



AGENDA

City Council Special Meeting - **REVISED**

4:30 PM - Tuesday, September 25, 2018

City Hall Council Chambers, Sammamish, WA

Page		Estimated Time
	CALL TO ORDER	4:30 pm
	ROLL CALL	
	PLEDGE OF ALLEGIANCE	
	APPROVAL OF AGENDA	
	EXECUTIVE SESSION	4:35 pm
	Potential Litigation pursuant to RCW42.30.110(1)(i)	
	PRESENTATION	4:45 pm
2 - 42	1. Discussion: Interim City Manager's 2019-2020 Draft Preliminary Budget Overview Council 2019-2020 Budget discussion and possible direction. View Agenda Item	
	ADJOURNMENT	7:30 pm

City Council meetings are wheelchair accessible. American Sign Language (ASL) interpretation is available upon request. Please phone (425) 295-0500 at least 48 hours in advance. Assisted Listening Devices are also available upon request.

Agenda Bill

City Council Special Study Session
September 25, 2018



SUBJECT:	Interim City Manager's 2019-2020 Draft Preliminary Budget Overview		
DATE SUBMITTED:	September 20, 2018		
DEPARTMENT:	Finance		
NEEDED FROM COUNCIL:	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Direction <input checked="" type="checkbox"/> Informational		
RECOMMENDATION:	Review information presented and provide any additional direction to the Interim City Manager's draft preliminary budget.		
EXHIBITS:	Budget Overview 2019-2020 PrelimCM Bgt 092518 (1)		
BUDGET:			
Total dollar amount	\$239,140,828	<input type="checkbox"/>	Approved in budget
Fund(s)	All Funds	<input type="checkbox"/>	Budget reallocation required
		<input type="checkbox"/>	No budgetary impact
WORK PLAN FOCUS AREAS:			
<input checked="" type="checkbox"/>	Transportation	<input checked="" type="checkbox"/>	Community Safety
<input checked="" type="checkbox"/>	Communication & Engagement	<input checked="" type="checkbox"/>	Community Livability
<input checked="" type="checkbox"/>	High Performing Government	<input checked="" type="checkbox"/>	Culture & Recreation
<input checked="" type="checkbox"/>	Environmental Health & Protection	<input checked="" type="checkbox"/>	Financial Sustainability

2019-2020 Preliminary Budget Overview

Larry Patterson, Interim City Manager

Aaron Antin, Assistant City Manager/Finance Director



REMINDER OF STATE LAWS GOVERNING THE BUDGET PROCESS

RCW 35A.34 – OPTIONAL CHARTER CODE CITY WITH BIENNIAL BUDGET IN WA STATE

35A.34.060 BIENNIAL BUDGET “SHALL BE CLASSIFIED AND SEGREGATED ACCORDING TO A STANDARD CLASSIFICATION OF ACCOUNTS TO BE ADOPTED AND PRESCRIBED BY THE STATE AUDITOR.”

This is commonly referred to as “BARS” Budget Accounting and Reporting System (Issued, maintained, updated and audited for compliance by the State Auditor’s Office)

35A.34.070 PROPOSED PRELIMINARY BIENNIAL BUDGET TO BE SUBMITTED TO THE “CHIEF ADMINISTRATIVE OFFICER(CAO)” (or “City Manager” in the case of Sammamish) BY OCTOBER 1 - SETTING FORTH “THE COMPLETE FINANCIAL PROGRAM OF THE CITY FOR THE ENSURING FISCAL BIENNIUM”

35A.34.080 PRELIMINARY BUDGET: “THE CHIEF ADMINISTRATIVE OFFICER SHALL PREPARE THE PRELIMINARY BUDGET IN DETAIL, MAKING ANY REVISIONS OR ADDITIONS TO THE REPORTS OF THE DEPARTMENT HEADS DEEMED ADVISABLE BY SUCH ADMINISTRATIVE OFFICER.” MUST FILE WITH CITY CLERK 60 DAYS BEFORE NEXT FISCAL BIENNIAL - NOV 1
35A.34.100 – NOTICE OF HEARING once draft final budget has been filed by the CAO, and “a copy of the draft final budget made available to any taxpayer who will call at the clerk’s office.”



REMINDER OF STATE LAWS GOVERNING THE BUDGET PROCESS

RCW 35A.34 – OPTIONAL CHARTER CODE CITY WITH BIENNIAL BUDGET IN WA STATE

- TONIGHT IS AN OVERVIEW OF THE DRAFT PRELIMINARY BUDGET THAT THE COUNCIL APPOINTED INTERIM CITY MANAGER HAS DIRECTED TO BE ASSEMBLED.

MAJOR INTERNAL PROCESSES THAT PROVIDED INPUTS TO THE INTERIM CITY MANAGER

- CITY COUNCIL PRIORITIES SET AT COUNCIL RETREAT
- CITY COUNCIL INPUTS TO INTERIM CITY MANAGER
- STRESS TEST/MARGINAL SERVICES REVIEW
- DECISION CARDS BASED ON CITY COUNCIL PRIORITY CRITERIA
- DEPARTMENT HEAD INPUTS AND RECOMMENDATIONS
- PUBLIC SAFETY CONTRACT INPUTS (EF&R – 9/18/18 UPDATE; KCSO – POLICE STUDY)
- CITY COUNCIL ADOPTED CAPITAL PLANS (PRO Plan and 6-Year TIP)
- OTHER CITY COUNCIL DIRECTION TO INTERIM CITY MANAGER
- COMPARATIVE FINANCIAL DATA FROM COUNCIL DEFINED EASTSIDE CITIES



TABLE A - Draft Preliminary 2019-2020 Budget

Funds	Fund Name	2019 Budget			
		Beg Fund Bal	Revenues	Expenditures	End Fund Bal
001	General Fund	\$ 16,759,790	\$ 43,705,503	\$ 48,047,656	\$ 12,417,637
101	Street Fund	7,726,871	7,438,800	9,788,888	5,376,783
201	Debt Service Fund	-	544,000	544,000	-
301	Gen Govt CIP	4,135,674	20,000	3,500,000	655,674
302	Parks CIP Fund	14,624,787	5,265,000	7,589,000	12,300,787
340	Transportation CIP	27,920,000	9,460,750	26,576,333	10,804,417
408	Surface Wtr Mgt	2,084,314	7,434,000	7,344,828	2,173,486
438	Surface Wtr Cap Prj.	4,632,271	1,795,100	2,921,276	3,506,095
501	Equipment Rental	766,894	958,912	752,088	973,718
502	Technology Repl.	291,975	2,784,250	2,784,250	291,975
503	Risk Mgt Fund	297,752	386,600	386,100	298,252
Totals		\$ 79,240,328	\$ 79,792,915	\$ 110,234,419	\$ 48,798,824

Funds	Fund Name	2020 Budget			
		Beg Fund Bal	Revenues	Expenditures	End Fund Bal
001	General Fund	\$ 12,417,637	\$ 44,223,740	\$ 48,092,203	\$ 8,549,174
101	Street Fund	5,376,783	7,438,800	8,556,018	4,259,565
201	Debt Service Fund	-	541,333	541,333	-
301	Gen Govt CIP	655,674	10,000	-	665,674
302	Parks CIP Fund	12,300,787	5,085,000	8,856,000	8,529,787
340	Transportation CIP	10,804,417	5,780,000	15,693,667	890,750
408	Surface Wtr Mgt	2,173,486	8,845,000	9,086,762	1,931,724
438	Surface Wtr Cap Prj.	3,506,095	4,630,000	3,545,256	4,590,839
501	Equipment Rental	973,718	593,912	483,080	1,084,550
502	Technology Repl.	291,975	2,568,200	2,568,200	291,975
503	Risk Mgt Fund	298,252	391,600	391,100	298,752
Totals		\$ 48,798,824	\$ 80,107,585	\$ 97,813,619	\$ 31,092,790



Review of Council Retreat Presentation

5

What's changed in Budget inputs since January, 2018?



Financial Sustainability Focus Area

6

Activities related to the City's current and future financial health.

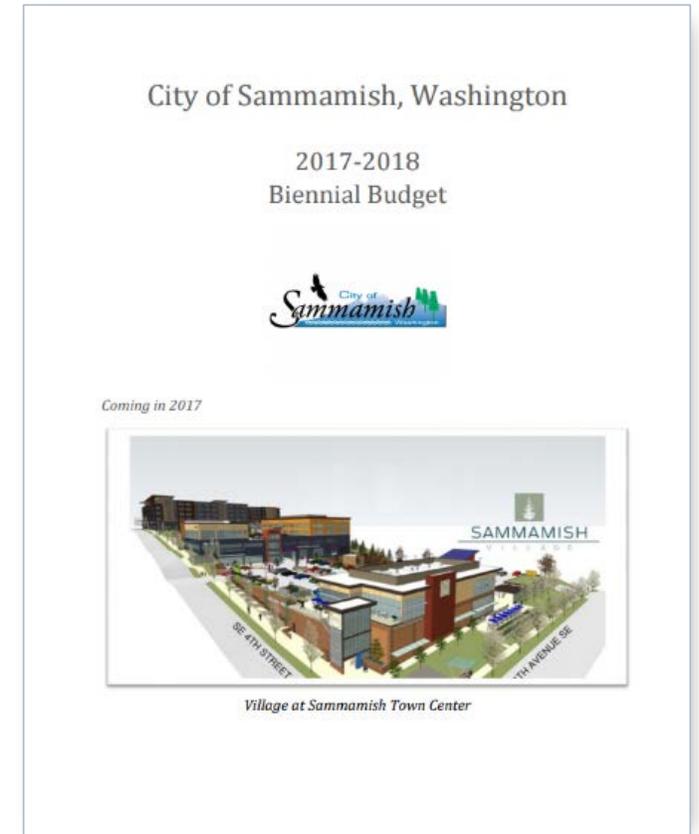
Includes:

- Financial reporting, modeling, auditing and forecasting.
- Biennial budget monitoring, creation and reporting.
- Payroll, tax and treasury compliance and administration.



