



# **TRANSMITTAL LETTER**



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October 10, 2022

**Total Budget: \$358.186 million**

**Operating Budget: \$125.631 million**

**Capital Budget: \$135.175 million**

**Utility Budget: \$82.809 million**

**Other Budgets: \$14.571 million**

**General Reserves: \$28.438 million**

**General Fund Ending Fund Balance: \$22.812 million**

**Population: 60,320**

**AA+ Bond Rating**

**S&P Financial Management Rating of "Stable"**

**24 years of Unqualified (clean) Audit Opinions**

**GFOA Budget Award for 22 consecutive years**

**89% of residents believe that Shoreline is an excellent or good place to live**

Honorable Mayor Scully and Members of the City Council  
Residents and Stakeholders of the City of Shoreline

Dear Mayor Scully and City Councilmembers:

We are pleased to present the City's 2023-2024 Proposed Biennial Budget. This budget represents the results of thoughtful direction provided by the City Council along with the dedicated efforts of the Department Directors and City staff members. The 2023-2024 Proposed Biennial Budget is scheduled for City Council review during several upcoming meetings in October and November 2022 and will be presented for final adoption on November 21, 2022.

The City's budget is used as a planning and policy document, estimating future City revenues and expenditures, and allocating resources to accomplish community and Council priorities including financial sustainability. It serves to guide the City's operations and capital programs from a fiscal perspective for the upcoming biennium. The budget is prepared on a fund-by-fund basis. Each fund accounts for different services and activities.

Shoreline adheres to generally accepted accounting principles (GAAP) applicable to governments. Shoreline uses proprietary funds to account for the surface water utility and wastewater operations in addition to certain internal service activities (fleet, equipment, and unemployment management activities). Other activities are recorded in governmental funds (General Fund, Streets Fund, Capital Services Funds, Debt Service Funds, etc.). All City funds are included in the 2023-2024 Proposed Biennial Budget and each fund is described in more detail at the beginning of each fund section.

## **SUMMARY OF THE 2023-2024 PROPOSED BIENNIAL BUDGET**

### **Council Goals and Community Priorities**

As a planning and policy document, one fundamental purpose of the City's budget is to allocate resources that support the community's vision and priorities. The 2022 Shoreline Resident Satisfaction survey reported that 89% of residents believe that

Shoreline is an excellent or good place to live and 65% of residents trust that the City is spending their tax dollars responsibly.

Each year the City Council reviews and adopts its goals with action steps identifying the most important items for the City to accomplish over the next 18 to 24 months. The 2023-2024 Proposed Biennial Budget allocates resources that staff members use to successfully accomplish these key goals. Following is a list of the Council's 2022-2024 goals that contain funding in the 2023-2024 Proposed Biennial Budget. The City Council's 2022-2024 Goals are:

**2022-2024 Council Goals: For more information about these goals, please click on the links below:**

- ❖ **Goal 1:** Strengthen Shoreline's economic climate and opportunities
- ❖ **Goal 2:** Continue to deliver highly valued public services through management of the City's infrastructure and stewardship of the natural environment
- ❖ **Goal 3:** Continue preparation for regional mass transit in Shoreline
- ❖ **Goal 4:** Expand the City's focus on equity and social justice and work to become an Anti-Racist community
- ❖ **Goal 5:** Promote and enhance community safety, healthy neighborhoods, and a coordinated response to homelessness and individuals in behavioral health crisis

The complete 2022-2024 Council Goals and Workplan is available here:

<https://www.shorelinewa.gov/government/elected-and-appointed-officials/shoreline-city-council/city-council-goals>

**Delivery of Public Services and Organizational Goals**

Although much emphasis is placed on the accomplishment of City Council goals, the primary focus of the City's budget is to provide resources to deliver public services to the Shoreline community. This is the mission of the City organization. The 2022 resident satisfaction survey reflects a 62% satisfaction in the overall quality of City services with only 7% of residents being dissatisfied. 71% of respondents were satisfied with the quality of parks, programs, and facilities, and 58% with the quality of police services with 10% dissatisfied. This survey was conducted during the spring of 2022, amid economic uncertainty in a world that is striving to find the new normal in the wake of the pandemic. In the face of these challenges, the results confirm the public's confidence in the leadership and direction of the City and the effective delivery of public services. The 2023-2024 Proposed Biennial Budget includes the allocation of resources to support these key organizational goals:

**ORGANIZATIONAL GOALS**

**Delivery of Public Services:** Continue to make Shoreline a desirable place to live and invest by providing public services that are valued by our community.

**Organizational Strength:** Enhance the effectiveness of our organization through development of employee skills and knowledge.

**Fiscal Sustainability:** Secure and sustain long-term financial sustainability to ensure delivery of public services to our community.

**Achieve Council Goals:** Complete action steps included in the adopted City Council Goals.

**CITY OF SHORELINE**

## **2023-2024 Proposed Biennial Budget Highlights**

Shoreline has weathered the pandemic well, responding to the challenges and opportunities that have presented themselves. The City was able to utilize Federal CARES Act funding to offset unanticipated costs to respond to the pandemic, providing support to individuals and businesses throughout the community and enabling a remote workforce and public engagement. The 2021-2022 ARPA funding has allowed the City to support critical infrastructure, business, and human services investments. Negative revenue impacts anticipated in the 2021-2022 budget did not materialize and as a result we anticipate increasing undesignated/allocated fund balance at the end of this biennium, in large part due to strong development investment.

### *Challenges*

Impacts of current national and international economic challenges have impacted Shoreline with rising costs in response to historical levels of inflation. A key strategy of the City's financial sustainability plan is the use of a voter approved levy lid lift every six years asking voters to allow inflationary increases in the City's property tax levy instead of the 1% State law limitation. The City's current six-year Levy Lid Lift will expire at the end of the year, and while voters will cast their ballots before the budget is adopted, certification of the election does not occur until November 29, after scheduled adoption of the City's budget.

