



EXECUTIVE SUMMARY



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10 YEAR FINANCIAL SUSTAINABILITY PLAN

10 YEAR FINANCIAL SUSTAINABILITY PLAN BACKGROUND

In 2012, the City Council adopted its 2012-14 Goals. Goal #1 was “Strengthen Shoreline’s economic base”. Action Step #3 under this goal was “Develop a 10-year Financial Sustainability Plan to achieve sufficient fiscal capacity to fund and maintain priority public services, facilities, and infrastructure”. To implement this item the City conducted an extensive public process.

The City formed a Ten-Year Financial Sustainability team to plan the project and review past community processes. The team introduced the project to all employees and worked with them to identify thousands of tasks performed to provide City services in Shoreline. Tasks were grouped into hundreds of activities, and finally into 127 unique City services. The Administrative Services Department (ASD) calculated the cost of each service. The Leadership Team prioritized each service. Finally, ASD developed a 10 Year Financial Sustainability Model (10 YFSM) for the City’s Operating Budget (General Fund and Street Fund) that became the key for developing and modeling various financial scenarios.

Staff identified over 20 economic development, revenue, and expenditure strategies and built models of the financial impacts of each strategy. A City Council subcommittee (Mayor Winstead, Deputy Mayor Eggen, and Councilmember Salomon) held six meetings in the first quarter of 2014 to review the 10 YFSM, assumptions, and strategies. Based on its review the subcommittee determined which strategies to pursue, narrowing them down to one economic development, two expenditure, and four revenue strategies. The seven strategies were prioritized to develop a resilient draft 10 Year Financial Sustainability Plan (10 YFSP).

The subcommittee also established a public process to gather information and seek input on the draft 10 YFSP. In 2014, this process included an article in the *May Currents* newsletter, development of a webpage on the City’s website seeking public input, a presentation at the May 7 Council of Neighborhoods meeting, and an open house on May 14. All of the presentations, staff reports, memos, etc., and the final accepted plan are readily available on the Ten Year Financial Sustainability Project webpage, which can be accessed at the following link: <http://cityofshoreline.com/government/departments/administrative-services/ten-year-financial-sustainability-project>.

Ultimately, the 10 YFSP was accepted by the City Council on June 16, 2014. The 10 YFSP and 10 YFSM are now incorporated as part of the City’s annual budget process. The 10 YFSM has since been utilized in presenting the long-term financial projections for the preliminary and proposed budgets and budget amendments since 2015. The model is having the effect on budget planning that was desired by the Council, allowing staff and Council to evaluate the long-term financial impacts and sustainability of the changing economy, needs and program decisions that we make.

Any major budget decision impacting the City’s Operating Budget can be modeled in the 10 YFSM, showing the financial impact on the proposed budget and nine forecast years. It is important to note that the Baseline Model reflects revenues and expenditures for the ten-year forecast at 100% and the 10 YFSM models adjust budgeted revenues and expenditures for the third through tenth years to reflect the fact that, historically, the City tends to collect revenues at 101% of the budgeted amounts and tends to expend money at 98% of the budgeted amounts. This trend is expected to continue into the future.

10 YEAR FINANCIAL SUSTAINABILITY PLAN UPDATE

Since the 10 YFSP was accepted by the City Council in June 2014, staff has implemented all strategies and they are now in use. The preliminary 2023-2024 Operating Budget and updated ten-year forecast, incorporating the 2023-2024 proposed biennial budget with the updated results of the revenue and expenditure strategies that comprise the 10 YFSP into the 10 YFSM, was previewed by the City Council in the September 19, 2022 staff report. Based on audited 2021 results, 2022 estimates, and 2022 projections, the 10 YFSM without voter approval of the Levy Lid Lift in 2022 shows a gap is likely to occur in 2024 as discussed in the Transmittal Letter. If the Levy Lid Lift is approved by voters the gap is anticipated to occur in 2027 as expenditures outpace revenues throughout the forecast, with surpluses from prior years more than covering the anticipated gap. The following provides an update on the status of each 10 YFSP strategies:

10 YFSP Target	Strategy	Action taken to implement strategies
(1)	Increase Development of Multi-Family & Retail properties.	Zoning changes, code evaluation and economic development efforts
(2)	Reduce the expenditure growth rate and maintain existing services levels.	Continuous improvement efforts and intentional monitoring of contracts and service delivery options. Continue to seek out efficiencies and cost-saving strategies.
(3)	Increase investment returns.	Increasing investment returns by 100 basis points. We are using a ladder portfolio and evaluating use of a more managed portfolio through our Financial Advisor.
(4)	Evaluate cost recovery percentages for fee-based programs.	In 2016, the Parks, Recreation and Cultural Services Department conducted a study to evaluate cost recovery percentages for an appropriate combination of fee-based programs with targeted implementation beginning with the 2016 budget. They continue to evaluate fees every year to adjust fees to ensure they align with cost recovery goals and market rates. The City completed a Cost of Service and Cost Recovery evaluation of the Permitting and Inspection fee revenues in 2016. Staff presented recommendations on proposed permitting cost recovery objectives on April 26, 2016 and those recommendations were incorporated into 2017 and subsequent fee schedules. We will be updating the cost recovery evaluation in 2024.
(5)	Replace the annual \$290,000 transfer from the General Fund to the Roads Capital Fund with another dedicated source of funding.	As a precursor to the development of the City's Americans with Disabilities Act (ADA) Transition Plan, sidewalks throughout the City were inspected for compliance with ADA standards. In 2018, preliminary review and analysis of the inspections indicated over \$110 million was needed for repairs, including replacement, and retrofitting to meet ADA standards. The Curb Ramp, Gutter, and Sidewalk Maintenance Program has historically been funded by a \$152,000 annual contribution from the General Fund. Pursuant to this target in the 10 YFSP, various funding sources were evaluated by staff and studied by the City Council. A \$20 per vehicle per year vehicle license fee (VLF) has been levied by the Shoreline Transportation Benefit District (TBD) since 2009 and has provided most of the funding for the Annual Road Surface Maintenance Program. In 2015, legislative changes provided the Shoreline TBD councilmanic authority to increase the current VLF up to a

10
YFSP
Target

Strategy

Action taken to implement strategies

- total of \$50 per vehicle per year. The City Council adopted Ordinance No. 822 to increase the VLF by \$20 per vehicle per year, to a total of \$40, to provide revenue to support the repair and maintenance of the City's sidewalk network. The City issued debt supported by this revenue source to fund sidewalk rehabilitation supported by VLF. Projects supported by this funding source are reflected in the new Sidewalk Rehabilitation Program created in the 2023-2028 CIP.
- (6) Possible future implementation of a Business and Occupation (B&O) Tax. The City Council ultimately adopted Ordinance No. 808 providing for a B&O Tax on December 4, 2017 after engaging the business community in discussions on this topic. The B&O Tax was implemented in 2019.
- (7) Monitor the City's progress in relation to the Financial Sustainability Model. Engage Shoreline residents in a discussion regarding the possibility of renewing the property tax levy lid lift. In 2016 and again in 2022, staff undertook a significant stakeholder outreach effort, including publishing several articles in Currents and engaging a Financial Sustainability Advisory Committee (FSAC). The FSAC was engaged through the months of February through May. The committee learned about City services, engaged in a budget exercise to help identify service priorities, and learned about the 10 YFSP with a focus on the potential renewal of the Levy Lid Lift. For both committees, Staff recommended a placing a Levy Lid Lift on the ballot to replace the expiring LLL. In 2010 that recommendation was supported by 11 of 13 members of the FSCAC. In 2022, all members supported the recommendation, but they did not all agree on the rate that should be set in the first year of the LLL. The 2016 Proposition 1, Basic Public Safety, Parks & Recreation, and Community Services Maintenance and Operations Levy passed with a 66.5% (19,272 votes) approval and set the new tax rate for 2017 at \$1.39 with the lid for the ensuing years to be "lifted" each year by a percentage increase tied to CPI-U for the Seattle Area. The 2022 Proposition 1, Maintenance and Operations Levy Lid Lift will be on the November 8, 2022 ballot and, like the 2016 LLL would set the rate back to \$1.39 and tie future increases to CPI-U.

10 YEAR FINANCIAL SUSTAINABILITY PLAN

The Shoreline City Council has evaluated the City's history of financial sustainability. Based on existing circumstances it appears that existing revenue sources may not be sufficient to maintain financial sustainability into the future.

The City Council believes that Shoreline's citizens have repeatedly emphasized that it is important to the community that the City maintain existing service levels whenever possible. In addition, the City Council states its intent to fulfill its obligations to the citizens, maintain public safety, and maintain existing City infrastructure. The City Council also intends to fulfill its regional obligations.

As such, the City Council intends to emphasize the priorities identified by our citizens in Vision 2029, the community's long-term vision for Shoreline. The City should invest in economic development necessary to improve its tax base. In its efforts to accomplish these things the City Council also needs to minimize the effects of new and existing taxes on its citizens and businesses.

A. FINANCIAL SUSTAINABILITY

In order to preserve the City's financial sustainability, and taking into account the obligations listed above, the City Council believes that it is necessary to establish various economic development, revenue, and expenditure targets over the 2014-2024 timeframe. These targets are listed below in priority order.

- 1) Achieve the development of an additional 160 units of multi-family residential housing and 7,500 square feet of retail redevelopment annually, beginning in 2014*.
- 2) Reduce the expenditure growth rate to 0.2% below the average projected ten year growth rate and attempt to maintain existing service levels, beginning in 2015. Continue to seek out efficiencies and cost-saving strategies.
- 3) During 2014, research ways to increase investment returns by 100 basis points (1%) per year, and implement strategies to accomplish this.
- 4) During 2015, perform a study that will evaluate higher cost recovery percentages for an appropriate combination of fee based programs. The results will be reviewed, with target implementation beginning with the 2016 budget.
- 5) In 2014, begin to identify ways to replace the \$290,000 transfer from the General Fund to the Roads Capital Fund with another dedicated source of funding.
- 6) In 2016 or later, engage the business community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax.
- 7) Monitor the City's progress in relation to the Financial Sustainability Model. In 2016 or later, engage Shoreline residents in a discussion regarding the possibility of renewing the property tax levy lid lift.

The targets outlined above are over and above pre-existing revenue, growth, and expenditure assumptions for the City of Shoreline. The City intends to use this information to inform future budget processes.

B. COMMUNICATIONS

In addition to communications and public processes conducted to date, the Council directs staff to communicate the Financial Sustainability Project and Model to Shoreline's residents through *Currents* articles. This discussion should include the final recommendation considered and ultimately approved by the City Council.

C. POTENTIAL SURPLUSES AND UNANTICIPATED SAVINGS

The City Council states that the City's first priority is to ensure adequate reserves. If reserves are below policy levels then surpluses should be used to restore reserves to mandated levels. If reserves meet or exceed policy requirements the surpluses should be used to fund economic development investment in Shoreline, fund infrastructure improvements, fund other high priority one-time needs or be held to fund future deficits if they are forecast in the Financial Sustainability Model. If it appears that surpluses are sustainable on a recurring basis, the City Council will review and consider funding for new on-going operational needs.

* The City will strive to achieve this target in 2014; however, the revenue impact will not be realized until 2019.

This data reflects the forecast without a voter approved levy lid lift. They do not include the use of fund balance for one-time investments. or to balance the budget in 2022-2024.

**10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST**

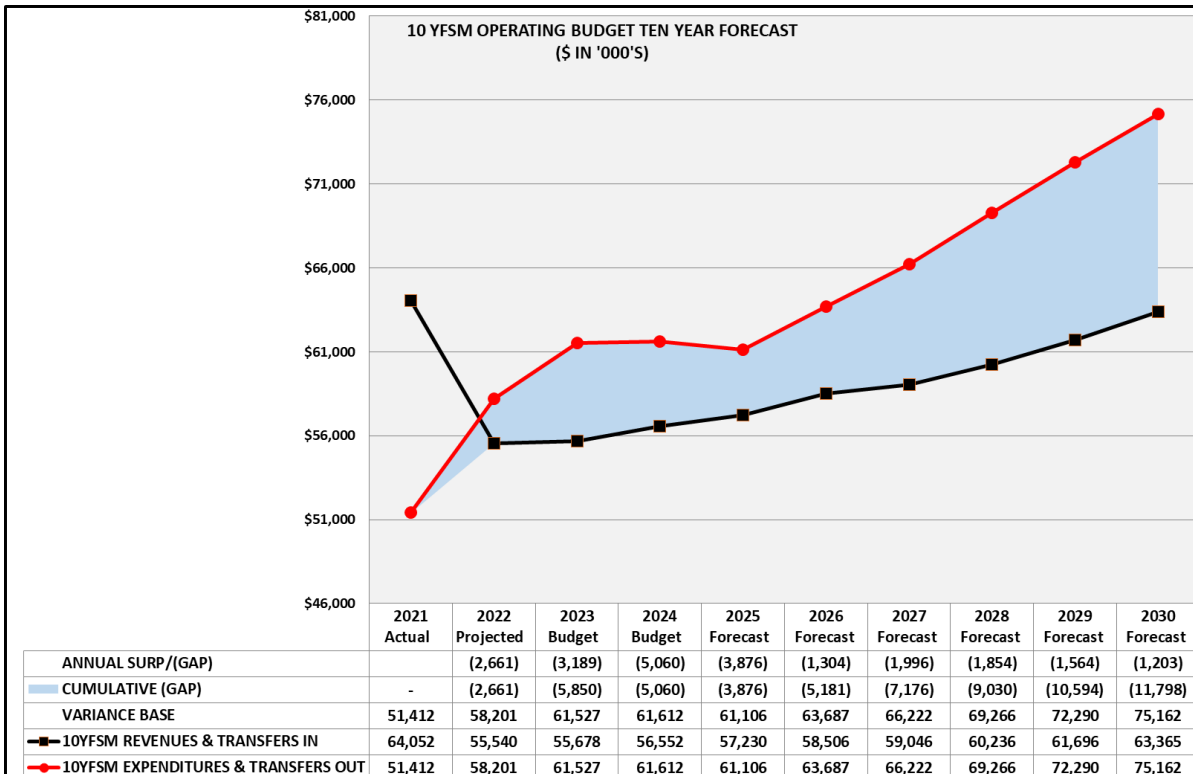
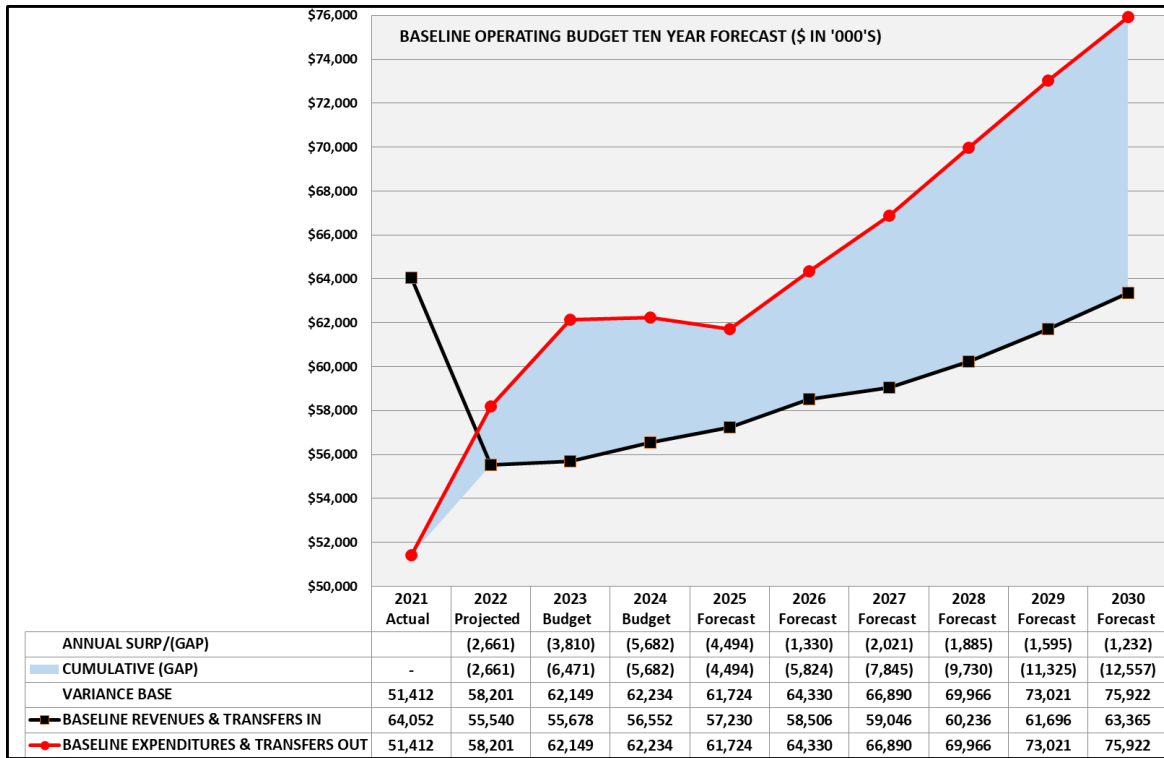
		2021	2022	2023	2024	2025
		Actual	Projected	Budget	Budget	Forecast
Baseline Model	Baseline Model:					
	Beginning Operating Funds Fund Balance	\$26,617,352	\$39,257,239	\$37,722,760	\$31,251,711	\$25,569,678
	Baseline Revenues:					
	Taxes					
	Property	14,074,350	15,248,023	15,388,367	15,635,305	15,892,929
	Sales and Use	14,010,703	13,902,433	13,349,898	13,901,472	14,436,224
	Business and Occupation	1,807,482	1,455,013	1,558,786	1,594,981	1,651,495
	Gambling	1,239,523	1,400,000	1,587,300	1,587,300	1,587,300
	Utility	3,999,926	4,452,212	4,513,491	4,771,716	4,885,717
	Other	142,474	86,235	86,235	86,235	86,235
	Franchise/Utility Contract Payments	4,287,465	3,910,432	4,009,947	4,108,227	4,171,600
	Licenses and Permits	4,018,287	4,193,053	3,434,155	3,487,746	3,233,595
	Intergovernmental	11,895,816	3,963,468	3,764,153	3,052,755	2,816,280
	Charges for Services	1,359,890	1,273,262	1,530,757	1,587,950	1,617,138
	Fines and Forfeitures	137,710	119,000	404,000	445,000	445,000
	Interest Income	10,887	73,100	73,100	73,100	73,100
	Miscellaneous Revenues	4,490,697	2,441,466	2,452,037	2,456,464	2,532,899
	Total Baseline Revenue	61,475,210	52,517,696	52,152,226	52,788,251	53,429,511
	Baseline Operating Expenditures:					
	Salaries & Benefits	18,211,127	20,795,817	23,506,666	24,979,802	26,202,178
	Supplies	849,296	1,878,433	1,344,030	1,281,643	1,281,643
	Services & Charges	9,051,880	11,297,374	10,875,890	10,134,782	10,443,132
	Intergovernmental	14,202,178	14,700,372	17,759,505	18,790,602	19,705,784
	Interfund	661,086	542,680	560,946	591,503	596,578
	Budgeted Contingency	-	1,221,572	223,380	227,589	227,589
Capital Outlay	38,159	-	-	-	-	
Total Baseline Operating Expenditures	43,013,728	50,436,248	54,270,417	56,005,921	58,456,905	
Baseline Revenue Over (Under) Expenditures	18,461,483	2,081,448	(2,118,191)	(3,217,670)	(5,027,393)	
Baseline Other Financing Sources (Uses):						
Operating Transfers In	2,576,574	3,022,645	3,525,494	3,763,945	3,800,539	
Transfers Out	8,398,169	7,764,781	7,878,352	6,228,308	3,266,705	
Gain / (Use) of Operating Funds Fund Balance	12,639,887	(2,660,688)	(6,471,049)	(5,682,033)	(4,493,560)	
Baseline Ending Operating Funds Fund Balance	\$39,257,239	\$36,596,552	\$31,251,711	\$25,569,678	\$21,076,117	
Required Operating Funds Fund Balance	\$4,391,198	\$4,362,617	\$4,343,586	\$4,364,938	\$4,491,695	
Over (Under) Required Operating Funds Fund Balance	\$34,866,042	\$32,233,935	\$26,908,125	\$21,204,739	\$16,584,422	
10 YFSM	10 YFSM:					
	Beginning Operating Funds Fund Balance	\$26,617,352	\$39,257,239	\$37,722,760	\$31,251,711	\$25,569,678
	Total 10YFSM Revenues & Transfers In	64,051,784	55,540,341	55,677,720	56,552,196	57,230,050
	Total 10YFSM Operating Expenditures & Transfers Out	51,411,896	58,201,029	61,527,281	61,611,887	61,106,374
	Gain / (Use) of Operating Funds Fund Balance	12,639,887	(2,660,688)	(5,849,561)	(5,059,691)	(3,876,324)
	10YFSM Ending Operating Funds Fund Balance	\$39,257,239	\$36,596,552	\$31,873,198	\$26,192,020	\$21,693,354
	Required Operating Funds Fund Balance	\$4,391,198	\$4,362,617	\$4,343,586	\$4,364,938	\$4,491,695
Over (Under) Required Operating Funds Fund Balance	\$34,866,042	\$32,233,935	\$27,529,613	\$21,827,081	\$17,201,658	
Assumptions:						
	Inflation	0.00%	0.00%	10.14%	4.50%	2.30%
	Annual Revenue Growth		-14.57%	-0.70%	1.22%	1.21%
	Annual Regular Levy Assessed Value Change		12.13%	17.67%	0.05%	3.18%
	Annual Sales & Use Tax Change	12.98%	7.53%	3.57%	3.20%	3.98%
	General Fees & Licenses Increases	0.00%	0.00%	8.11%	3.60%	1.84%
	Investment Interest Rate	0.06%	1.35%	2.70%	0.80%	1.20%
	Building Permit Charge	34.30%	-6.50%	-18.34%	-8.65%	-7.73%
	Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
	Revenue Collection (10YFSM)	100.00%	100.00%	100.00%	100.00%	100.00%
	PERS Employer Contribution Rate	12.97%	12.97%	12.92%	12.92%	12.92%
	Health Benefit Escalator	0.00%	0.00%	6.50%	6.50%	6.50%
	Regular Salary Escalator	0.80%	0.80%	10.94%	5.30%	3.10%
	Police Contract Escalator	7.10%	3.85%	3.96%	5.27%	5.58%
	Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
	Expenditure Percentage (10YFSM)	100.00%	100.00%	99.00%	99.00%	99.00%
	Annual Expenditure Growth		17.26%	7.60%	3.20%	4.38%
	Contribution to / (Refund From) Revenue Stabilization Fund	\$1,204,296	\$0	\$0	\$0	\$0

This data reflects the forecast without a voter approved levy lid lift. They do not include the use of fund balance for one-time investments. or to balance the budget in 2022-2024.

