

**City of Federal Way
Washington**

**2007/2008
BUDGET IN BRIEF**

For the biennium
January 1, 2007
Through
December 31, 2008



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2007/2008
CITY OFFICIALS
LEGISLATIVE BODY

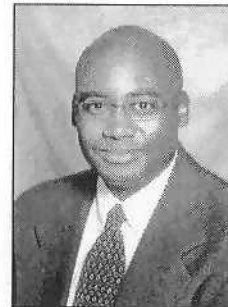
<u>Position</u>	<u>Council Member</u>	<u>Term</u>	<u>Term Expires</u>	<u>Contact Informatin</u>
Position #1	Jim Ferrell, Deputy Mayor	4 years	12/31/2007	jim.ferrell@cityoffederalway.com (253) 835-2401
Position #2	Linda Kochmar	4 years	12/31/2009	linda.kochmar@cityoffederalway.com (253) 835-2401
Position #3	Michael Park, Mayor	4 years	12/31/2007	michael.park@cityoffederalway.com (253) 835-2401
Position #4	Jeanne Burbidge	4 years	12/31/2009	jeanne.burbidge@cityoffederalway.com (253) 835-2401
Position #5	Jack Dovey	4 years	12/31/2007	jack.dovey@cityoffederalway.com (253) 835-2401
Position #6	Eric Faison	4 years	12/31/2009	eric.faison@cityoffederalway.com (253) 835-2401
Position #7	Dean McColgan	4 years	12/31/2007	dean.mccolgan@cityoffederalway.com (253) 835-2401



MICHAEL PARK
Mayor



JIM FERRELL
Deputy Mayor



ERIC FAISON
Councilmember



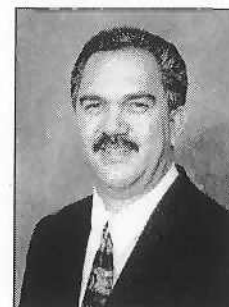
JEANNE BURBIDGE
Councilmember



JACK DOVEY
Councilmember



LINDA KOCHMAR
Councilmember



DEAN MCCOLGAN
Councilmember

JUDICIAL BRANCH

<u>Position</u>	<u>Employee</u>	<u>Elected/ Appointed</u>	<u>Term</u>	<u>Office Date</u>	<u>Contact Information</u>
Presiding Judge	Michael Morgan	Elected	2 Years	1/1/06	michael.morgan@cityoffederalway.com (253) 835-3025
Judge	Vacant	Appointed		n/a	n/a
Court Administrator	Gina Palermo	Appointed		06/19/03	Gina.palermo@cityoffederalway.com (253) 835-3002

CITY ADMINISTRATION

<u>Position</u>	<u>Employee</u>	<u>Appointment</u>	<u>Contact Information</u>
City Manager	Neal Beets	08/01/06	neal.beets@cityoffederalway.com (253) 835-2401
Assistant City Manager	Derek Matheson	01/01/01	derek.matheson@cityoffederalway.com (253) 835-2411
City Attorney	Patricia Richardson	10/07/02	patricia.richardson@cityoffederalway.com (253) 835-2570
Community Development Services Director	Kathy McClung	01/025/01	kathy.mcclung@cityoffederalway.com (253) 835-2610
Economic Development Director	Patrick Doherty	08/16/04	patrick.doherty@cityoffederalway.com (253) 835-2612
Management Services Director	Iwen Wang	04/04/94	iwen.wang@cityoffederalway.com (253) 835-2510
Parks, Recreation & Cultural Services Director	Donna Hanson	01/01/05	donna.hanson@cityoffederalway.com (253) 835-2412
Public Safety Director	Brian Wilson	08/02/06	brian.wilson@cityoffederalway.com (253) 835-6701
Public Works Director	Cary Roe	10/17/94	cary.roe@cityoffederalway.com (253) 835-2710

VISION

Federal Way is a community known for its cultural diversity, attractive parks, safe neighborhoods, and vibrant business centers.

MISSION

The City of Federal Way is responsive, innovative and fiscally responsible in delivering quality services, promoting economic development, improving infrastructure, and managing growth.

GOALS

- Integrate the public safety strategy into all facets of City operations, building on a strong community-based approach.
- Create a multi-use urban city center that is pedestrian friendly, linked to neighborhoods and parks, and services as the social and economic hub of the City.
- Establish Federal Way as an economic leader and job center in South King County by attracting a regional market for high quality office and retail businesses.
- Maintain the capital facilities plan and provide financing options for transportation and surface water improvements, parks, recreation, cultural arts and public facilities.
- Ensure a responsive service culture within the City organization where employees listen carefully, treat citizens and each other respectfully and solve problems creatively, efficiently, and proactively.
- Position Federal Way as a regional leader by working collaboratively with other local and regional jurisdictions in order to leverage resources.

