Council Subcommittee Meeting Date: January 28, 2014

CITY COUNCIL SUBCOMMITTEE MEETING #2
10-YEAR FINANCIAL SUSTAINABILITY PROJECT
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Beginning the Strategies Discussion
DEPARTMENT:	Administrative Services
PRESENTED BY:	Robert Hartwig, Administrative Services Director
ACTION:	__X__ Discussion

BACKGROUND:
At the first Subcommittee meeting we reviewed the purpose, scope, and deliverables relating to this project. We also looked at challenges to sustainability. Finally, staff introduced the Base Scenario, and discussed the assumptions used in the Base Scenario. The Base Scenario assumes the following:

- Starts with the six-year forecast in the annual budget
- Assumes current levels of service remain constant over the 10 year period, with the exception of new maintenance requirements related to completed capital projects during this time period
- Adjusts for historical revenue collections (101% of budget)
- Adjusts for historical expenditure levels (98% of budget)

Moving forward in this process staff would like it understood that the Base Scenario is a forecast meant to be used as a planning tool. As a forecast the one thing that we can all be assured of is that things will not actually occur according to forecast. However, we have a fiduciary responsibility to plan and make policy decisions that will support the long-term provision of municipal services to the Shoreline community. This is a primary purpose of the 10 Year Financial Sustainability Plan.

Tonight's meeting introduces various strategies available to close projected structural budget gaps that could occur in future years if Council and staff do not look for alternatives to balance revenues with expenditures. The meeting will begin with a discussion of economic development strategies, and then continue with other revenue strategies. The strategies discussion is expected to continue into the third Subcommittee meeting on February 10th.

STRATEGIES:

ECONOMIC DEVELOPMENT STRATEGIES

Over the past couple of years a common question has been what level of economic development would it take to support the City's existing levels of service in a sustainable manner? Tonight we will look at the level of economic development activity that would be needed to close a hypothetical budget gap using single family, multi-family, retail, and non-retail commercial development approaches. We will also explore what might be reasonable expectations in the area of additional economic development activity.

These approaches would be over and above the historic levels of activity that have occurred in the City. Historic levels of activity are already included in the Base Scenario. Historic levels of economic development are shown in Table 1 below.

Table 1: History of New Construction

RESIDENTIAL UNITS	2008	2009	2010	2011	2012
Single-Family					
# of New Units	56	20	13	6	31
Demolitions	54	17	7	4	10
Net New Units	**2**	**3**	**6**	**2**	**21**
Multi-Family					
# of New Units	323	5	161	12	304
Demolitions	-	2	-	2	-
Net New Units	**323**	**3**	**161**	**10**	**304**

COMMERCIAL SQUARE FEET	2008	2009	2010	2011	2012
Retail	1,152	56,382	1,807	-	-
Non-Retail	50,075	13,426	-	-	55,738
Total	**51,227**	**69,808**	**1,807**	**-**	**55,738**

These economic development sources are all the result of either single family residential or taxable commercial development within the City. Taxable commercial development is further subdivided into multi-family residential, retail, and other (non-retail) commercial development.

Before going further, the Subcommittee should be aware that there is very little undeveloped land within Shoreline that is actually available for development. According to the City's database, there are 56 undeveloped acres currently available for single family residential development. There is no undeveloped land available for taxable commercial uses. As a result, virtually all future development in the City must come from redevelopment of already developed parcels.

During the process of building the economic development alternatives in the financial model staff developed several assumptions. Each of these assumptions is based upon historical data and converts that data into various measurement units. These assumptions and measurement units are included in Attachment A at the end of this staff report.

The Base Scenario identified a hypothetical structural gap of $453,609 in 2019. During tonight's presentation several things will be demonstrated. These include:

- The number of units of single family residential that would need to be constructed each year in order to close a potential structural gap of $453,609
- The number of multi-family units that would be needed
- Square feet of retail commercial needed

- Square feet of non-retail (office) commercial needed

As requested by Councilmember Hall, we will also show what it would take to achieve 2% growth in assessed valuation using each of these options.

The amounts shown are independent of each other. In other words, one alternative will show what it would take to close the possible $453,609 gap using nothing but single family residential construction.

As the Subcommittee examines each of these options it should become apparent that relying entirely on one option is not advisable. The model is constructed so that various combinations can be input into the model, in turn showing how much of the gap is closed in any given year using a combination of economic development options.

An analysis of revenues, expenditures, number of units needed to achieve the required net result (closing a $453,609 gap), growth rate caused by this level of development, and the historical growth rate for each of the four types of economic development is included as Attachment B at the end of this staff report. Table 2 below summarizes the information in Attachment B.

