



**CITY COUNCIL MEETING
MARCH 20, 2018**

**PRESENTED BY
CHASE DONNELLY, ACCOUNTING SUPERVISOR
ON BEHALF OF
ADÉ ARIWOOLA, FINANCE DIRECTOR**

Structural Imbalance

Definition

Matching of ongoing expenditures with ongoing revenues. If revenues equal or exceed expenditures, structural balance is achieved.

Budget Deficit

Definition

Government spends more than it receives in revenues. When it persists, it becomes structurally imbalanced.

There Are Two Issues

- 1. 2018 Budget Adjustment requests*
- 2. What is to come after 2018 and beyond?*

2018 Budget Adjustment

...is a sign of what is to come.

How Do We Solve The Current Problem?

1. *Can we reduce staff?*
2. *Can we be more efficient?*
3. *Can we find other sources of revenue?*
4. *Are we getting everything done?*

Can We Reduce Staff?

Background on our major departments:

- *Parks*
- *Public Works*
- *Police*
- *Community Development*

Federal Way Parks Department

1. *Serving a population of 96,350*

2. *38.5 FTE*

3. *1,139 Acres*

4. *Recently added:*

a) *Town Square Park*

b) *Laurelwood Park*

c) *2 New Ball Fields at Lakota Park*

d) *Brooklake*

} 30 New Acres

Parks Comparisons

City	Population	FTE	Developed Parks	Open Space	1 FTE per
Federal Way	96,350	38.5	599	1139	2,503 residents
Auburn	77,442	50	387	681	1,549 residents
Renton	100,953	94.5	338	1009	1,068 residents
Kent	127,514	98	421	876	1,301 residents
Tukwila	20,000	34	281	0	588 residents

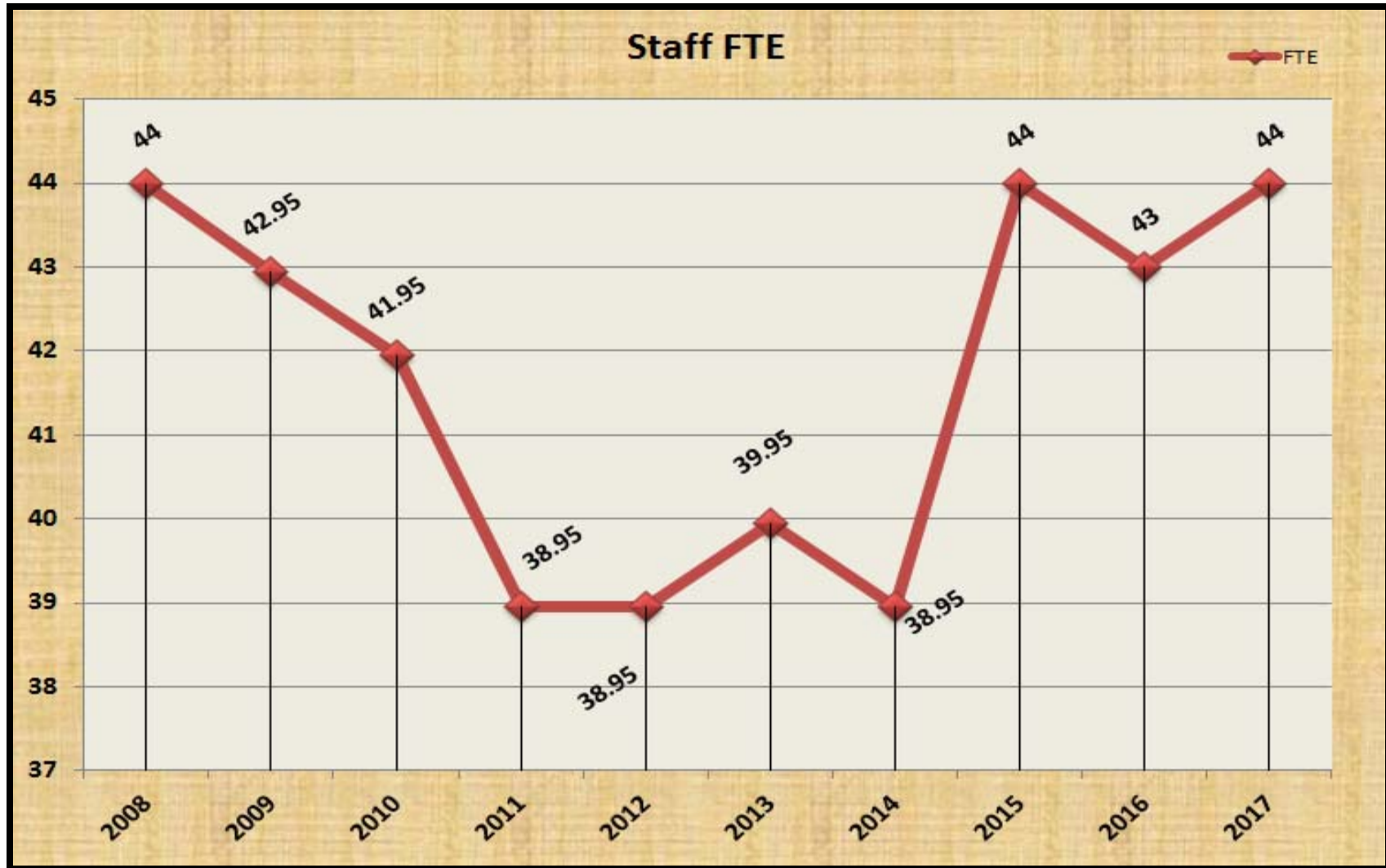
NRPA Median FTE staffing is 48.9 for populations of 50,000 - 99,000