Budget Basics

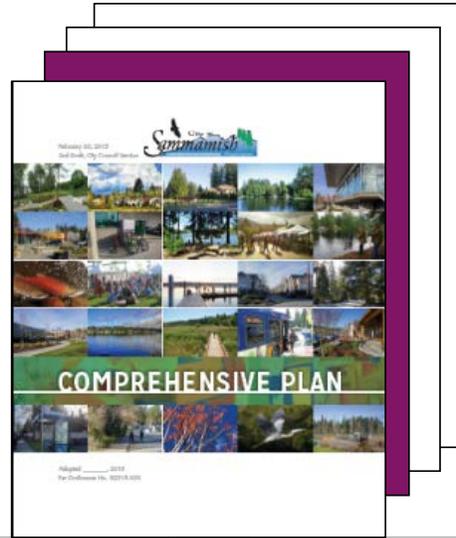
- Biennial budget (two year).
- Operating and capital funds.
- Budget is the plan, but also the law.
- Must meet State requirements. [Ref: Packet]
- Sammamish Standard: GFOA award winning



Jan – June	July – Aug	Sept – Oct	Nov - Dec
Council Direction	Budget Prep	Council Review	Budget Hearings & Adoption

Implementing the Comprehensive Plan

PLAN FORMULATION



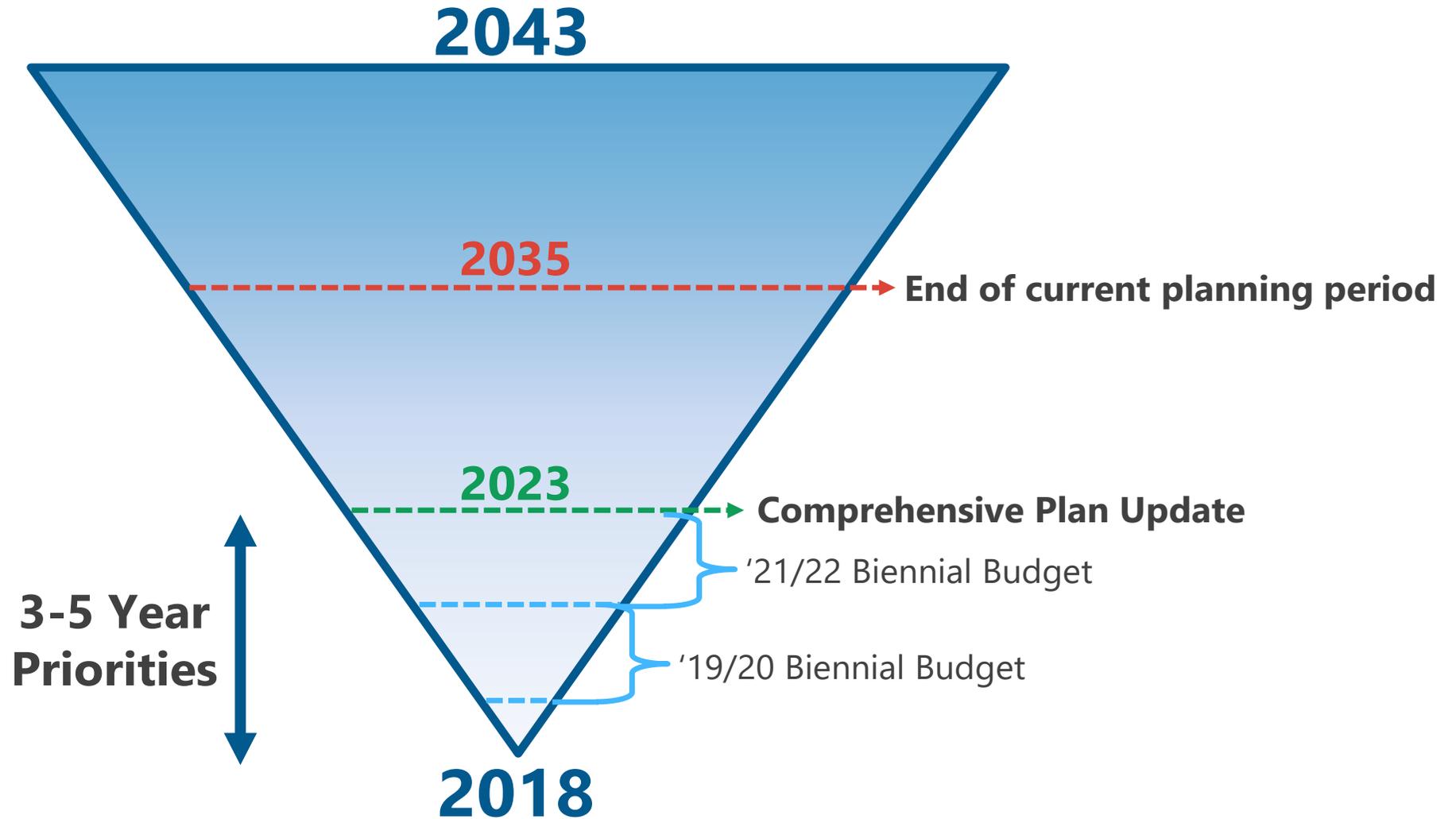
PLANNING TIMELINE

2015-2035 Comprehensive Plan

2018-2023 (Revised annually)
Capital Improvement Plans

2019-2020
Budget

The Road to 2043: Identifying 3-5 Year Priorities

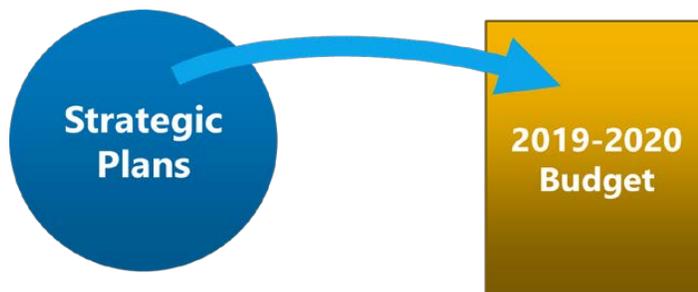


Strategic Planning –OLD (Jan'18)

Strategic planning helps the City define its direction and make decisions on resource allocation

- Currently in an intense planning cycle.
 - Examples of some (not all) plans slated for 2018 completion shown in the table.
- These plans will help to inform the upcoming '19/20 budget discussion.

Plan	Completion
<i>Communications Strategic Plan</i>	COMPLETE
<i>Maintenance & Operations Plan</i>	COMPLETE
<i>EF&R Strategic Plan</i>	COMPLETE
<i>PRO Plan</i>	Q1 2018
<i>Police Services Study</i>	Q2 2018
<i>Human Services Needs Assessment</i>	Q2 2018
<i>Facilities Capital Plan</i>	Q2 2018
<i>MOC and Fire Station Assessment</i>	Q2 2018
<i>IT Gap Analysis/IT Capital Plan</i>	Q3 2018
<i>Transportation Master Plan</i>	Q4 2018
<i>Housing Strategy Plan Update</i>	Q4 2018

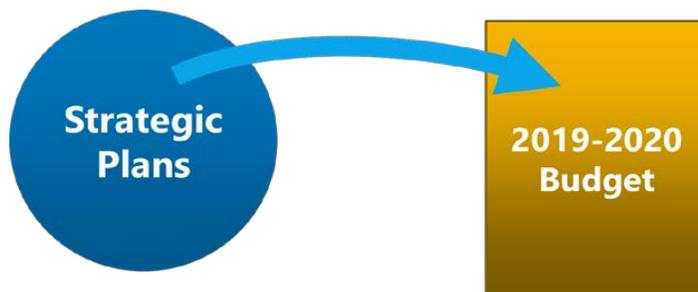


Strategic Planning – New (Sept. '18)

Strategic planning helps the City define its direction and make decisions on resource allocation

- Currently in an intense planning cycle.
 - Examples of some (not all) plans slated for 2018 completion shown in the table.
- These plans will help to inform the upcoming '19/20 budget discussion.

Plan	Completion
<i>Communications Strategic Plan</i>	COMPLETE
<i>Maintenance & Operations Plan</i>	COMPLETE
<i>EF&R Strategic Plan</i>	COMPLETE
<i>PRO Plan</i>	COMPLETE
<i>Police Services Study</i>	Q4 2018
<i>Human Services Needs Assessment</i>	Q3 2018
<i>Facilities Capital Plan</i>	TBD
<i>MOC and Fire Station Assessment</i>	TBD
<i>IT Gap Analysis/IT Capital Plan</i>	TBD
<i>Transportation Master Plan</i>	Delayed
<i>Housing Strategy Plan Update</i>	Q4 2018



