFFICER	27304.33							27304.33				27304.33
POLICE OFFICER	28439.86							28439.86				28439.86
POLICE OFFICER	22979.19							22979.19				22979.19
POLICE OFFICER	23932.93							23932.93				23932.93
POLICE OVERTIME	5299.47							5299.47				5299.47
MAYOR/COUNCIL (7)	1422.90				284.58							284.58
TOTALS	334365.17		7823.92	4924.73	284.58	7370.19	1215.41	193750.83	6879.87	21272.54	32626.71	282148.78
TOTAL PAYROLL	589004.56		589004.56									

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# small city UPDATE



Volume 4, No. 2  
July 2008

Attachment C

## Charting Your Financial Future Small City Budgets: 2009

During the past two months, the Association conducted a number of Small City Round-Ups which were well attended by city officials and staff from throughout the state. At each Round-Up, an issue continually raised was the shrinking fiscal resources available to many smaller cities. Whether it was attributable to the absence of a sales tax base; the impacts of the 101% property tax limit; or the rising costs of motor vehicle fuel and other purchases, the reality is that many smaller cities simply don't have the resources to sustain services, let alone address critical infrastructure costs.

Compounding the difficulty is the shrinking yield of the real estate excise tax. The tax is the funding base for the state's assistance to financially distressed cities and counties. For many cities beginning to develop their 2009 budgets, the picture is

bleak. Some city officials are even pondering whether they can continue to exist.

While it may not be comforting to know, small cities are not alone. The state is facing a \$2 billion dollar shortfall next biennium, a number of counties are facing reductions in law enforcement personnel, and some of our larger cities are also facing tight budgets. In a nutshell, the combination of shrinking revenues and rising costs is impacting all levels of government and cities from the largest to the very small.

### 2009 Economic Trends/Budgets

Early indications are that the current economic softening will continue through at least the first half of 2009. While Washington has been somewhat sheltered from the severe impacts of the national credit crunch and rising unemployment, the state is

affected by high inflation, especially in the costs of gas and food. Expectations are that the downturn in the housing market will not reverse itself until at least 2010, and that inflation will be in the 3-5% range.

Concurrently, we will continue to see ongoing increases in the costs of motor vehicle fuel, food products, and construction materials. The early indication is that health insurance costs will increase between 8-10% for 2009.

As city officials begin preparing next year's budget, the caution on the street is that one should be conservative. Clearly for entitled cities, state assistance for distressed communities will be reduced as the real estate excise tax yield declines. The 101% property tax limit is taking a toll on cities devoid of a commercial base, and unless there has been a utility rate

continued

*Continued from front page*

increase, utility tax yields are pretty flat. 2009 will be a tough year for many cities.

### **Are There Fiscal Survival Strategies?**

While there is no magic bullet that will enable cities in dire financial straits to overcome their immediate budget problems, the following approaches might provide relief:

**Utility tax increases** - While many city officials are reluctant to raise taxes, a modest utility tax increase helps maintain services while not severely impacting taxpayers.

**Service "cutbacks"** - Actually reducing services sends a clear message to the citizenry that the

city can't sustain services. This could be a catalyst to securing voter approval for a property tax lid lift.

**Partnerships** - Small cities must determine whether self provision of services is the most cost effective means of addressing needs. Inter-local contracts and public-private arrangements may be more cost effective.

**Utility rate reviews/adjustments** - Frequently, city officials fail to periodically review their water and or sewer rates to determine whether they are covering all costs, including deterioration of the system. Rate studies determine when adjustment of rates is warranted.

**Ferretting out capital assistance programs** - Myriads of state assistance programs can help address capital needs, but often they go untapped because city officials are unaware of their existence or don't have the staff to complete applications. City officials should actively pursue these funding options.

While these options aren't an exhaustive list to help city officials through difficult times, they do help smaller city officials recognize that as bleak as your budget may appear, there are survival strategies that can be pursued.

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## **JLARC Study of City-County Assistance Account**

In 2005, the Legislature passed ESSB 6050, providing financial assistance to cities, towns and counties. This bill established the city-county assistance account from which 173 cities currently receive distributions.