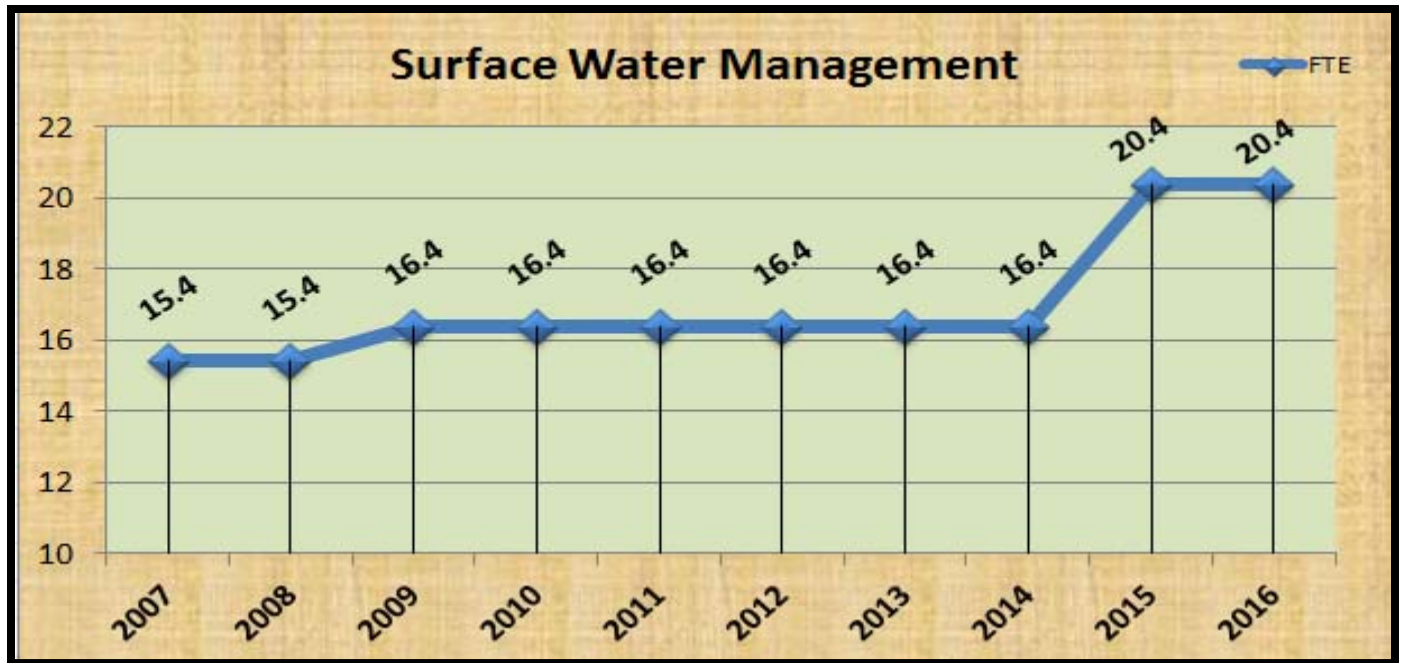
Staffing Parks



Staffing Public Works



Staffing Public Works



...continued

Staffing Police



Officers Ratio

Cities	Population	Commissioned Officers	Per Capita Ratio
Kent*	127,100	157	1.23
Federal Way	96,350	131	1.36
Auburn	78,960	118	1.49
Tacoma	208,100	336	1.61
Lakewood	59,280	96	1.62
Seattle	713,700	1,404	1.97