General Budget Timeline

1
2

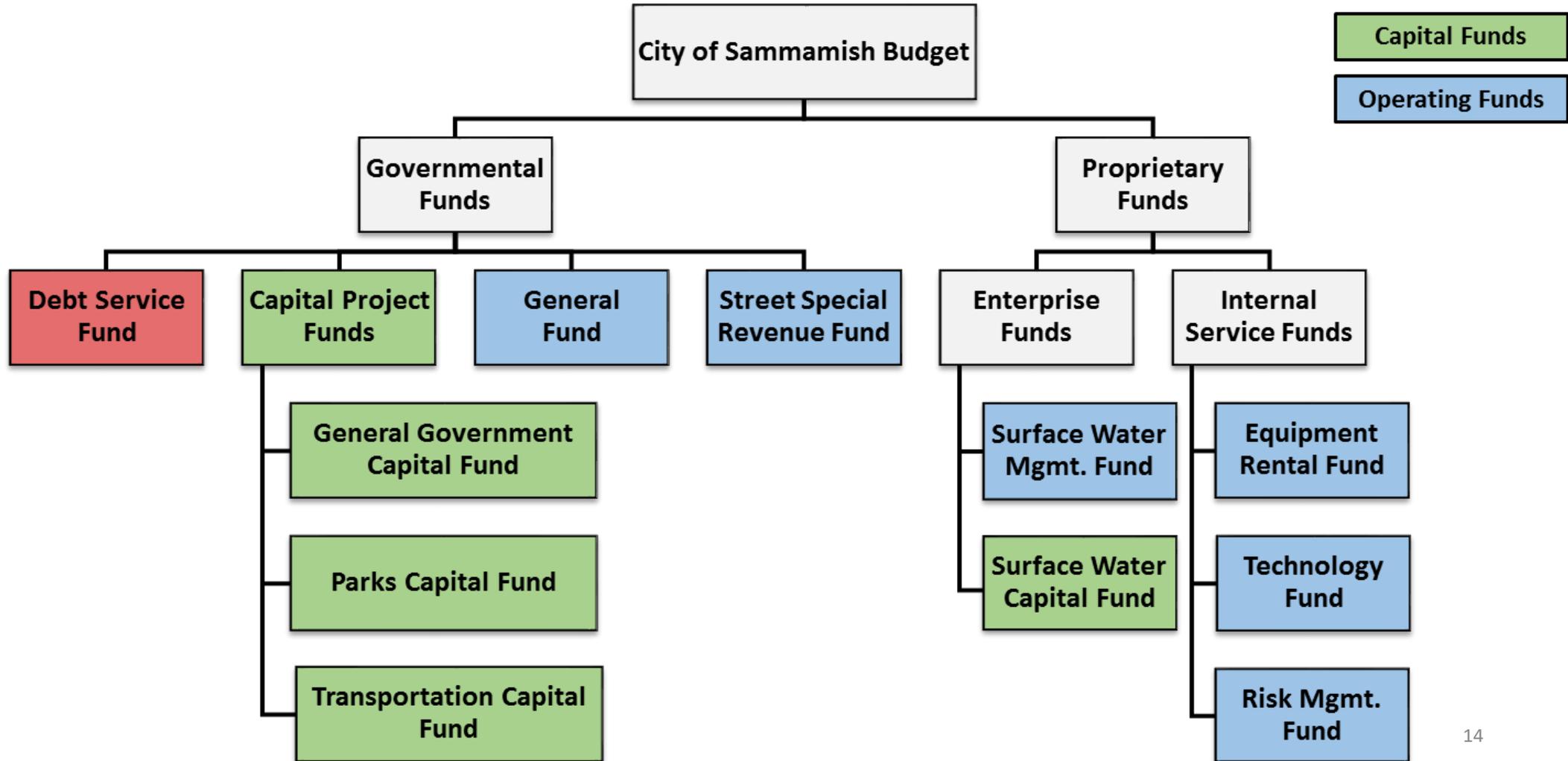
Date	Milestone
1st & 2nd Quarter	CIPs, inputs from service assessments, capital project plans
May	Internal budget carryforward amendment
June	City Manager issues budget call to City departments
July	Revenue forecast updated to reflect 2018 trends
August	City Manager(CM)/Acting City Manager reviews department inputs
September	Interim City Manager: re-review inputs and files draft preliminary budget
September 25	Special Council workshop for Interim CM's prelim. 2019-2020 Budget
October/November	City Council reviews preliminary budget filing, requests adjustments be made
November	Public Hearing on Budget and property taxes, potential adoption of 2019-2020 Budget by City Council (may continue deliberations into December)

Municipal Finance Fundamentals

City Finances must comply with State-issued Budgeting, Accounting and Reporting System (BARS) requirements

Fund Category	Specific Funds (10 Total)
General Operations	General Fund (001) Street Fund (101)
Capital (3XX series funds)	General Capital (301) Parks Capital (302) Transportation Capital (340)
Proprietary Funds (4XX series funds)	Surface Water Utility Operating (408) Capital (438)
Internal Service Funds (5XX series funds)	Equipment (501), IT (502), Risk Management (503) These have operating and capital components and are internal transfer funded (no unique tax source)

Fund Org Chart



General City Comparisons

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Re-affirmed Sammamish's Comparable Cities (2016 population):

Bellevue (139,400)

Kirkland (84,680)

Sammamish (61,250)

Redmond (60,560)

Issaquah (34,590)

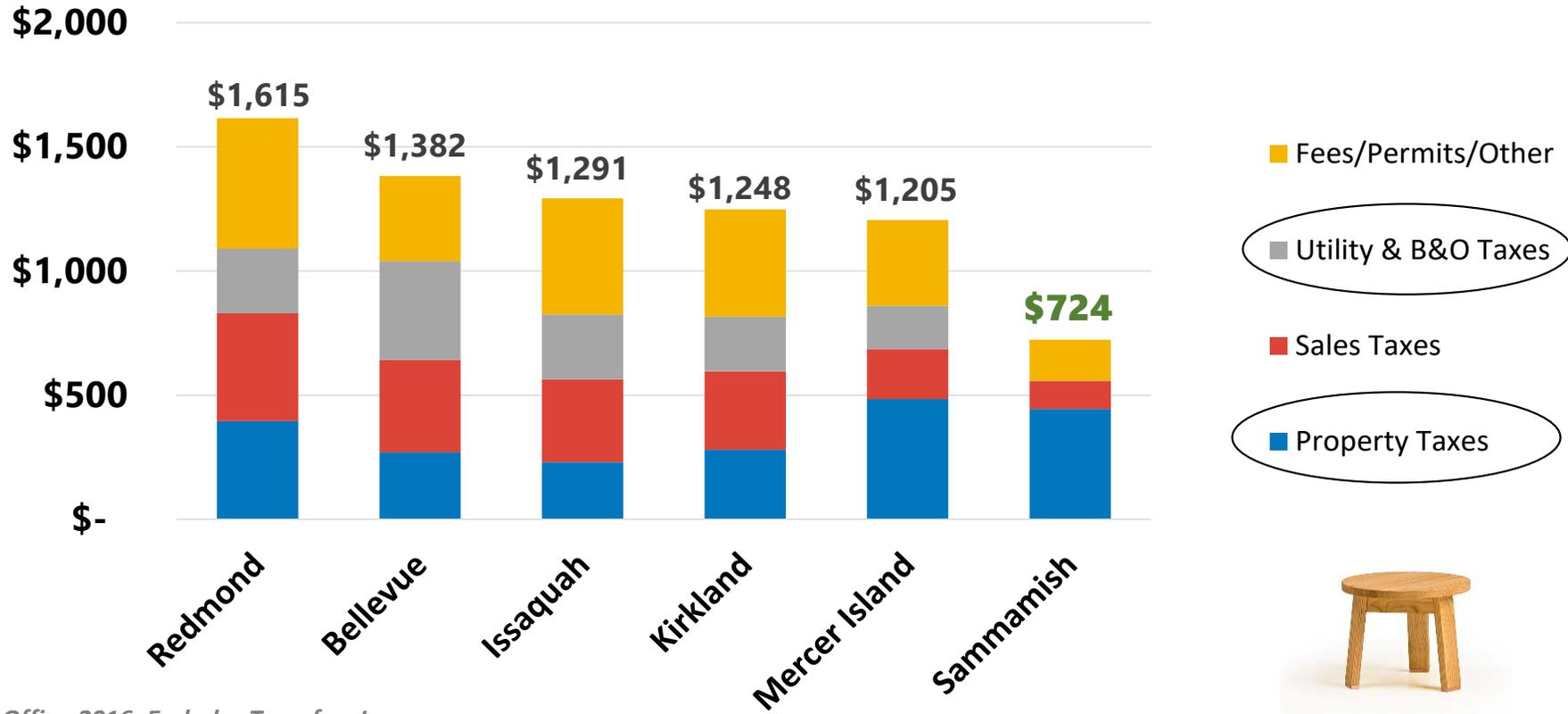
Mercer Island (23,660)



Operating Revenue Comparison

General Fund Revenues Per Capita Eastside Cities Comparison

Sammamish has the lowest General Fund revenue per capita on the eastside

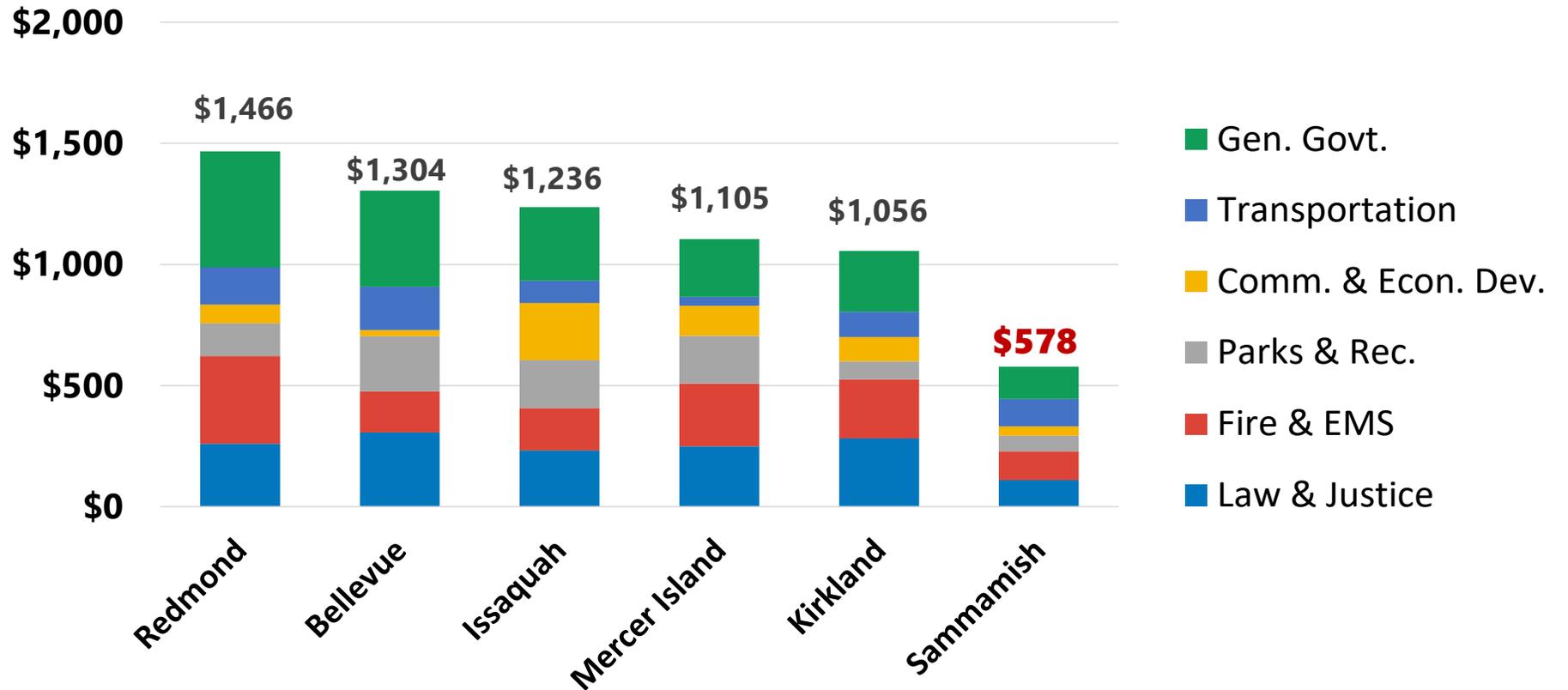


Source: LGFRS-State Auditor's Office-2016. Excludes Transfers In.

