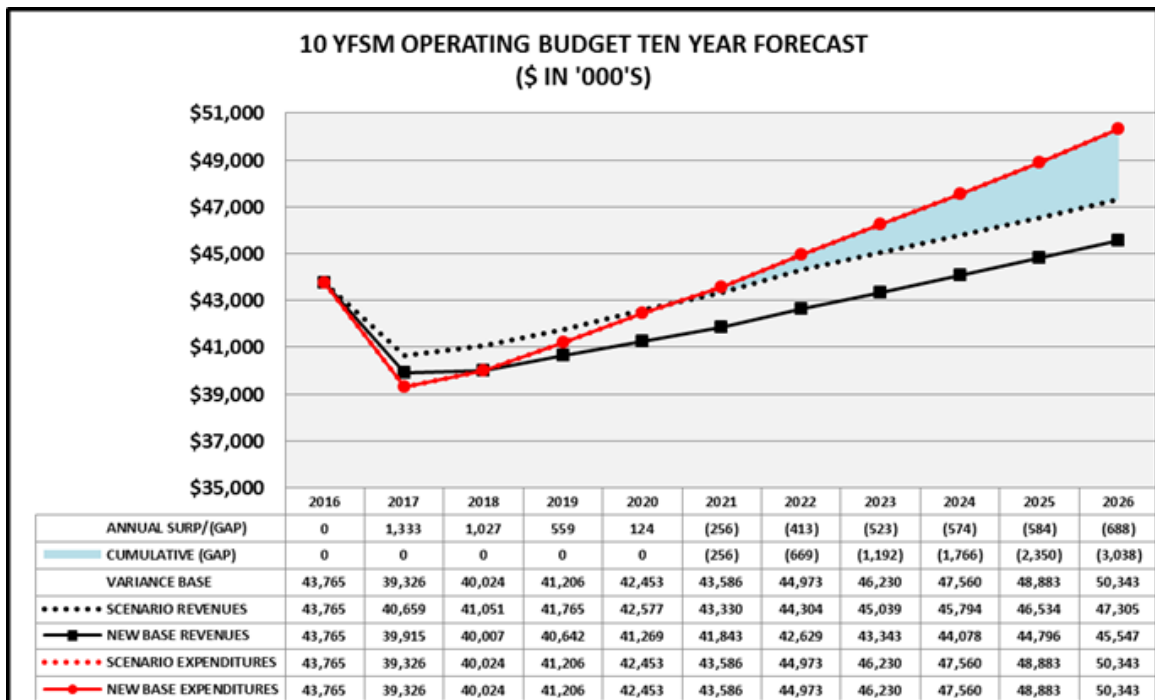


From: [Debbie Tarry](#)
To: [Chris Roberts](#); [Doris McConnell](#); [Jesse Salomon](#); [Keith McGlashan](#); [Keith Scully](#); [Shari Winstead](#); [Will Hall](#)
Cc: [Carolyn Wurdeman](#); [Sara Lane](#); [John Norris](#); [Rick Kirkwood](#)
Subject: RE: Agenda Comments: Dan Jacoby - Levy Lid Lift - an alternate rate
Date: Friday, July 22, 2016 5:07:01 PM
Attachments: [DJacoby email string Re 2017 No Action revenue projections.pdf](#)
[Economic Forecaster History and Ten-Year Forecast - September 2015.pdf](#)
[chart-budgetd revenues collected.pdf](#)
[image001.png](#)

Council -

I thought it may be helpful to provide you a short response to some of the issues raised by Mr. Jacoby in his letter to Council. It is not my intent to be defensive or argumentative, but do want to clarify some of the information that in my opinion is inaccurate.

1. **Attached** is an e-mail string that stated last Friday (7/15) between Dan Jacoby and Rick Kirkwood regarding Dan's request for a breakdown of the City's projected 2017 revenues. The request came in at 8:31 am on Friday 7/15. Rick provided the requested information from the City's 10 Year financial model that same day at 11:31 am. Dan sent another e-mail on Saturday, July 16 at 7:44 am asking some clarifying questions. Rick responded the same day (Saturday when City Hall is closed) at 9:53 am directing Dan to the City's budget document on-line, which had been part of the discussion during early FSCAC meetings. Two more e-mails were sent by Dan to Rick early Monday morning (7/18) before City Hall opened expressing frustration. There was no further communication. Staff provided useful data and responded to the request.
2. Fuel Tax is part of the City's Operating budget and as such is part of the City's 10 year operating budget forecast.
3. Staff started projecting assessed valuation changes for 2017 taxes in September 2015. At that time the most reliable information available came from an economic forecast service that the City subscribes to and uses for financial planning. It's called the Puget Sound Economic Forecaster. **Attached** is the September forecast that projected a 3.12% home price increase for 2017 valuations for the Puget Sound area. We are not able to get updated information from the Assessor's Office often until a year later (in this case September 2016). We usually try to get some updates in July but that is not always available. The activity the first six months of 2016 in Shoreline has been different than the original projections used in September 2015 and the revised AV increase is reflective of the market activity.
4. There are always variations in the City's adopted budget and the actual collections of revenues. As such, I can guarantee that our actual revenue collections (and expenditures) will be different than any projection at this time. I asked staff to graph what the variance has been over the last seven years for the City's Operating Budget total revenues. A graph is attached. To give you the widest variances – in 2009 we collected 98.4% of budgeted revenues, in 2012 we collected 105% of budgeted revenues and in 2015 we collected 100.7% of budgeted revenues. This are pretty narrow variances.
5. I asked staff to provide an updated forecast assuming a 2017 levy rate of \$1.31 (with a 10% AV increase) as proposed by Dan Jacoby. The forecast shows that projected budget gaps would start in 2021, as opposed to the forecast using \$1.39 that pushes budget gaps to 2023. So a two year difference. The \$1.31 rate also reduces the amount of projected surpluses in the earlier year as compared to the \$1.39 rate. The impact to the median priced homeowner is about \$30 less at \$1.31 than \$1.39 in 2017 or \$2.50/mo. The chart below is the 10 year forecast using the \$1.31 levy rate.