**10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST**

		2026	2027	2028	2029	2030
		Forecast	Forecast	Forecast	Forecast	Forecast
Baseline Model	Baseline Model:					
	Beginning Operating Funds Fund Balance	\$21,076,117	\$15,252,295	\$7,407,362	(\$2,322,682)	(\$13,647,365)
	Baseline Revenues:					
	Taxes					
	Property	16,156,275	16,422,474	16,695,368	16,968,878	17,240,754
	Sales and Use	14,916,609	14,808,565	15,290,509	15,809,294	16,352,615
	Business and Occupation	1,705,672	1,750,255	1,802,160	1,861,138	1,925,484
	Gambling	1,587,300	1,587,300	1,587,300	1,587,300	1,587,300
	Utility	5,005,069	5,127,414	5,253,672	5,382,757	5,514,557
	Other	86,235	86,235	86,235	86,235	86,235
	Franchise/Utility Contract Payments	4,238,939	4,306,545	4,375,630	4,444,385	4,512,459
	Licenses and Permits	3,241,191	3,076,445	2,877,914	2,840,337	2,913,570
	Intergovernmental	2,840,464	2,864,829	2,889,713	2,914,615	2,939,437
	Charges for Services	1,648,152	1,679,289	1,711,108	1,742,774	1,774,127
	Fines and Forfeitures	445,000	445,000	445,000	445,000	445,000
	Interest Income	73,100	73,100	73,100	73,100	73,100
	Miscellaneous Revenues	2,680,456	2,852,987	3,096,406	3,398,871	3,767,651
	Total Baseline Revenue	54,624,462	55,080,440	56,184,114	57,554,684	59,132,288
	Baseline Operating Expenditures:					
	Salaries & Benefits	27,200,063	28,213,090	29,272,669	30,366,429	31,493,564
	Supplies	1,281,643	1,281,643	1,281,643	1,281,643	1,281,643
	Services & Charges	10,912,732	11,356,981	11,847,583	12,319,322	12,560,694
	Intergovernmental	20,648,712	21,754,059	23,089,919	24,394,036	25,763,158
Interfund	601,995	607,459	613,069	618,677	624,256	
Budgeted Contingency	227,589	227,589	227,589	227,589	227,589	
Capital Outlay	-	-	-	-	-	
Total Baseline Operating Expenditures	60,872,734	63,440,822	66,332,471	69,207,697	71,950,905	
Baseline Revenue Over (Under) Expenditures	(6,248,272)	(8,360,382)	(10,148,357)	(11,653,013)	(12,818,616)	
Baseline Other Financing Sources (Uses):						
Operating Transfers In	3,881,852	3,965,094	4,051,740	4,141,268	4,232,689	
Transfers Out	3,457,403	3,449,644	3,633,427	3,812,938	3,970,807	
Gain / (Use) of Operating Funds Fund Balance	(5,823,823)	(7,844,933)	(9,730,044)	(11,324,683)	(12,556,735)	
Baseline Ending Operating Funds Fund Balance	\$15,252,295	\$7,407,362	(\$2,322,682)	(\$13,647,365)	(\$26,204,100)	
Required Operating Funds Fund Balance	\$4,503,562	\$4,515,941	\$4,538,394	\$4,545,716	\$4,564,991	
Over (Under) Required Operating Funds Fund Balance	\$10,748,733	\$2,891,421	(\$6,861,077)	(\$18,193,081)	(\$30,769,091)	
10 YFSM	10 YFSM:					
	Beginning Operating Funds Fund Balance	\$21,076,117	\$15,252,295	\$7,407,362	(\$2,322,682)	(\$13,647,365)
	Total 10YFSM Revenues & Transfers In	58,506,314	59,045,534	60,235,854	61,695,952	63,364,977
	Total 10YFSM Operating Expenditures & Transfers Out	63,686,836	66,221,562	69,266,239	72,290,428	75,162,495
	Gain / (Use) of Operating Funds Fund Balance	(5,180,522)	(7,176,028)	(9,030,385)	(10,594,476)	(11,797,518)
	10YFSM Ending Operating Funds Fund Balance	\$15,895,596	\$8,076,267	(\$1,623,023)	(\$12,917,159)	(\$25,444,883)
	Required Operating Funds Fund Balance	\$4,503,562	\$4,515,941	\$4,538,394	\$4,545,716	\$4,564,991
Over (Under) Required Operating Funds Fund Balance	\$11,392,034	\$3,560,326	(\$6,161,418)	(\$17,462,875)	(\$30,009,874)	
Assumptions:						
Inflation	2.40%	2.36%	2.37%	2.31%	2.25%	
Annual Revenue Growth	2.24%	0.83%	2.00%	2.44%	2.74%	
Annual Regular Levy Assessed Value Change	5.48%	3.22%	4.26%	3.38%	3.92%	
Annual Sales & Use Tax Change	3.48%	1.39%	2.97%	3.03%	3.31%	
General Fees & Licenses Increases	1.92%	1.89%	1.89%	1.85%	1.80%	
Investment Interest Rate	1.50%	1.60%	1.80%	1.80%	1.80%	
Building Permit Charge	0.25%	-5.41%	-6.90%	-1.40%	2.77%	
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%	
Revenue Collection (10YFSM)	100.00%	100.00%	100.00%	100.00%	100.00%	
PERS Employer Contribution Rate	12.92%	12.92%	12.92%	12.92%	12.92%	
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%	
Regular Salary Escalator	3.20%	3.16%	3.17%	3.11%	3.05%	
Police Contract Escalator	5.43%	6.08%	6.96%	6.31%	6.23%	
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%	
Expenditure Percentage (10YFSM)	99.00%	99.00%	99.00%	99.00%	99.00%	
Annual Expenditure Growth	4.13%	4.22%	4.56%	4.33%	3.96%	
Contribution to / (Refund From) Revenue Stabilization Fund	\$72,460	\$0	\$74,275	\$177,656	\$215,462	

This data reflects the forecast without a voter approved levy lid lift. They do not include the use of fund balance for one-time investments. or to balance the budget in 2022-2024.





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2023-2024 PROPOSED BIENNIAL BUDGET HIGHLIGHTS

Budget Highlights

The City's 2023-2024 Proposed Biennial Budget is balanced in all funds and totals \$358.186 million. The 2023-2024 Proposed Biennial Budget is \$76.521 million, or 27.2%, more than the 2021-2022 biennial estimate (2021 Actual plus 2022 yearend estimates). The more can be linked to the following changes:

- \$15.532 million increase in the City's Enterprise Funds;
- \$49.405 million increase in the City's Capital Funds; and,
- \$16.202 million increase in the Operating Funds.

The increase in the enterprise funds is primarily the result of increases in the enterprise capital budgets. The increase in the Operating Funds is due to the addition of ongoing programs to address operational priorities, significant cost increases in our police contract, insurance and fuel costs that are rising faster than inflation coupled with normal operational increases. The increase in Capital Funds is largely driven by the implementation of the 2022 Parks Bond projects as well as major transportation projects.

The table below summarizes the 2023-2024 Proposed Biennial Budget by fund and provides a comparison to the 2021-2022 biennial estimate by fund.

Fund Type	2023-2024 Biennial Budget				2021-2022 Biennial Estimate	Expenditure Percentage Change
	Proj. Beg. Fund Balance	Revenue & Transfers In	Expenditures & Transfers Out	Ending Fund Balance		
Operating Funds:						
General Fund	\$36,237,669	\$104,472,436	\$117,898,008	\$22,812,097	\$102,461,900	15.07%
Shoreline Secure Storage Fund	78,434	3,000,000	3,000,000	78,434	2,964,017	1.21%
Revenue Stabilization Fund	5,626,168	0	0	5,626,168	288	-100.00%
Street Fund	280,449	4,757,480	4,732,628	305,302	4,187,008	13.03%
Code Abatement Fund	394,417	60,000	200,000	254,417	105,022	90.44%
Public Arts Fund	78,839	950,771	205,321	824,289	145,544	41.07%
State Drug Enforcement Forfeiture Fund	154,015	36,486	36,486	154,015	19,691	85.29%
Federal Drug Enforcement Forfeiture Fund	23,052	26,000	26,000	23,052	13,001	99.98%
Federal Criminal Forfeiture Fund	59,586	0	0	59,586	0	0.00%
Sub-Total Operating Funds	\$42,932,630	\$113,303,173	\$126,098,443	\$30,137,361	\$109,896,472	14.74%
Debt Service Funds:						
2006/2016 UTGO Bond Fund	\$10,027	\$0	\$0	\$10,027	\$1,132,385	-100.00%
2009/2019 LTGO Bond Fund	70,517	2,195,895	2,195,895	70,517	2,200,966	-0.23%
2013 LTGO Bond Fund	170	515,676	515,676	170	516,350	-0.13%
2020 LTGO Bond Fund	32,500	830,000	830,000	32,500	9,327,904	-91.10%
Sidewalk LTGO Bond Fund	7,095,218	4,866,520	1,794,875	10,166,863	1,800,794	-0.33%
VLF Revenue Bond	(96)	1,209,936	1,209,936	(96)	532,593	127.18%
2022 Parks UTGO Bond	(0)	5,892,504	5,892,504	(0)	865,090	581.14%
Sub-Total Debt Service Funds	\$7,208,336	\$15,510,531	\$12,438,886	\$10,279,981	\$16,376,082	-24.04%
Capital Funds:						
General Capital Fund	\$31,284,904	\$16,304,605	\$43,389,483	\$4,200,025	\$32,352,352	34.12%
City Facility-Major Maintenance Fund	248,514	302,147	156,000	394,661	1,562,379	-90.02%
Roads Capital Fund	19,662,405	77,258,461	79,057,710	17,863,156	41,884,358	88.75%
Sidewalk Expansion Fund	10,160,727	12,501,332	12,571,591	10,090,468	4,884,017	157.40%
Transportation Impact Fees Fund	2,762,585	0	713,659	2,048,926	4,767,965	-85.03%
Park Impact Fees Fund	2,217,735	0	0	2,217,735	1,032,866	-100.00%
Sub-Total Capital Funds	\$66,336,870	\$106,366,545	\$135,888,443	\$36,814,971	\$86,483,938	57.13%
Enterprise Funds:						
Surface Water Utility Fund	\$15,699,992	\$27,782,677	\$28,493,769	\$14,988,899	\$26,494,924	7.54%
Wastewater Utility Fund	10,177,336	51,798,983	54,315,414	7,660,905	40,782,732	33.18%
Sub-Total Enterprise Funds	\$25,877,328	\$79,581,660	\$82,809,183	\$22,649,805	\$67,277,656	23.09%
Internal Service Funds:						
Equipment Replacement Fund	\$6,141,066	\$979,859	\$229,618	\$6,891,307	\$873,985	-73.73%
Unemployment Fund	0	35,000	35,000	0	155,019	-77.42%
Vehicle Operations and Maintenance Fund	70,091	646,192	686,192	30,091	601,992	13.99%
Sub-Total Internal Service Funds	\$6,211,157	\$1,661,051	\$950,810	\$6,921,398	\$1,630,996	-41.70%
Total City Budget	\$148,566,320	\$316,422,960	\$358,185,765	\$106,803,515	\$281,665,143	27.17%

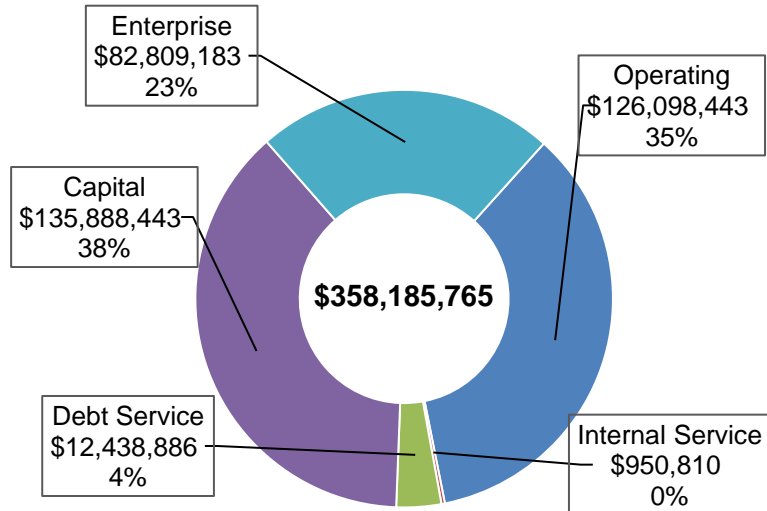
2023-2024 BIENNIAL BUDGET DEPARTMENT/FUND OVERVIEW

The following table provides an illustration of the relationship between the City's departments and funds. Most departments manage programs in the General Fund. The City Manager's Office, Administrative Services, Human Resources, Police, and Public Works departments are also responsible for programs in other funds.

Fund Type	City Council	City Manager	City Attorney	Administrative Services	Human Resources	Police	Criminal Justice	Planning & Community Development	Public Works	Recreation, Cultural & Community Services	Utilities	Transfers Out	Total
Operating Funds													
General Fund	\$576,108	\$10,011,240	\$2,026,997	\$23,075,374	\$1,249,789	\$29,864,128	\$4,871,034	\$9,936,506	\$10,219,888	\$13,670,670		\$12,396,274	\$117,898,008
Shoreline Secure Storage Fund		\$2,170,000										\$830,000	\$3,000,000
Street Fund									\$3,852,242			\$880,386	\$4,732,628
Code Abatement Fund		\$200,000											\$200,000
State Drug Forfeiture Fund						\$36,486							\$36,486
Public Arts Fund										\$205,321			\$205,321
Federal Drug Forfeiture Fund						\$26,000							\$26,000
Property Tax Equalization Fund													\$0
Federal Criminal Forfeiture Fund													\$0
Revenue Stabilization Fund													\$0
Sub-Total Operating Funds	\$576,108	\$12,381,240	\$2,026,997	\$23,075,374	\$1,249,789	\$29,926,614	\$4,871,034	\$9,936,506	\$14,072,130	\$13,875,991	\$0	\$14,106,660	\$126,098,443
Debt Service													
2009/2019 LTGO Bond Fund				\$2,195,895									\$2,195,895
2013 LTGO Bond Fund				\$515,676									\$515,676
Sidewalk LTGO Bond Fund				\$1,794,875									\$1,794,875
2020 LTGO Bond Fund				\$830,000									\$830,000
2022 Parks UTGO Bond				\$5,892,504									\$5,892,504
VLF Revenue Bond				\$1,209,936									\$1,209,936
Sub-Total Debt Service Funds	\$0	\$0	\$0	\$12,438,886	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,438,886
Capital Budget													
General Capital Fund									\$41,772,146			\$1,617,337	\$43,389,483
City Facility-Major Maintenance Fund				\$156,000									\$156,000
Roads Capital Fund									\$75,774,883			\$3,282,827	\$91,629,301
Sidewalk Expansion Fund									\$12,482,768			\$88,823	\$12,571,591
Transportation Impact Fees Fund												\$713,659	\$713,659
Park Impact Fees Fund													\$0
Sub-Total Capital Funds	\$0	\$0	\$0	\$156,000	\$0	\$0	\$0	\$0	\$130,029,797	\$0	\$0	\$5,702,646	\$135,888,443
Enterprise Funds													
Surface Water Utility Fund											\$25,298,169	\$3,195,600	\$28,493,769
Wastewater Utility Fund											\$52,064,712	\$2,250,702	\$54,315,414
Sub-Total Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$77,362,881	\$5,446,302	\$82,809,183
Internal Service Funds													
Equipment Replace. Fund				\$686,192									\$686,192
Vehicle Maint. & Ops. Fund				\$229,618									\$229,618
Unemployment Fund					\$35,000								\$35,000
Sub-Total Internal Service Funds	\$0	\$0	\$0	\$915,810	\$35,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$950,810
Total City Budget	\$576,108	\$12,381,240	\$2,026,997	\$36,586,070	\$1,284,789	\$29,926,614	\$4,871,034	\$9,936,506	\$144,101,927	\$13,875,991	\$77,362,881	\$25,255,608	\$358,185,765

The budget can be divided into five types of funds as shown in the chart to the right: Operating, Internal Service, Debt Service, Capital and Enterprise. The Operating Funds million represent the cost of providing services to the Shoreline community on a day-to-day basis and includes such items as public safety (police, court, jail), park maintenance, recreation programming, grounds maintenance, street maintenance, street lighting, land use planning, permitting, communications, emergency management, and administration. The Operating Funds also include some special revenue funds that must be used for designated purposes such as police services. The Debt Service Funds account for the annual repayment of the voter approved park bonds; the councilmanic bonds issued to pay for a portion of City Hall, acquisition of property for a maintenance facility, and construction of new sidewalks; and, the bond anticipation notes issued to acquire properties for the Parks, Recreation and Open Space Plan. The Enterprise Funds consist of the operation and capital improvements of the surface water utility and operation of the Ronald Wastewater District (RWD) under a service contract. The Capital Funds represent the cost of making improvements to the City's facilities, parks, and transportation systems. The Internal Service Funds represent transfers between funds (Vehicle Operations, Equipment Replacement, Public Art, and Unemployment funds) to fund maintenance and replacement of City equipment, installation of public art, and unemployment claims.

2023-2024 Proposed Biennial Budget



Within the Operating Funds it is important to focus on the operating budget, which is comprised of the General Fund, Shoreline Secure Storage Fund, and the Street Fund. The 2023-2024 Proposed Operating Budget totals \$125,630,636 million; and is \$16.018 million, or 14.6%, more than the 2021-2022 biennial estimate. It includes one-time transfers, some of which were previously programmed in support of specific capital projects but delayed per the 2023-2028 CIP.

The table above reflects a \$15.436 million, or 15.1%, increase in the General Fund budget for 2023-2024.

**Operating Expenditures Per Capita Adjusted for Inflation
(2000 as base year for inflation)**



The chart above shows the cost of providing City services on a per capita basis, adjusted for inflation, since 2000. The projected cost per capita in 2023 and 2024 is \$494 and \$497, which is approximately (\$19) (-3.7%) and (\$15) (-3.0%) less than in 2000, respectively.