Operating Expenditure Comparison

General Fund Expenditures Per Capita Eastside Cities Comparison

Sammamish has the lowest General Fund expenditures per capita on the eastside.



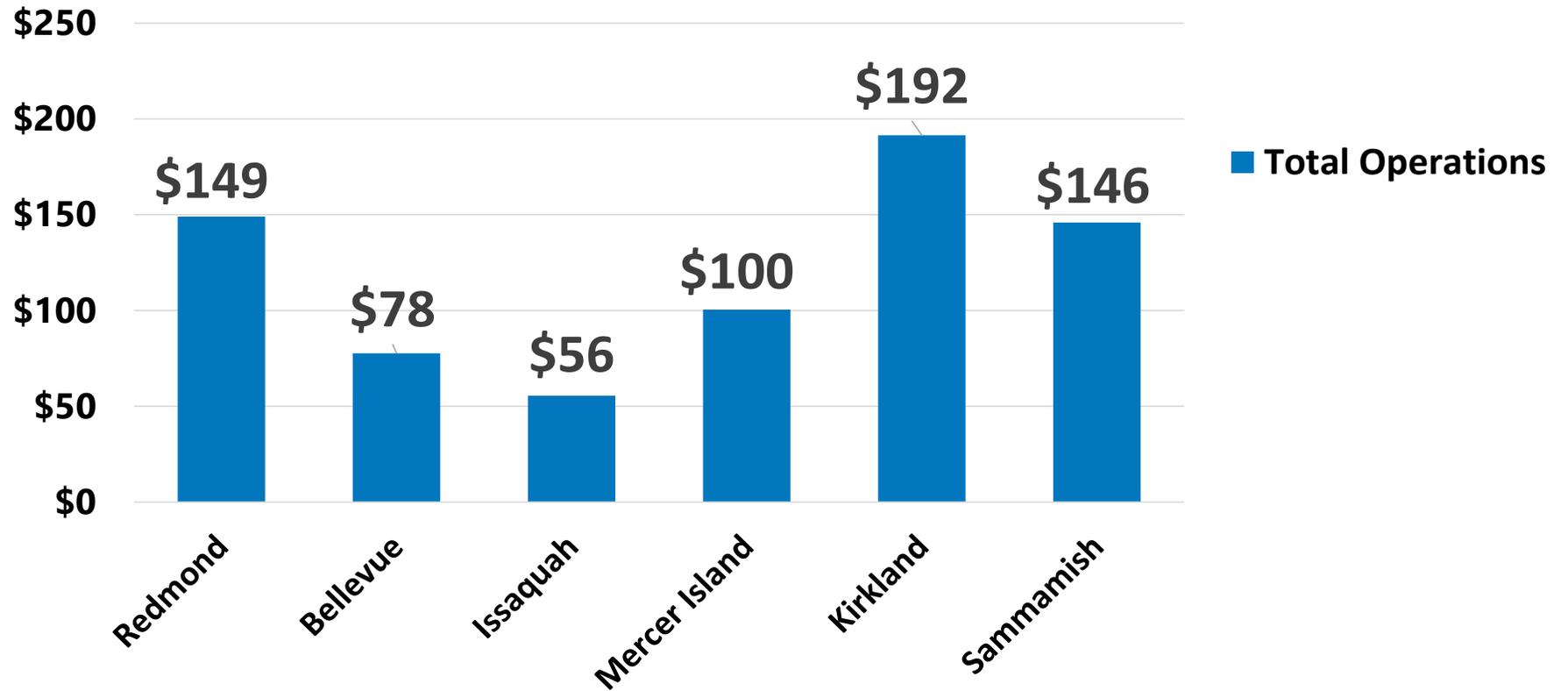
Source: LGFRS-State Auditor's Office-2016. Excludes Transfers In.

NET Operating Comparison

General Fund NET Per Capita Eastside Cities Comparison

Net Value =
Revenue - Expenses

Sammamish has the lowest revenue **and** expenses; third highest net value.

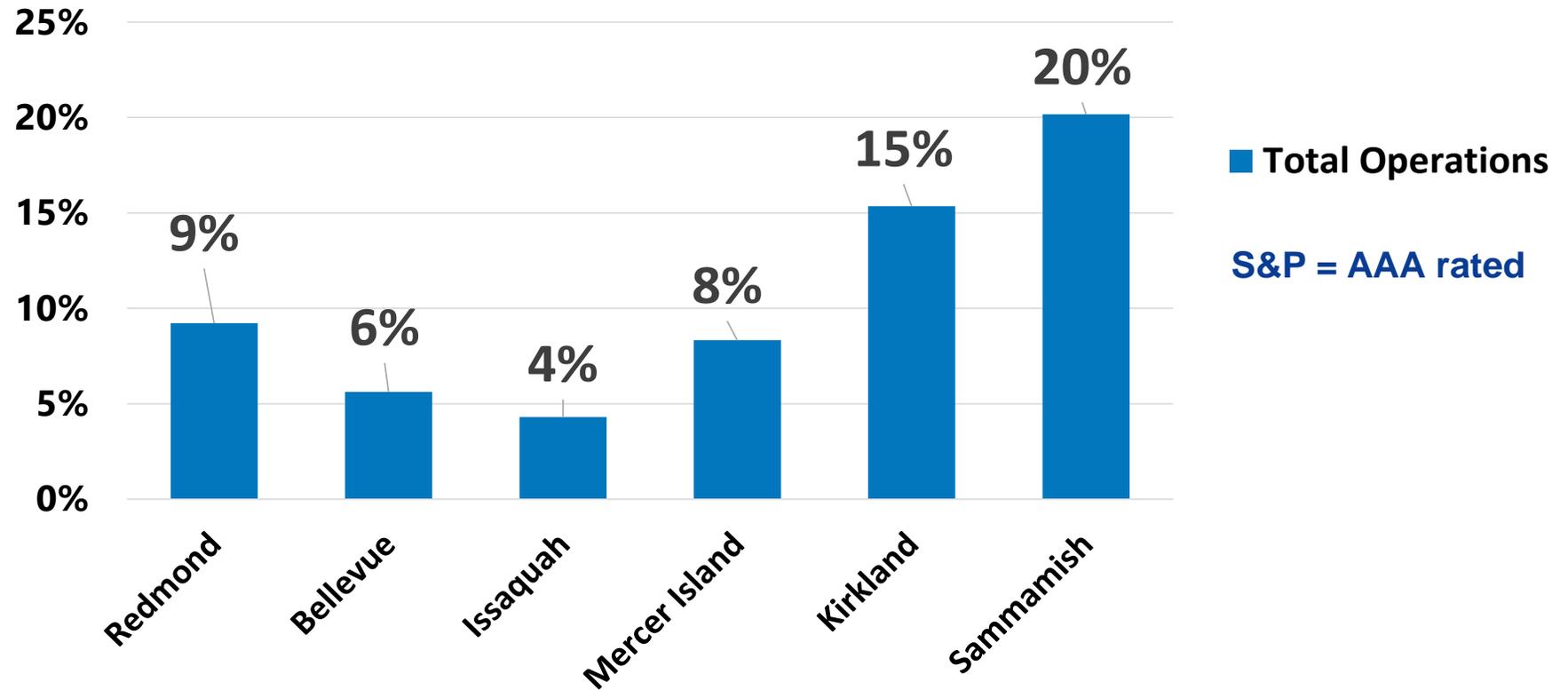


Source: LGFRS-State Auditor's Office-2016. Excludes Transfers In.

NET Operating Comparison

General Fund Oprs NET as % of Revenue Per Capita *Eastside Cities Comparison*

Sammamish has the highest net as a percent of revenue.

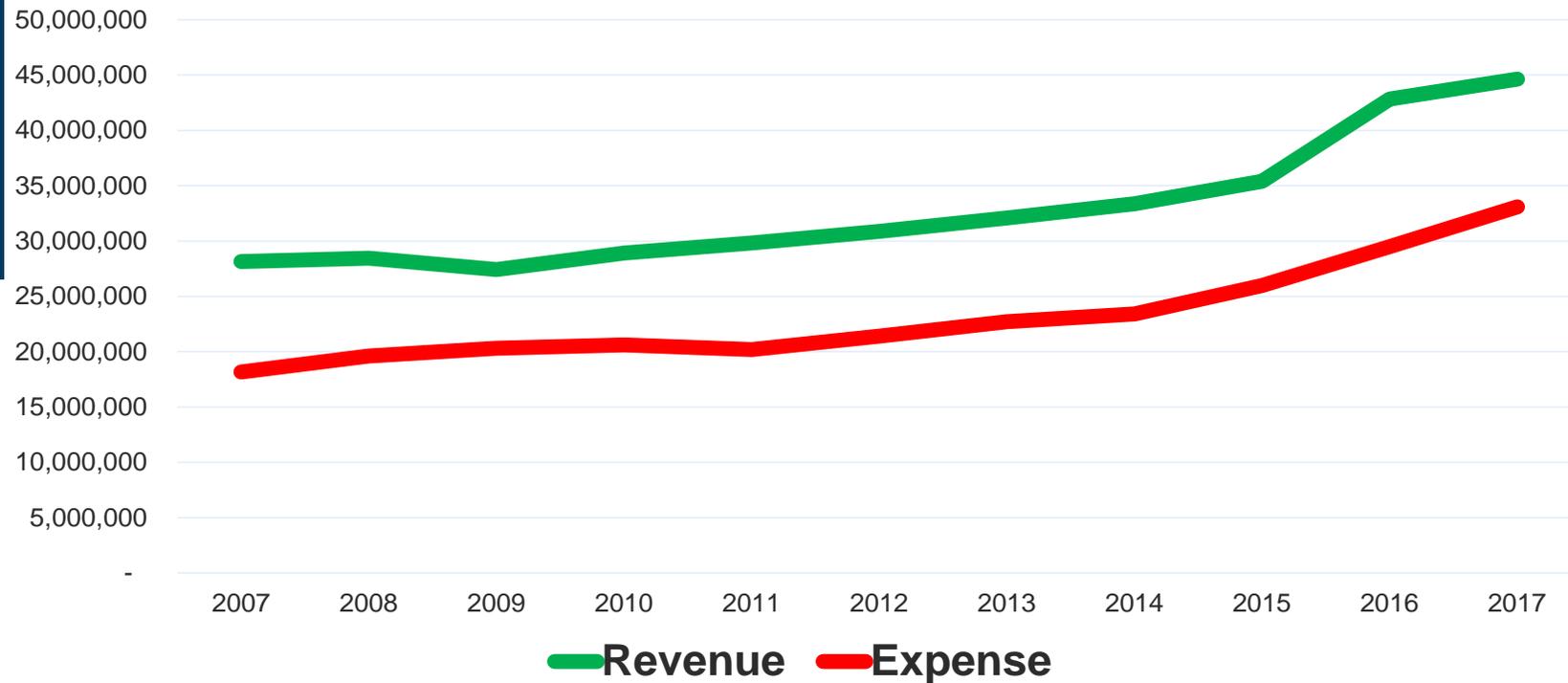


Source: LGFRS-State Auditor's Office-2016. Excludes Transfers In.