Debbie Tarry
 City Manager
 City of Shoreline
 17500 Midvale Ave N.
 Shoreline, WA 98133

-----Original Message-----

From: Heidi Costello
 Sent: Wednesday, July 20, 2016 12:31 PM
 To: Carolyn Wurdeman; Chris Roberts; Debbie Tarry; Doris McConnell; Jesse Salomon; John Norris; Keith McGlashan; Keith Scully; Shari Winstead; Will Hall
 Subject: FW: Agenda Comments: Dan Jacoby - Levy Lid Lift - an alternate rate

In the green folder for Monday.

Heidi C.

-----Original Message-----

From: Dan Jacoby [mailto:dan@danjacoby.com]
 Sent: Wednesday, July 20, 2016 12:55 AM
 To: City Council
 Subject: Levy Lid Lift – an alternate rate

Please find attached a report that looks at the numbers underlying the levy lid lift, and proposes an alternate levy rate.

Best regards,
 Dan Jacoby

From: [Dan Jacoby](#)
To: [Rick Kirkwood](#)
Cc: [Sara Lane](#)
Subject: Re: 2017 No Action revenue projections
Date: Monday, July 18, 2016 7:52:44 AM

Seriously, your numbers are all over the place.

The budget book has one set.
The end of year reviews have another set.
Your list to me in the earlier email has a different set.

None of them add up to the same amount. And they are all different from the projected numbers used in your 10-year forecast for the levy lid lift.

How is anyone supposed to look at those numbers and be able to determine what they mean, whether they are accurate, or anything?

Dan

On Jul 18, 2016, at 7:13 AM, Dan Jacoby <dan@danjacoby.com> wrote:

I had already downloaded the budget book. It appears not to have the same list as the annual end of year financial reports.

For starters, it includes in the same list as general operating revenues two items that don't belong there – fuel tax and surface water fees.

More importantly, there don't seem to be figures for the following items that are part of general operating revenues:
Intergovernment (state) revenues
Fines & Licenses
Miscellaneous
Interest
Transfers In

Those five items totaled over \$3.1 million in 2015. I presume that there are projections for future income from those sources somewhere.

Dan

On Jul 16, 2016, at 9:53 AM, Rick Kirkwood
<rkirkwood@shorelinewa.gov> wrote:

Hi Dan,

You may recall during the first Financial Sustainability Citizen

Advisory Committee I recommended that each member read the 2016 Proposed Budget book. I believe it has much of the information you are trying to glean in one place. A link was provided on the Financial Sustainability Citizen Advisory Committee's website (<http://www.cityofshoreline.com/government/departments/administrative-services/ten-year-financial-sustainability-project/financial-sustainability-citizen-advisory-committee>).

Regards,

Rick

From: Dan Jacoby [dan@danjacoby.com]
Sent: Saturday, July 16, 2016 7:44 AM
To: Rick Kirkwood
Cc: Sara Lane
Subject: Re: 2017 No Action revenue projections

Rick,

Thanks for these numbers. I'm having a difficult time trying to fit some of them into the year-end financial report categories that the city has been using for years. Some of these categories are filled easily, but several don't seem to fit the list you provided. Specifically:

- * It appears that the "Franchise Fee/Contract Payment" figure is an amalgam of two or more categories, perhaps "Cable TV Franchise Fee" and "SCL Contract Payment"?
- * "Intergovernmental" is nowhere close to the numbers for "Intergovernment Revenue" in any year-end review. Is that figure including something else as well? Perhaps water and sewer taxes, which seem to be missing?
- * Is "Charges for Services" the same as "Development"?
- * The Sales Tax number, which shows a projected 22% increase over 2015 final numbers in just two short years, raises suspicions. Where did this jump come from? Does it include other categories, such as perhaps the Local Criminal Justice category?

Please advise.