Additionally, the economic landscape continues to be unpredictable, impacted by many factors, including remnants of the pandemic supply chain challenges, fuel prices influenced by the war in Ukraine, and labor shortages, all of which are driving inflation at levels that have not been experienced in many decades. Opinion differs on whether a recession is likely. The Puget Sound Economic Forecaster, the regional economist that the City uses as a resource, does not believe that an extended recession is likely. As a result, while staff have continued to take a conservative approach to forecasting revenues for the upcoming biennium, we have not modeled a significant recession. Staff have also run 10 Year Financial Sustainability Model (10YFSM) scenarios with both the levy lid lift passing and failing. These scenarios will be discussed in detail later in this transmittal letter.

As always, local governments have limited options for raising revenue and must be aware of actions by State and Federal legislation that may shift funding burdens to local governments by elimination of grant funding or shared cost allocation changes, increased costs through tax policy decisions, or imposition of unfunded mandates through regulatory actions. While the State of Washington has restored several previously impacted revenue sources, the possibility of a prolonged recession could make this an issue again in the future.

Although the City has been successful in funding several significant transportation projects, there continues to be several un or under-funded projects identified in our Capital Improvement Plan (CIP) including projects located along N. 145th Street, N. 175th Street, N. 160th Street, and N. 185th Street. While the 2023-2028 CIP makes significant investment in the City's transportation system, and takes advantage of grant opportunities, the need still outpaces the available resources for these projects. Although the City has the means to close the funding gap for the 148th Non-motorized Bridge project, the City continues to look for innovative means to close the funding gap on this project as well as other under-funded projects. Innovative strategies under pursuit include funding partnerships with local business and our local, regional, and state government agency partners as well as public-private partnerships. A recent partnership success for the City is with Sound Transit, which in the spring of this year committed to provide up to \$10M for the 145th and I-5 Interchange Project.

### *Bright Spots*

Despite these challenges, there are several areas of financial “good news” that are incorporated into this budget:

- Development activity continues to be strong with many major projects in the pipeline
- Voters supported a \$38.5 million Parks Bond proposition in February 2022. The eight (8) park renovation projects supported by that proposition are in process with targeted completion in late 2024.
- The City has been able to successfully acquire seven (7) new park properties during this biennium using a combination of Conservation Futures Tax grants, Park Impact Fees, and 2022 Park Bond Acquisition Funding.
- Real estate sales, and resulting Real Estate Excise Tax (REET), while lower than last year have continued to exceed projections providing needed revenue in our General Capital and Roads Capital Funds.
- The City’s Business & Occupation Tax, implemented in 2019, continues to perform above our initial revenue projections. The forecast has been adjusted based upon our experience over the last four years and supports the operating budget.
- The City continues to be very successful in obtaining State and Federal grant funding for our major transportation projects including the 145<sup>th</sup> Corridor and the 148<sup>th</sup> Pedestrian Overpass.
- The threat of the discontinuance of the City’s Vehicle License Fee was overcome, and the City has dedicated those funds to repaying debt to support the Sidewalk Rehabilitation Program and Annual Road Surface Maintenance program.

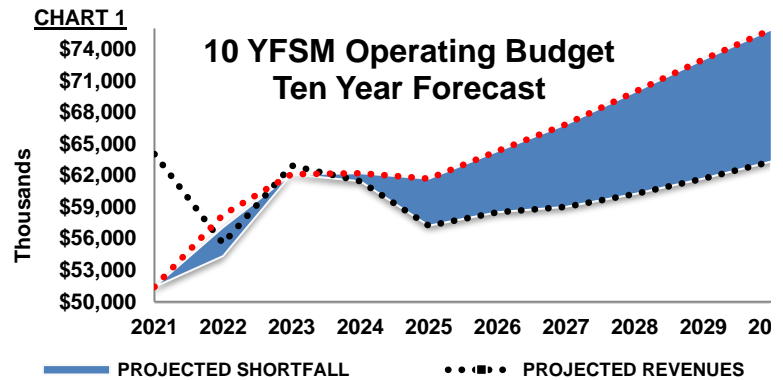
With this as our foundation, our focus for 2023-2024 is to continue to deliver high priority public services, maintaining what we have, and meeting our commitment to the community with services that directly support them.

### *Public Priorities*

Part of maintaining the public infrastructure is fulfilling the City’s commitment for a safe community. In the 2022 Citizen Satisfaction Survey the City’s response to homelessness was the highest ranked service that should receive emphasis over the next two years, with overall quality of police services being second. The 2023-2024 Proposed Biennial Budget includes the expansion of the City’s Response, Awareness, De-escalation, and Referral (RADAR) program to create a regional mobile crisis response agency to improve public safety and emergency response, crisis de-escalation, and to support and resource referral for community members with behavioral health or substance abuse issues (“Community Members in Crisis”). The expansion is partially supported by eliminating the School Resource Officer position that the Shoreline School District discontinued. Expanding this proven method to respond to persons in crisis, will expand the capabilities and effectiveness of our police officers with support from Community Navigators.

## 10 Year Financial Forecast – Long Range Sustainability

Shoreline’s staff and City Council have proactively worked to address the challenges to long-term financial sustainability. In 2014, the City engaged in a comprehensive process to plan for long term financial sustainability. The City Council accepted the 10-Year Financial Sustainability Plan (10 YFSP) at its June 16, 2014 Council Meeting. The 10 YFSP includes seven strategies to improve the City’s ongoing financial position and uses the 10 Year Financial Sustainability Model (10 YFSM) to evaluate the impact of funding choices in the long-term to ensure fiscal sustainability. All seven strategies approved by Council have been implemented at this time.



The updated 10 YFSM, reflected in Chart 1, includes all revenues and expenditures in the proposed 2023-2024 budget addressing Council priorities and operational needs that the City Manager recommends including regardless of the outcome of the levy lid lift. It does not assume voter approval of the LLL or include those critical needs the City Manager recommends including if the LLL passes. It also does not include the use of fund balance to address the projected shortfall in 2024, although the proposed budget will address this. As a result, this forecast reflects a surplus in 2023 of \$795,000 with a deficit of \$1.128 million in 2024 requiring reductions or use of fund balance to cover the net shortfall of \$358,000 over the biennium. In this scenario, total budget reductions of \$32.4M would be required over the 6-year levy lid lift period. In reality, this scenario would never occur, as the City is required to pass a balanced budget and therefore, the budget will reflect a \$358,000 use of fund balance in 2024 to balance the budget. Should the voters not support the LLL in the November elections, staff will return to Council in early 2023 with strategies and options to address the shortfall in 2024 and beyond.