Ten Year History of General Fund

Sammamish General Fund Operations *Revenues vs. Expenses from 2007 to 2017*

Sammamish:
financially
sustained
general fund
operations

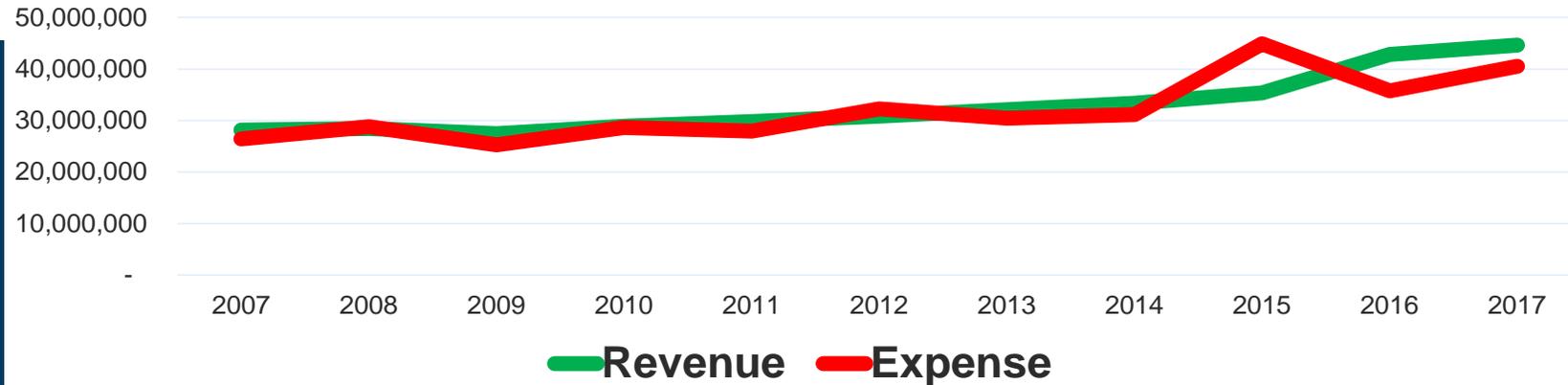


Ten Year History of General Fund

Sammamish General Fund Operations

Revenues vs. Expenses (includes Transfers out) from 2007 to 2017

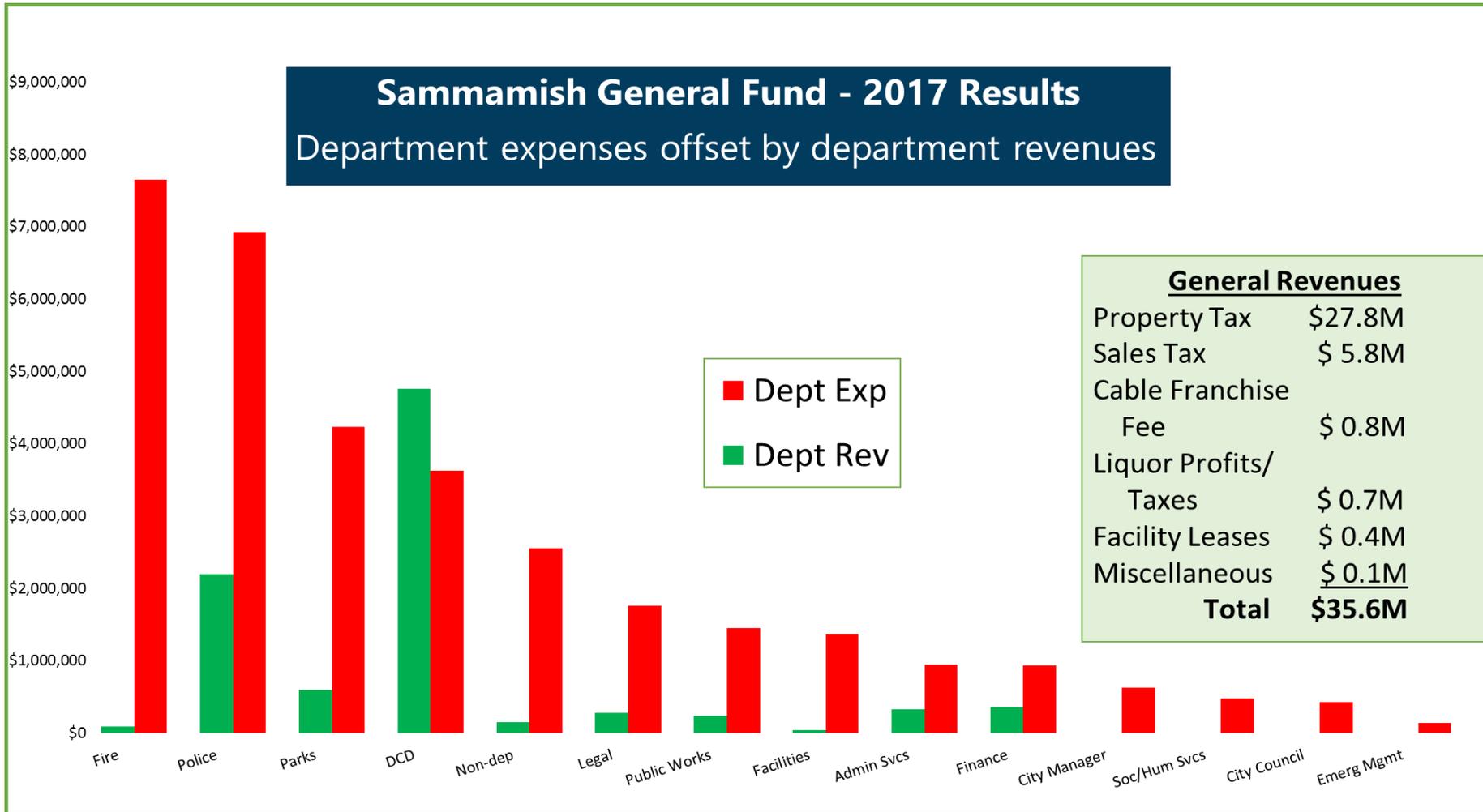
Sammamish:
Investing in capital over 10 years from operations savings



Transfers from the General Fund						
	2007	2008	2009	2010	2011	2012
<i>Street Fund</i>	\$ 1,000,000	\$ 1,000,000	\$ 750,000	\$ 500,000	\$ 5,250,000	\$ 5,250,000
<i>Capital Funds</i>	\$ 7,300,000	\$ 8,200,000	\$ 4,200,000	\$ 7,550,000	\$ 2,500,000	\$ 5,619,948
	2013	2014	*2015	2016	2017	TOTAL
<i>Street Fund</i>	\$ 4,480,000	\$ 4,480,000	\$ 4,480,000	\$ 5,500,900	\$ 5,905,000	\$ 38,595,900
<i>Capital Funds</i>	\$ 3,270,000	\$ 3,270,000	\$ 14,470,000	\$ 770,000	\$ 1,550,000	\$ 58,699,948

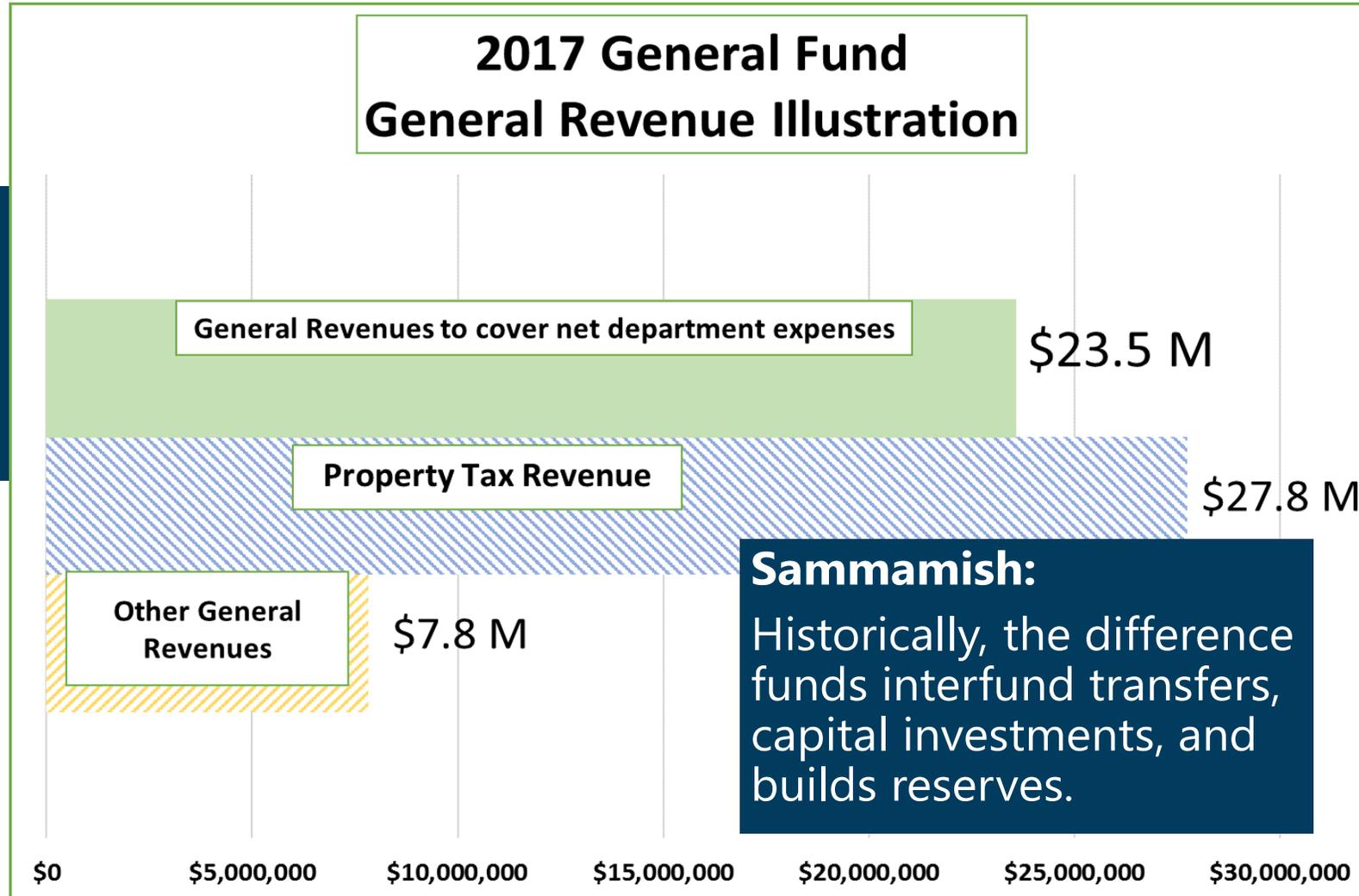
*2015 Transfers include \$6.2 M to purchase Mars Hill and \$5 M for the Community Center