The 2023-2024 General Fund ending fund balance (reserves) is projected to be \$22.812 million, with \$1.249 million budgeted as an operational contingency and insurance reserve. This complies with the City's adopted reserve policy, which requires, for 2023 and 2024, that the General Fund maintain a reserve level of \$3.000 million and \$4.249 million, respectively, for cash flow and budget contingency purposes. From this fund balance the City Council has designated \$5.3 million (\$12 million total less

\$6.7 programmed in this budget) to support the City Maintenance Facility project, \$1.5 million to support projects made possible by ARPA funding. Additionally, the City has programmed \$3.4 million of fund balance in the 2023-2024 budget to address projected inflationary cost increase in the Parks Bond projects. While this amount is already anticipated in this budget, the final cost estimate for construction won't be known until later and may exceed the \$3.4 million estimate.

In addition to the General Fund reserves, the City's Revenue Stabilization Fund is projected to have an ending 2023-2024 fund balance of \$5.626 million. This is above the City's reserve policy requiring that this fund be maintained at 30% of the budgeted economically sensitive revenues.

The 2023-2024 budgets for the Enterprise Funds are projected to increase by \$15.532 million, or 23.1%.

The City's 2023-2024 capital budget, exclusive of projects within the Enterprise Funds and transfers out from the Transportation Impact Fees Fund and Park Impact Fees Fund, will increase by \$46.804 million, or 61.7%, from 2021-2022. The capital budget reflects the 2023-2024 Capital Improvement Program projects proposed in the 2023-2028 Capital Improvement Plan included in this book.

2023-2024 Proposed Biennial Budget Highlights include the following:

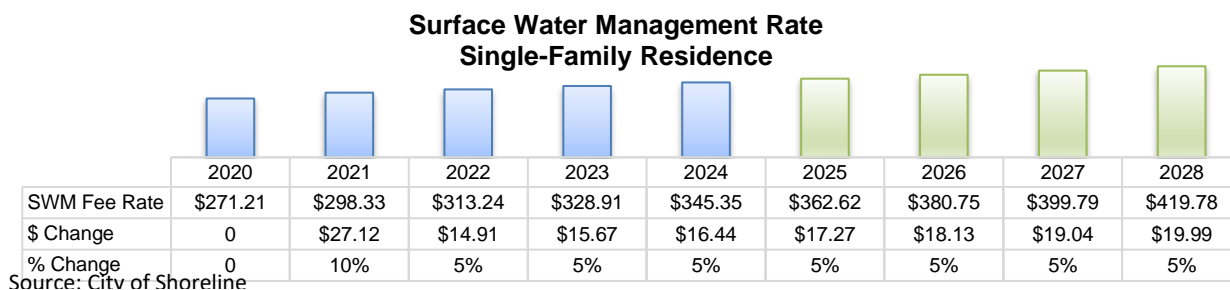
◆ **Regular Property Tax Levy:**

- **Levy Lid Lift:** The City's Levy Lid Lift is expiring at the end of 2022. Council has placed a proposition on the ballots to replace the expiring levy lid lift. Voters will vote on November 8, 2022. The proposed budget does not assume approval of the levy lid lift but does provide a recommended amendment to be included if the proposition is approved by Voters. The levy lid lift would set the rate at \$1.39 for 2023 and allow Council to increase the property tax levy by the June-to-June percentage change in the CPI-U index.
- **2023 Property Tax Levy:** If the levy lid lift is not approved by voters the property tax will be subject to the 1% limit plus new construction. Based the time the proposed budget was compiled, the King County Assessor's Office had not yet released preliminary assessed valuation (AV) for the City, but staff estimated new construction AV at \$89.45 million and with the 1% increase the resulting estimated 2023 property tax levy would be \$15.388 million, an increase of 1.4% over 2022 while the projected levy rate would decline from the current levy rate of \$1.13 to an estimate \$0.98 per \$1,000 AV. The preliminary estimate for City property taxes assumes a 100% collection rate and is \$217,000, or 1.4%, more than the projected 2022 tax collections.
- **2024 Property Tax Levy:** The proposed budget does not anticipate a successful Levy Lid Lift. Without the Levy Lid Lift, the budget projection estimated new construction AV at \$95.28 million and with the 1% increase the resulting estimated 2024 property tax levy would be \$15.635 million, an increase of 1.6% over 2023 while the projected levy rate would increase from the projected levy rate of \$0.98 to an estimated \$0.99 per \$1,000 AV

- ◆ **Fees:** Generally fees included in the fee schedule are increased from the current year's level by the June-to-June percentage change of the Seattle / Tacoma / Bellevue Consumer Price Index-All Urban Consumer (CPI-U; link to historical table: <https://data.bls.gov/timeseries/CUURS49DSA0>). Unless otherwise discussed below, many fees presented in the 2023 Proposed schedule are increased by 0.87% and fees presented in the 2024 proposed schedule are increased by the forecast change of 1.73%. The text in the fee schedules may have changed with deletions shown as ~~strikethrough~~ and additions shown as **bold**.

- **Park Rentals and Recreation Fees:** The City performed a comprehensive cost recovery evaluation on Parks and Recreation Fees in 2015 identifying cost recovery objectives for the various fees. Since that time, staff has completed annual cost recovery evaluations on a subset of fees to ensure that fees continue to meet the identified cost recovery objectives and that fees remain competitive. Fees not evaluated each year are adjusted by CPI-U as described above.

- **Impact Fees:** Transportation and Park Impact Fees are adjusted by the same percentage changes in the most recent annual change of the CCI published in the Engineering News-Record (ENR) for the Seattle area. Application of the ENR CCI results in a year-over-year increase for 2023 and 2024 of 11.4% and 6.50%, respectively.
- **Surface Water Management Rates:** The City Council provided direction to staff to pursue the Proactive Management Strategy for the 2018 Surface Water Master Plan update. The 2021 and 2022 Surface Water Management fees reflect the financial impacts of the Proactive Management Strategy as was presented to the City Council in development of the 2018 Surface Water Master Plan. The SWMP did not address fee increases beyond 2022. The City will be updating the SWMP including a rate study in the next biennium. For the purpose of the 2023-2028 CIP the fees are set to increase by 5% per year consistent with the last several years as identified in the SWMP. Both the costs and associated revenues, including a residential rate increase of approximately \$16 each year in 2023 and 2024



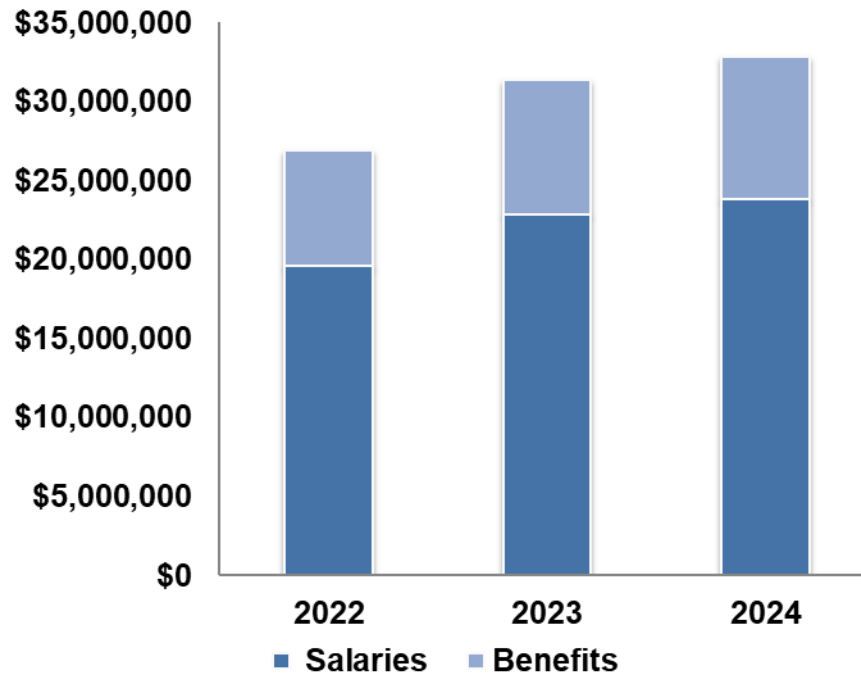
- **Wastewater Rates** In April of 2021, the City completed the assumption of the Ronald Wastewater District (RWD). For 2021 and 2022, the City adopted the RWD Budget. For the 2023 and 2024 budgets the City engaged FCS Group to perform a rate study and funding plan for the utility. The basis for that rate study was actual costs for 2021 with projected changes for 2022. The 2023-2024 budget has been created based on this rate study. The rate study included evaluation of City financial policies including the expansion of the wastewater low-income discount program to renter and low-income customers of any age. The low-income discount expansion is anticipated to be implemented in 2024. The proposed district rate increases to fund the budget are \$4.10 per month increase for 2023-2027 and \$2.25 per month in 2027 and 2028.

	2022	2023	2024	2025	2026	2027	2028
Local City Rate	\$17.48	\$21.58	\$25.68	\$29.78	\$33.88	\$36.13	\$38.38
\$ Increase		\$4.10	\$4.10	\$4.10	\$4.10	\$2.25	\$2.25
King County Rate	\$49.79	\$52.17	\$55.11	\$58.28	\$61.64	\$65.19	\$71.06
Edmonds Rate	\$30.35	\$32.12	\$33.95	\$35.90	\$37.97	\$40.16	\$43.77
Total Bill – King County	\$67.27	\$73.75	\$80.79	\$88.06	\$95.52	\$101.32	\$109.44
\$ Increase		\$6.48	\$7.10	\$7.27	\$7.46	\$5.80	\$8.12
Total Bill – Edmonds	\$47.83	\$53.70	\$59.63	\$65.68	\$71.85	\$76.29	\$82.15
\$ Increase		\$5.87	\$5.95	\$6.05	\$6.17	\$4.44	\$5.86

- ◆ **Personnel Costs:** The 2023-2024 Proposed Biennial Budget reflects changes in personnel costs.

Salaries & Benefits for regular and part-time (benefitted) and extra help (non-benefitted) personnel:

- ❑ City's Compensation Policy
 - ❑ Incorporates results of compensation study to maintain median position of City's Comparable Labor Market Cities
 - ❑ Cost of Living Adjustment
 - ❑ 2023: 7.76%
 - ❑ 2024 projected: 4.5%
- ❑ Accounts for Benefit Rate Changes
- ❑ Reflects elimination of positions / new positions / reclassifications

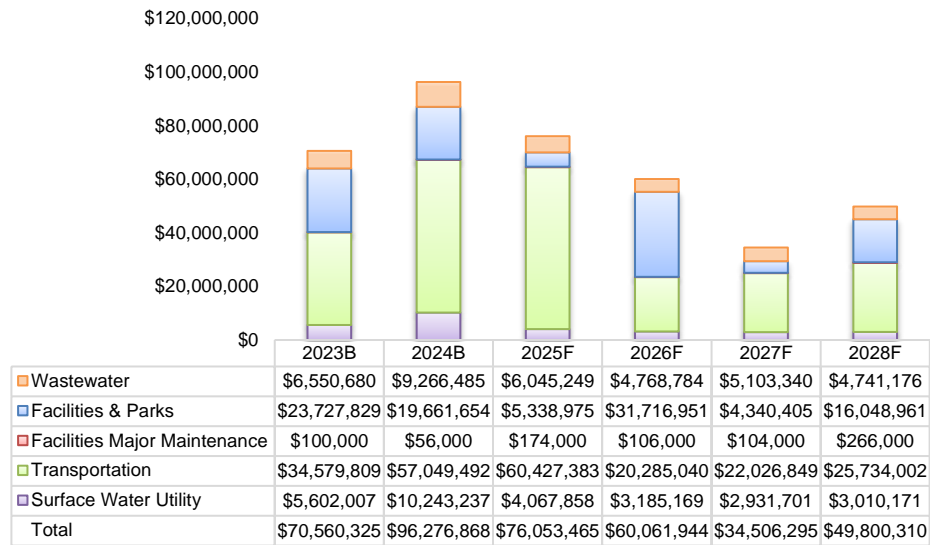


- ◆ **Police Contract:** The 2023-2024 biennial budget includes projections for the results of negotiations for the King County Sheriff's Office (KCSO) guild contract as well increased costs for the implementation of body worn cameras, and increased costs related to the King County liability insurance pool rates. Given the significant number of vacancies that the KCSO has currently, we have tempered these increases with anticipated "reconciliation credits" based on anticipated slow return to full staffing over the biennium. Staff projects that the 2023 police services contract will be a net total \$14.5 million (after the reconciliation credit for vacancies), which is 14% more than the 2022 police services contract and the 2024 police services contract will be a net total \$15.420 million, which is 7.0% more than the 2023 police services contract. For future years (2025 onward), the escalator averages 6.3%. The official estimate will be provided by KCSO later this fall and if necessary, budget amendments will be made in 2023. The proposed budget includes the reduction of the School Resource Officer position to partially support the expansion of the RADAR program.
- ◆ **Jail:** The projection for the 2023-2024 Proposed Biennial Budget, along with future forecasts, are based on activity trends over the last couple of years, the number of guaranteed beds at the South Correctional Entity (SCORE), and an inflation rate factor outlined in the interlocal agreement (ILA) with King County. The pandemic, along with changes in sentencing philosophy, appears to be resulting in fewer jail days overall. The City also introduced at-home monitoring in 2022, which is a low-cost alternative to jail for low-risk misdemeanor defendants. This program will not be an option for all defendants, but it will keep those who qualify monitored at a reduced cost. All these factors have resulted in reductions to the Jail budget in 2021 and 2022. In response to the return

to a more normal experience, the 2023-2024 budget has been increased from 2022, but is still \$100,000 lower than its pre-pandemic level. We anticipate this revised level will adequately support the actual and projected expenses. Staff will continue to monitor this potentially volatile expense and the associated cost drivers closely.

- ◆ **Budgeted Contingency Expenditures:** The 2023-2024 Operating Budget includes the required Operating Contingency and Insurance Reserve. Per the City's financial policies, these contingencies total \$1.249 million and are funded by allocating a portion of the existing fund balance in the General Fund.
- ◆ **City Hall Debt Service Costs:** The 2023-2024 Proposed Biennial Budget includes \$2.196 million in debt service costs for City Hall from two sources; the General Fund, based on monies previously budgeted for lease payments for City Hall and Annex (\$0.847), and Real Estate Excise Tax (REET) collected in the General Capital Fund (\$1.349). The City Council authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall.
- ◆ **Human Services:** The 2023-2024 Proposed Budget sets human service funding at the City Council's goal of committing 1.0% of recurring General Fund revenues to human service providers with the allocation for 2023 at \$503,438 and 2024 at \$517,764. The proposed budget also includes two one-time supplemental requests to support the development of a Human Services Strategic Plan and to supplement funding to maintain a part-time case manager at the Shoreline Senior Center.
- ◆ **Support for Contracted Services:** The 2023-2024 Proposed Biennial Budget includes funding for the operation of the Kruckeberg Botanic Garden, funding for the Shoreline-Lake Forest Park Arts Council, the Shoreline Historical Museum and additional funding for the Shoreline/Lake Forest Park Senior Center, as follows:
 - *Kruckeberg Botanic Garden:* \$43,000 to fund the long-term operational plan for the Gardens between the City and the Kruckeberg Botanical Garden Foundation.
 - *Shoreline-Lake Forest Park Arts Council and Shoreline Historical Museum:* \$60,000 in funding for each of these organizations to provide services to the Shoreline community and to partner with the City for special events.
- ◆ **Capital Programs:** The 2023-2024 capital budget reflects the 2023-2024 Capital Improvement Program projects proposed in the 2023-2028 Capital Improvement Plan (CIP). The 2023-2028 CIP, including surface water and wastewater projects totals \$387.259 million, while the 2023-2024 Capital Improvement Program budget, including surface water and Wastewater projects, totals \$166.837 million. The CIP covers projects over \$10,000 and includes buildings, land acquisition, park facilities, road and transportation projects, drainage system and wastewater system improvements. Much of the capital improvement activity is funded through contributions from the General Fund, real estate excise tax (REET), grants, and debt issuance.

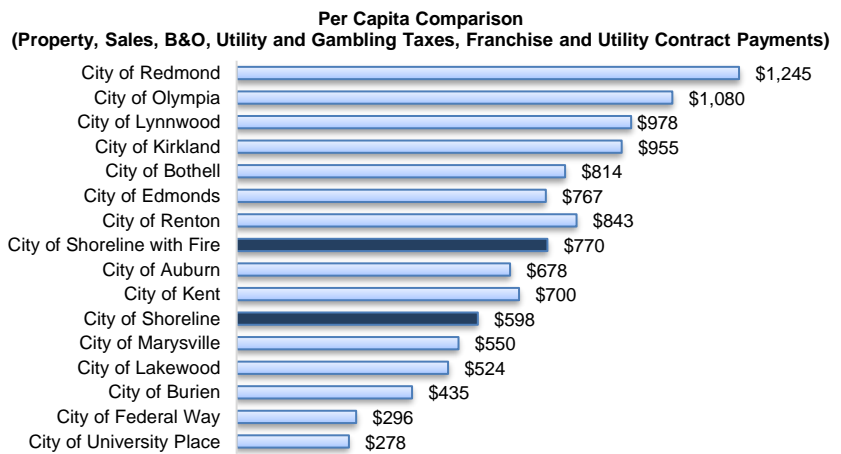
This chart provides a breakdown of the allocation of capital spending throughout the 2023-2028 CIP. The change in spending can vary significantly from year to year based on available resources to complete projects and the impact of previously completed capital projects on the City's operating budget. Detailed information on the CIP may be found in the Capital Improvement Program section of this budget document.



More detailed information regarding changes within the 2023-2024 Proposed Biennial Budget can be found in the individual department sections of this document.

Fiscal Capacity:

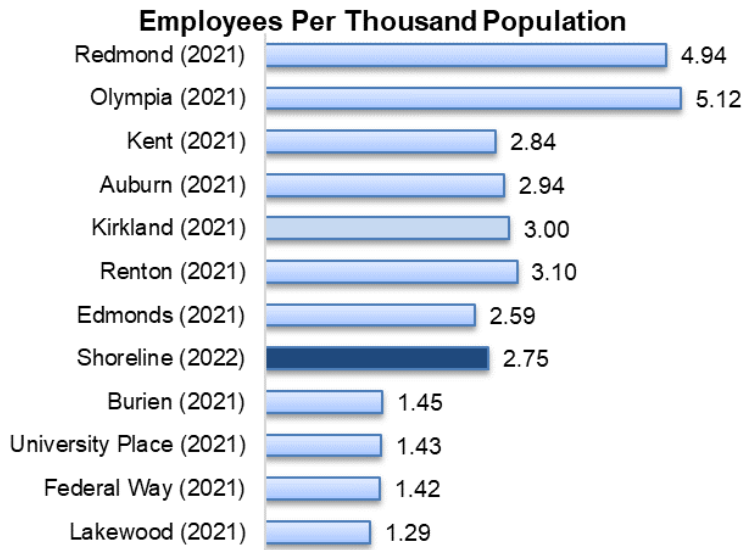
As a City, we are challenged by currently limited fiscal capacity. Shoreline is primarily a residential community. The chart to the right shows a comparison of tax per capita with comparable cities using 2021 data (the most recent year for audited financial data). Shoreline also has relatively low sales tax revenue per capita as compared to many other jurisdictions of similar population. This is especially true with those jurisdictions that have much larger retail centers within their communities. Some of these jurisdictions operate their own fire departments.



Staffing:

The 2023-2024 Proposed Biennial Budget increases the net number of full-time equivalent (FTE) positions in the City's personnel complement from the 2022 total by 3.03 FTE. This number reflects the following:

- ◆ Reduction in 1.71 term limited Light Rail staffing
- ◆ Addition of 2.0 Parking Enforcement Officers (partial year increase in 2024)
- ◆ Addition of 0.5 Limited Term Rec Specialist
- ◆ Addition of 0.25 Wastewater Accountant
- ◆ Addition of 1.0 Parks Maintenance Worker
- ◆ Addition of 1.0 Functional Analyst



The chart to the right depicts a comparison of staffing to population ratios for 2021. These ratios have been adjusted to exclude fire, police, special programs, and utility personnel from comparable cities. Shorelines ratio is projected to grow to 2.9 by the end of 2024.