The 2023-2024 Proposed Biennial Budget projects a use of fund balance of \$13.401 million, to support one-time projects as well as the one-time use of fund balance to address the 2024 operating shortfall as noted above.

Chart 2 reflects the approval of the Levy Lid Lift (LLL) by voters at the property tax rate of \$1.39 for 2023 and inclusion of the City Manager recommended amendments if the LLL is approved. In this scenario, the budget is balanced for the first four years of the levy lid lift period and generates a net surplus over the full 6-year period of \$12.140 million. The surplus generated between 2023-2026 is more than adequate to cover shortfalls into 2030 and provide some one-time revenues to support Council and Community priorities.

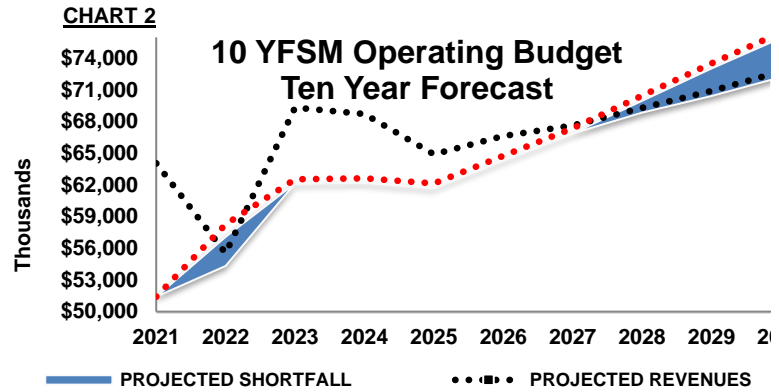
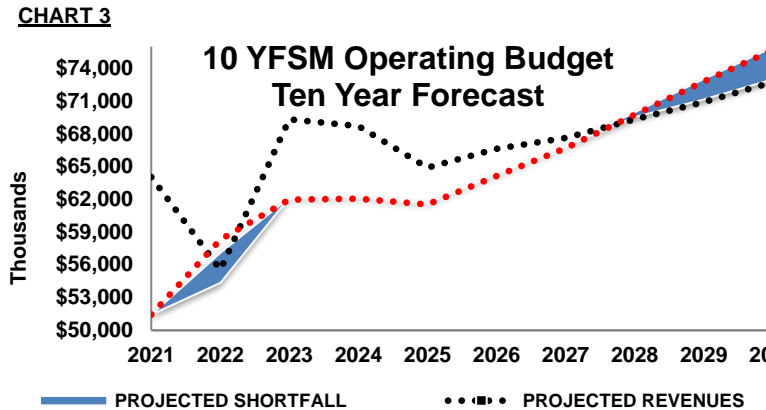


Chart 3 models expenditures at 99% to reflect our historical trend for expenditures and assumes a successful LLL. The surplus generated in 2021 through 2025 in this scenario, mostly attributable to the LLL, appears adequate to cover the shortfall for 2026 through 2027.





## 2023-2024 PROPOSED BIENNIAL BUDGET OVERVIEW

The City maintains fully funded reserves that meet or exceed City policies. The City's Revenue Stabilization Fund ("rainy day reserve") is projected to total \$5.626 million at the end of 2022. No transfers are required in 2023 and 2024, maintaining the balance of \$5.626 million at the end of the 2023-2024 biennium. This meets the 30% minimum established by the City Council. The 2023-2024 Proposed Biennial Budget also provides a General Fund ending fund balance of \$22.812 million as well as an operational contingency of just over \$1 million. This exceeds the City Council's minimum policy requirement of \$4.1 million. The City's total undesignated general reserves are estimated to total \$28.438 million at the end of 2023-2024.

As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) financial management rating of "stable." The City has a record of 24 unmodified (clean) Audit Opinions and has received 22 consecutive Distinguished Budget Presentation Awards from the Government Finance Officers Association.

## REVENUES

Budgeted 2023-2024 revenues for all funds total \$291.167\* million. This is a biennium-over-biennium increase of \$3.737 million (1.3%) from the estimated revenues for the current biennium. This is the net result of changes to various funds as noted in the following discussion:

- Operating Funds' revenues are budgeted at \$105.063\* million. This is an 8.0% decrease from the 2021-2022 Biennial Year End Projections which include ARPA funding. When adjusted for ARPA the revenues would decrease by 1%. This is primarily the result of not anticipating the approval of the LLL, anticipated slowing of the economy in 2022 with a continuation of this trend into 2023-2024 impacting economically sensitive revenues. We anticipate recreation revenues to return to pre-covid levels over the 2023-2024 biennium.
- Debt Service Funds' revenues are budgeted at \$10.759\* million. This is a 73.8% increase. These funds are budgeted so that revenues are approximately equal to actual debt service principal and interest payments each year. The City will begin repayment of the 2022 General Obligation Bond Fund (Parks Bonds) through an excess property tax levy approved by voters. These bonds were issued in 2022 to support major renovation of eight (8) existing parks, support purchase of new park land, and provide funding for public art throughout the City. The 2020 Parks Bond Anticipation Notes (BAN) were refinanced in 2022. The BAN was issued to acquire property for a future Community/Aquatic Facility. The property currently has an operating storage facility. The BAN interest payments are supported by income from the Storage Court operations. Revenues in excess of operational expenses including interest payments will create fund balance that will be used to help retire the debt principal balance.
- Capital Funds' revenues are budgeted at \$94.270\* million. This is a 7.0% increase. The primary reason for the change is the implementation of Parks Bond projects, and transportation projects.
- Surface Water Utility Fund revenues are budgeted at \$27.783\* million, inclusive of Surface Water Fees at \$18.017 million (+9.0%) and bond proceeds, representing a 26.0% decrease. This change continues the implementation of the 2018 Surface Water Master Plan's Proactive Management Strategy. The annual increase for a single-family residential home in 2023 through 2028 are \$16, \$16, \$17, \$18, \$19, \$20, respectively.