2017 General Fund by Department



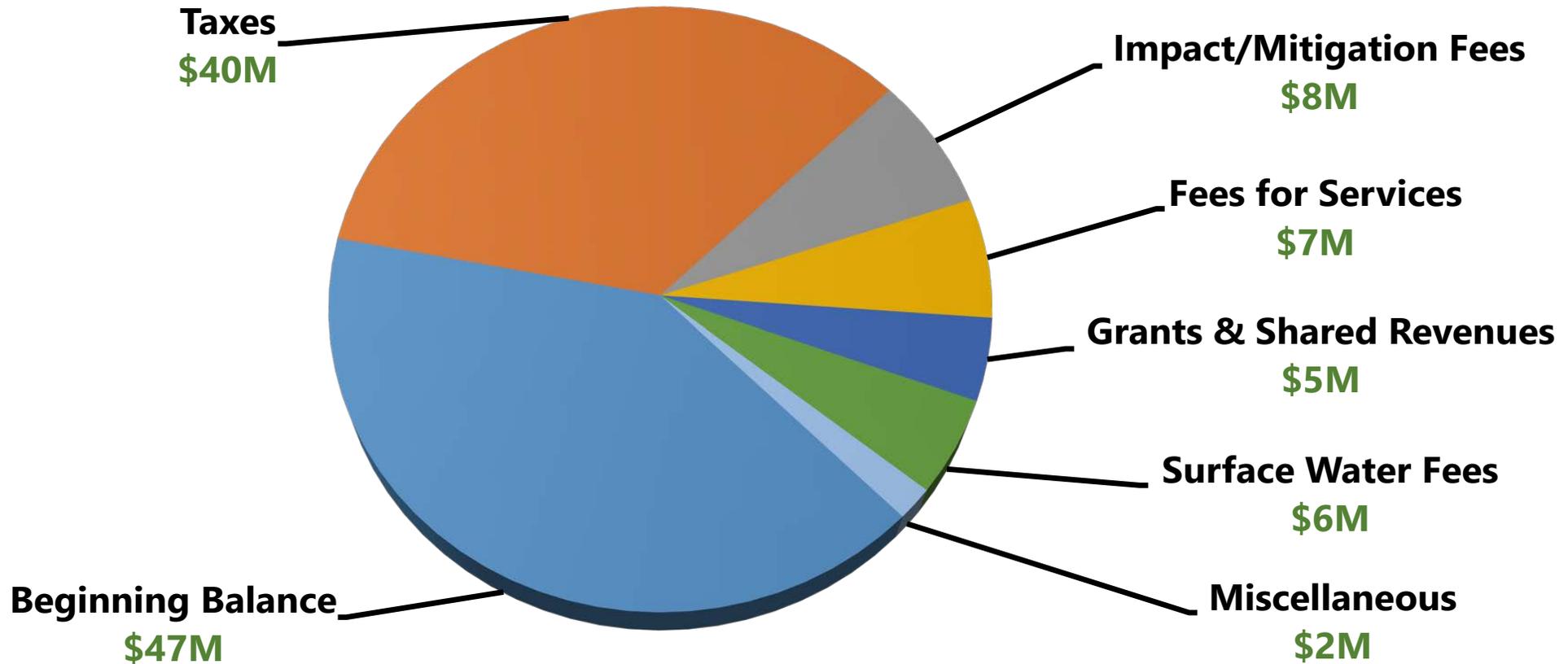
2017 General Fund by Department

Sammamish:
Investing in capital from operations savings



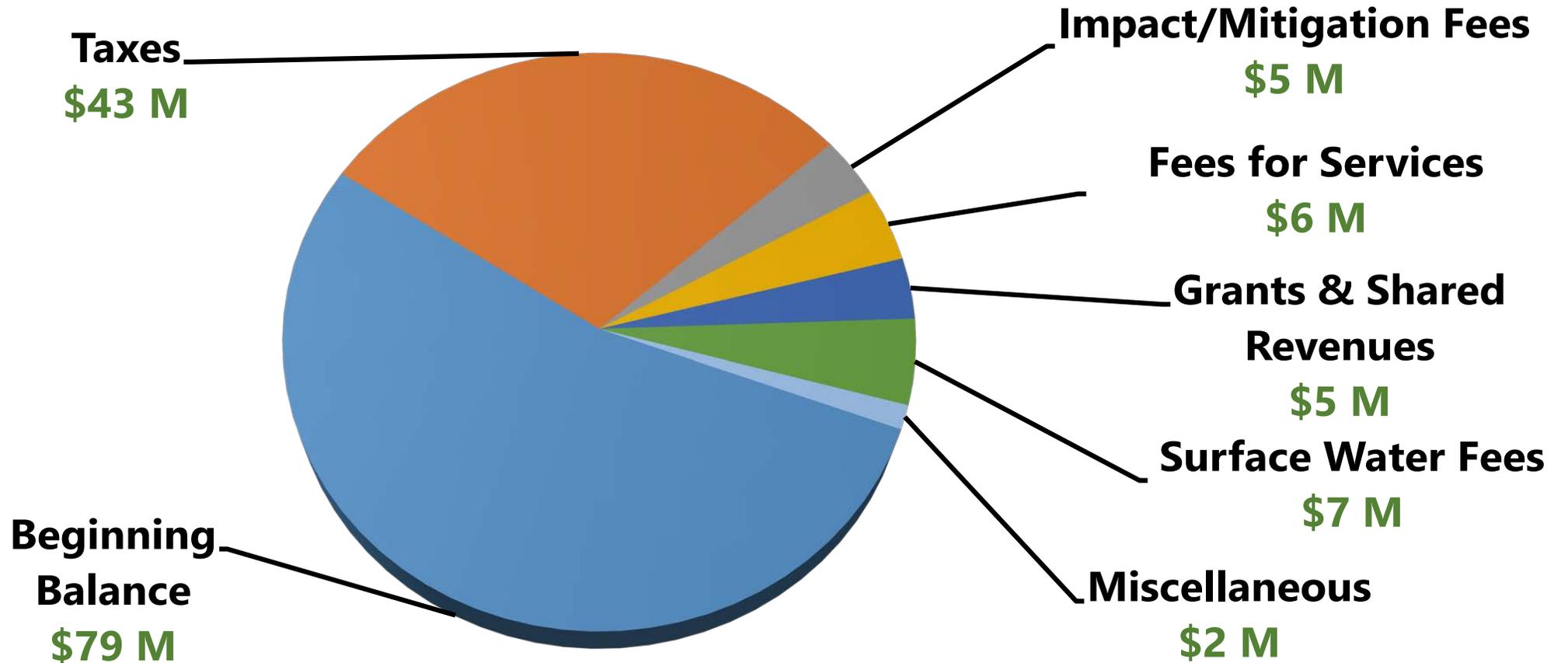
Sammamish:
Historically, the difference funds interfund transfers, capital investments, and builds reserves.

2018 Total Revenue Budget/Plan



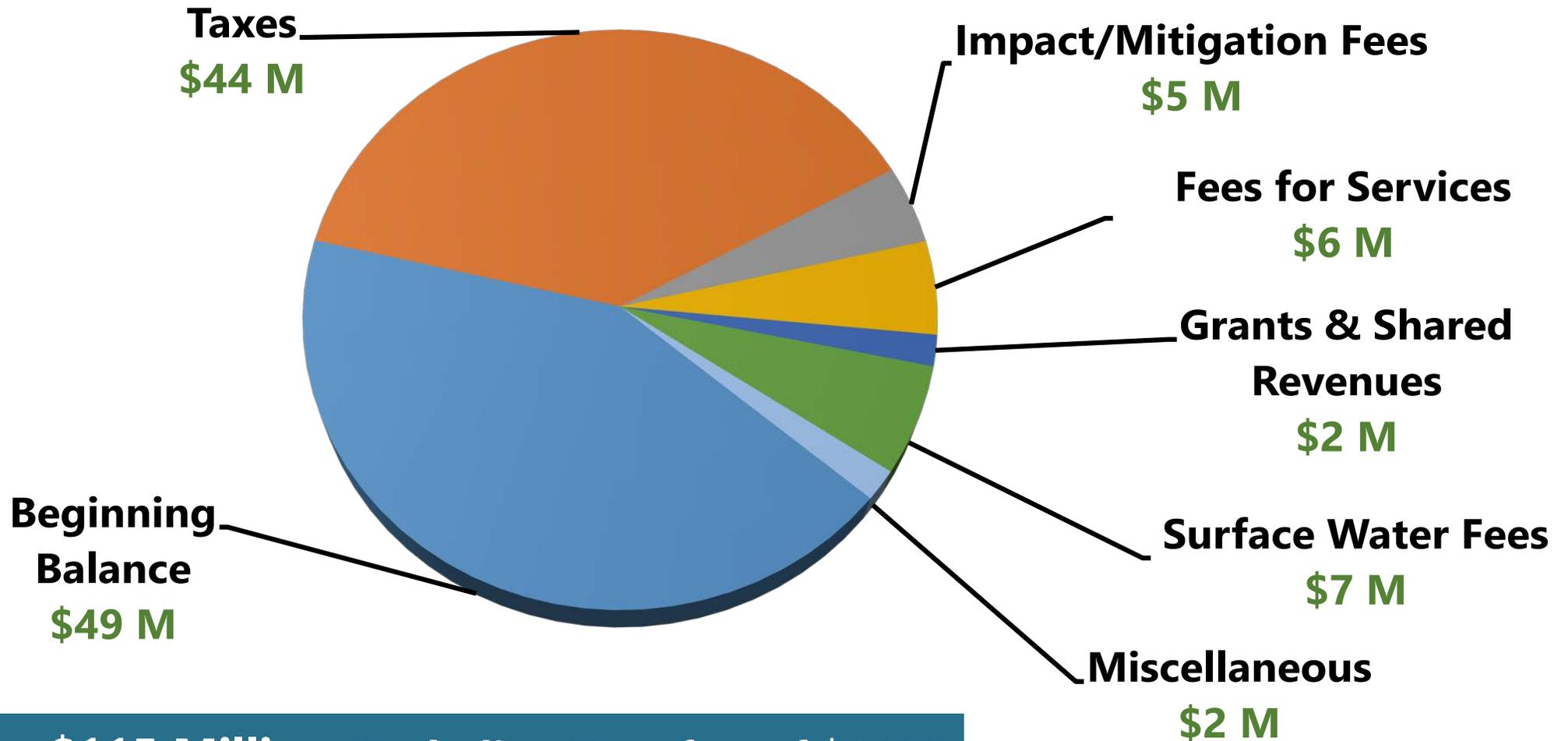
Total = \$115 Million (Excluding Transfers)