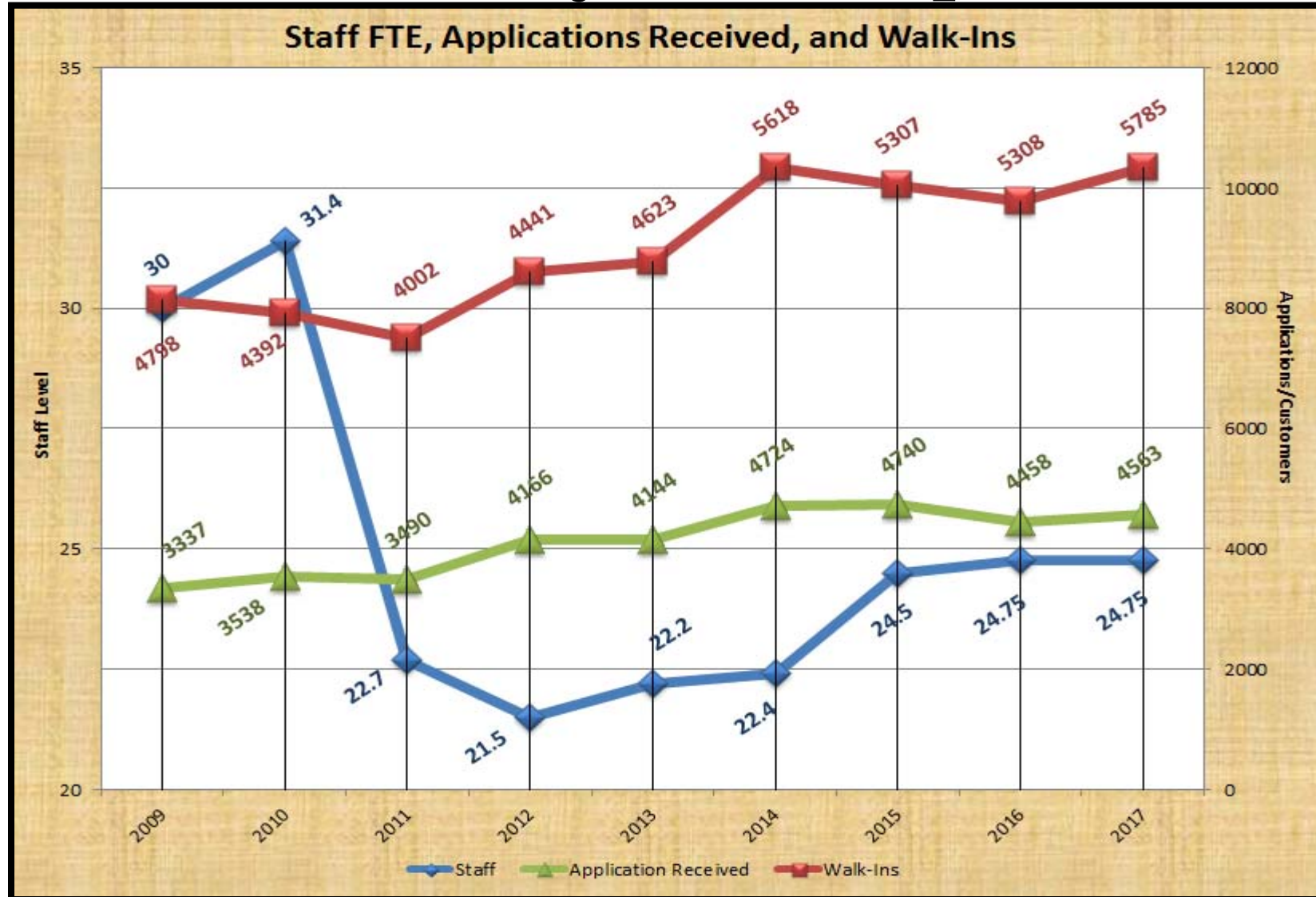
*Kent is seeking to add 20 more officers with a levy which will bring them to 1.39.