- Wastewater Fund revenues are budgeted at \$51.799 million representing a \$7.460 million (17%) increase. The revenues for this fund are from fees for service from wastewater customer rates, permit fees, general facilities charges, and bond proceeds and fund both operating and capital costs. The forecast is the result of a Wastewater Rate Study conducted by FCS Group in 2022 to provide funding for the expanded Wastewater Master plan developed and approved by RWD in 2021 and includes 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 are \$4.10 per month increase for 2023-2027 and \$2.25 per month in 2027 and 2028.
- Internal Service Funds' revenues are budgeted at \$1.661\* million representing a 34.3% decrease. This decrease is primarily driven by the transfer of enterprise vehicle and equipment ownership to enterprise funds.

*Note: \*Amounts shown exclude interfund transfers and use of fund balance.*

### EXPENDITURES – OVERVIEW

Budgeted 2023-2024 expenditures for all funds total \$358.186 million. This is a \$76.521 million (27.2%) increase from the estimated expenditures for the current biennium. The increase 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.
- General Fund, Shoreline Secure Storage Fund and Street Fund expenditures, commonly referred to as the City's Operating Budget, are budgeted at \$125.631 million. This is a \$16.018 million, or 14.6%, increase. Generally, expenditure budgets have grown at or faster than the rate of inflation. Some key examples of this include the City's Police Contract that is projected to increase by 14% in 2023 and 7% in 2024, liability and property insurance costs that increased by 61% over the biennium, and fuel and vehicle maintenance expenses that increased by 31%. The expenditure budget also includes the costs associated with the expansion of the RADAR and Parking Enforcement programs and compensation for boards and commissions. The 2023-2024 Proposed Operating Budget is balanced using approximately \$358,000 dollars of fund balance to address the anticipated 2024 revenue shortfall if the LLL does not pass.
- Debt Service Fund expenditures are budgeted at \$12.439 million. This is a \$3.937 million, or 24.0%, decrease. The decrease in debt service payments is primarily due to the repayment of the 2006 Park Bonds in 2021, the repayment of 2020 Parks Bond Anticipation Notes in 2022, the increased debt service for the 2022 Parks Bond and additional utility related debt issues programmed in the biennium.
- Capital Fund expenditures are budgeted at \$135.888 million. This is a \$49.405 million, or 57.1%, increase primarily as a result of increases in Roads Capital Fund projects and implementation of Parks Bond projects, including the funding of the 145<sup>th</sup> Interchange, offset by a decrease in General Capital Funds, primarily property acquisition, in 2021-2022. These expenditures include grant funding and transfers from the Transportation Impact Fees Fund and Park Impact Fees Fund that support capital projects in the Roads Capital Fund and General Capital Fund, respectively.
- The Surface Water Utility Fund expenditures are budgeted at \$28.494 million. This is a \$1.999 million, or 7.5%, increase and is discussed in another section of this transmittal letter.

- The Wastewater Fund expenditures are budgeted at \$54.315 million. This is a \$13,533,000, or 33.2%, increase driven primarily by the programming and funding of projects included in the Wastewater Master Plan.
- Internal Service Funds expenditures are budgeted at \$0.951 million. This is a \$0.680, or 41.7%, decrease. This decrease is primarily driven by the transfer of enterprise vehicle and equipment ownership to enterprise funds.

## *EXPENDITURES – STAFFING*

The City continues to align staff positions with long-term community service expectations, City Council goals, and the City's ongoing work plan. As such, 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, which is also discussed in more detail below or elsewhere in this transmittal letter:

- 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

### **Positions Necessary for Specific Programs and Projects:**

The following positions changes identified in the 2023-2024 Proposed Biennial Budget have been or are needed to accomplish specific projects or programs. While not all of positions are term-limited, should the future demand for these positions diminish the positions will be eliminated.

- *Light Rail Project:* Council has authorized several term limited positions to support the light rail project. As the project moves closer to completion, staffing needs have diminished. The proposed budget reflects the following changes to positions permitting and coordinating the Lynnwood Link Extension Light Rail Project. Funding is provided via an agreement with Sound Transit:
  - Light Rail Project Coordinator reduction of 1.0 FTE
  - Administrative Assistant II reduction of 0.25 FTE
  - Light Rail Project Manager reduction of 0.46 FTE
- *Continuation of Temporary 1.0 Recreation Specialist:* This temporary FTE increase approved in the current budget, is proposed to continue for this biennium through funding made available by ARPA funds that are designated for youth programs. The positions are focused on supporting middle school aged youth including Hang Time, the middle school based after school program. The funding allows the program to include 6<sup>th</sup> grade participants recently moved into Middle School.
- *Parking Enforcement Program:* Aligned with Council Goal 3, Action Step 8, this request would fund a parking enforcement unit. Funding for this program includes two full-time staff positions with a primary responsibility for parking enforcement, anticipated costs for ticketing and Restricted Parking Zone (RPZ) permitting technology, the equivalent of a 0.5 FTE for IT system support and the vehicles and equipment necessary for parking enforcement activities. This dedicated resource will support business vitality and livable neighborhoods, especially in areas of the City where significant growth is expected and related to new Sound Transit Light Rail stations. Given that the Lynnwood Link revenue service will not start until late 2024, the funding for the 2023-2024 biennium represents only a partial year of operation.