CITY BUDGET SUMMARY

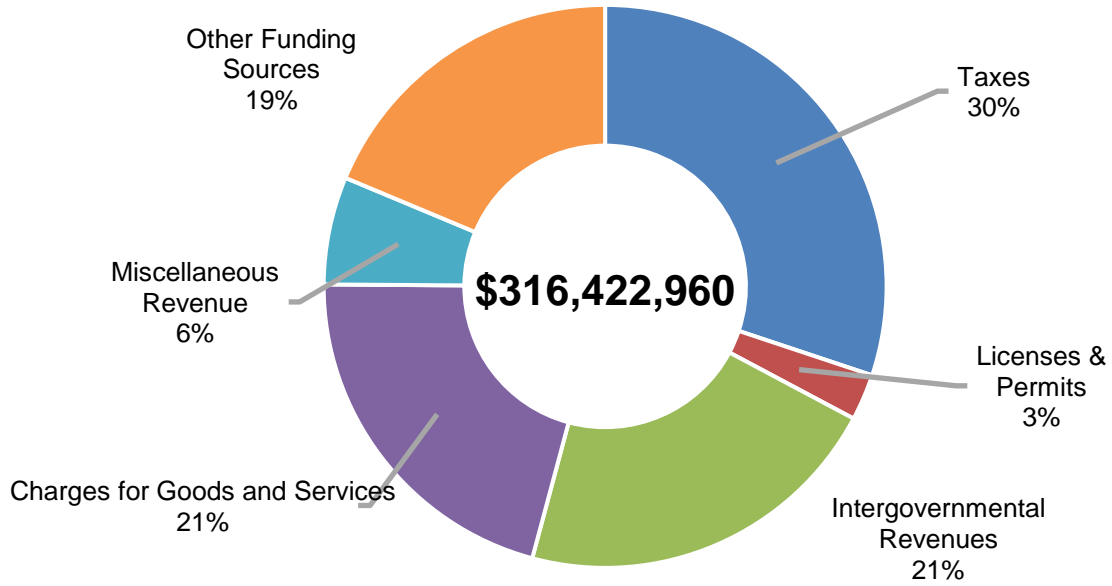
Listed below are the resources and expenditures for all City funds. The resources section lists all revenue and uses by category. Beginning Fund Balance represents the reserves that are available to the City at the beginning of any given year. Operating Uses represent expenses necessary to run the City government on a daily basis while Contingencies represent funding set aside for potential or unforeseen expenditures that may occur. Capital Improvements are the purchases of land, construction of buildings, major street construction or reconstruction, or drainage system improvements. Interfund Transfers represent transfers of funds from one City fund to another City fund to pay for services or capital purposes. Revenues and expenditures are recorded in all funds. Ending Fund Balance represents the reserves that are available to the City at the end of any given year. These reserves represent both reserves for unanticipated events and reserves designated for future capital purposes. The Budgeted Use of Fund Balance is required to balance certain funds and the difference between resources and expenditures presented here may be offset by surpluses in other funds.

	2019 - 2020 Biennial Actual	2021 - 2022 Biennial Budget	2021 - 2022 Biennial Estimate	2023 - 2024 Biennial Budget	2023 - 2024 vs. 2021 - 2022 Biennial Estimate	Percentage Change
Beginning Fund Balance	\$41,229,890	\$90,639,168	\$103,378,159	\$148,566,320	\$57,927,152	64%
Revenues:						
Taxes	\$83,988,458	\$81,313,383	\$88,607,282	\$95,299,884	\$6,692,602	8%
Licenses & Permits	10,959,139	8,499,693	8,883,821	8,430,079	(453,742)	-5%
Intergovernmental Revenues	33,430,824	65,223,261	53,727,405	67,672,240	13,944,835	26%
Charges for Goods and Services	24,392,680	59,758,192	64,582,160	66,265,930	1,683,770	3%
Fines and Forfeits	540,304	867,625	355,736	1,259,238	903,502	254%
Miscellaneous Revenues	4,578,109	13,511,033	11,607,852	16,735,141	5,127,289	44%
Investment Earnings	1,721,070	310,855	303,342	1,593,998	1,290,656	425%
Total Fund Sources	\$159,610,585	\$229,484,042	\$228,067,598	257,256,510	29,188,912	13%
Other Financing Sources:						
Proceeds from Capital Assets	33,128	2,000	3,788,330	2,000,000	(1,788,330)	-47%
Capital Contributions	0	0	2,674,802	0	(2,674,802)	-100%
Transfers In General Fund Overhead	2,705,153	3,982,303	3,802,303	5,062,224	1,259,921	33%
Transfers In General Fund Capital Support	5,340,134	12,034,133	6,542,548	8,268,218	1,725,670	26%
Transfers In General Fund Support	1,755,058	1,828,923	1,842,938	2,180,597	337,660	18%
Other Transfers In	8,043,296	29,255,480	21,794,382	9,744,569	(12,049,813)	-55%
Other Financing Sources	53,939,545	89,410,681	71,079,394	31,910,842	(39,168,552)	-55%
Total Other Financing Sources	\$71,816,313	\$136,513,520	\$111,524,698	59,166,450	(52,358,247)	-47%
Total Funding Sources	\$231,426,898	\$365,997,562	\$339,592,295	\$316,422,960	(\$23,169,335)	-7%
Uses:						
Operating Budget						
Salaries & Benefits	\$37,050,825	\$39,869,566	\$39,006,944	\$48,486,467	\$9,479,523	24%
Supplies	2,215,293	2,906,331	2,727,730	2,625,673	(102,057)	(4%)
Other Services & Charges	17,217,224	19,950,283	20,349,254	21,010,672	661,418	3%
Intergovernmental Services	29,440,964	32,930,045	28,902,550	36,550,107	7,647,557	26%
Interfund Payments/Charges	1,387,338	1,154,035	1,203,766	1,152,449	(51,317)	(4%)
Budgeted Contingency	-	1,435,429	1,221,572	1,698,607	477,035	39%
Capital Outlays	80,628	15,884	38,159	-	(38,159)	(100%)
Debt Services - Principal	-	-	-	-	-	0%
Debt Services - Interest	-	-	-	-	-	0%
Transfers Out	10,683,881	18,098,947	16,162,950	14,106,660	(2,056,289)	(13%)
Sub-Total Operating Uses	\$98,076,153	\$116,360,520	\$109,612,926	\$125,630,636	\$16,017,710	15%
All Other Funds						
Other Operating Funds	19,256	423,991	205,527	467,807	262,280	128%
Debt Service	25,285,084	41,431,115	16,376,082	12,438,886	(3,937,196)	(24%)
Facilities, Parks and Roads Capital (CIP)	44,253,474	120,657,446	86,483,938	135,888,443	49,404,506	57%
Surface Water Utility	13,727,299	27,841,192	26,494,924	28,493,769	1,998,846	8%
Wastewater Utility	4,738,024	45,122,213	40,782,732	54,315,414	13,532,682	33%
Internal Service Funds	2,019,509	1,422,094	1,709,016	950,810	(758,206)	(44%)
Sub-Total All Other Funds	\$90,042,646	\$236,898,051	\$172,052,218	\$232,555,129	\$60,502,912	35%
Total Uses	\$188,118,799	\$353,258,571	\$281,665,143	\$358,185,765	\$76,520,622	27%
Ending Fund Balance	\$84,537,989	\$103,378,159	\$148,566,320	\$106,803,515	(\$41,762,805)	(28%)
<i>Budgeted Provision/(Use) of Fund Balance</i>		(\$48,266,643)		(\$47,389,145)		
<i>Budgeted Surplus</i>		\$61,005,634		\$5,626,341		

THE CITY BUDGET

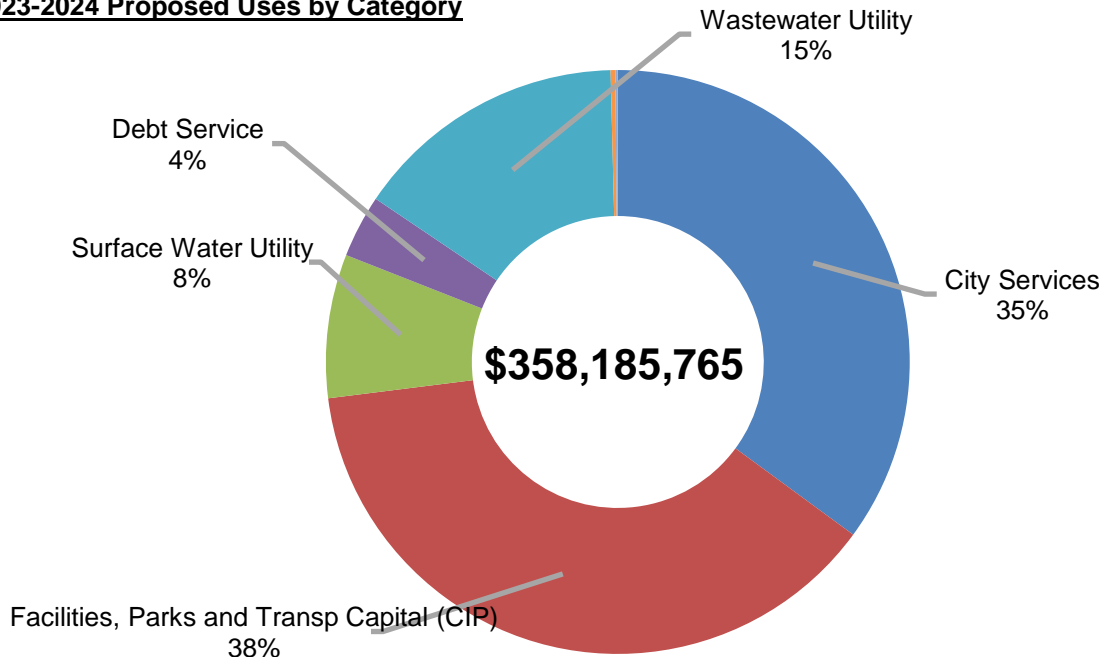
Where the money will come from:

2023-2024 Proposed Sources by Category



How will the money be spent:

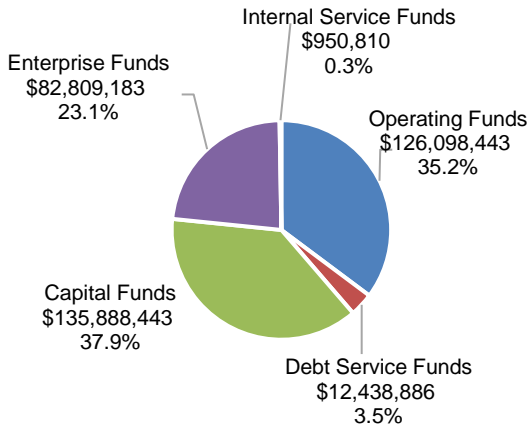
2023-2024 Proposed Uses by Category



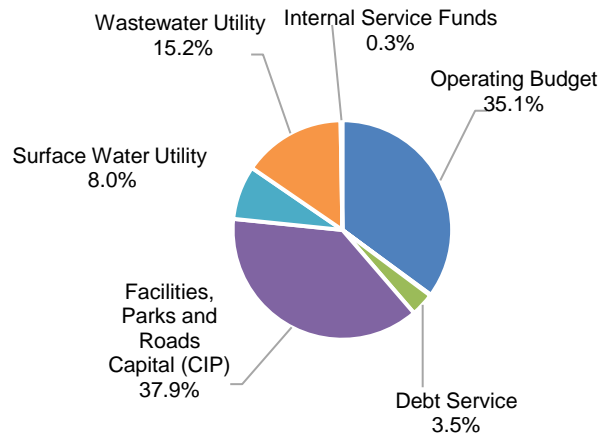
City of Shoreline
2023-2024 Biennial Budget All Funds Resources/Appropriations Summary

Fund	Projected Beginning Fund Balance (A)	Revenue (B)	Other Financing Sources (C)	Transfers In (D)	Total Resources (A+B+C+D+E)	Expenditures (F)	Transfers Out (G)	Total Appropriations (F+G+H)	Ending Fund Balance (E+H-I)	Change in Fund Balance (I-A=J)
General Fund	\$36,237,669	\$99,380,212	\$30,000	\$5,062,224	\$140,710,105	\$105,501,733	\$12,396,274	\$117,898,008	\$22,812,097	(\$13,425,572)
Shoreline Secure Storage Fund	78,434	3,000,000	0	0	3,078,434	2,170,000	830,000	3,000,000	78,434	0
Street Fund	280,449	2,490,265	40,000	2,227,215	5,037,930	3,852,242	880,386	4,732,628	305,302	24,852
Revenue Stabilization Fund	5,626,168	0	0	0	5,626,168	0	0	0	5,626,168	0
Code Abatement Fund	394,417	60,000	0	0	454,417	200,000	0	200,000	254,417	(140,000)
State Drug Enforcement Forfeiture Fund	154,015	36,486	0	0	190,501	36,486	0	36,486	154,015	0
Federal Drug Enforcement Forfeiture Fund	23,052	26,000	0	0	49,052	26,000	0	26,000	23,052	0
Federal Criminal Forfeiture Fund	59,586	0	0	0	59,586	0	0	0	59,586	0
Public Arts Fund	78,839	10,000	0	940,771	1,029,610	205,321	0	205,321	824,289	745,450
Transportation Impact Fees Fund	2,762,585	0	0	0	2,762,585	0	713,659	713,659	2,048,926	(713,659)
Park Impact Fees Fund	2,217,735	0	0	0	2,217,735	0	0	0	2,217,735	0
2006/2016 UTGO Bond Fund	10,027	0	0	0	10,027	0	0	0	10,027	0
2009/2019 LTGO Bond Fund	70,517	0	0	2,195,895	2,266,412	2,195,895	0	2,195,895	70,517	0
2020 LTGO Bond Fund	32,500	0	0	830,000	862,500	830,000	0	830,000	32,500	0
2013 LTGO Bond Fund	170	0	0	515,676	515,846	515,676	0	515,676	170	0
Sidewalk LTGO Bond Fund	7,095,218	4,866,520	0	0	11,961,738	1,794,875	0	1,794,875	10,166,863	3,071,645
VLF Revenue Bond	(96)	0	0	1,209,936	1,209,936	1,209,936	0	1,209,936	(96)	0
2022 Parks UTGO Bond	0	5,892,504	0	0	5,892,504	5,892,504	0	5,892,504	0	0
General Capital Fund	31,284,904	7,543,765	0	8,760,840	47,589,509	41,772,146	1,617,337	43,389,483	4,200,025	(27,084,878)
City Facility-Major Maintenance Fund	248,514	7,941	0	294,206	550,661	156,000	0	156,000	394,661	146,147
Roads Capital Fund	19,662,405	70,677,928	3,879,510	2,701,023	96,920,866	75,774,883	3,282,827	79,057,710	17,863,156	(1,799,249)
Sidewalk Expansion Fund	10,160,727	0	12,161,332	340,000	22,662,059	12,482,768	88,823	12,571,591	10,090,468	(70,259)
Surface Water Utility Fund	15,699,992	18,782,677	9,000,000	0	43,482,669	25,298,169	3,195,600	28,493,769	14,988,899	(711,092)
Wastewater Utility Fund	10,177,366	44,998,983	6,800,000	0	61,976,349	52,064,712	2,250,702	54,315,414	7,660,936	(2,516,431)
Vehicle Operations and Maintenance Fund	70,091	646,192	0	0	716,283	686,192	0	686,192	30,091	(40,000)
Equipment Replacement Fund	6,141,066	837,037	0	142,822	7,120,925	229,618	0	229,618	6,891,307	750,241
Unemployment Fund	0	0	0	35,000	35,000	35,000	0	35,000	0	0
Total City Funds	\$148,566,350	\$259,256,510	\$31,910,842	\$25,255,608	\$464,989,311	\$332,930,157	\$25,255,608	\$358,185,765	\$106,803,546	(\$71,936,684)

Appropriation by Fund Type
\$358,185,765



Use by Service Type
\$358,185,765



CITY REVENUE SOURCES

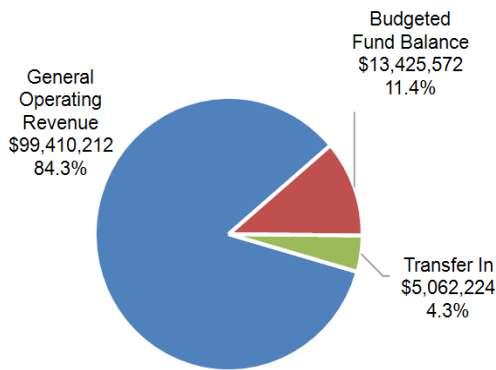
The City of Shoreline receives revenues from local property, sales, utility, business and occupation and gambling taxes; a variety of population-based state-shared revenues; user fees for development services and parks programs; and grants, fines, and other miscellaneous revenues. Budgeted resources for all the City’s funds, inclusive of the budgeted use of fund balance and transfers between funds, totals \$464.989 million. Budgeted appropriations, including transfers between funds, total \$358.186 million. Excess resources will remain in fund balance until they are appropriated at a later date.

General Fund

The General Fund resource base is \$117.898 million and is comprised of the budgeted use of fund balance (\$13.426 million, 11.4%), operating revenues (\$99.410 million, 84.3%), and transfers-in from other funds for their share of the General Fund overhead (\$5.062 million, 4.3%).

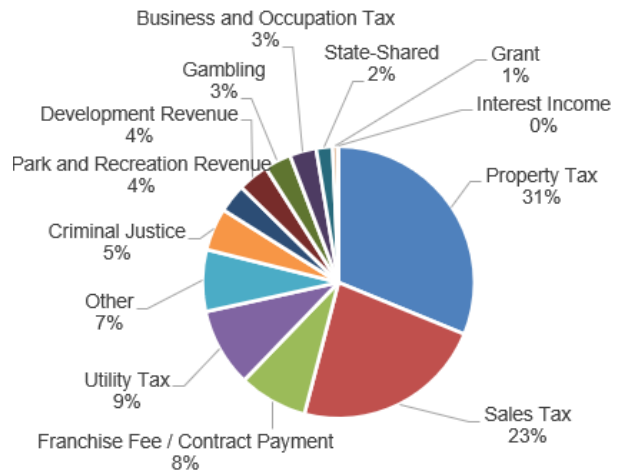
General Fund Resources

\$117,898,008



General Fund Operating Revenues

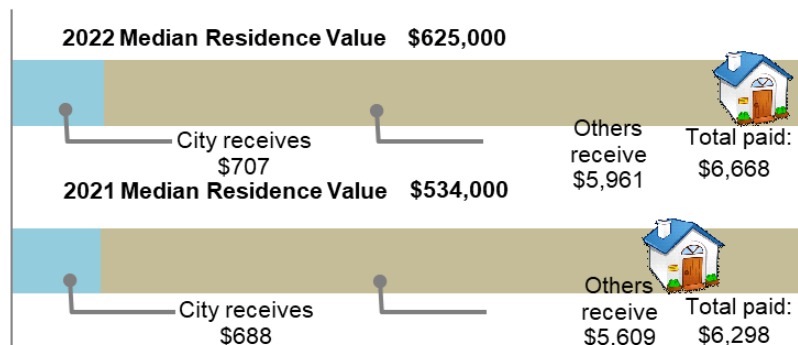
\$99,410,212



Property Tax

Shoreline voters approved Proposition 1 in November 2010, which set a property tax rate of \$1.48 per \$1,000 assessed valuation (AV) for 2011. It also included an annual escalator based upon the change in the June-to-June Consumer Price Index for All Urban Consumers for the Seattle Area (CPI-U) for years 2012 through 2016. In 2011, the AV was \$6.695 billion, and the property tax levy was set at \$9.909 million. At the time that Proposition 1 was before voters, staff assumed that the AV for 2012 taxes was projected to increase by approximately 2.3%. In fact, the AV actually dropped by 5.0% to \$6.369 billion. As a result, the levy was not allowed to increase by inflation as the levy rate increased from the 2011 rate of \$1.48 to the maximum rate of \$1.60. This created a situation where the City's total property tax levy could only increase through new construction to a total of \$10.191 million. In 2013, the AV decreased by 5.0% to \$6.052 billion. This decline in AV caused the levy rate to remain at the maximum rate of \$1.60. With the levy rate remaining at \$1.60, the levy was not allowed to increase by inflation because it was ratcheted down to \$9.684 million. In 2014, the AV increased by 6.6% to \$6.452 billion. For first time growth in the City's AV allowed the City to increase the property tax levy by the rate of inflation as allowed in Proposition 1. The levy base was returned the previous highest year's base of \$10.191 million (from 2012) and allowed to increase to \$10.324 million; however, the levy rate remained at \$1.60. The AV again increased in 2015 and 2016, which provided a new levy lid lift when the original levy lid lift expired, setting the property tax rate at \$1.39 per \$1,000 AV for 2017 and included an annual escalator based upon the change in the June-to-June CPI-U for years 2017-2022. The AV continued to increase in 2018 through 2020 allowing the levy rate to continue to drop. The current levy lid lift will expire at the end of 2022. City Council has placed the levy lid lift on the November 8, 2022 Ballot. Because we don't know the outcome, the proposed budget does not assume a levy lid lift.