Adopted March 7, 2006



December 5, 2006

Dear Residents, City Council, and Staff:

This letter transmits the City's Operating Budget for 2007-2008 and a six-year Capital Investment Plan (CIP) for 2007-2012. I am pleased to present a balanced budget that preserves existing services without a general tax increase and positions the City to adequately fund capital investment commitments in 2007-2008 and beyond.

2007/08 BUDGET PROCESS

As part of the 2007/08 budget planning process, Council reviewed the City's fiscal structure for providing general government services to the Community. Through this review, it became apparent that various tax-limiting initiatives have made a significant impact on the growth rates of City revenues. It also became apparent that rapidly escalating operating costs – particularly in the areas of health insurance, state pension increases, and energy costs – will exceed our limited revenue growth.

The difference between the average growth rate of revenues and expenditures is approximately 2% per year. On a \$34 million general fund budget, that would create a nearly \$700k budget deficit each year. When this structural problem is combined with the use of one-time money to fund on-going expenses in our current budget, the City would face a baseline budget gap of \$1.2 million in 2007, \$1.8 million in 2008. This potential deficit would grow to \$3.2 million by 2010, and \$4.8 million by 2012.

The Council provided two types of guidance to resolve this potential deficit. With respect to the City's baseline budget, the Council authorized cuts in non-public safety areas and allowed the transfer of a portion of the capital utility tax to balance City operations needs. This allows us to continue current City operations at approximately the same level of service without any tax increase. That is the baseline budget described in detail below.

With regard to public safety, the Council directed staff to prepare a Police and Community Safety Service Enhancement proposal for the voters to consider. That proposal, outlined below, allows voters to decide whether they wish to pay higher utility taxes to pay for a higher level of public safety.

While the transfer of the utility tax allows the City to maintain current services in the next four years, and the voter package provides improved public safety services, unless the City's economy starts to grow at much faster pace than the past, the City is expected to face budget gaps again after 2010. Therefore, it is even more important than ever that we continue to grow our local economy and tax base.

VOTER PACKAGE

The enhancements of police and community safety focuses first on improving the core functions of policing: patrol, traffic, and investigations. The voter package adds 18 sworn police officers and one record clerk in the Police Department. It also provides more funds for the Municipal Court, City criminal prosecution, and jail and support services, whose workload will increase with an increased number of police officers. Finally, the voter package adds one additional code compliance officer, related legal support, one park maintenance worker, and funding for City park security.

This is an integrated strategy designed to make a substantial impact on the most essential public and community safety needs. This package supplements existing services as outlined and is incorporated into the Final Adopted Budget. A detailed list of the services and associated costs is shown in Exhibit C.

BASELINE BUDGET

The baseline budget for 2007-2008 includes the following notable changes. To begin with, we anticipate the new Federal Way Community Center will be operational in the first quarter of 2007. To clearly account for the operation of the Community Center, a new fund is being created for the Center's operation. Activities such as the Klahanee Center and Kenneth Jones Pool, which used to be accounted for in the General Fund (GF), are being removed from it. This reduces GF revenues by \$540k and expenditures by \$534k.

The new Community Center will add 8.9 FTEs to the current City staff. It will have an operating budget of \$1.7 million in 2007 and \$1.9 million in 2008, supported by user fees and a designated utility tax transfer. In addition to the change in operating budget, the startup of the new Community Center will also involve some one-time transition/start up costs as detailed later in this letter.

As in prior years, the baseline budget only includes programs that can be supported with on-going resources. With the direction from the Council to use a portion of the utility tax to support current services, we were able to incorporate one-time programs into the baseline budget. This means we are restoring/converting 3.0 positions from temporary to regular positions, including the halftime Economic Development Assistant. It also means we are moving around \$700k in one-time expenditures into the baseline budget.

The baseline budget also includes:

1. A Cost of Living Adjustment (COLA) to wages for a majority of city employees which is based on 90% of the Seattle/Tacoma/Bremerton area mid-year consumer price index; this translates into a COLA of 3.15% for 2007 and a projected COLA of 3% for 2008. This and annual step increase would add nearly \$1 million a year to the budget.
2. Benefit costs, based on projected premium increases of 10% for medical/dental, and 86% increase in State Pension contributions over the next two years.
3. A 5% increase in jail contract costs.
4. A projected increase in the Valley Communications (9-1-1 dispatching) assessment of \$186,254 due to the addition of five new call receiver/dispatcher positions proposed for the Communications Center.

This baseline budget also incorporates increases for various contracted services the City maintains or assessments from other governmental entities. To accommodate these cost increases

City operating departments were asked to identify cost reductions or revenue options equal to 2% of their department's budget.

Through this process, we recommended minor user fee adjustments (between 2% to 3%) to certain recreation activities whose fees have not been adjusted in recent years and to continue to adjust permit and development fees by inflation.