- *Wastewater Accountant:* With the assumption of Ronald Wastewater all accounting functions for the full utility have transferred to the City. This increase converts existing professional services funding that supported a CPA for the creation of financial statements and allows the City to increase an existing .75 FTE position to 1.0 to support the accounting needs for the Wastewater Utility.
- *Parks Maintenance Worker:* The conversion of existing extra-help budget and use of CIP Urban Forestry Funding will fund a proposed additional 1.0 FTE Parks Maintenance Worker. This position will provide year-round support for sanitation work currently supported by seasonal help during the summer season and by an existing Parks Maintenance Worker (PMW II) position staff during the remainder of the year. This will make the higher level PMW II staff available to support the City’s Urban Forestry program (50% CIP supported). The conversion of the extra-help budget offsets the general fund portion of the position.
- *IT Functional Analyst:* The proposed budget includes the addition of two new hosted software applications. One CIP supported Capital Planning tool and the Parking Enforcement Software. An IT workload analysis performed in 2022 revealed that the existing staffing levels are inadequate to support current workload. Any additional workload will require additional staffing resources. Additional staffing is necessary to implement and support these applications.

**Personnel Positions and Salary Schedule:**

As the City Council is aware, we are in the process of completing the 2022 Compensation Study. Also, recently Council received the City Manager’s recommendation on the 2023 Cost of Living Adjustment (COLA). Adoption of the 2023-2024 Biennial Budget will include Council approval of the 2023 Salary Schedule. The 2023 Salary Schedule will be provided to Council as part of the budget discussion on November 7, 2023. The 2023 Salary Schedule will reflect changes from the 2022 Compensation Study and any reclassification decisions that have been made during 2022.

The tables below provide the details on the City’s personnel compliment as included in the proposed budget by Department and fund with a comparison to the prior biennium:

| 2023 FTEs by Fund and Department           |               |             |                  |                      |                                  |                    |                       |                    |                         |               |
|--|---------------|-------------|------------------|----------------------|----------------------------------|--------------------|-----------------------|--------------------|-------------------------|---------------|
| Department                                 | General Fund  | Street Fund | Public Arts Fund | General Capital Fund | City Facilities Major Main. Fund | Roads Capital Fund | Surface Water Utility | Wastewater Utility | Vehicle Operations Fund | Total         |
| City Council                               | 7.00          | 0.00        | 0.00             | 0.00                 | 0.00                             | 0.00               | 0.00                  | 0.00               | 0.00                    | 7.00          |
| City Manager                               | 21.00         | 0.00        | 0.00             | 0.00                 | 0.00                             | 0.00               | 0.00                  | 0.25               | 0.00                    | 21.25         |
| Recreation, Cultural, & Community Services | 28.45         | 0.00        | 0.50             | 0.25                 | 0.00                             | 0.00               | 0.00                  | 0.00               | 0.00                    | 29.20         |
| City Attorney                              | 3.00          | 0.00        | 0.00             | 0.00                 | 0.00                             | 0.00               | 0.00                  | 0.00               | 0.00                    | 3.00          |
| Administrative Services                    | 37.73         | 0.00        | 0.00             | 2.13                 | 0.00                             | 0.38               | 0.13                  | 4.68               | 0.00                    | 45.03         |
| Human Resources                            | 3.00          | 0.00        | 0.00             | 0.00                 | 0.00                             | 0.00               | 0.00                  | 0.00               | 0.00                    | 3.00          |
| Planning & Community Development           | 26.82         | 0.00        | 0.00             | 0.00                 | 0.00                             | 0.00               | 0.00                  | 0.18               | 0.00                    | 27.00         |
| Public Works                               | 20.26         | 9.72        | 0.00             | 0.75                 | 0.00                             | 12.99              | 16.14                 | 15.15              | 0.00                    | 75.00         |
| <b>2023 TOTAL</b>                          | <b>147.25</b> | <b>9.72</b> | <b>0.50</b>      | <b>3.13</b>          | <b>0.00</b>                      | <b>13.37</b>       | <b>16.27</b>          | <b>20.25</b>       | <b>0.00</b>             | <b>210.48</b> |
| <b>2022 TOTAL</b>                          | <b>146.55</b> | <b>9.72</b> | <b>0.50</b>      | <b>2.17</b>          | <b>0.00</b>                      | <b>14.08</b>       | <b>17.55</b>          | <b>17.91</b>       | <b>0.00</b>             | <b>208.48</b> |
| Difference between 2023 and 2022*          | 0.70          | 0.00        | 0.00             | 0.96                 | 0.00                             | -0.72              | -1.29                 | 2.35               | 0.00                    | 2.00          |

\*Difference due to reduction of 0.75 Light Rail staff as project is nearing completion, addition of .50 temp Rec Specialist, .25 WW Accounting, 1.0 Maintenance Worker, & 1.0 IT Functional Analyst

**2024 FTEs by Fund and Department**

| Department                                | General Fund | Street Fund | Public Arts Fund | City                 |                             | Roads Capital Fund | Surface Water Utility | Wastewater Utility | Vehicle Operations Fund | Total  |
|---|--------------|-------------|------------------|----------------------|-----------------------------|--------------------|-----------------------|--------------------|-------------------------|--------|
|   |              |             |                  | General Capital Fund | Facilities Major Main. Fund |                    |                       |                    |                         |        |
| City Council                              | 7.00         | 0.00        | 0.00             | 0.00                 | 0.00                        | 0.00               | 0.00                  | 0.00               | 0.00                    | 7.00   |
| City Manager                              | 21.66        | 0.00        | 0.00             | 0.00                 | 0.00                        | 0.15               | 0.11                  | 0.36               | 0.00                    | 22.29  |
| Recreation, Cultural, & Community Service | 28.45        | 0.00        | 0.50             | 0.25                 | 0.00                        | 0.00               | 0.00                  | 0.00               | 0.00                    | 29.20  |
| City Attorney                             | 3.00         | 0.00        | 0.00             | 0.00                 | 0.00                        | 0.00               | 0.00                  | 0.00               | 0.00                    | 3.00   |
| Administrative Services                   | 37.98        | 0.00        | 0.00             | 2.13                 | 0.00                        | 0.13               | 0.13                  | 4.68               | 0.00                    | 45.03  |
| Human Resources                           | 3.00         | 0.00        | 0.00             | 0.00                 | 0.00                        | 0.00               | 0.00                  | 0.00               | 0.00                    | 3.00   |
| Planning & Community Development          | 26.82        | 0.00        | 0.00             | 0.00                 | 0.00                        | 0.00               | 0.00                  | 0.18               | 0.00                    | 27.00  |
| Public Works                              | 20.64        | 9.72        | 0.00             | 0.79                 | 0.00                        | 12.02              | 16.61                 | 15.23              | 0.00                    | 75.00  |
| 2024 TOTAL                                | 148.54       | 9.72        | 0.50             | 3.17                 | 0.00                        | 12.30              | 16.85                 | 20.44              | 0.00                    | 211.51 |
| 2023 TOTAL                                | 147.26       | 9.72        | 0.50             | 3.13                 | 0.00                        | 13.37              | 16.27                 | 20.25              | 0.00                    | 210.49 |
| Difference between 2024 and 2023*         | 1.28         | 0.00        | 0.00             | 0.04                 | 0.00                        | -1.07              | 0.58                  | 0.19               | 0.00                    | 1.03   |