In 2022, the City of Shoreline property tax regular levy rate and excess voted levy rates decreased from \$1.19 to \$1.13 and \$0.10 to \$0.00, respectively. When all the taxing jurisdictions' levy rates are combined the total levy rate decreased from \$11.79 to \$10.67. The chart to the right exhibits the amount a homeowner of a residence with a median value (as determined by the King County Department of Assessments) paid to the City and all other taxing jurisdictions. In 2022, a total of \$6,668 in property taxes is paid to all taxing jurisdictions, which is \$370 more than that paid in 2021.



The chart to the right and the table below provide information regarding the allocation of the total 2022 levy rate for all taxing districts within Shoreline. The City receives 11¢ of each dollar of property tax paid, which would equate to 11¢ (\$707 total) for the regular levy and 0¢ (\$0 total) for the excess voted levy. A homeowner will pay \$19 more than that paid in 2021.

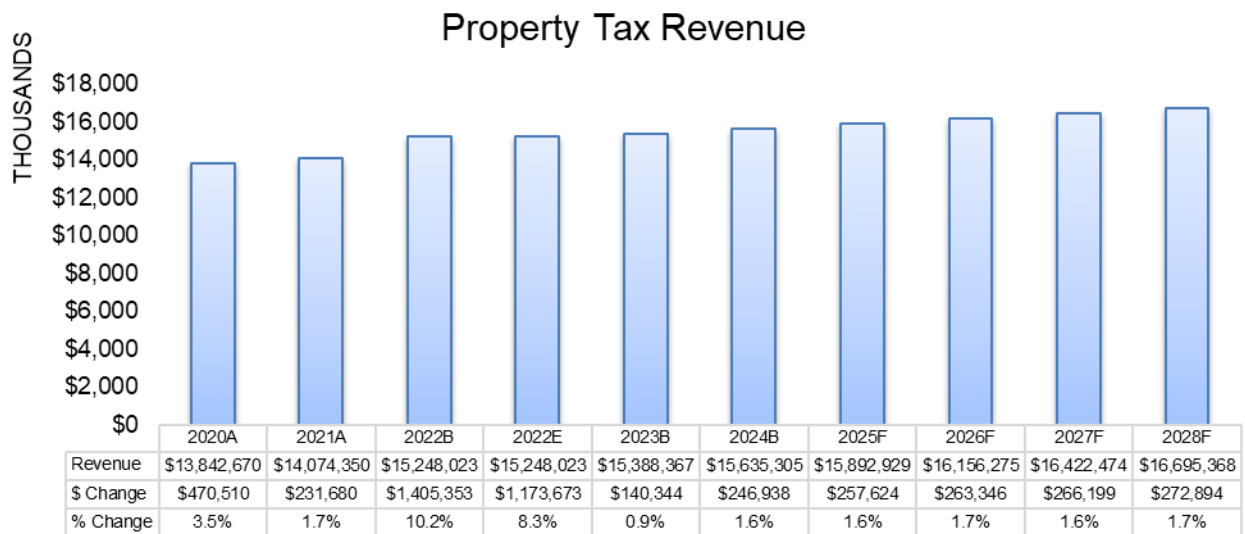


	Assessed Value	Per \$1,000 (AV/\$1,000)		Rate		Assessment	%
City	\$ 625,000	625.00	X	\$1.13	=	\$707	11%
King County	\$ 625,000	625.00	X	1.31	=	819	12%
Shoreline School Dist.	\$ 625,000	625.00	X	3.65	=	2,283	34%
State Schools	\$ 625,000	625.00	X	2.82	=	1,761	26%
Fire District	\$ 625,000	625.00	X	0.88	=	553	8%
Library District	\$ 625,000	625.00	X	0.33	=	205	3%
Port of Seattle	\$ 625,000	625.00	X	0.11	=	70	1%
King Co. EMS	\$ 625,000	625.00	X	0.25	=	155	2%
CPSRTA	\$ 625,000	625.00	X	0.18	=	115	2%
TOTAL				\$10.67		\$6,668	100%

Source: King County Department of Assessments; 2022 Median Residence Value for Shoreline reported per Assessed Value and Taxes by City

For 2023, the proposed budget assumed the AV will increase by 17.7% from the current 2022 AV of 13,390,908,989, including the value of new construction, to \$15.757 billion according to the latest forecast available from the Puget Sound Economic Forecaster, and the regular property tax levy will generate \$15.388 million. The 2023-2024 Proposed Biennial Budget reflects this as the budgeted levy value. For 2024, it is assumed the regular property tax levy will generate \$15.635 million. AV, excluding new construction, is projected to grow in future years.

Property Tax Historical Comparison & Forecast



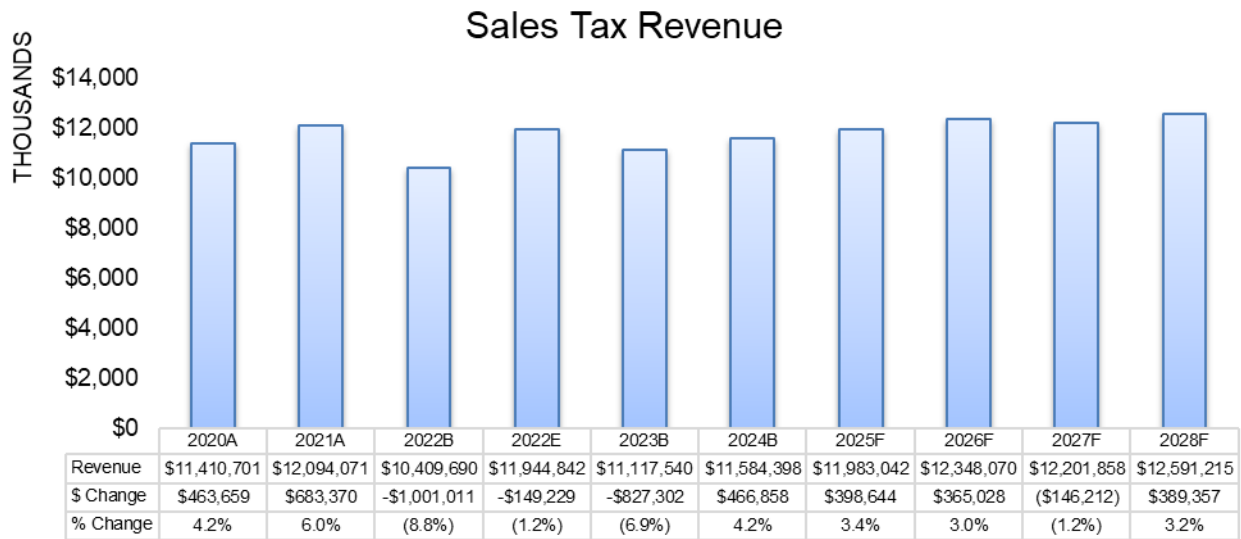
Sources: City of Shoreline; King County Department of Assessments

Sales Tax

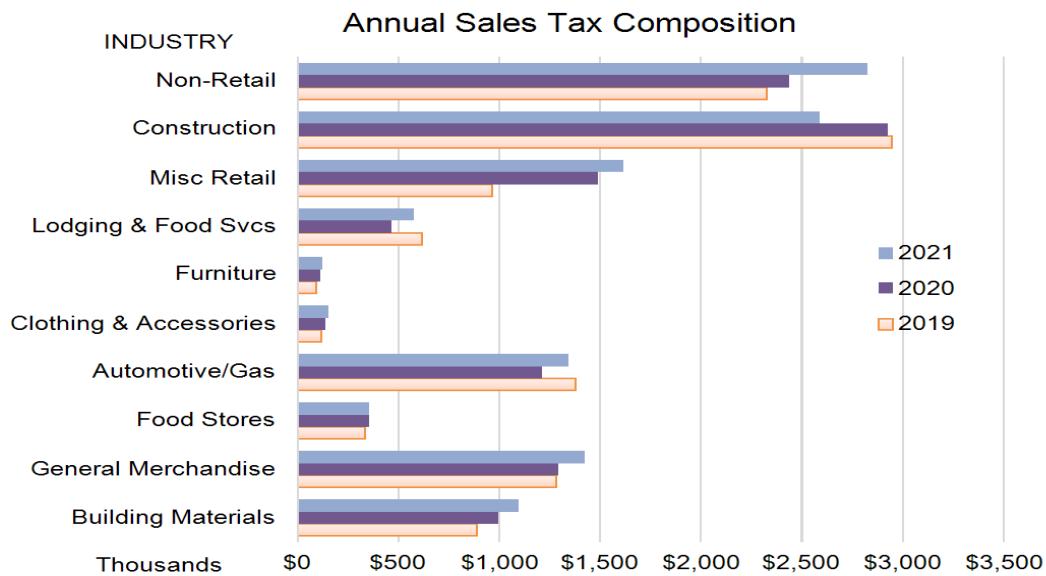
General sales tax, the third largest revenue source for City operations, totals \$22.702 million and reflects increases over the 2022 revised projection for the Current Biennium of \$1.337 million, or 5.6%.

Sales tax collections in 2021-2022 biennium were not as impacted by the pandemic as originally projected. 2022 collections are 7% greater than projected for the same period of the current plan. The Construction Sector is 11.4% more than 2021 collections. Retail Trade and hotels/restaurants sector have experienced a return to pre-pandemic levels in 2022. Staff is projecting slow growth for 2023 and moderate growth for 2024. Revenues from sales tax (\$22.702 million) reflects increases over the 2022 revised projection for the Current Biennium of \$1.337 million, or 5.6%.

Sales Tax Historical Comparison & Forecast



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2022



Business & Occupation Tax

During the City Council's 2017 Strategic Planning Workshop, the City Council reviewed the plan to support implementation of the remaining strategies of the 10 Year Financial Sustainability Plan, including Strategy 6 to engage the community in a discussion regarding the possible future implementation of a Business and Occupation (B&O) Tax. RCW 35A.82.020 (<http://app.leg.wa.gov/rcw/default.aspx?cite=35A.82.020>) provides Shoreline the authority to impose a B&O Tax on businesses that operate within the city limits. The City Council directed staff to move forward with implementation of the 10 YFSP and provide an update of Strategy 6 in the summer. Staff procured the support of BERK, a local consulting firm, to engage the business community in the discussion about the potential implementation of a B&O Tax in Shoreline. BERK worked with City staff to develop an online survey focused on soliciting input from businesses about the various options available to a city when implementing a B&O Tax. BERK also facilitated two, two-hour Business Outreach Workshops (held June 21 at 5:00 p.m. and June 22 at 11:00 a.m.). The City's Economic Development Manager and Administrative Services Director made a presentation on the proposed work plan to the Shoreline Chamber of Commerce, Economic Development Committee.

Staff provided the City Council an update on staff's progress related to implementation of Strategy 6 during the August 14, 2017 meeting. The City Council directed staff to continue to pursue implementation of a B&O Tax and authorized staff to move into the next phase of implementation and bring back a draft B&O Tax Ordinance for the City Council's consideration. Proposed Ordinance No. 808, creating two new chapters in the Shoreline Municipal Code (SMC): Chapter 3.22, Business and Occupation Tax and Chapter 3.23, Tax Administrative Code, were presented to City Council for discussion on November 13, 2017. Both chapters are based on the Association of Washington Cities' 2012 B&O Tax Model Ordinance with some modifications. These include the City Council's guidance provided during the Council's August 14, 2017 discussion. The staff report for the November 13th Council discussion is available at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport111317-9a.pdf>. Proposed Ordinance No. 808 providing for a B&O Tax and creating two new Chapters in the Shoreline Municipal Code was adopted by the City Council on December 4, 2017.

Effective January 1, 2019, Shoreline began imposition and collection of a B&O Tax primarily measured on gross proceeds of sales or gross income. For purposes of calculating the B&O Tax, businesses may be divided into several classifications (e.g., retailing, manufacturing, services, or wholesale) and those conducting multiple activities will report in more than one classification. The implementation of a B&O Tax, up to a rate of 0.002 does not require a public vote; however, Ordinance No. 808 imposing the tax included a provision for a referendum procedure.

All businesses operating in Shoreline that have gross receipts in excess of \$500,000 per year (or \$125,000 per quarter), except 501(C)(3) non-profits, will be subject to the tax. A rate of 0.001 will be applied to all gross receipts for all business classifications except services which will be taxed at a rate of 0.002. More information regarding tax and licensing in the City of Shoreline may be found at the following link: <http://www.shorelinewa.gov/government/departments/administrative-services/taxes-in-shoreline>.

Actual collections have exceeded staff forecasts since inception of the tax and given several years of consistent performance over forecast, staff feel comfortable increasing the forecast for this new revenue source. We are forecasting 2023 to be 7% more than 2022 yearend estimate and 2023 at 2.3% more than 2022.

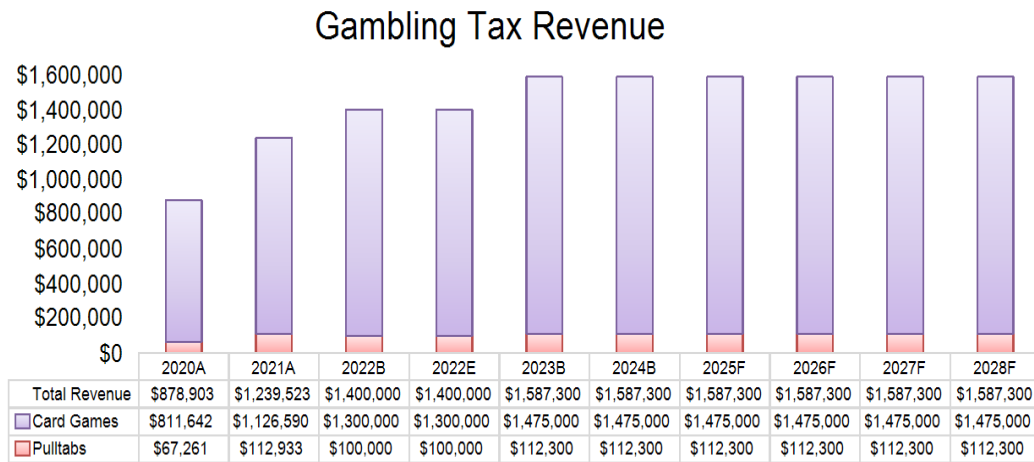
Gambling Tax

Gambling tax rate limits are set by the state and vary by game. In 1998, the State allowed the opening of “mini-casinos” and expanded the number of card rooms and the betting limits. This expansion resulted in revenue increases of 76% and 48% in 1998 and 1999, respectively. The City’s gambling tax revenues come from card room and pull-tab activity. For the next few years, gambling tax revenues stabilized at around \$2.5 million. A new mini casino was opened during the fourth quarter of 2003 increasing revenues to over \$3 million in 2004. Since that time the City has lost some casinos and revenues in 2019 were around \$1.6 million. Like other industries gambling establishments were significantly impacted by COVID-19 operating restrictions and 2020 and 2021 estimated and budget revenues are adjusted accordingly. The City’s tax rate has held at 10% since April 2007.

In 2023-2024, collections are projected to total \$3.175 million. Staff has assumed no growth in future years in tax collections with a baseline of \$1.587 million.

The City Council has a policy to retain only an amount equal to a 7% card room tax rate in the General Fund’s on-going revenue base and transfer the difference of 3% to support capital project planning and delivery. This policy was adopted in order to reduce the General Fund’s reliance on this revenue source for general operations of the City in response to several attempts by the State Legislature to lower the allowable City tax rate. In 2012 the Transportation Planning Program was moved from the Roads Capital Fund to the General Fund and the transfer was decreased starting in 2014 by the amount required to fund this program. The transfer for 2023-2024 totals \$195,302.

Gambling Tax Historical Comparison & Forecast

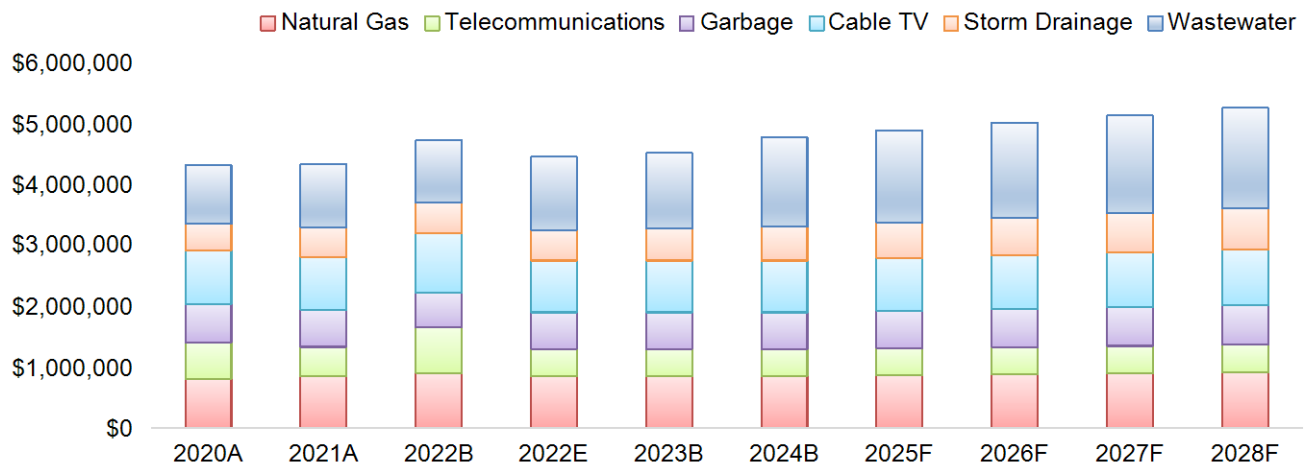


Utility Taxes

The Council enacted a 6% utility tax on natural gas, telephone, cellular telephone, pager services, and sanitation services along with a 1% utility tax on cable effective in 2000. In 2005 a 6% utility tax was applied to storm drainage and the tax rate for cable television was increased to 6% on July 1, 2007. Projected revenues in 2023-2024 from utility taxes total \$9.285 million.

- Revenues from telecommunications is closely monitored as it has declined since 2010 and will most likely continue to do so due to competition and the change in use of technology.
- Revenues from garbage are projected to increase based upon current inflation rates as allowed under the contract.
- Revenues from the storm drainage and wastewater utility tax are projected to increase commensurate with Surface Water Utility Fee rate increases.