These fee adjustments, together with expenditure reductions identified by departments, will provide \$242k in 2007 and \$322k in 2008 to accommodate inflationary cost increases without a general tax increase.

PROJECTED 2006 GENERAL FUND YEAR END BALANCES

Following a robust economic development and construction period in 2005, 2006 continues to see strong new construction and development activity. New construction sales tax and development fees are expected to exceed their respective budgeted amounts by approximately \$1 million and \$750k by the end of the year. This additional revenue, however, is offset by lower gambling tax and projected increases in jail expenses resulting in a net surplus of \$1.4 million. This 2006 operating surplus plus the unallocated 2005 balance forward of \$867k (net of the police officer over-hire program and zoning work-plan approved by Council earlier this year which will be incorporated in the year-end budget adjustment) and \$908k in the City Manager's Contingency Fund would create a total of \$3.2 million in anticipated 2006 Fund Balance.

From this balance, \$1.01 million is needed to fund the 2007/2008 CM Contingency as required by the City's financial policy. Also, a \$1 million transfer to the Debt Service fund is needed to partially fund the New City Hall Mortgage balloon payment due in 2007; set aside \$441k for equipment costs to implement the voter package upon voter approval instead of phasing in the implementation over two years; and \$30k transfer for the first quarter operating subsidy for the Klahanee Community Center which will be consolidated into the new Community Center in 2007. This leaves a balance of \$708k available for other one-time purposes in the 2007/2008 budget, of which \$649k are allocated to various 1-time programs as described in more detail below, leaving an unallocated fund balance of \$74k.

BUDGET CHANGES

A detailed list of fee adjustments, expenditure reductions, and one-time resource allocations is shown in Exhibit A to this letter. The following are highlights of these changes.

I. MANDATORY OR ESSENTIAL COST INCREASES

Since the baseline budget only allows inflationary adjustment for personnel-related costs, nearly all changes in service contracts must be accommodated through targeted fee increases and budget reductions. Some of these cost increases are mandatory, such as the 25% (\$25k) increase in 800 MHz radio services provided by King County; an 80% increase in voter registration and election costs (\$55k per year); a 13% increase in public defender service levels (\$32k in 2007, \$85k in 2008) resulting from changes in the Court's hearing procedures, increases in caseload and contract rates; funding the mandatory Commute Trip Reduction program (\$12k previously funded by grants and one-time sources); increases in off-site records retrieval (\$6k) due to proliferation of Public Records Disclosure requests; and various software maintenance/system access charges (\$30k). These increases require on-going resources of \$165k in 2007 and \$171k in 2008.

Also included in the budget is a Traffic Concurrency Management Program which will fund a traffic engineer position to collect data and maintain our traffic model to ensure the City is following a state law requirement to maintain traffic service levels concurrent with development. This program would be fully funded from development projects through a "Traffic Concurrency Review Application Fee", in-lieu of the current pass-through Traffic Impact Analysis fee paid by developers to allow the City to hire consultants to perform these analyses. The fee is \$70 per hour, which will be updated annually based on actual costs, and will be billed to projects based on hours spent, which is expected to run between four to 48 hours depending on the complexity of the project.

No fees will be charged on projects generating less than ten peak-hour trips a day, which is the current threshold to determine whether or not a traffic impact analysis is required. The anticipated cost saving to a development could be 70% - 85% on a large project when compared with consultant costs.

II. PROGRAM CHANGES TO ADVANCE COUNCIL GOALS

At the January planning retreat, Council identified a set of goals for the City. The Adopted Budget attempts to address these Council priorities/goals within the available resources, most of which resources were freed-up by cutting costs elsewhere and realigning existing programs:

A. ***Public Safety: Integrate the public safety strategy into all facets of City operations, building on a strong Community-based approach.***

To meet the City's public safety needs, a comprehensive Police and Community Safety Enhancement was presented to the voters in the fall of 2006. The proposal addressed policing needs as well as code enforcement, parks/facility security, prosecution, court and jail impacts from the increases in policing activities. While making substantial public safety improvements required voter-approved funding, the baseline budget will make some incremental adjustments.

- Add prosecution support by adding 0.4 FTE Admin Assistant.
- Provide seven-day K9 coverage by adding one additional K9 unit with existing police officer capacity. This requires \$16k one-time and \$3k in on-going operating resources.
- Improve our criminal intelligence through the regional police record sharing program (also known as RAIN).
- Provide up to 72 hours of emergency generator power supply for City Hall and our Emergency Operations Center by installing (and maintaining) a 4,000 gallon fuel tank. Existing fuel storage capacity is only 450 gallons and can provide only eight hours of emergency power. This change requires \$77k in one-time funding and \$3k in incremental annual costs.
- Convert one Park Maintenance Superintendent position to one Maintenance Supervisor and one Maintenance Worker to improve parks safety and better meet service demands. This requires an additional \$41k per year.