This legislation requires the Joint Legislative Audit and Review Committee (JLARC) to review distributions to cities and counties and determine the extent to which they target the needs of cities and counties for which the repeal of

the motor vehicle excise tax had the greatest fiscal impact. The law also requires JLARC to solicit input from cities and counties in creating their report. A report is due to the Legislature by the end of this year that includes findings as well as recommendations for changes to the distribution formula.

JLARC is collecting feedback from cities through discussion groups (which took place at the AWC conference) and a survey.

Cities should expect to see the survey soon. It is very important that cities now receiving distributions from this account complete the survey. This will be the primary opportunity for cities to provide feedback about whether or not these distributions targeted cities' needs since the repeal of the MVET.

For more specific information about the formula, MVET history and city distributions, visit AWC's website at [www.awcnet.org/ESSB6050](http://www.awcnet.org/ESSB6050).



# legislative BULLETIN

Volume 31, No. 3 • July 25, 2008

## A Softening Economy: City Revenue Impacts

*From the Director by Stan Finkelstein, AWC Executive Director*

In recent weeks it has become painfully apparent to many city officials that their city's fiscal condition is worsening. The downturn in home building; reductions in consumer confidence; and declining home values are adversely impacting many cities' real estate excise tax, sales tax, and property tax revenues.

While the Washington economy remains stronger than that of many other states, nonetheless Washington is feeling the impact of the national economic downturn. State revenue forecasts have projected a potential \$2 billion-plus shortfall for the 2009-11 biennium. Additionally, the increasing rate of inflation, especially in health care, motor fuel costs, and construction materials is significantly impacting the cost of governmental services.

For many city officials, developing their 2009 operating budget will prove to be a significant challenge. With the 1% property tax limit now established, declining sales tax revenue growth; and a reduction in REET translating to less funds for the City-County Fiscal Assistance Account, making ends meet will be difficult. It is my belief that we may be again entering a period of fiscal uncertainty and the inability of cities to sustain services.

Unfortunately, aside from changing economic conditions, much of cities' fiscal problems are the result of recent initiative activity. The repeal of the motor

vehicle excise tax and the imposition of the 1% property tax growth limits have significantly eroded cities' fiscal wellbeing. For many cities, the consequences are now being felt, and it is time to communicate those outcomes to the media and to constituencies.

### Is There a "Silver Bullet?"

In the days of the Lone Ranger, the "silver bullet" represented the mechanism that guaranteed safe passage for the Lone ranger and his faithful companion Tonto. In contemporary times we refer to the "silver bullet" as the panacea to address major problems. At this point there is no easy solution to the fiscal problems that have befallen many of our cities. There are however strategies that may help.

First, I think that elected officials have to be out front and communicate why they're unable to sustain previous service levels and as well respond to new service needs.

Secondly, and equally important, city officials should meet with their legislators and discuss their problems. It is the Legislature that can provide some degree of fiscal relief, but they must be apprised of their cities' needs.

Third, I think that where possible local officials should seriously reexamine their revenue options and determine whether tax increases are warranted or whether their constituents should be asked to vote on certain available tax increases.

Fourth, now more than ever, city officials are being asked to more prudently than before, to manage their city's resources. This will require a more comprehensive reexamination of both operating and capital needs, as well as resources and reserves available to provide services. Concurrently, local officials should try to determine their future conditions and whether they'll be able to sustain existing services beyond 2008 and 2009.

### In Closing

In coming months, AWC Officers, Board members, and lobbyists will be meeting with the Governor, and legislators to communicate the fiscal problems of the state's 281 cities and towns. The Governor has already expressed her concerns regarding the ability of cities and counties to sustain public safety and other services, and has indicated a desire to initiate a dialogue. The membership of the Association has adopted a resolution in support of addressing the fiscal needs of cities.

The fiscal problems of our cities need to be addressed. All city officials are encouraged to become active players in this process. AWC will again document cities' needs in the forthcoming 2009 "State of the Cities" report. At this point I am guardedly optimistic that by working together we can find an ongoing solution to our cities' fiscal problems.