\*Difference due to reduction of .97 light rail staff as project is completed in July 24 & addition of 2 Parking Enforcement Officers

In 2023-2024, Shoreline will have 2.9 FTEs per 1,000 population for non-utility personnel.

**EXPENDITURES – POLICE CONTRACT**

The proposed budget includes the reduction of the School Resource Officer position to partially support the expansion of the RADAR program. The City increased police staffing by two additional officers between 2018 and 2020 to address increasing dispatched calls for service and response times and to get closer to the general target ratio of one officer per 1,000 residents. The elimination of the School Resource Officer brings the ratio to approximately 0.90 per 1,000 residents and is anticipated that this will be maintained through the biennium. Over the biennium staff will be able to analyze how the expansion of RADAR impacts police workload and response times. Public safety and keeping crime rates low in Shoreline continue to be a priority for the community and City Council, with improving the quality of police services was ranked as the second highest priority by respondents to the 2022 Resident Satisfaction Survey.

Shoreline Police Department serves a population of 60,320 residents. The department will have 50 commissioned staff and 3 non-commissioned staff. There are 24 officers and one K9 team assigned to patrol. The most pressing issue currently is the vacancy rate within the King County Sheriff’s Office and its impact on Shoreline staffing levels. Until current vacancies can be filled, the addition of new police officer positions would just result in unfilled positions. Given that crime trends have not significantly escalated and that dispatched calls for service have decreased over the last four years, there is not a recommendation to increase police positions at this time.

The 2023-2024 Police Department budget represents 24% of the City’s Operating Budget. The 2023-2024 Proposed Budget includes anticipated increases related to the recently negotiated King County Sheriff’s Office (KCSO) guild contract, 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.

**EXPENDITURES – ADDITIONAL ONGOING PROGRAM COSTS**

Other significant changes in 2023-2024 costs include the following:

- Salary increases will include market adjustments, step increases and a 7.76% cost of living adjustment (COLA) in 2023 and an estimated 4.5% COLA for 2024 based on 100% of the June-to-June change in CPI-U.
- The City has experienced significant increases in liability and property insurance costs for insurance coverage through the Washington Cities Insurance Authority (WCIA). The increases are due to a combination of rising re-insurance costs experienced by WCIA, actuarial changes as some extremely low loss experience years are replaced by average or above average years, and an increase in employee hours. The increase for the biennium is \$263,000.
- *Jail Budget:* Projections for the 2023-2024 proposed preliminary 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.
- *Fuel & Utilities-* Fuel prices and utility costs have risen significantly in the last biennium, and we have had to adjust our base budget accordingly to absorb these changes. Staff are continually evaluating options for decreasing fuel and utility costs including a fleet electrification study that will be completed in 2022.

**EXPENDITURES – ONE-TIME FUNDING SUMMARY**

One-time and ongoing supplemental requests are proposed only after analyzing the impacts that they might have on the 10 YFSM as discussed above. Supplemental requests to support Council priorities that are included in the 2023-2024 proposed operating budget are summarized below and are funded from the use of available fund balance at the end of 2022. Ongoing items are funded from ongoing revenues.

| Category                                   | One-Time             | % of Operating Budget |
|--|----------------------|-----------------------|
| Implementation of Council Goals            | \$ 1,806,160         |                       |
| City Asset Maintenance                     | \$ 365,546           |                       |
| Comprehensive Plan & Implementation        | \$ 745,271           |                       |
| Contingency Workload Support               | \$ 250,500           |                       |
| Technology Investments                     | \$ 471,310           |                       |
| Operating Contingency                      | \$ 1,247,637         |                       |
| City Maintenance Facility Contribution     | \$ 3,812,426         |                       |
| Parks Bond Contribution                    | \$ 3,396,284         |                       |
| Other Capital Support                      | \$ 570,000           |                       |
| Use of Fund Balance made available by ARPA | \$ 402,509           |                       |
| 2024 Use of FB for Balancing               | \$ 357,929           |                       |
| <b>Total</b>                               | <b>\$ 13,425,572</b> |                       |
| <b>Use of Fund Balance</b>                 | <b>\$13,425,572</b>  | <b>5.5%</b>           |