2019 Total Revenue Budget/Plan



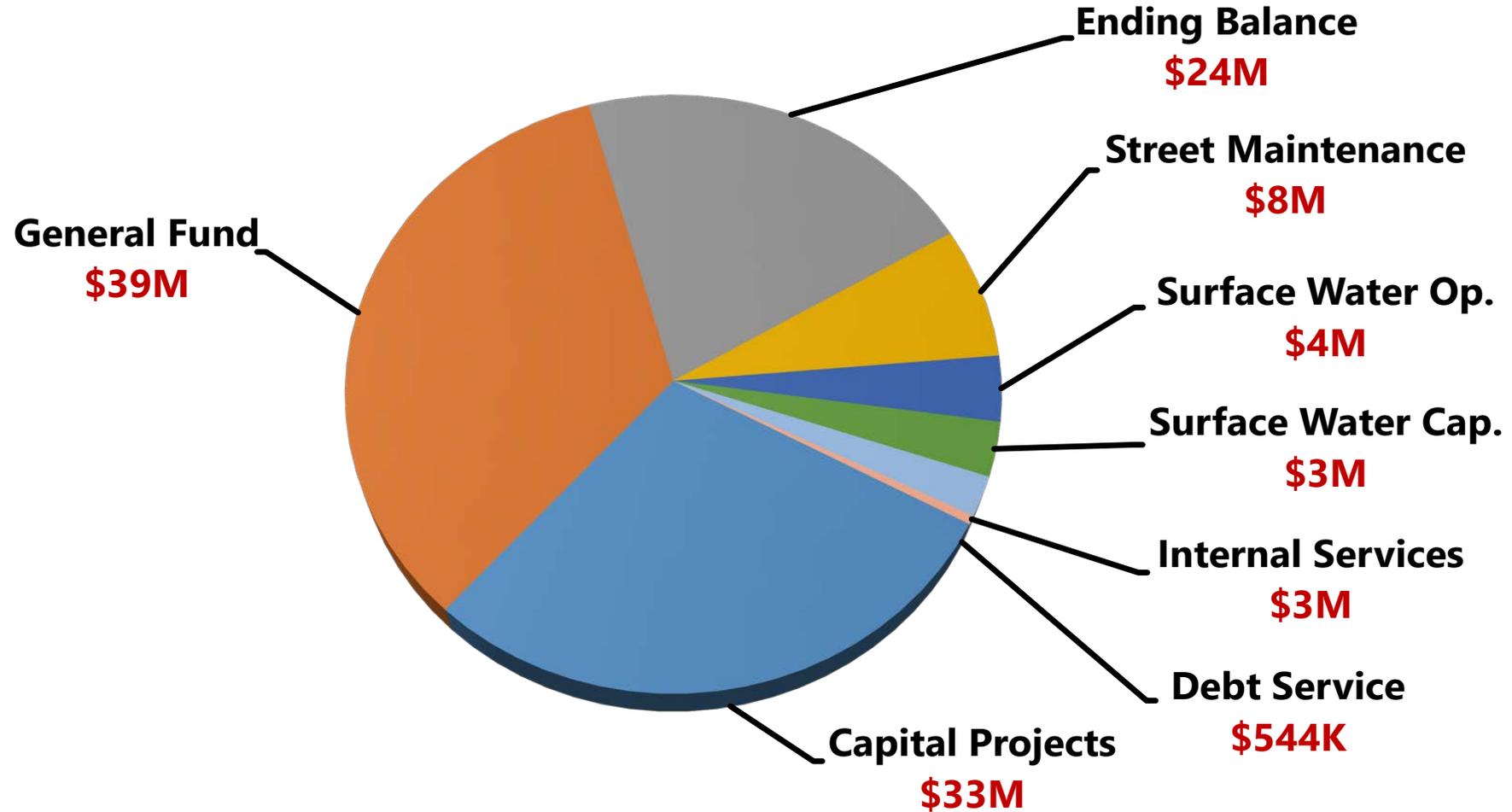
Total = \$147 Million (Excluding Transfers of \$12M)

2020 Total Revenue Budget/Plan



Total = \$115 Million (Excluding Transfers of \$14M)

2018 Total Expenditure Budget/Plan



Total = \$115 Million (Excluding Transfers)

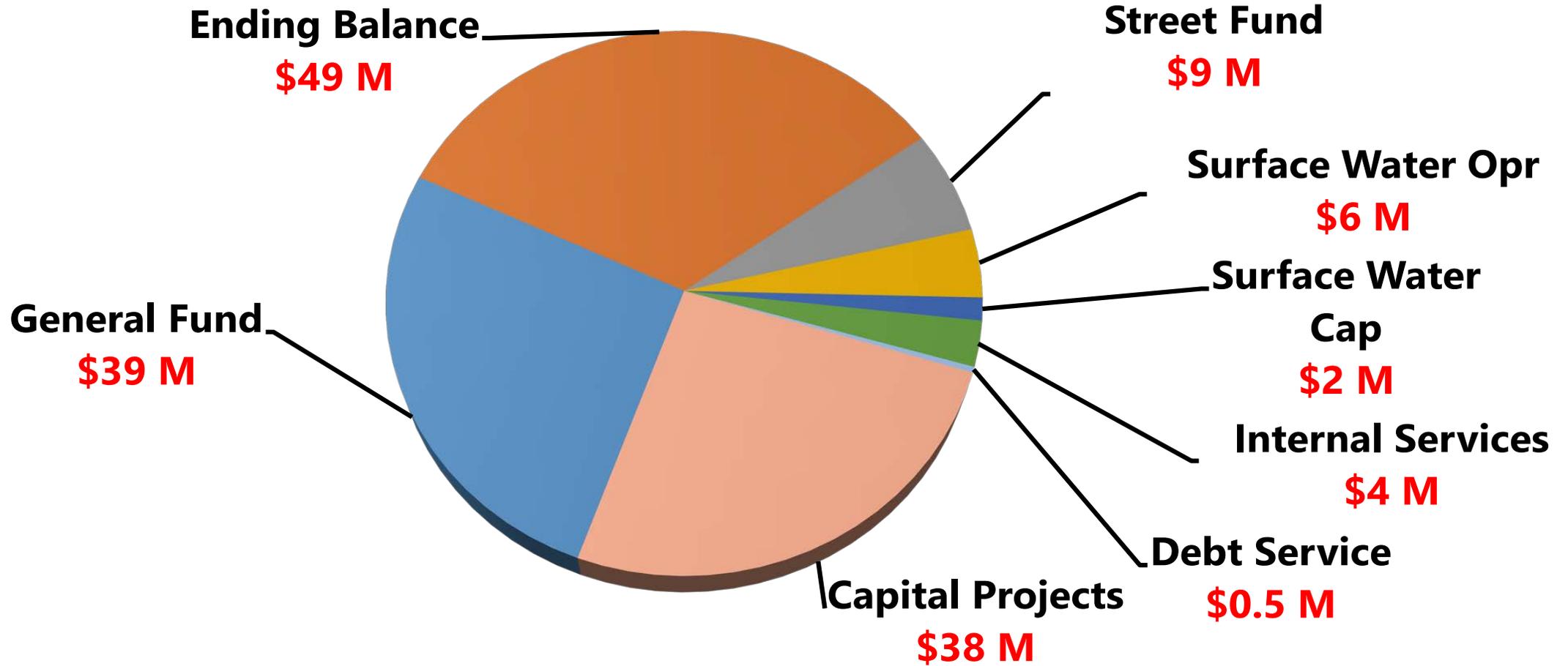
2018 Operating Costs By Department

Department	Cost
Fire and Emergency Medical Services	\$7.9 million
Police Services	\$7.4 million
Public Works/Street Maintenance	\$6.0 million
Parks and Recreation	\$4.7 million
Community Development	\$4.4 million
Roadway Overlay Program	\$3.6 million
Admin Services/Legal/Facilities	\$4.2 million (3 depts.)
Council/City Mgr./Finance	\$2.4 million (3 depts.)
Fleet/Risk Mgmt./IT/EM/Other	\$6.0 million (5 depts.)
TOTAL (without transfers/contingencies)	\$47 million in 2018

The two largest departments of the City are **entirely contracted**.
All others use a mix of contracting & in-house staff.