Utility Tax Historical Comparison & Forecast



Revenue	2020A	2021A	2022E	2023B	2024B	2025F	2026F	2027F	2028F
Natural Gas	\$807,971	\$850,416	\$850,000	\$850,000	\$850,000	\$865,624	\$882,225	\$898,892	\$915,924
Annual Change		\$42,445	(\$416)	\$0	\$0	\$15,624	\$16,601	\$16,667	\$17,032
% Change		5.3%	0.0%	0.0%	0.0%	1.8%	1.9%	1.9%	1.9%
Telecomm.	\$599,514	\$483,365	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Annual Change		(\$116,149)	(\$33,365)	\$0	\$0	\$0	\$0	\$0	\$0
% Change		(19.4%)	(6.9%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Garbage	\$632,203	\$610,010	\$600,000	\$600,000	\$600,000	\$611,028	\$622,747	\$634,512	\$646,535
Annual Change		(\$22,193)	(\$10,010)	\$0	\$0	\$11,028	\$11,719	\$11,765	\$12,023
% Change		(3.5%)	(1.6%)	0.0%	0.0%	1.8%	1.9%	1.9%	1.9%
Cable TV	\$874,880	\$863,459	\$850,000	\$850,000	\$850,000	\$865,624	\$882,225	\$898,892	\$915,924
Annual Change		(\$11,421)	(\$13,459)	\$0	\$0	\$15,624	\$16,601	\$16,667	\$17,032
% Change		(1.3%)	(1.6%)	0.0%	0.0%	1.8%	1.9%	1.9%	1.9%
Storm Drainage	\$436,113	\$489,428	\$502,212	\$527,322	\$553,688	\$581,372	\$610,441	\$640,963	\$673,011
Annual Change		\$53,314	\$12,784	\$25,110	\$26,366	\$27,684	\$29,069	\$30,522	\$32,048
% Change		12.2%	2.6%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Wastewater	\$967,000	\$1,034,247	\$1,200,000	\$1,236,169	\$1,468,028	\$1,512,069	\$1,557,431	\$1,604,154	\$1,652,278
Annual Change		\$67,247	\$165,753	\$36,169	\$231,859	\$44,041	\$45,362	\$46,723	\$48,124
% Change		7.0%	16.0%	3.0%	18.8%	3.0%	3.0%	3.0%	3.0%
Total Revenue	\$4,317,681	\$4,330,926	\$4,452,212	\$4,513,491	\$4,771,716	\$4,885,717	\$5,005,069	\$5,127,413	\$5,253,672
Annual Change		\$13,244	\$121,286	\$61,279	\$258,225	\$114,001	\$119,352	\$122,344	\$126,259
% Change		0.3%	2.8%	1.4%	5.7%	2.4%	2.4%	2.4%	2.5%

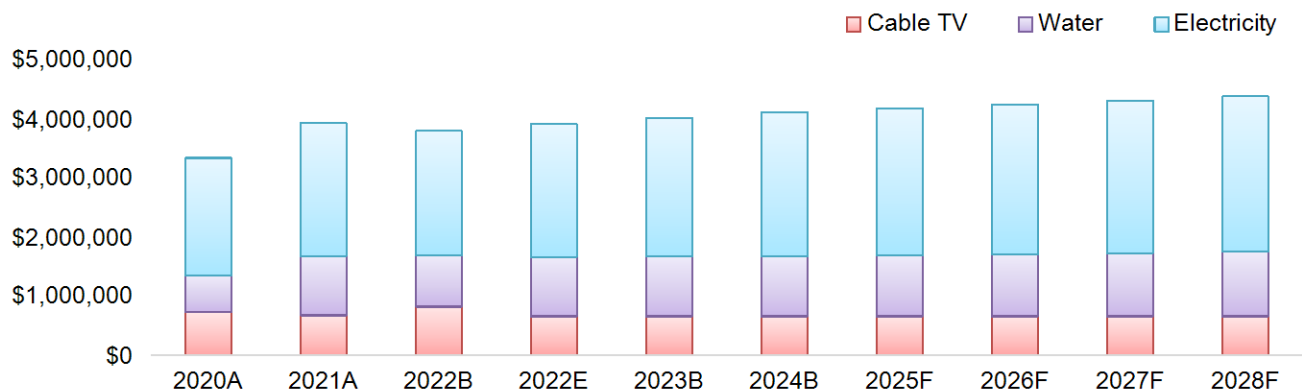
Source: City of Shoreline

Franchise Fee & Contract Payments

The City has entered into agreements with many of the public utilities that provide services to our citizens. Agreements have been reached with Seattle City Light, Seattle Public Utilities (Water), and the North City Water District. With the exception of Seattle City Light, these utilities pay a contract fee to the City in an amount equal to six percent of their revenues. Until April 1, 2008 Seattle City Light (SCL) paid six percent of the “power” portion of the electric revenues. On April 1, 2008, SCL began to pay a 3% contract payment on the “distribution” revenues. That rate increased to 6% on January 1, 2009 which ultimately resulted in a 6% payment on total electrical revenues. For residential customers the power portion of charges for electricity is approximately 60% of the total. The remaining 40% is linked to the cost of distribution of electricity.

Projected revenues in 2023-2024 from franchise fees and contract payments total \$8.118 million. The cable television franchise fee is set at a rate equal to five percent of gross cable service revenues.

Franchise Fees Historical Comparison & Forecast



Revenue	2020A	2021A	2022E	2023B	2024B	2025F	2026F	2027F	2028F
Cable TV	\$728,661	\$677,617	\$660,432	\$660,432	\$660,432	\$660,432	\$660,432	\$660,432	\$660,432
Annual Change		(\$51,044)	(\$17,185)	\$0	\$0	\$0	\$0	\$0	\$0
% Change		(7.0%)	(2.5%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water	\$617,568	\$998,636	\$1,000,000	\$1,009,515	\$1,009,515	\$1,028,071	\$1,047,787	\$1,067,583	\$1,087,811
Annual Change		\$381,068	\$1,364	\$9,515	\$0	\$18,556	\$19,716	\$19,796	\$20,228
% Change		61.7%	0.1%	1.0%	0.0%	1.8%	1.9%	1.9%	1.9%
Electricity	\$1,990,622	\$2,250,337	\$2,250,000	\$2,340,000	\$2,438,280	\$2,483,097	\$2,530,719	\$2,578,531	\$2,627,387
Annual Change		\$259,715	(\$337)	\$90,000	\$98,280	\$44,817	\$47,622	\$47,812	\$48,856
% Change		13.0%	0.0%	4.0%	4.2%	1.8%	1.9%	1.9%	1.9%
Total Revenue	\$3,336,851	\$3,926,590	\$3,910,432	\$4,009,947	\$4,108,227	\$4,171,600	\$4,238,938	\$4,306,546	\$4,375,630
Annual Change		\$589,739	(\$16,158)	\$99,515	\$98,280	\$63,373	\$67,338	\$67,608	\$69,084
% Change		17.7%	(0.4%)	2.5%	2.5%	1.5%	1.6%	1.6%	1.6%

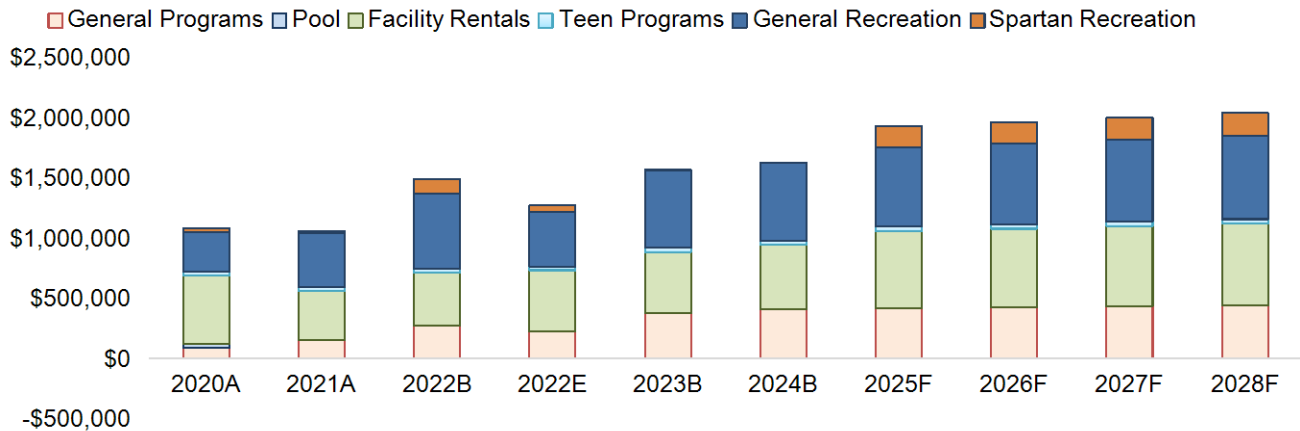
Source: City of Shoreline

Recreation Fees

Projected revenues for 2022 are estimated at \$1.274 million. Projected revenues in 2023-2024 from recreation fees total \$3.365 million. Revenue projections for 2023-2022 are projected assuming that recreation programs are returning to pre-pandemic levels over the biennium.

The City performed a comprehensive cost recovery evaluation on Parks and Recreation Fees in 2015 identifying cost recovery objectives for the various fees. Since that time, staff has completed annual cost recovery evaluations on a subset of fees to ensure that fees continue to meet the identified cost recovery objectives and that fees remain competitive. Fees which are not evaluated each year are adjusted by CPI-U as described above.

Recreation Fee Historical Comparison & Forecast



Revenue	2020A	2021A	2022E	2023B	2024B	2025F	2026F	2027F	2028F
Recreation	\$449,906	\$617,264	\$733,553	\$1,022,171	\$1,055,171	\$1,074,566	\$1,095,175	\$1,115,865	\$1,137,009
Annual Change		\$167,358	\$116,289	\$288,618	\$33,000	\$19,395	\$20,609	\$20,690	\$21,144
% Change		37.2%	18.8%	39.3%	3.2%	1.8%	1.9%	1.9%	1.9%
Pool	\$32,786	(\$311)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facility Rentals	\$572,244	\$416,819	\$509,500	\$595,410	\$620,885	\$642,114	\$654,340	\$666,612	\$679,152
Annual Change		(\$155,425)	\$92,681	\$85,910	\$25,475	\$21,229	\$12,226	\$12,272	\$12,540
% Change		(27.2%)	22.2%	16.9%	4.3%	3.4%	1.9%	1.9%	1.9%
Teen Programs	\$31,025	\$33,776	\$31,229	\$35,849	\$35,849	\$36,508	\$37,208	\$37,911	\$38,629
Annual Change		\$2,751	(\$2,547)	\$4,620	\$0	\$659	\$700	\$703	\$718
% Change		8.9%	(7.5%)	14.8%	0.0%	1.8%	1.9%	1.9%	1.9%
Total Revenue	\$1,085,960	\$1,067,548	\$1,274,282	\$1,653,430	\$1,711,905	\$1,753,188	\$1,786,723	\$1,820,388	\$1,854,790
Annual Change		(\$18,413)	\$206,734	\$379,148	\$58,475	\$41,283	\$33,535	\$33,665	\$34,402
% Change		(1.7%)	19.4%	29.8%	3.5%	2.4%	1.9%	1.9%	1.9%

Source: City of Shoreline

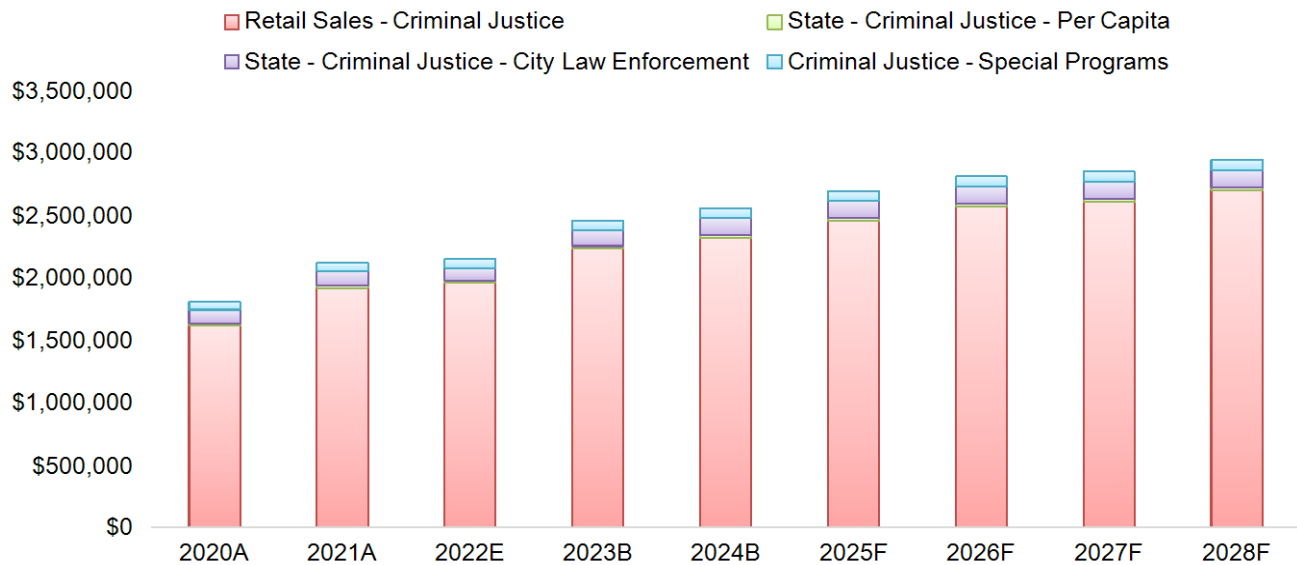
Criminal Justice Funding

There are two sources of dedicated funding for local criminal justice programs: an optional County sales tax of 0.1% and state shared funding. Prior to 2000, state funding consisted of a combination of Motor Vehicle Excise Tax (MVET) and state general revenues. Due to the repeal of the MVET by the State legislature, the MVET portion was eliminated, subsequently; the only state funding anticipated is from the State's General Fund.

Projected revenues in 2023-2024 for criminal justice total \$5.016 million

The largest revenue source in this category is the Criminal Justice Retail Sales tax., This tax is collected at the county level and distributed to the cities on a per capita basis. Local Criminal Justice Sales Tax revenue is expected grow based on King County taxable retail sales. 2022 is forecasted to come in only 2.2% higher than 2021, 2023 is forecasted to come in 14% higher and 2024 at 3.8% higher. The remainder of the revenues in this category increase only slightly each year based upon per capital projections provided by state forecasters.

Criminal Justice Funding Historical Comparison & Forecast



Revenue	2020A	2021A	2022E	2023B	2024B	2025F	2026F	2027F	2028F
Retail Sales - Criminal Justice	\$1,614,472	\$1,916,633	\$1,957,591	\$2,232,358	\$2,317,074	\$2,453,182	\$2,568,539	\$2,606,707	\$2,699,294
State - Criminal Justice - Per Capita	\$17,919	\$19,226	\$20,251	\$21,715	\$22,979	\$23,036	\$23,094	\$23,152	\$23,210
State - Criminal Justice - City Law Enforcement	\$110,021	\$116,530	\$98,160	\$128,925	\$137,012	\$137,012	\$137,012	\$137,012	\$137,012
Criminal Justice - Special Programs	\$64,045	\$68,387	\$71,950	\$76,606	\$79,822	\$81,492	\$83,263	\$85,047	\$86,876
Total Revenue	\$1,806,457	\$2,120,776	\$2,147,952	\$2,459,604	\$2,556,887	\$2,694,722	\$2,811,908	\$2,851,918	\$2,946,392
Annual Change		\$314,319	\$27,176	\$311,652	\$97,283	\$137,835	\$117,186	\$40,010	\$94,474
% Change		17.4%	1.3%	14.5%	4.0%	5.4%	4.3%	1.4%	3.3%

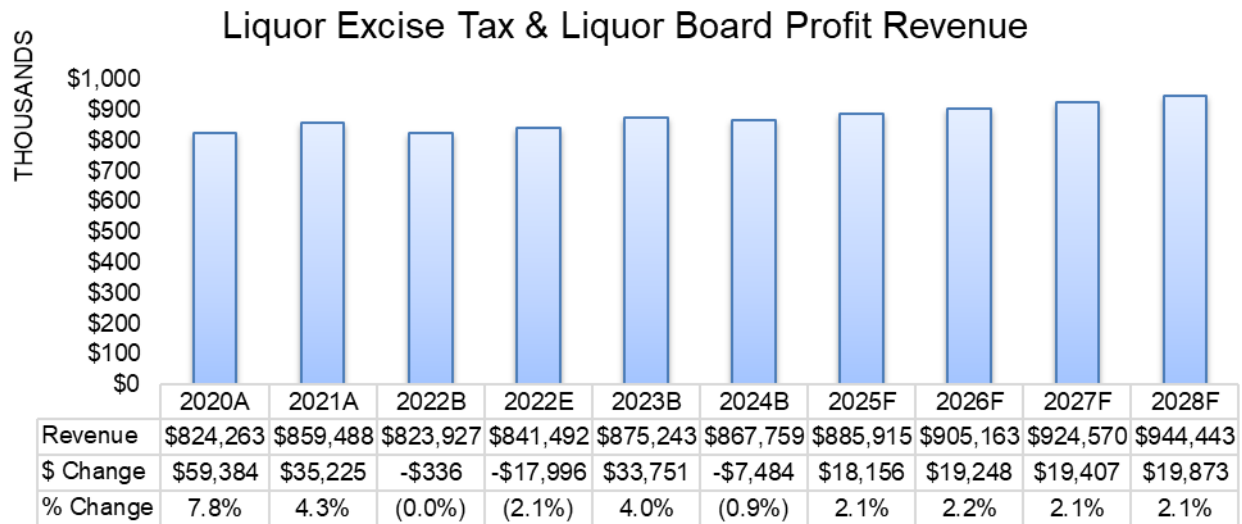
Sources: King County; Municipal Research and Services Center 2023 Budget Suggestions

Liquor Excise Tax & Board Profits

Revenue sources in this category used to be comprised of a portion of the liquor excise tax receipts collected by the State and a portion of the markups on liquor, commonly referred to as Liquor Board Profits. Much has changed with the passage of Initiative 1183 in November 2011, which resulted in the privatization of the distribution and retail sale of liquor, effective June 1, 2012. The Liquor Board Profits have been replaced as a state revenue source by license fees that are paid to the state by retailers and distributors. In 2012, the legislature passed ESHB 2823, ch. 5, Laws of 2012, 2nd sp. Sess, which diverted all liquor excise tax revenue that would have been distributed to cities and counties to the State General Fund for one year beginning in October 2012. In addition to that one-time loss, beginning with the October 2013 distribution, the state treasurer began transferring \$2.5 million per quarter from the Liquor Excise Tax Fund to the State General Fund before the distribution is made to cities and counties. The distribution to cities and counties was also reduced in the State's 2013-2015 budget, which increased the share of liquor taxes deposited into the state general fund from 65.0% to 82.5%, thereby reducing the share going to the Liquor Excise Tax Fund for distribution to cities and counties from 35.0% to 17.5%. When the 2015 budget was developed, it was assumed that the legislature would take action to continue with the reduced share of revenues. The 2015-2017 state budget, passed by the 2015 legislature returned the percentage distribution to the pre-2013 state budget provisions which means that 35% of revenues are to be deposited in the Liquor Excise Tax Fund to be distributed to cities, counties, and towns. The percentage distribution is anticipated to remain at 35% for the coming biennium.

Projected revenues in 2023-2024 from these two sources totals \$1.743 million and are forecast based on state-provided per capita estimates.

Liquor Tax Historical Comparison & Forecast



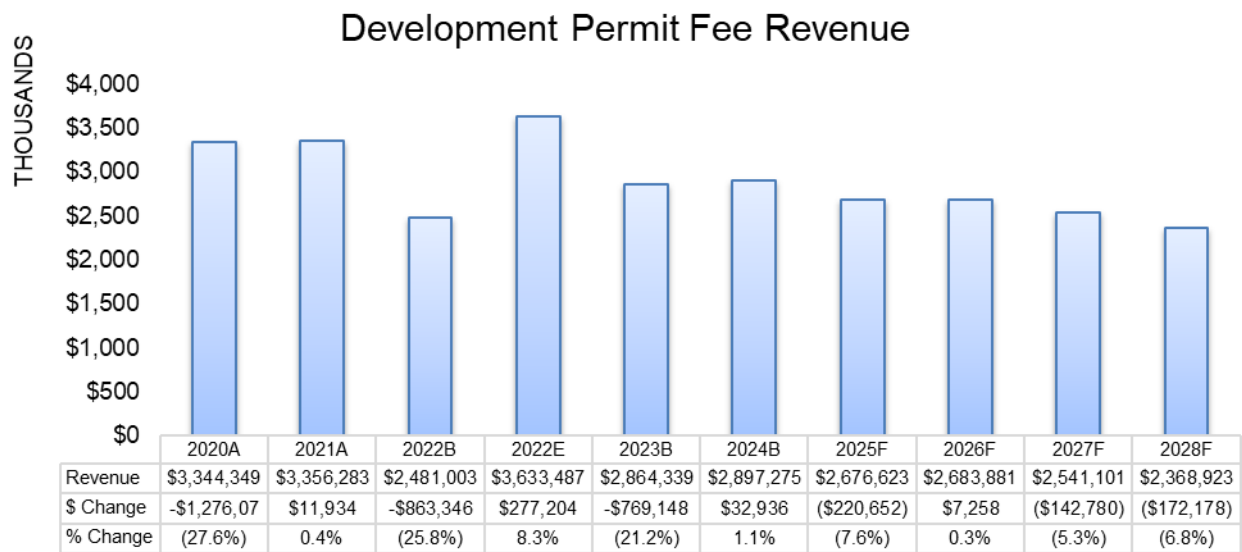
Source: Municipal Research and Services Center 2023 Budget Suggestions

Development Fees

Fees are charged for a variety of development permits obtained through the City’s Planning and Community Development Department. These include building, structure, plumbing, electrical, and mechanical permits; land use permits; permit inspection fees; plan check fees; and fees for environmental reviews. Year-over-year growth in the number of permits pulled and revenues was experienced in 2012 (+8.4% / +7.0%), 2014 (+17.3% / +26.5%), and 2016 (+6.9% / +46.6). The number of permits pulled in 2017 as compared to 2010 increased 68.1%. Revenues for 2013 and 2016 were lower than 2015 (-0.6% and 6.0%, respectively), but the number of permits pulled increased by 6.5% and 2.8%, respectively. Revenue for 2017 was 25.4% more than 2016 but the number of permits pulled decreased by 4.0%. Revenue in 2018 was 12% higher than 2017, but the number of permits applied for were 27% higher, and 2019 saw a 35% increase in revenue over 2018 with a 19% increase in the number of permit applications. In 2020 experienced a 33% decrease in the number of permit applications and a 28% decrease in revenue, 2021 was a 16% increase in applications and 1% increase in revenue and 2022 is projected to have a 4% increase in the number of applications with an 8.3% increase in revenue.