EXPENDITURES – CAPITAL OUTLAY

| <b>Significant Capital Projects by Fund and Type</b> |  |  |  |                |
|--|--|--|--|----------------|
| <b>Fund</b>  | <b>Project Types</b>   | <b>Project Title</b>                                   | <b>Total In Millions</b>   |                |
| <b>General Capital</b>                               | <b>Facilities Projects</b>   | City Maintenance Facility                              | \$5.0  |                |
|  |  | Parks Restroom Renovation                              | \$0.4  |                |
|  | <b>Parks Projects</b>  | <b>Parks Development Projects</b>                      |  | \$0.0          |
|  |  |  | Parks Bond: Richmond Highlands Park                                    | \$5.8          |
|  |  |  | Parks Bond Briarcrest Park   | \$4.9          |
|  |  |  | Parks Bond Hillwood Park   | \$4.0          |
|  |  |  | Parks Bond: Newly Acquired Park Design and Improvements                | \$4.0          |
|  |  |  | Parks Bond: Pros Plan Parks Acquisitions                               | \$3.4          |
|  |  |  | Parks Bond Bruggers Bog Park   | \$3.4          |
|  |  |  | Parks Bond:James Keough Park   | \$2.6          |
|  |  |  | Parks Bond Shoreview Park  | \$1.9          |
|  |  |  | Parks Bond Ridgecrest Park   | \$1.3          |
|  |  |  | Turf & Lighting Repair And Replacement                                 | \$1.2          |
|  |  |  | Parks Bond Public Art  | \$1.0          |
|  |  |  | <b>All other projects, Debt Service and non-project specific costs</b> |                |
| <b>General Capital Fund Total</b>                    |  |  | <b>\$43.4</b>  |                |
| <b>City Facilities - Major Maintenance</b>           | <b>All Facilities - Major Maintenance Fund Total</b>                   |  | <b>\$0.2</b>   |                |
| <b>Roads Capital Fund</b>                            | <b>Pedestrian/Non-Motorized Projects</b>                               | 147Th/148Th Non-Motorized Bridge                       | \$24.4   |                |
|  |  | NSP Westminster Way N (N 145th St – N 153rd St)        | \$4.6  |                |
|  |  | Sidewalk Rehabilitation Program                        | \$3.6  |                |
|  |  | NSP Ballinger Way NE (19th Ave NE – 25th Ave NE)       | \$2.7  |                |
|  |  | NSP 19th Avenue NE (NE 196th St – 244th St SW)         | \$2.4  |                |
|  |  | NSP 20Th Ave NW New Sidewalks                          | \$1.9  |                |
|  |  | 1St Ave Ne (N 145Th To N 155Th)                        | \$1.6  |                |
|  |  | NSP Dayton Avenue (N 178th Ln – N Richmond Beach Road) | \$0.7  |                |
|  |  | TIB:NE 180Th ST Shared-Usepath                         | \$0.5  |                |
|  |  | <b>Safety Operations</b>                               | 145Th And I5 Interchange   | \$19.7         |
|  |  |  | 145Th Corridor - Ph.1 Row/Cons   | \$12.1         |
|  |  |  | 145Th Corridor - 99Th To I5  | \$3.1          |
|  |  |  | Annual Road Surface Maintenance Program                                | \$2.7          |
|  |  |  | 160Th And Greenwood/Innis Arden Intersection                           | \$2.1          |
|  |  |  | N 175Th St - Stone Ave N To I5   | \$2.1          |
|  |  |  | Richmond Beach Mdblk Xing/Rect   | \$0.9          |
|  |  |  | Meridian Ave Safe Impr   | \$0.9          |
|  | <b>All other projects, Debt Service and non-project specific costs</b> |  |  | \$6.4          |
|  | <b>Roads Capital Fund Total</b>  |  |  | <b>\$92.4</b>  |
|  | <b>All Capital Funds Total</b>   |  |  | <b>\$135.9</b> |

## *SURFACE WATER UTILITY FUND*

The City has greatly improved its ability to discharge quality water to Puget Sound during normal flow, low flow, and storm flow events through the development of a comprehensive surface water management system. Community satisfaction with the system has increased from a 55% satisfied or very satisfied in 2004 to 65% in 2022 with only 8% of residents dissatisfied.

The system is comprised of a complex array of drainage ditches, detention structures, lift stations, underground collection and transmission pipes, etc. that are owned and maintained by the City and managed using an enterprise fund – the Surface Water Utility Fund. Before incorporation storm events often resulted in flooding conditions throughout large areas that became the City of Shoreline. Since incorporation, and with enhancements to this system, the City's efforts have minimized flooding to localized and rare occurrences.

The City updated the Surface Water Master Plan (SWMP) in 2018. During the update Council considered three levels of service, minimal, proactive, and optimal. Council adopted the plan and rates that supports the proactive management strategy for the utility. The SWMP provides a long-range plan for the Surface Water Utility to ensure the viability of the surface water management program in the future. The Surface Water (SW) Utility continues to follow the direction set in the SW Master Plan (SWMP). The update of the SWMP will be started in late 2022/early 2023 to set future priorities.

The SWMP did not address fee increases beyond 2022. While fees will be evaluated as part of the update to the SWMP 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. This results in a residential rate increase of approximately \$16 each year in 2023 and 2024. Costs included in the budget support the Proactive Management Strategy except for two improvements at Storm Creek and Barnacle Creek that were not identified in the SWMP.

With the rate increase necessary to support the proactive strategy and bond proceeds to provide supplemental funding as needed for capital projects in 2023-2024, the Surface Water Utility billings along with other sources are budgeted to generate almost \$27.783 million. This is a \$9.769 million (26.0%) decrease from the Current Budget. As an enterprise fund, the Surface Water Utility Fund expends money for both operating and capital needs. This makes the Surface Water Utility unique from other City operations.

The 2023-2024 Proposed Biennial Budget appropriates \$28.494 million in expenditures. Of this total, \$12.649 million are operating expenditures, \$15.845 million are capital expenditures, and \$1.082 million are debt service expenditures. The operating budget reflects a \$3.036 million increase from the Current Budget. Capital expenditures reflect a \$7.133 million increase from the Current Budget. The difference between revenues and expenditures will be maintained in fund balance to fund capital projects.

In addition to the capital and operating activities noted above, this fund also pays for debt service. Unlike the governmental funds, surface water debt related activity occurs directly in the Surface Water Fund. In 2023-2024, this fund is expected to pay approximately \$1.082 million towards debt service principal and interest.



## WASTEWATER FUND

In April of 2021, the City officially 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 2023-2024 Proposed Biennial Budget appropriates \$54.315 million in expenditures. These expenditures include \$38.495 million in operating and \$15.817 million in capital costs for the utility. Capital projects are \$4.245 million (37%) more than the current biennium end estimate and funds projects identified in the Master Plan and critical projects identified since assumption. Operating costs are 3% higher than the current biennium end estimate. 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.