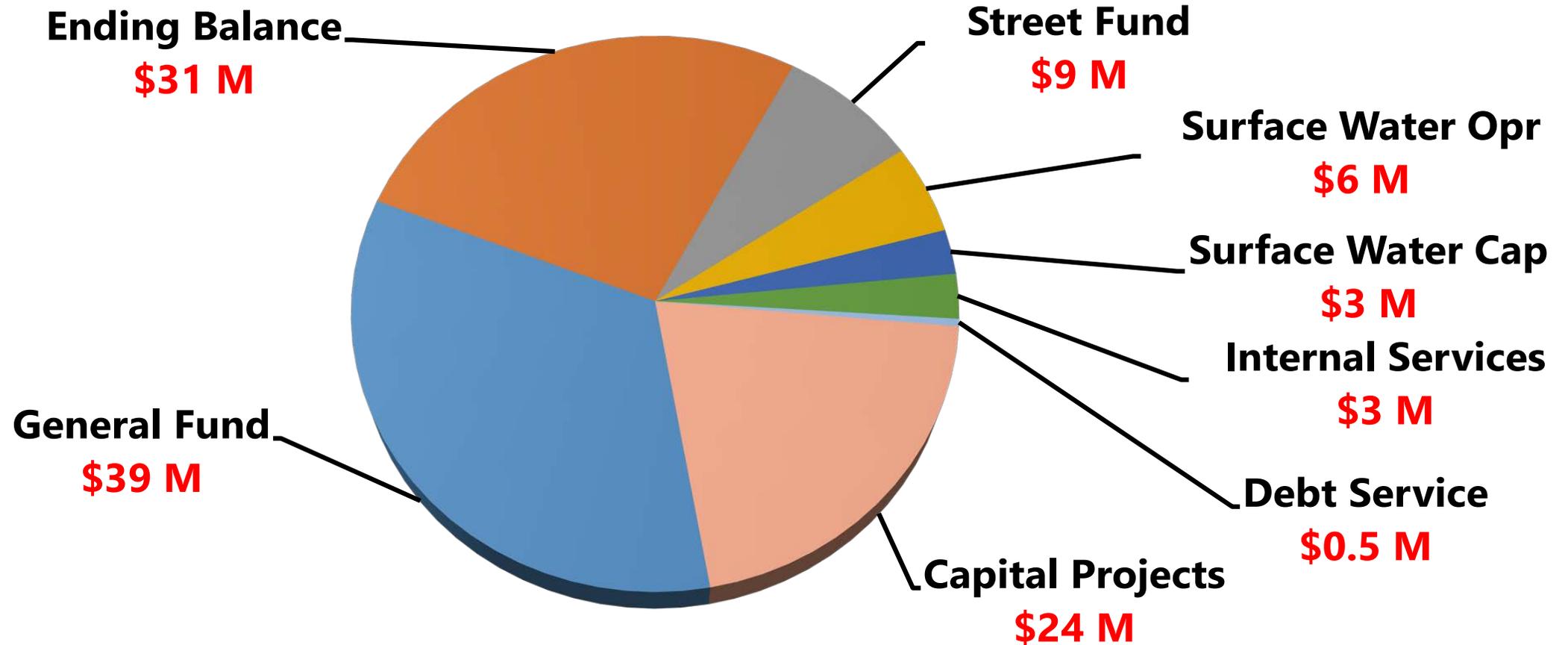
**EXCLUDES
REVENUE OFFSET**

2019 Total Expenditure Budget/Plan



Total = \$148 Million (Excluding Transfers of \$12M)

2020 Total Expenditure Budget/Plan



Total = \$115 Million (Excluding Transfers of \$12M)

2019-2020 Operating Costs By Department

Department	2018 Budget	2019 Plan	2020 Plan
Fire & EMS	\$7.9	\$8.1	\$8.2
Police Services	\$7.4	\$7.5	\$7.7
Public Works/Streets Ops.	\$6.0	\$7.4	\$6.2
Parks & Recreation	\$4.7	\$5.0	\$5.1
Community Development	\$4.4	\$4.8	\$4.6
Road Overlay Program	\$3.6	\$3.6	\$3.6
Admin./legal/Facilities	\$4.2	\$5.1	\$5.2
Council/CM/Finance	\$2.4	\$2.5	\$2.6
Fleet/Risk Mgmt/IT/Other	<u>\$6.0</u>	<u>\$4.4</u>	<u>\$4.0</u>
TOTAL (without transfers/conting.)	\$47	\$48	\$47

The two largest departments of the City are **entirely contracted**.

All others use a mix of contracting & in-house staff

**EXCLUDES
REVENUE OFFSET**

Comparison to adopted 2018 Budget

32

2019 General Fund (GF) Ending Balance = \$8.5 Million

- ✓ Revenue forecast up \$1.4 Million; proposed expenses **down \$300 thousand from 2018** adopted Budget; extra savings from prior years balances funds the difference.
- CPI-U increase June to June = 3.3%; equates to \$1.6M over 2018 general fund adopted budget
- ✓ RESULT: Budget plan is less expensive than a straight inflation adjustment, so public safety cost increases offset by cuts to other department budgets and some operating transfers.
- ✓ RESULT: GF Strategic reserve target of 10% = \$4.4 Million

Comparison to adopted 2018 Budget

2018 ADOPTED BUDGET

(Dollars in Millions)

FUND	Beg. Balance	REVENUE	EXPENSE	End Balance
General Fund	\$16.3	\$42.3	\$48.3	\$10.3
All Funds	\$47.1	\$80.2	\$102.7	\$24.6

2019 DRAFT PRELIMINARY BUDGET

(Dollars in Millions)

FUND	Beg. Balance	REVENUE	EXPENSE	End Balance
General Fund	\$16.8	\$43.7	\$48.1	\$12.4
All Funds	\$79.2	\$79.8	\$110.2	\$48.8

2020 DRAFT PRELIMINARY BUDGET

(Dollars in Millions)

FUND	Beg. Balance	REVENUE	EXPENSE	End Balance
General Fund	\$12.4	\$44.2	\$48.1	\$8.5
All Funds	\$48.8	\$80.1	\$97.8	\$31.1

Comparison to adopted 2018 Budget

34

Positions added/converted to sustain general fund operations included in the results previously shown:

1. Executive Assistant (2018 update to authorized FTE total), action approved at end of 2017.
2. City Clerk (2 LTE): add records management project manager and management analyst.
3. DCD (1 FTE, 1 LTE) – add Sr. inspector FTE position, convert consulting \$'s to LTE principle planner position.
4. Finance (1): Add Sr. budget & rates analyst
5. Facilities (1) – convert 9-month maintenance position to FTE
6. Parks (1.5) - convert LTE Associate Parks Planner to FTE, Add 0.5 FTE Office Assistant.

Comparison to adopted 2018 Budget

35

Positions added/converted to sustain general fund operations included in the results previously shown:

6. Technology (4): add Director, Applications Specialist, convert two contracted positions to FTE's. (increases cost of interfund payment from General Fund to Tech fund 502)

Total FTE adds to General Fund = 5.5 + 4 FTE added in Tech Fund

Comparison to adopted 2018 Budget

36

New positions proposed to be added in other funds:

- TRANSPORTATION FUNDS (4): Add Sr. Traffic Engineer, 2 Signal Technicians, Transportation Planner, and Traffic Engineering Manager to Public Works.
- SURFACE WATER UTILITY (3): Add Sr. Project Engineer, Matinenance Worker, and Stormwater Engineering Technician
- Assumes 2.43% four year average general wage adjustment vs. 3.3% annual CPI-U

Comparison to adopted 2018 Budget

37

- Fully Funds option 3B of EF&R contracted fire service 4.38% or \$344,259 increase from 2018 to 2019.
- Fully Funds King County Sheriff's Office police services ILA increase of 5% or \$340,250 based on proposed Exhibit B contract costs driven by labor, overhead and workload increases.
- Foregoes (again) the allowable 1% increase in City's property tax levy. (Equates to approx. \$280,000 for City): For a \$900,000 home; 1% increase in the 2018 city levy of $\$1.724/\$1000AV$ = increase from \$1552 to \$1567 paid to the city annually (or \$15 per year).
- Does not add any other new taxes (Utility, B&O, Transportation Benefit District)
- Does not use any Councilmanic debt capacity to bond for future assets

Comparison to adopted 2018 Budget

38

Previous Council added programs/funds that were included in the proposed funding of the 2019-2020 general fund :

- ARCH Trust Fund contribution of \$100,000 per year
- Social & Human Services programming: \$335,000 per year (including part-time city position and Commission support)
- Contracted (5) Legal Services: Prosecution, public defender, city attorney, Hearing Examiner, Municipal Court at \$1.7 M per year
- Arts Commission programming funds \$64,200 per year
- Culture funding of \$61,000 per year

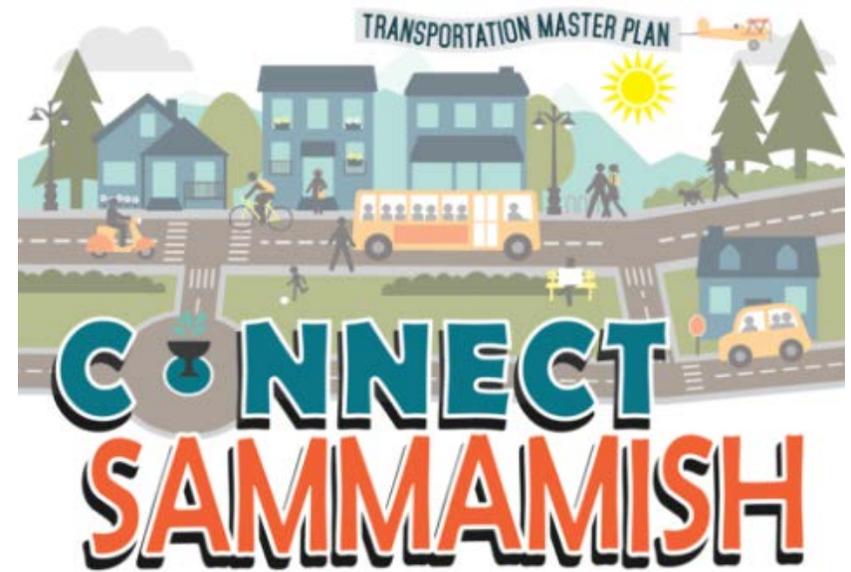
Capital Budget Direction

Other Council Direction to Interim City Manager?

2019-2020 Budgeted capital funds are based on Council approved Parks CIP and Transportation CIP adopted plans

Future Considerations (Mid-Bi):

- Transportation Master Plan (TMP)
- Facilities and IT 6-year Capital plans
- Town center Infrastructure, Police Services Study, Fire Stations Needs.
- State increase in Prevailing wage - landscaping



Discussion & Direction

40

Based on a review of the draft preliminary Interim City Manager's budget:

- Should the general fund strategic ending fund balance reserve target of 10% (\$4.4 million) be maintained or increased?
- Are there programs and/or services Council would like to add or cut in 2019 or 2020 from the 2018 Council approved budget?
- Other direction on proposed revenue or expenditure items?