Employee/Population Comparison

Year	Total Employees	Population
2007	348.35	87,390
2017	324.20	96,350
Change	(24.15)	8,960
% Change	(7%)	+10.3%

Community Development

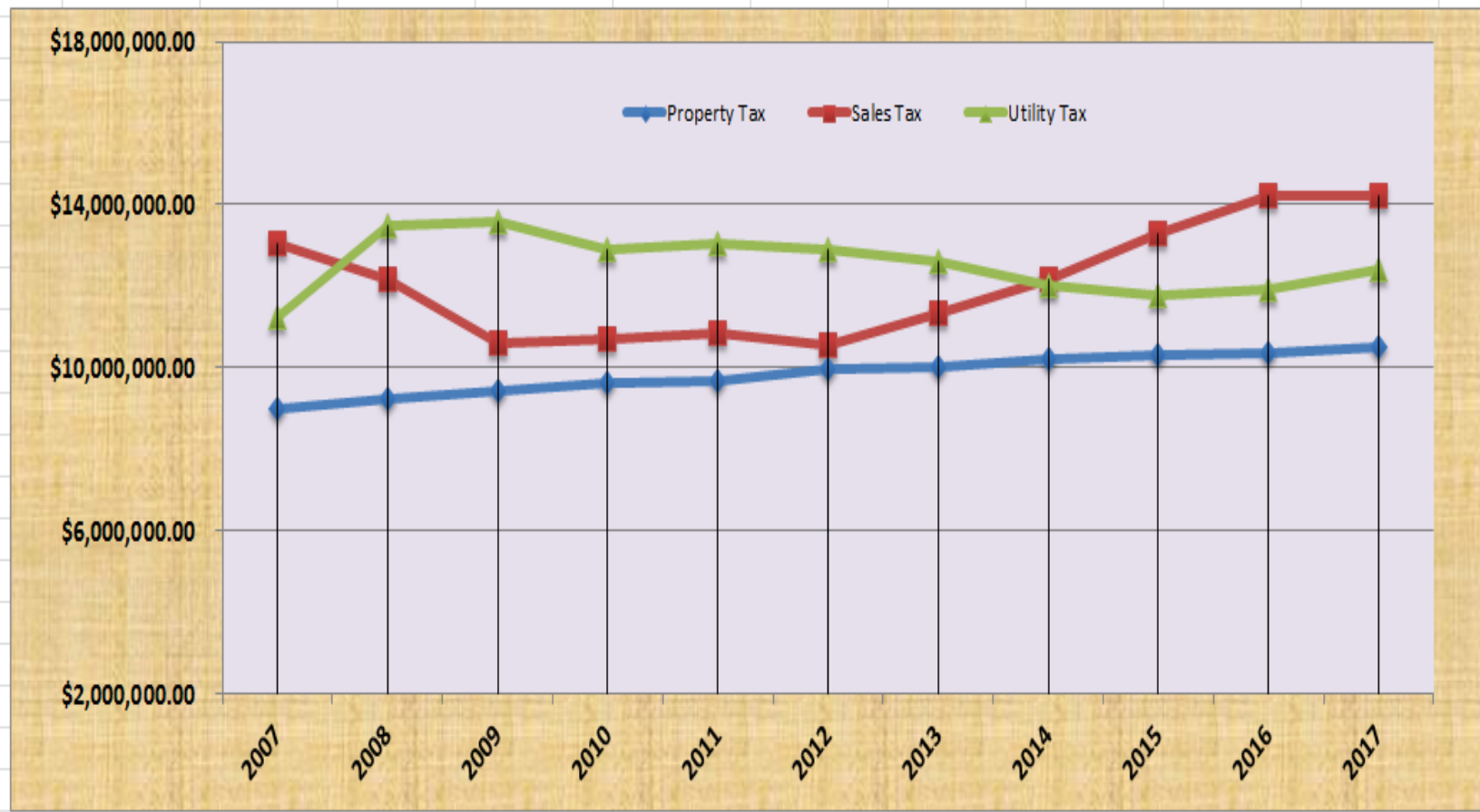


Can We Reduce Staff?

- We have increased the workload and reduced staff
- We have staff doing the work of 2 people
- We have staff not able to keep up with the workload

Property, Sales and Utility Tax

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Property Tax	\$ 9,006,922	\$ 9,213,312	\$ 9,443,649	\$ 9,614,187	\$ 9,672,887	\$ 9,978,143	\$ 10,004,861	\$ 10,233,416	\$ 10,305,144	\$ 10,358,895	\$ 10,507,571
Sales Tax	\$ 13,048,624	\$ 12,144,276	\$ 10,583,298	\$ 10,708,951	\$ 10,858,381	\$ 10,534,147	\$ 11,346,338	\$ 12,173,290	\$ 13,297,085	\$ 14,222,496	\$ 14,199,460
Utility Tax	\$ 11,262,340	\$ 13,469,136	\$ 13,562,939	\$ 12,890,309	\$ 13,068,510	\$ 12,903,778	\$ 12,584,294	\$ 12,023,379	\$ 11,796,548	\$ 11,902,866	\$ 12,425,975



2018 Budget Shortfall

Funding Options	Amount
Admissions Tax	218,000
Delay Hiring Officers – one time	155,000
Extend Useful Life of Patrol Cars – one time	104,000
Adjust PAEC Staff – one time	71,000
Subtotal	548,000
Use of Fund Balance – one time	300,000
	\$848,000

What Are We Paying For In 2018?