Thanks very much,
Dan

On Jul 15, 2016, at 11:31 AM, Rick Kirkwood
<rkirkwood@shorelinewa.gov<<mailto:rkirkwood@shorelinewa.gov>>>>
wrote:

Hi Dan, Sara asked that I provide the following to you:

Baseline Resources (Resources projected @ 100%) from the 2016 budget for the 2017 forecast:

Property Tax: \$11.073M
Sales Tax: \$9.455M
Gambling Tax: \$1.588M
Utility Tax - Gas: \$0.924M
Utility Tax - Garbage: \$0.559M
Utility Tax - Cable: \$1.034M
Utility Tax - Telecommunications: \$1.449M
Utility Tax - Storm Drainage: \$0.252M
Other Taxes: \$0.007M
Franchise Fee/Contract Payment: \$4.461M
Licenses/Permits: \$1.638M
Intergovernmental: \$2.348M
Charges for Services: \$1.635M
Fines and Forfeitures: \$0.454M
Interest Income: \$0.079M
Miscellaneous Revenues: \$0.741M
Transfers In: \$1.272M
Planned Use of Fund Balance: \$0.550M
Total Baseline Resources: \$39.519M

Base Resources (Projected @ 101%): \$39.915M

Regards,

Rick Kirkwood
Budget Supervisor
City of Shoreline
Phone: (206) 801-2303
Fax: (206) 546-7870
Email: rkirkwood@shorelinewa.gov<<mailto:rkirkwood@shorelinewa.gov>>

Please consider the environment before printing this e-mail

-----Original Message-----

From: Sara Lane
Sent: Friday, July 15, 2016 9:44 AM
To: Rick Kirkwood
Subject: FW: 2017 No Action revenue projections

-----Original Message-----

From: Dan Jacoby [<mailto:dan@danjacoby.com>]
Sent: Friday, July 15, 2016 8:31 AM
To: Sara Lane
Subject: 2017 No Action revenue projections

Can I get a breakdown of the projected 2017 revenues (the general breakdown by category, such as sales tax, gambling tax, each utility, etc.)? I know the total is \$39.915M.

Thanx,
Dan

History and Ten-Year Forecast
September 2015

Table 3. Puget Sound Construction and Real Estate

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Housing permits (thous.)	23.8	21.6	22.9	22.9	23.3	23.9	24.2	24.4	24.5	24.7	24.8	25.0
Single-family	8.8	9.1	10.5	11.2	11.9	12.5	13.0	13.2	13.4	13.7	13.8	14.0
Multi-family	15.0	12.4	12.4	11.7	11.4	11.3	11.3	11.1	11.0	11.0	11.0	11.1
Housing permits (mils. \$)	4896.1	4874.5	5588.5	5983.1	6468.4	7020.0	7523.8	7954.2	8381.8	8873.4	9355.6	9883.2
Single-family	2748.1	2960.7	3571.3	3954.5	4371.4	4811.4	5200.2	5522.4	5828.9	6168.6	6492.4	6839.3
Multi-family	2148.0	1913.7	2017.2	2028.6	2096.9	2208.6	2323.5	2431.9	2552.9	2704.7	2863.2	3043.9
Average home price (thous. \$)	426.6	448.2	462.2	477.7	493.3	512.7	532.1	551.4	570.1	589.6	609.6	630.3
Average home price	426,636	448,249	462,239	477,652	493,344	512,723	532,115	551,378	570,126	589,563	609,608	630,250
Annual Increase in Average home price in Puget Sound (8.02%	5.07%	3.12%	3.33%	3.29%	3.93%	3.78%	3.62%	3.40%	3.41%	3.40%	3.39%
Active home listings (thous.)	10.6	12.5	14.1	15.6	16.8	17.9	19.1	20.3	21.7	23.1	24.6	26.2
Home sales (thous.)	66.3	65.9	66.4	66.2	67.4	69.3	70.8	71.9	72.9	74.0	74.9	75.9
Home sales	66,339	65,925	66,428	66,243	67,431	69,299	70,815	71,912	72,895	73,964	74,909	75,893
Annual Increase in # of Home Sales in Puget Sound (%)		-0.62%	0.76%	-0.28%	1.79%	2.77%	2.19%	1.55%	1.37%	1.47%	1.28%	1.31%
Apartment vacancy rate (%)	3.7	4.2	4.6	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Average apartment rent (\$)	1265	1309	1341	1366	1394	1430	1472	1520	1567	1616	1666	1718
Annual growth (% change)												
Housing permits (value)	11.0	-0.4	14.6	7.1	8.1	8.5	7.2	5.7	5.4	5.9	5.4	5.6
Single-family housing permits	2.5%	7.7%	20.6%									
Between 2015 and 2018 annual rate			10.3%									
Multi-family housing permits	24.2%	-10.9%	5.4%									
Between 2015 and 2018 annual rate			6.2%									
Average home price	8.0	5.1	3.1	3.3	3.3	3.9	3.8	3.6	3.4	3.4	3.4	3.4
Between 2015 and 2018 annual rate			5.4									
Average apartment rent	5.8	3.5	2.4	1.9	2.1	2.6	3.0	3.2	3.1	3.1	3.1	3.1

Percentage of Budgeted Revenues Collected

**Average:
101.9%**