Table 2: Construction Needed to Close Hypothetical Gap

	Residential		Commercial	
	Single-Family	Multi-Family	Commercial (Non-Retail)	Retail
Total Revenue (Per Capita/Job)	$456	$316	$208	$1,010
Total Expenditures (Per Capita/Job)	237	237	-	-
Net Revenue (Per Capita/Job)	**$219**	**$79**	**$208**	**$1,010**
X Residents/Unit	2.54	2.00		
Net Revenue (per Housing Unit/Job)	**$555**	**$158**	**$208**	**$1,010**
Gap to Close	$453,609	$453,609	$453,609	$453,609
/ Net Revenue (per Housing Unit/Job)	$555	$158	$208	$1,010
X Square Feet per Job			274	274
Number of Housing Units/Square Feet of Commercial Needed to Close Gap	**817**	**2,871**	**597,543**	**123,058**
Additional Growth Rate in A V Needed	4.06%	6.88%	1.68%	0.25%
Current Growth in A V from New Construction	0.78%	0.78%	0.78%	0.78%

Table 3 below summarizes what it would take to achieve a 2% increase in assessed value (detailed in Attachment C to the staff report).

Table 3: Construction Needed for 2% Annual Growth

	Residential		Commercial	
	Single-Family	Multi-Family	Commercial (Non-Retail)	Retail
Total Assessed Valuation	$6,040,386,470	$6,040,386,470	$6,040,386,470	$6,040,386,470
X 2% A V Growth	0.02	0.02	0.02	0.02
Amount of New Construction Needed	**$120,807,729**	**$120,807,729**	**$120,807,729**	**$120,807,729**
/ A V per Housing Unit	300,000	144,833		
/ A V per SF of Commercial Construction			170	125
Number of Residential Units/SF of Commercial Construction Needed Annually	**403**	**834**	**710,634**	**966,462**

Staff's opinion is that economic development potential is more limited than the amounts shown in these tables and the associated attachments. For instance, it appears to be unlikely that single family residential growth can exceed the historic rate of activity (averaging about 7 new units per year over the past five years).

The other development sectors also have constraints. Given the right market conditions, developer interest, City investment, etc, it may be possible to achieve an additional $30-$50 million in multi-family activity (200-350 additional units above the average growth of 160 units per year over the past five years).

The retail and non-retail commercial sectors would benefit from additional housing. Based on recent activity, an additional 250 units of multi-family housing could increase the demand for retail by an additional 7,500 sq ft per year above recent development activity. Non-retail space could also benefit, but staff is unable to estimate the effect that multi-family housing might have on non-retail commercial construction.

The Subcommittee may believe that this extra volume of development, over and above historic averages, might be unlikely. However, we need to remember that there are economic development tools available to the City. The CRA recently adopted by the Council is there to help redevelop Aurora Square. Staff is continuing to come up with creative ideas to stimulate development. A few others include:

- Emphasis on "place making" adopted in the Economic Development Plan
- Higher density "transit corridor" zoning along 185th east of Aurora
- Possible sound stage near Aurora Square
- Movie complex concept
- Emphasis on the arts in North City

The items bulleted above are not part of the Base Scenario and have not been accounted for in any of the alternatives. There is not enough information available at the present time to bring estimates into the forecast.

None of these efforts will occur overnight. For instance, even if we achieve a higher level of multi-family development, the property tax on a new unit permitted as of today will probably not be realized until 7 years in the future. This is due to the fact that staff expects that City Council will continue to authorize property tax exemptions as part of the City's housing strategy.

Staff believes that a strong economy and strategic Council action can work together to prompt growth that surpasses Shoreline's stabilized growth trajectory. Thankfully, economists are forecasting a number of years of strong growth in the Puget Sound region, and staff predicts that the strong growth in the region will be reflected in strong sales numbers for existing Shoreline retailers and growth in Shoreline's population and housing stock. In fact, we are beginning to see Shoreline's population trend upwards ending a decade-long plateau.

Second, the City must focus its economic development activity on strategic initiatives that generate a broad multiplier-effect by making Shoreline profitable for residential and commercial investors. The 6-year Economic Development Strategic Plan adopted by Council in 2012 describes the strategy of placemaking in neighborhoods and key growth areas, especially Aurora Square. By adopting the Aurora Square CRA Plan in 2013, Council indicated its desire to form public-private partnerships with broad placemaking impacts. These partnerships will hopefully establish Shoreline as a digital media production center, attract a multiplex movie theater, and encourage a rejuvenated Sears. A renewed Aurora Square will attract shoppers, residents, and employers. This in turn would stimulate the economy and result in new construction of housing, businesses, stores, and restaurants.

As a result of tonight's discussion, staff hopes that the Subcommittee will be able to reach a consensus on a level of economic development activity that reflects stretch goals for development activity yet is prudent for our financial planning purposes. Based on the Subcommittee's discussion and direction staff will then add this development activity levy as an alternative to the financial model.