In spite of the current economic challenges staff are anticipating some continued growth in development revenue due to a pipeline of significant projects.

Development Fee Historical Comparison & Forecast

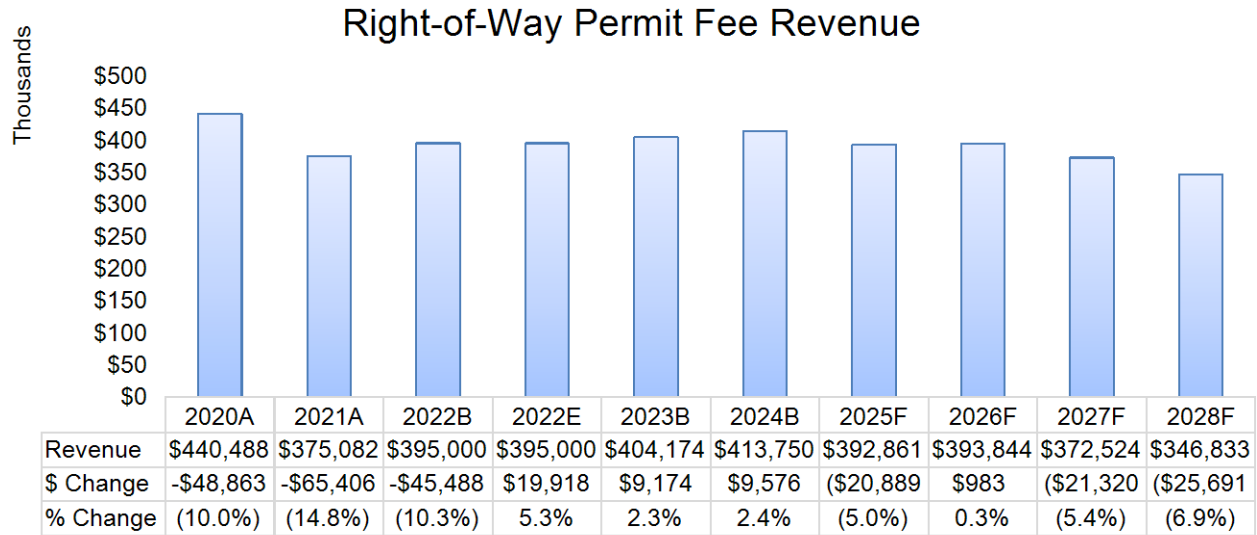


Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2022

Right-of-Way Permit Fees

Fees are charged for the use of the City’s right-of-way. This revenue source is impacted by the level of development activity and thus we are projecting some growth over our biennium as we have several major development projects that will contribute to the increased fee revenue. The chart below shows collections vary from year-to-year based on the level of activity.

Right-of-Way Permit Fee Historical Comparison & Forecast



Source: City of Shoreline

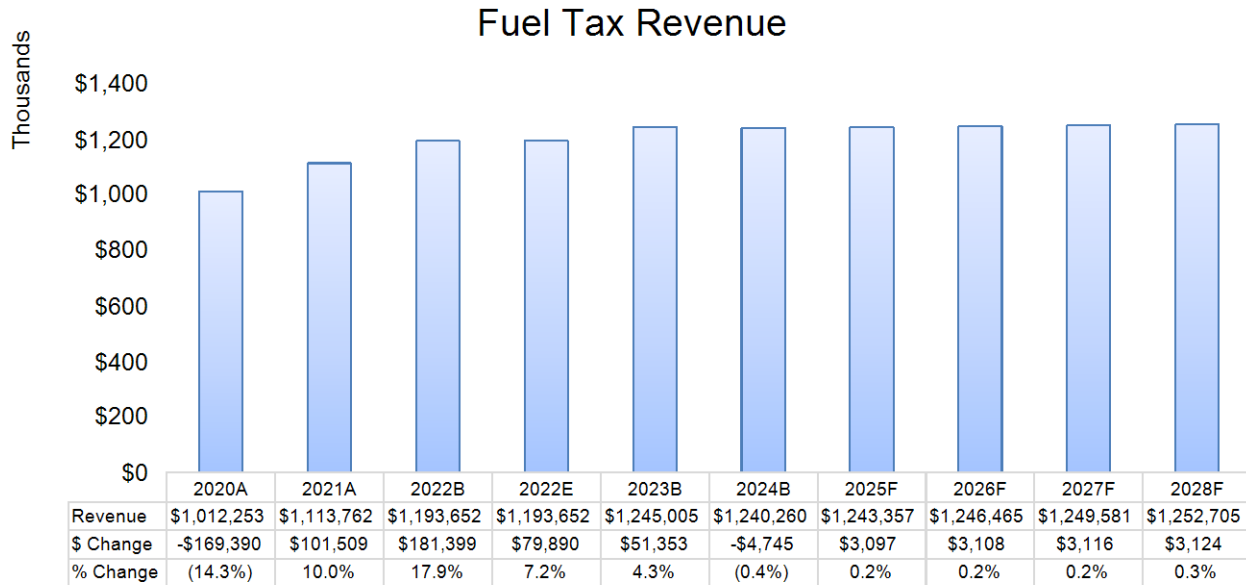
Street Fund

Fuel Tax

The major source of revenue for the City’s Street Fund is fuel tax. State collected gasoline and diesel fuel tax is shared with cities and towns on a per capita basis. This revenue is to be used for street repairs and maintenance. Fuel taxes are assessed as cents per gallon; therefore, fuel tax revenue depends on the number of gallons sold, not the dollar value of the sales. Gasoline and diesel fuel prices and Washington personal income are the primary variables affecting fuel consumption. Fuel prices have been volatile in the past year and that may contribute to a decrease in gallons sold and fuel tax revenue received.

With the continuation of remote and hybrid workforces and possibly exacerbated by rising fuel costs, this revenue source has not returned to pre-pandemic levels. Staff have tempered MRSC recommendations based upon Shoreline traffic modeling data. As such, we are projecting a 4.3% increase in 2023 and no growth in the subsequent years. The Fuel Tax does not provide sufficient resources for the City’s streets crews to perform the services that residents expect; therefore, the General Fund provides the Street Fund a subsidy to ensure resources are available.

Fuel Tax Historical Comparison & Forecast



Source: City of Shoreline

Surface Water Utility Fund

The budget accounts for the surface water utility operations in a Surface Water Utility Fund. This complex utility fund includes revenue from storm drainage utility fees, debt financing, grants and investment interest. It serves in both an operating and capital capacity and operates much like a private business.

Surface Water Management Fee

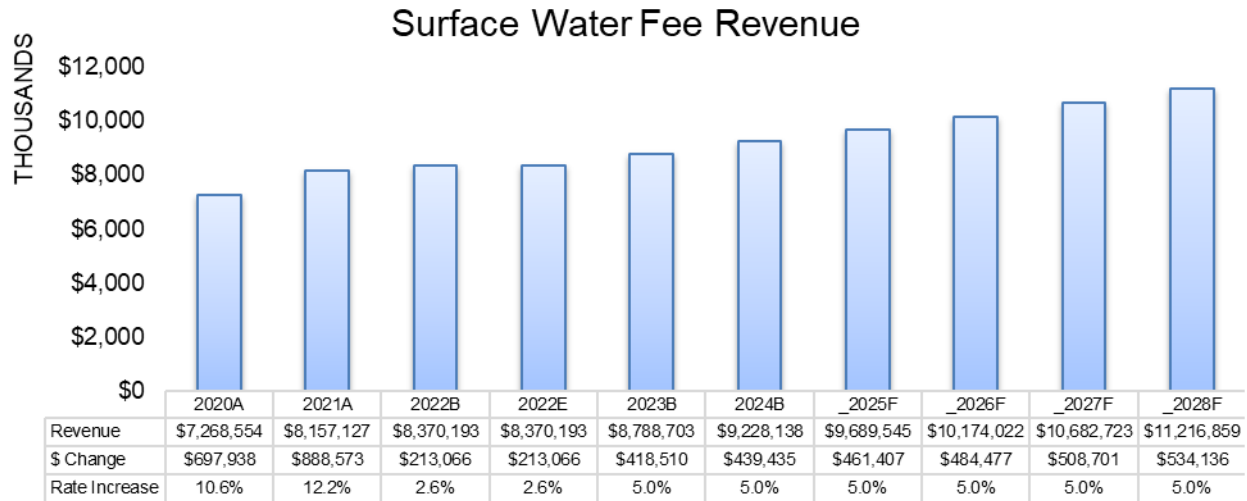
The City contracts with King County to collect the utility revenues via the annual property tax assessments. In 2005, the City Council adopted a Surface Water Master Plan that was updated in 2018. This plan includes operational needs and capital projects for the next twenty years to improve drainage, surface water facilities, and water quality within the City. This plan included adoption of the Proactive Management Strategy and included a surface water utility fee structure that supports both the operational and capital needs of the utility.

Historically the annual rate increases for a single-family residence ranged from 2.5% to 5% per year until 2017. The funding plan included rate increases of 27% in 2018, 15% in 2019 and 10% in 2020

The rate is proposed to increase 10.0% in 2021 and by 5.0% each in 2022 through 2024. The next update of the Surface Water Master Plan is scheduled for this biennium to align with the City's update of the Wastewater Master Plan. Pending that update and based upon the current forecast, staff are recommending we continue with the current strategy until the updated plan and rate study is complete and continue to utilize a projected 5% rate increase for 2023 and 2024.

In 2012, the Surface Water Utility established the Education Fee Credit (EFC) program which provided a credit up to 100% of its standard rates based on the value of an approved educational curriculum that promoted water quality and environmental awareness. Ordinance No. 642 establishing the EFC Program included a provision to sunset the program on July 1, 2015. This credit was reinstated in the 2017 fee schedule and continues in the 2023 fee schedule. The fee schedule also provides credits for low-income seniors as defined in RCW 84.36.381.

Surface Water Utility Fund Historical Comparison & Forecast



Source: City of Shoreline

Wastewater Utility Fund

The budget accounts for the wastewater utility operations in a Wastewater Utility Fund. This complex utility fund includes revenue from wastewater rates, permit fees, debt financing, grants, and investment interest. It serves in both an operating and capital capacity and operates much like a private business.

Wastewater Rates

In April of 2021, the City completed the assumption of the Ronald Wastewater District (RWD). For 2021 and 2022, the City adopted the RWD Budget. For the 2023 and 2024 budgets the City engaged FCS Group to perform a rate study and funding plan for the utility. The basis for that rate study was actual operating costs for 2021 with projected changes for 2022 as well as capital projects as defined in the 2021 utility master plan adopted by RWD Board, plus critical capital projects identified since assumption. That master plan recognized the need for significant investment in order to ensure the long-term viability of the utilities infrastructure and did not include a finance plan. The rate study included evaluation of financial policies including the balance use of debt and pay as you go funding for capital projects, expansion of the wastewater low-income discount program to renter and low-income customers of any age. The low-income discount expansion is anticipated to be implemented in 2024. The proposed district rate increases to fund the operating and capital budgets are \$4.10 per month increase for 2023-2027 and \$2.25 per month in 2027 and 2028. The 2023-2024 budget and revenue projection has been created based on this rate study.

	2022	2023	2024	2025	2026	2027	2028
Local City Rate	\$17.48	\$21.58	\$25.68	\$29.78	\$33.88	\$36.13	\$38.38
\$ Increase		\$4.10	\$4.10	\$4.10	\$4.10	\$2.25	\$2.25
King County Rate	\$49.79	\$52.17	\$55.11	\$58.28	\$61.64	\$65.19	\$71.06
Edmonds Rate	\$30.35	\$32.12	\$33.95	\$35.90	\$37.97	\$40.16	\$43.77
Total Bill – King County	\$67.27	\$73.75	\$80.79	\$88.06	\$95.52	\$101.32	\$109.44
\$ Increase		\$6.48	\$7.10	\$7.27	\$7.46	\$5.80	\$8.12
Total Bill – Edmonds	\$47.83	\$53.70	\$59.63	\$65.68	\$71.85	\$76.29	\$82.15
\$ Increase		\$5.87	\$5.95	\$6.05	\$6.17	\$4.44	\$5.86

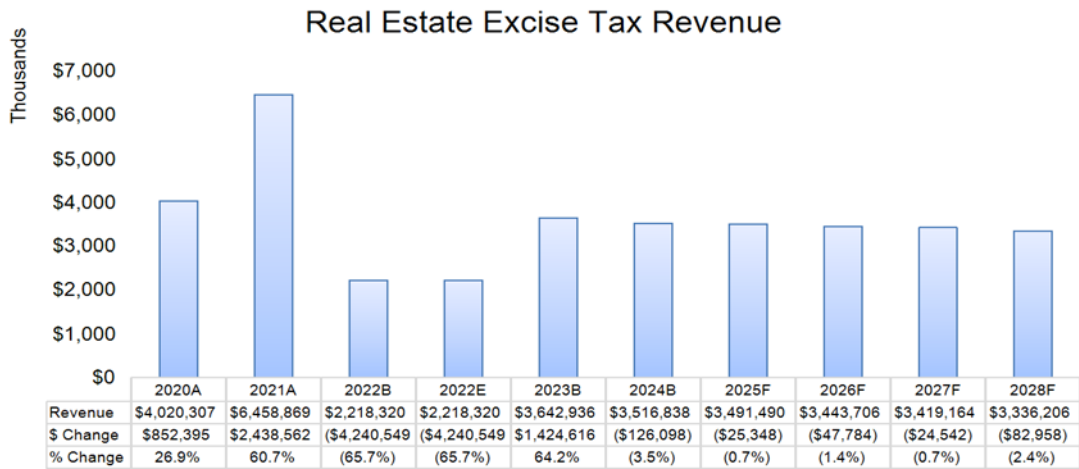
Capital Improvement Fund Revenues

Real Estate Excise Tax (REET)

All real estate property sales in the county are taxed at a rate of 1.28%. A portion of these revenues, equal to a 0.5% tax rate, is distributed by King County to the cities on a monthly basis. The use of REET funds is restricted by State law. The first 0.25% of the REET tax rate must be spent on capital projects listed in the City’s Comprehensive Plan. These projects could include local capital improvements, including streets, parks, pools, municipal buildings, etc. Starting in 2009, a portion of the first 0.25% of the tax is being used for debt service payments for City Hall. In 2023 to 2028, \$4.248 million will be used for this purpose. The second 0.25% of the REET tax rate must be spent on public works projects for planning, acquisition, construction, reconstruction, repair, replacement, or improvement of streets roads, highways, sidewalks, street lighting, etc.

Projected collections are based on the projected increase in the average sales price and in the projected level of real estate sales.

Real Estate Excise Tax (REET) Historical Comparison & Forecast



Sources:

Capital Grants

Grants are applied for and received for specific capital improvements. The amount of capital grants received in any given year can vary greatly depending on the number of projects, their cost and the amount of grant funding available. For more details, see the Capital Improvement Plan section of this document.

Vehicle License Fee

On July 13, 2009 a \$20 vehicle license fee was established by the Shoreline Transportation Benefit District (TBD) Board of Directors. The TBD was assumed by the City of Shoreline through City Council action (Ord. No. 726). This revenue was accounted for within the Roads Capital Fund and provided funding for the Annual Road Surface Maintenance Program.

On June 4, 2018, the City Council adopted Ordinance No. 822 authorizing an additional vehicle license fee of \$20 to preserve, maintain and operate the transportation infrastructure of the City including funding for sidewalk repairs and retrofits. Collections for this source began March 1, 2019. This revenue was accounted for within the Roads Capital Fund to provide funding for the Sidewalk Rehabilitation Program.

In 2019, Washington voters passed Initiative 976 (I-976), repealing City imposed vehicle license fees. That initiative was overturned by the State supreme court in 2020. The City issued debt supported by this revenue source in 2021 to fund rehabilitation of the City’s sidewalk system and the annual road surface maintenance program. The budget for this revenue source is projected at \$1.66 million per year.

Ending Fund Balances

The following table and graphs illustrate the City's ending fund balance through the 2023-2024 biennium. The fund balances are segregated into three major components: unreserved/undesignated, reserved, and designated.

	2019-2020 Biennial Actual	2021-2022 Biennial Budget	2021-2022 Biennial Estimate	2023-2024 Biennial Budget
Reserved:				
General Capital Fund	\$10,182,279	\$28,062,942	\$31,284,904	\$4,200,025
City Facility-Major Maintenance Fund	199,081	240,247	248,514	\$394,661
Roads Capital Fund	8,986,749	14,773,037	19,662,405	\$17,863,156
Sidewalk Expansion Fund	11,321,491	6,430,277	10,160,727	\$10,090,468
Shoreline Secure Storage Fund	224,920	(258,838)	78,434	\$78,434
Street Fund	259,904	259,904	280,449	\$305,302
Transportation Impact Fees Fund	5,283,737	422,666	2,762,585	\$2,048,926
Park Impact Fees Fund	1,016,149	483,340	2,217,735	\$2,217,735
2006/2016 UTGO Bond Fund	6,656	6,656	10,027	\$10,027
2009/2019 LTGO Bond Fund	410,710	410,710	70,517	\$70,517
2013 LTGO Bond Fund	0	0	170	\$170
2020 LTGO Bond Fund	0	0	32,500	\$32,500
Sidewalk LTGO Bond Fund	3,833,167	6,428,269	7,095,218	\$10,166,863
VLF Revenue Bond	0	0	(96)	(\$96)
2022 Parks UTGO Bond	0	0	(0)	(\$0)
Surface Water Utility Fund	4,643,109	13,936,416	15,699,992	\$14,988,899
Wastewater Utility Fund	519,442	(686,698)	10,177,336	\$7,660,905
Subtotal Reserved	\$46,887,393	\$70,508,926	\$99,781,416	\$70,128,492
Designated:				
Equipment Replacement Fund	\$5,130,587	\$5,548,308	\$6,141,066	\$6,891,307
Vehicle Operations and Maintenance Fund	40,001	(0)	70,091	\$30,091
Unemployment Fund	0	0	0	\$0
Code Abatement Fund	428,409	288,409	394,417	\$254,417
State Drug Enforcement Forfeiture Fund	88,544	88,544	154,015	\$154,015
Federal Drug Enforcement Forfeiture Fund	23,048	23,048	23,052	\$23,052
Federal Criminal Forfeiture Fund	0	0	59,586	\$59,586
Property Tax Equalization Fund	0	0	0	\$0
Public Arts Fund	181,023	41,518	78,839	\$824,289
Subtotal Designated	\$5,891,613	\$5,989,828	\$6,921,066	\$8,236,757
Unreserved/Undesignated:				
General Fund	\$26,132,528	\$21,252,949	\$36,237,669	\$22,812,097
Revenue Stabilization Fund	5,626,456	5,626,456	5,626,168	\$5,626,168
Subtotal Unreserved/Undesignated	\$31,758,984	\$26,879,405	\$41,863,837	\$28,438,265
	\$84,537,989	\$103,378,159	\$148,566,320	\$106,803,515

* Negative ending fund balance for the Wastewater Utility Fund is due to accounting accruals required to comply with GASB 68 requirements related to DRS Retirement Liabilities in the Wastewater Fund where no operating fund balance was maintained pending full assumption of Ronald Wastewater District.

Unreserved/Undesignated Fund Balances

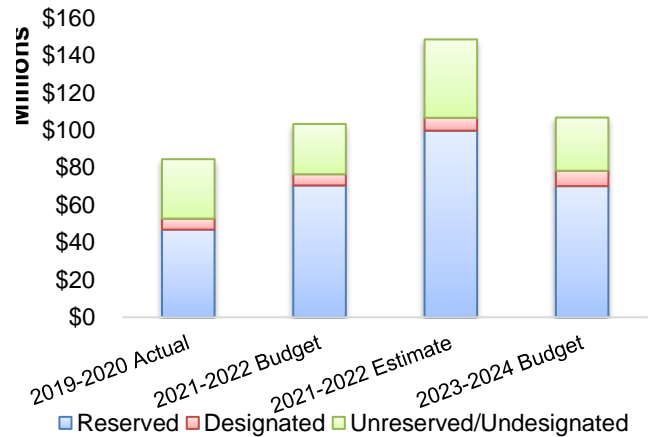
The unreserved/undesignated fund balance is the balance of net financial resources that are available for discretionary appropriations. The 2023-2024 Biennial Budget estimates unreserved/undesignated fund balance of \$28,438,265 at the end of 2024.