### **Financial Sustainability**

The City has long been aware of the need for financial sustainability. Accepted in 2014, the 10 Year Financial Sustainability Plan (10 YFSP) takes into account earlier Citizen Advisory Committee recommendations regarding the need to continue to deliver services efficiently and cost effectively. Efficiencies, cost savings and other cost avoidance strategies identified as a result of these efforts include:

- Remote Work and Hybrid Meetings – while many of our planned process improvements were stalled during the pandemic, one unplanned improvement is the ability to meet remotely and “hybrid”. This improvement not only has provided efficiencies for staff, but it has also allowed for greater participation by the public in the public process.
- The City continues to proactively monitor all its major contracts and consider alternative service delivery models to minimize cost increases and maintain or improve service levels. One example is the use of multiple Jail contracts to lower costs. Another example implemented in 2021 was the “in-sourcing” of our durable road-stripping program, that has been very successful and will provide \$30,000 savings per year beginning in 2023.
- We continually evaluate our technology needs and licensing. In 2022 when our copier leases expired, we were able to eliminate 4 copiers due to the reduction of printing documents.
- The City has achieved the target to increase investment returns by 100 basis points on average and while returns in 2021 were lower than our recent history, we are evaluating new opportunities to improve returns while maintaining liquidity and safety.
- The 10 YFSP targets growth at 7,500 SF of retail redevelopment and 160 new MFU annually. Since adoption of the 10YFSP, the City added the following in each category:
  - New Retail and Office Space: 7,154 square feet (SF) of new retail space in 2015, 8,835 in 2016, 11,903 in 2017, 22,879 in 2018, and 3,563 in 2019, 3320 in 2020 and 252,572 in 2021.
  - Additional multi-family units (MFU): 97 in 2014, 132 in 2015, added 12 beds to a facility in 2016, added 199 new units in 2017, 325 in 2018 and added 232 units in 2019 (50 of those units are from townhomes), 308 in 2020, and 213 in 2021.

- Remodel of retail space: 26,878 SF of retail space in 2014, 6,411 SF in 2015, 24,643 SF in 2016, 6,937 in 2017, 2,810 SF in 2018, and 1,645 SF in 2019, 4,240 in 2020, and 6,872 in 2021.

All strategies of the 10 YFSP are now in use. City staff will continue to support and encourages continuous improvement at all levels of the organization. Focusing on reducing waste, improving customer experience, and improving administrative ease result in greater capacity, cost avoidance and cost savings. We continue to seek out partnerships, efficiencies and monitor the newly implemented strategies outlined in the 10 YFSP during 2023-2024 and beyond.

## **Outlook**

City staff members are pleased to present the 2023-2024 Proposed Biennial Budget. Even in the face of an unprecedented inflation and concerns about a potential recession, the City continues to maintain a healthy financial position. As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City was able to quickly respond to the challenges presented to us in 2020 and continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) ratings outlook of "stable." The 2023-2024 budget is balanced, using \$1.4 million general fund reserves to address the potential gap in 2024 should the Levy Lid Lift not pass. The proposed budget is in compliance with the City's financial and reserve policies.

The City's budget maintains priority services, addresses and balances furthering Council goals and community priorities including addressing the highest priorities identified in the Resident Satisfaction Survey, addressing homelessness and desire for improved police services through creative partnerships. It maintains flexibility to respond to respond to the outcome of the LLL vote in November with a recommended amendment package for Council action should the measure be approved by voters on November 8<sup>th</sup>.

As demonstrated this year, we will continue to exercise our fiduciary responsibility to Shoreline's residents, and we will proactively address these issues by making any budget adjustments necessary as a result of changes in the economy and any future State or Federal legislative actions with an economic impact.

In addition to the targets established in the 10 YFSP, we continue to strive to attract economic development investment in the City. The 2023-2024 Proposed Biennial Budget continues the City's efforts in economic development. The City has successfully partnered with Sound Transit to deliver two Light Rail Stations in Shoreline and they are on track for completion in 2024. The \$400-million redevelopment of the former Sears at Shoreline Place by Merlone Geier is underway with several new businesses having moved into spaces adjacent to it in the past year. There are many multi-family developments on Aurora and in the Light Rail Station Areas in various stages of planning, permitting and construction. The Comprehensive Plan goal of encouraging density on high-capacity transportation corridors has resulted in the construction of many new housing units. This has resulted in increased business activity and sales tax revenue to the City, as evidenced by an increase in new business license applications during the biennium. Many of these completed projects have gone on to sell following their successful lease-up which resulted in millions of dollars in one-time funding through Real Estate Excise Tax.

Financial sustainability includes investing in infrastructure improvements. By attending to our infrastructure today, the City avoids much costlier deferred maintenance problems in the future. As stated earlier the City will deliver \$151.020 million in capital improvements (including surface water capital projects) in 2023-2024. Long term plans include another \$228.885 million over the

following four years. We recognize that even at this level funding for the construction of new facilities and infrastructure, with the exception of the Surface Water Utility, is underfunded.

**Conclusion**

We believe that the 2023-2024 Proposed Biennial Budget responds to the current economic challenges, while maintaining priority services and strives to address priority capital investment needs for the coming two years. It also addresses the top operating priorities of the City Council and the Shoreline community as supported by the 2022 Resident Satisfaction Survey. It invests in projects to help our Surface Water and Wastewater Utilities fulfill their master plans, supports and address impacts from the anticipated operation of the new light rail stations and continues to address critical transportation projects throughout the City. The Budget continues to deliver sidewalk expansion projects supported by the voter approved 0.2% TBD sales tax and Sidewalk Rehabilitation supported by vehicle license fees.

Finally, it is important to acknowledge the contributions of everyone involved in this year’s budget process. We would like to express our appreciation to individuals who worked to provide realistic budget requests and to develop ways to meet City Council and community priorities.

It is also appropriate to thank several members of the Administrative Services Department and key department staff for their tireless efforts to produce the 2023-2024 Proposed Biennial Budget, while still performing day-to-day duties and keeping up with workflow demands. Special thanks go to Christy Hopkins, Katrina Steinley, Jody Jessop, Colin Sachs, and Sharon Oshima for their assistance in preparing this budget. Finally, many thanks are needed to the City Council for providing policy direction to the City of Shoreline over the years.

Respectfully submitted,



Debbie Tarry  
City Manager



Sara S. Lane  
Administrative Services Director



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