➤ Utilities for PAEC	140K
➤ Maintenance Contract	145K
➤ Other Services and Supplies	66K
➤ Software, IT Equipment	107K
Total	\$458K

What Are We Paying For In 2018? ...continued

➤ SCORE	678K
➤ Equipment Replacement	358K
Total	\$1,036K

Quick Fix

The following are quick fixes for the 2018 Budget.

- \$155,000 from hiring delay - one time
- \$71,000 from PAEC staff - one time
- \$300,000 from use of Fund Balance - one time

What is Not Currently Included

Challenges of 2019 Budget

Union Agreement with Guild	TBD
Union Agreement with Teamsters	29,740
Health Insurance Increase (15%)	644,640
When COP Grant Expires (580k x 40%)	232,000
Non Rep 1%-5%	144,000 – 718,000
Additional Staff	Depends
Refunding the Fund Balance	300,000

What Is Not Getting Done?

1. *Facility Maintenance*
2. *Permitting Review Response Time*
3. *Project Supervision*

We are not getting everything done.

Can We Be More Efficient?

Based on the staff level, equipment we have,
and what we are getting done, we are efficient.

Can We Find Other Sources of Revenue?

We propose several options.

In order not to over tax one group, the funding should be spread among different groups.

Operating Revenue

Revenue that can be used on most city functions

- *Property Tax*
- *Sales Tax*
- *Utility Tax*
- *Admissions Tax*

Capital Revenue

Revenue that is limited by enabling legislation or the conditions of the grant

- *REET*
- *LIFT*
- *Grants*
- *Traffic Impact Fees*
- *SWM Fees*

Major Projects In The Last Few Years

➤ **Town Square Park**

➤ REET	2015-17	1,700,000
➤ SWM Fees	2015-17	400,000
➤ Donations	2016	24,050

➤ **Grand Staircase**

➤ LIFT	2017-18	2,500,000
➤ King Co. Grant	2017-18	500,000
➤ REET/Other	2017-18	125,000

➤ **Target Property**

➤ Bond	2014	8.2 million
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Major Projects In The Last Few Years ...Continued

➤ **PAEC Land**

➤ Grant	2010	5,372,671
➤ REET	2010/11	7,604

➤ **PAEC Construction (32.13 million)**

➤ LIFT	1.81 million
➤ REET	3.78
➤ Utility	6.42
➤ Federal/State/Local Grants	9.29
➤ NMTC	2.06
➤ Private Contributions	0.99
➤ Other	0.39
➤ Interfund Loan	7.39

Recap Of Your Questions

Q: What other jurisdictions have imposed this type of tax on a utility provider with elected officials?

A: City of Wenatchee, Ordinance 2011-58. 16% on Chelan County PUD #1.

Q: What other tax opportunities can we explore?

A: Mixed options protects over taxing one group.

ie: Higher business registrations on storage units.

Max. amount of about \$178k on 9 businesses.

Citizens have certain control on utility tax.

Q: How many staff departed between 2016 and now?

A: 74 – due to resignation, retirement, termination

Q: How many positions have been filled?

A: 3 are currently in the interview stage. Application for 1 position in review (just posted). Police officers are on-going.



Recap Of Your Questions ...continued

Q: Officers ratio to citizens?

A: Goal is 1.4 officers/1,000

At 136, the ratio will be 1.39/1,000

Q: How many officers have left in the last 2 years?

A: 2017 - 14

2016 - 7

Q: Impact of wage increase on non-rep employees?

A:

1%	\$144k
2%	\$287k
3%	\$431k
4%	\$574k
5%	\$718k

Recap Of Your Questions ...continued

Q: How far behind is non-rep?

A: Some are 10% of comparable cities.

Q: What is the franchise fee others are charging?

A: City of Des Moines charges 6% on Highline Water District without paying hydrant fee.

Q: What happens if Lakehaven goes to court?

A: That is why we need to do this now before we start the 2019/20 Budget.

Conclusion

- *Prior leadership

- Property Tax
- Current leadership is responsible for now

- *\$300k Fund Balance

- If there is no way to pay it back, we cannot use it

If you cannot fix this now before we start the 2019/20 Budget process, the following are options:

- *Not taking COP Grants

- May not be eligible for future grant
- Will stay at 131

- *Lay off and impact of lay off

- You already have staff doing the work of 2 people
- You already under pay staff
- You will be adding job insecurity



QUESTIONS