Reserved Ending Fund Balances

The second component of ending fund balance is those funds reserved for a specific purpose. These funds are not available for appropriation because they are legally restricted. These reserves primarily represent monies allocated for capital and specific maintenance purposes. The reserved fund balances are estimated to be \$70,128,492 at the end of 2024.

Designated Ending Fund Balances

The third component of ending fund balances, totaling \$8,236,757 in 2024, is those moneys that have been earmarked for specific purposes (equipment replacement, unemployment, etc.). Although designated for specific purposes, there is the ability to appropriate some of these funds for other purposes since the original source of the funds was general revenues from the General Fund. The designated fund balances are estimated to be \$8,236,757 at the end of 2024.



Change in Ending Fund Balance

	2021-2022 Biennial Estimate	2023-2024 Biennial Budget	2023 - 2024 vs. 2021 - 2022	Percentage Change
General Fund	\$36,237,669	\$22,812,097	(\$13,425,572)	(37%)
Shoreline Secure Storage Fund	78,434	78,434	0	0%
Street Fund	280,449	305,302	24,852	9%
Revenue Stabilization Fund	5,626,168	5,626,168	0	0%
Code Abatement Fund	394,417	254,417	(140,000)	(35%)
State Drug Enforcement Forfeiture Fund	154,015	154,015	0	0%
Federal Drug Enforcement Forfeiture Fund	23,052	23,052	0	0%
Federal Criminal Forfeiture Fund	59,586	59,586	0	0%
Public Arts Fund	78,839	824,289	745,450	946%
Transportation Impact Fees Fund	2,762,585	2,048,926	(713,659)	(26%)
Park Impact Fees Fund	2,217,735	2,217,735	0	0%
2006/2016 UTGO Bond Fund	10,027	10,027	0	0%
2009/2019 LTGO Bond Fund	70,517	70,517	0	0%
2013 LTGO Bond Fund	170	170	0	0%
2020 LTGO Bond Fund	32,500	32,500	0	0%
Sidewalk LTGO Bond Fund	7,095,218	10,166,863	3,071,645	43%
VLF Revenue Bond	(96)	(96)	0	0%
2022 Parks UTGO Bond	(0)	(0)	(0)	0%
General Capital Fund	31,284,904	4,200,025	(27,084,878)	(87%)
City Facility-Major Maintenance Fund	248,514	394,661	146,147	59%
Roads Capital Fund	19,662,405	17,863,156	(1,799,249)	(9%)
Sidewalk Expansion Fund	10,160,727	10,090,468	(70,259)	(1%)
Surface Water Utility Fund	15,699,992	14,988,899	(711,092)	(5%)
Wastewater Utility Fund	10,177,336	7,660,905	(2,516,431)	(25%)
Vehicle Operations and Maintenance Fund	70,091	30,091	(40,000)	(57%)
Equipment Replacement Fund	6,141,066	6,891,307	750,241	12%
Unemployment Fund	0	0	0	0%
Total	\$148,566,320	\$106,803,515	(\$41,762,805)	(28%)

Explanation of Changes in Fund Balance Equal or Greater than 10%

General Fund: The 2024 ending fund balance is \$13.426 million less than the projected 2022 ending fund balance. Available fund balance totaling \$ 13,425,572 million will be used for the Operating Contingency, Insurance Reserve, one-time CIP support, transfers to the Revenue Stabilization Fund, one-time supplemental requests as detailed in the Transmittal Letter, and one-time use of fund balance to balance the biennial shortfall if the Levy Lid Lift is not approved by voters.

Street Fund: The 2024 ending fund balance is \$0.025 million more than the projected 2022 ending fund balance.

Code Abatement Fund: The 2024 ending fund balance is \$0.140 million less than the projected 2022 ending fund balance. Accumulated funds from prior years will be used for City code abatement efforts (public nuisances, dangerous buildings, etc.).

Public Arts Fund: The 2024 ending fund balance is \$0.745 million more than the projected 2022 ending fund balance. As capital projects have been constructed, funds have been accumulating in this fund. Available fund balance will support continued work on several public arts projects.

The 0.500 FTE Public Art Coordinator is funded 50% in the General Fund and 50% in the Public Arts Fund.

General Capital Fund: The 2024 ending fund balance is \$27.085 million less than the projected 2022 ending fund balance as fund balance is programmed to support projects in the CIP. Additional information can be found in the 2023-2028 Proposed Capital Improvement Plan section in this book.

City Facility – Major Maintenance Fund: The 2024 ending fund balance is \$0.146 million more than the projected 2022 ending fund balance as the City purposely builds reserves to address future major maintenance needs. Additional information can be found in the 2023-2028 Proposed Capital Improvement Plan section in this book.

Roads Capital Fund: The 2024 ending fund balance is \$1.799 million less than the projected 2022 ending fund balance as fund balance is programmed to support projects in the CIP. Additional information can be found in the 2023-2028 Proposed Capital Improvement Plan section in this book.

This fund balance includes Vehicle License Fees, which is restricted in its use and is dedicated to repayment of debt to fund the Annual Road Surface Maintenance Program and Sidewalk Rehabilitation Program. Amounts available in excess of that needed to pay debt service is available to fund these programs on a pay as you go basis.

Surface Water Utility Fund: The 2024 ending fund balance is \$0.711 million less than the projected 2022 ending fund balance. The 2018 Surface Water Master Plan identified several new capital projects as necessary to deliver the Proactive Management Strategy. These projects have been programmed in the 2023-2028 Proposed Capital Improvement Plan. Additional information can be found in the 2023-2028 Proposed Capital Improvement Plan section in this book. It is anticipated that bonds will be issued in 2023 and 2024 to provide additional funding for several capital projects.

Wastewater Utility Fund: The 2024 ending fund balance is \$2.516 million less than the projected 2022 ending fund balance. The 2021 Wastewater Master Plan approved by Ronald Wastewater identified new capital projects necessary to maintain wastewater system. These projects have been programmed in the 2023-2028 Proposed Capital Improvement Plan. Additional information can be found in the 2023-2028 Proposed Capital Improvement Plan section in this book.

Vehicle Operations Fund: The 2024 ending fund balance is \$0.040 million less than the projected 2022 ending fund balance. This fund strives to maintain a minimum balance needed to fund a \$40,000 contingency.

Equipment Replacement Fund: The 2024 ending fund balance is \$0.750 million more than the projected 2022 ending fund balance. Funds are being accumulated for the future replacement of the City's fleet.

Unemployment Fund: Accumulated fund balance will be used for expenditures instead of a transfer from the General Fund as the current fund balance is equal to approximately three years of average expenditures.

MUNICIPAL DEBT

Fund Name	Type of Debt	Purpose	Issue Date	Maturity Date	Total Amount Authorized	Interest Rate	Original Amount	Outstanding Debt 12/31/2021	Outstanding Debt 12/31/2022	Avg Annual Debt Service	2022
											Standard & Poor Rating
General Obligation											
Ltd Tax GO Bond 2013	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Purchase & Improvements of a Maintenance Facility	8/21/2013	12/1/2033	\$3,565,000	4%	\$3,565,000	\$2,460,000	\$2,295,000	208,636	AA+
Ltd Tax GO Bond 2009/2019	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Pre-payment of the City's Administration Building	11/6/2019	12/1/2039	15,490,000	3.00% - 6.4%	15,490,000	14,505,000	13,970,000	821,765	AA+
Sidewalk LTGO Bond	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Sidewalk Expansion	11/6/2019	12/1/2034	\$10,000,000	3.00% - 5.0%	\$10,000,000	\$9,030,000	\$8,505,000	708,750	AA+
LTGO BAN Fund 2020	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Acqition of Open Space & Improvements to Parks & Recreation Facilities	2/14/2020	12/1/2022	25,000,000	1.92%	25,000,000	16,600,000	16,600,000	382,667	AA+
LTGO VLF Revenue Bond	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Vehicle License Fee Supported Projects	5/21/2021	12/1/2036	\$8,060,000	1.87%	\$8,060,000	\$8,060,000	\$7,593,096	564,022	AA+
UTGO Parks Bond 2022	General Purpose Councilmanic Bonds - Unlimited Tax General Purpose	Acqition of Open Space & Improvements to Parks & Recreation Facilities	5/26/2022	12/1/2041	37,840,000	4.125% - 5.000%	37,840,000	37,840,000	37,840,000	2,205,389	AA+
Total General Obligation					\$99,955,000		\$99,955,000	\$88,495,000	\$86,803,096	\$4,891,228	
Revenue Bond											
Surface Water Utility Fund	Revenue Bond	Surface Water Utility Pipe Replacement Projects	12/2/2016	12/1/2031	2,000,000	2.23%	2,000,000	1,405,438	1,278,428	142,048	
Surface Water Utility Fund	Revenue Bond***	Surface Water Utility Capitalization Projects	12/1/2019	12/1/2033	\$500,000	3.35%	\$500,000	\$3,628,277	\$3,363,897	160,186	
Total Revenue Bond					\$2,500,000		\$2,500,000	\$5,033,715	\$4,642,325	\$302,233	
Total Debt					\$102,455,000		\$102,455,000	\$93,528,715	\$91,445,421	\$5,193,462	

General Obligation Long-Term Debt

General obligation bonds have been issued for general government activities only and are being repaid from a voter-approved “excess” property tax levy, voter approved sales taxes, real estate excise tax and lease revenue. All principal and interest payments on the general obligation debts are recorded as expenditures in the City’s debt service funds.

Municipal Debt Capacity

2022 Assessed Valuation: **\$13,390,908,989**

	General Purpose Debt				Open Space, Parks, and Economic Development Facilities		Utility Purpose Debt		TOTAL DEBT CAPACITY
	Legal Limit	Councilmanic (Non-voted)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	
Total Debt Capacity	1.50%	\$200,863,635	2.50%	\$334,772,725	2.50%	\$334,772,725	2.50%	\$334,772,725	\$1,205,181,809
Less Councilmanic Debt		48,963,096		48,963,096		N/A		N/A	97,926,192
Less Voted Debt		N/A		0		37,840,000		0	37,840,000
Remaining Debt Capacity		\$151,900,539		\$285,809,629		\$296,932,725		\$334,772,725	\$1,069,415,617

There are four types of General Obligation (GO) Debt that the City is currently authorized to use for financing purposes. They each have statutory limitations and require approval by either the City Council or City voters.

- General Purpose Councilmanic Debt:** The City Council may approve bond issues without voter approval up to 1.5% of the City’s assessed valuation. Prior to the passage of new legislation in 1994, councilmanic debt was available for lease-purchase contracts only (RCW 35.43.200). This statutory authority can be used for any municipal purpose now, including using the entire 1.5% for bonds. Councilmanic debt must be approved by a majority of the City Council and must be repaid from existing operational revenue sources. In 2022 the City Council can levy up to \$200,863,635, or 1.5%, of the City’s estimated assessed value. Because the City currently has outstanding Councilmanic debt of \$48,963,096, the remaining Councilmanic Debt Capacity for 2022 is \$151,900,539.
- General Purpose Voted Debt:** As authorized by the Revised Code of Washington (RCW) 39.36.020(2), the public may vote to approve bond issues for general government in an amount not to exceed 2.5% of the value of all taxable property within the City. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. The debt would be repaid from an increase to the City’s existing property tax levy. An amount up to 2.5% of the City’s assessed value can be levied, or

\$334,772,725 for 2022. Because the City currently has outstanding Councilmanic debt of \$48,963,096 (as noted above) and General Purpose voted debt of \$0 the remaining Voted Debt Capacity for 2022 is \$285,809,629.

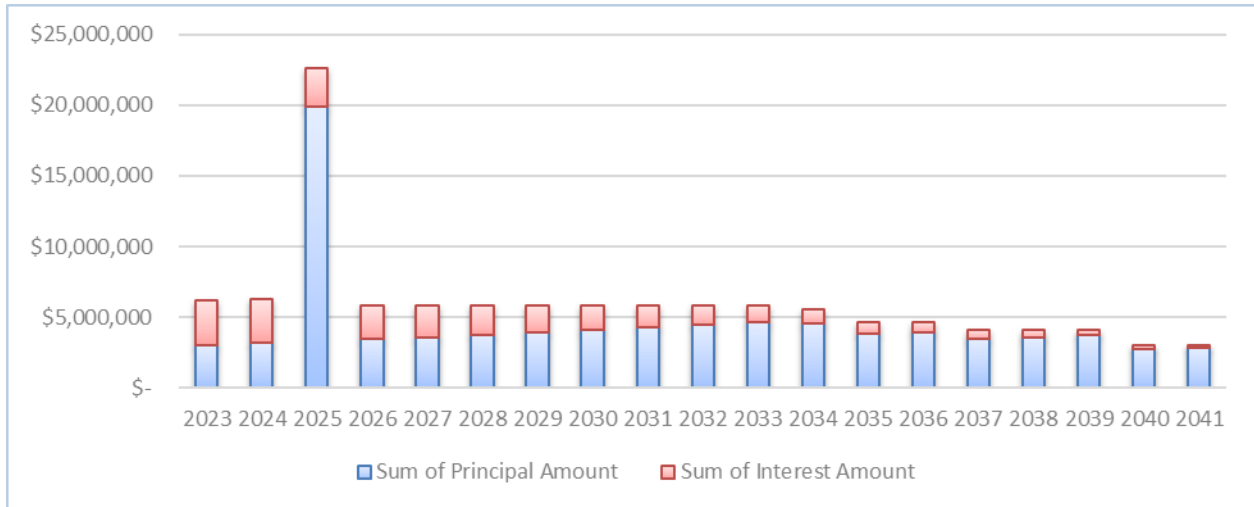
The total General Purpose Voted Debt and Councilmanic Debt cannot exceed 2.5% of the City's assessed value.

Under RCW 39.36.030(4), the public may also vote to approve park facilities and utility bond issues, each of which is also limited to no more than 2.5% of the City's assessed valuation.

3. Open Space, Parks, and Economic Development Facilities Debt: The City is authorized to issue debt and increase the property tax levy for acquiring or developing open space and park facilities. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. An amount up to 2.5% of the City's estimated assessed value, less outstanding debt, can be levied or \$296,932,725 for 2022.
4. Utility Purpose Debt: The City is authorized to issue debt and increase the property tax levy for utility purposes if a utility is owned and controlled by the City. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. An amount up to 2.5% of the City's estimated assessed value can be levied \$334,772,725 for 2022.

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Fund 211 Ltd Tax GO Bond 2009/2019	Fund 212 LTGO BAN Fund 2020	Fund 221 Ltd Tax GO Bond 2013	Fund 230 Sidewalk LTGO Bond	Fund 235 LTGO VLF Revenue	Fund 240 UTGO Parks Bond 2022	Total Principle & Interest
2023	\$ 1,096,844	\$ 415,000	\$ 256,063	\$ 898,300	\$ 589,992	\$ 2,953,419	\$ 6,209,617
2024	\$ 1,098,844	\$ 415,000	\$ 259,688	\$ 900,800	\$ 618,251	\$ 2,949,919	\$ 6,242,501
2025	\$ 1,094,344	\$ 16,807,500	\$ 257,938	\$ 897,600	\$ 619,156	\$ 2,953,419	\$ 22,629,956
2026	\$ 1,098,594		\$ 261,000	\$ 898,600	\$ 619,686	\$ 2,953,419	\$ 5,831,299
2027	\$ 1,096,094		\$ 258,688	\$ 898,600	\$ 620,226	\$ 2,949,919	\$ 5,823,526
2028	\$ 1,097,094		\$ 256,188	\$ 901,100	\$ 620,501	\$ 2,952,919	\$ 5,827,801
2029	\$ 1,096,344		\$ 258,500	\$ 901,850	\$ 621,340	\$ 2,951,919	\$ 5,829,953
2030	\$ 1,098,844		\$ 260,438	\$ 900,850	\$ 621,913	\$ 2,951,919	\$ 5,833,963
2031	\$ 1,099,344		\$ 257,000	\$ 898,100	\$ 622,498	\$ 2,952,669	\$ 5,829,610
2032	\$ 1,097,844		\$ 258,375	\$ 901,500	\$ 622,935	\$ 2,953,919	\$ 5,834,572
2033	\$ 1,098,044		\$ 259,375	\$ 901,750	\$ 623,703	\$ 2,950,419	\$ 5,833,290
2034	\$ 1,096,844			\$ 901,250	\$ 624,323	\$ 2,952,819	\$ 5,575,235
2035	\$ 1,098,344				\$ 624,955	\$ 2,951,819	\$ 4,675,117
2036	\$ 1,099,219				\$ 625,566	\$ 2,952,419	\$ 4,677,204
2037	\$ 1,098,231					\$ 2,949,419	\$ 4,047,650
2038	\$ 1,096,588					\$ 2,952,819	\$ 4,049,406
2039	\$ 1,094,288					\$ 2,952,219	\$ 4,046,506
2040						\$ 2,954,350	\$ 2,954,350
2041						\$ 2,951,944	\$ 2,951,944
Total Principle & Interest	\$ 18,655,744	\$ 17,637,500	\$ 2,843,250	\$ 10,800,300	\$ 8,675,045	\$ 56,091,663	\$ 114,703,501
Total Debt Outstanding	\$ 13,970,000	\$ 16,600,000	\$ 2,295,000	\$ 8,505,000	\$ 7,593,096	\$ 37,840,000	\$ 86,803,096

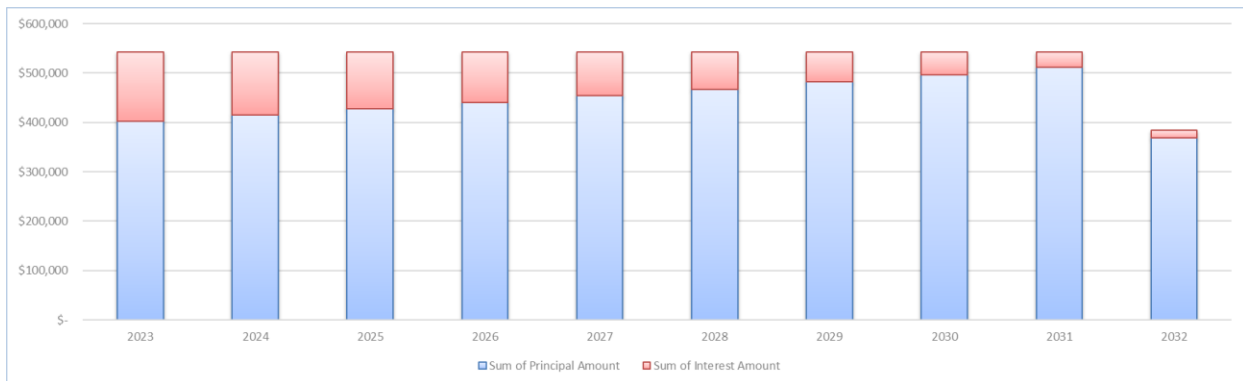


Revenue Bonds

The City currently has two Revenue Bonds, both of which are being used to fund improvements to the City’s drainage facilities. These loans are the obligation of the Surface Water Utility Fund and are backed by the surface water fees collected from property owners and are considered in the City’s general obligation debt and are not subject to the limitation of indebtedness calculation.

The annual debt service requirements to maturity for the Revenue Bonds debt are as follows:

Year	Surface Water 2016 Revenue Bond	Surface Water 2018 Revenue Bond	Total Principal & Interest
2023	\$ 158,351	\$ 383,732	\$ 542,083
2024	\$ 158,351	\$ 383,732	\$ 542,083
2025	\$ 158,351	\$ 383,732	\$ 542,083
2026	\$ 158,351	\$ 383,732	\$ 542,083
2027	\$ 158,352	\$ 383,732	\$ 542,084
2028	\$ 158,351	\$ 383,732	\$ 542,083
2029	\$ 158,351	\$ 383,732	\$ 542,083
2030	\$ 158,351	\$ 383,732	\$ 542,083
2031	\$ 158,351	\$ 383,732	\$ 542,083
2032	\$	\$ 383,732	\$ 383,732
Total Principal & Interest	\$ 1,425,162	\$ 3,837,318	\$ 5,262,480
Total Debt Outstanding	\$ 1,278,428	\$ 3,188,311	\$ 4,466,739



Other Long Term Debt

In addition to general obligation debt, the City can utilize a number of other long-term debt instruments, including special assessment bonds and loans from the State of Washington's Public Works Trust Fund. Special assessment bonds are used to finance public improvements that benefit a specified group of property owners and are funded from the collection of special assessment payments from property owners. Loans from the Public Works Trust Fund (PWTF) can be used for pre-construction and construction activities for the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users and may include reasonable growth as part of the project.