Questions for Council:

- *Is there a higher level of single family residential construction the Council would consider realistic?*
- *What level of multi-family residential construction activity is the subcommittee comfortable using in the financial planning model?*
- *What level of retail/commercial construction activity is the subcommittee comfortable using in the financial planning model?*
- *Do the assumptions used make sense?*
- *Is a higher level of growth sustainable in the short-/mid-/long-term?*
- *Any other questions?*

OTHER REVENUE STRATEGIES

In addition to economic development options, other revenue options may be available to the City. This portion of the discussion is about exploring these additional alternatives. It should be emphasized that the City Council has not taken any policy issue on these revenue alternatives as the Council would only do so after further review and exploration based on the recommendations coming from the Subcommittee. This discussion should be considered a review of options.

In some cases the options below are controlled by the state legislature. In others they are controlled by local vote. In some cases the Council can take action through public process.

As noted in the Base Scenario, the first hypothetical gap that might surface is estimated in 2019. The alternatives outlined below should be seen as options to consider in the later years of the ten-year financial sustainability project.

The City's primary revenue sources include property tax, sales tax, gas tax, utility tax/utility franchise fees (collectively referred to as "utility revenue" in the remainder of this report), gambling taxes, and parks and recreation fees. Each of these areas and other options will be considered below.

<u>Property Tax</u>
Two possible areas to explore in this area include voter approval to renew the levy lid lift (Proposition 1), and seeking State legislation to change the current 1% limit relating to increasing property values. The current levy lid lift expires at the end of 2016.

A six year renewal of Proposition 1 would generate approximately $158,000 in increased revenue in 2017, increasing to $1,013,000 annually in 2022. This scenario assumes annual levy increases equivalent to the projected level of inflation as measured by the consumer price index. It expires and requires another public vote for each six year extension. A majority vote is required. The revenue may be used for any purpose. Contingent on voter approval, the impact would be immediate.

State legislation (for property and sales tax) is problematic. Significant lobbying efforts would need to occur. Other governments would have to work together with Shoreline and the ultimate outcome is uncertain. This would be a longer term strategy. In the case of property tax legislation, the State's action would effectively replace Proposition 1 permanently.

<u>Sales Tax</u>
One possibility would be to pursue State legislation permitting cities to retain the entire 1% of local sales tax (0.15% currently goes to King County). Another might be a voter approved increase of the City sales tax rate (an additional amount up to 0.2% is permitted for designated purposes).

In the case of sales tax legislation, County sales taxes received from Shoreline's tax rate would decline by about $1.2 million if the City could keep 100% of the 1% tax. Shoreline would receive the benefit of this $1.2 million change. In addition, this amount could grow each year based on inflation plus growth. It might be possible to work with the County on this legislation if a substitute for the 0.15% County portion of the tax could be obtained.

Shoreline may combine with a group of cities with a population totaling at least 80,000 to form a public facilities district. Such a district can operate recreational facilities and levy a sales tax of up to 0.2% for that purpose. This could essentially be used to subsidize a portion of the City's recreation budget. A 0.2% sales tax would generate approximately $1.6 million per year. Voters in 2 or 3 cities would have to approve the district by majority vote. The district can cross county lines. No public facilities districts are currently imposing this tax.

Gas Tax
A possible solution in this area would be to pass State legislation increasing the gas tax at the pump while keeping the share back to the cities at the same percentage rate (or an increased rate).

Utility Revenues
In the case of electric, gas, steam, and telephone services, the City could ask the voters to approve an increase of the existing taxes to some amount greater than 6%. These revenue sources can be increased beyond the current 6% rate with a majority vote of the citizens. If the City could realize an across the board 1% increase in all utility revenues it would generate approximately $1.6 million per year. Note that SCL (electric service) is owned by Seattle. We currently collect a contract payment in lieu of utility tax. Further study would be needed relating to SCL.

There are no restrictions on tax rates for water, sewer, and stormwater utilities. It should be noted that this possibility is something that has generated a lot of interest from those who appear to oppose the City's contractual assumption of the Ronald Wastewater District assets in 2017. However, in these cases a vote or referendum process may be required. As stated previously, the discussion with the Subcommittee is to have a comprehensive review of options, prior to any recommendations or decisions being made. In any event, the only way any fee would increase is after extensive public process. Based on Shoreline's past history, it would be expected that the matter would be discussed ahead of time in *Currents*, on the website, and on Council agendas/staff reports/etc.

Taxes on cable service cannot be "unduly discriminatory". It appears that the cable rate could be increased as long as other rates are increased beyond 6%.

Gambling Tax
For this option, Council could take action to increase the gambling tax rate. City Council has the power to increase the Gambling Tax on card games from the current rate (10%) to a maximum of 20%. All other Gambling Taxes are currently imposed at the maximum rate. Based on current receipts, each 1% increase in the Gambling Tax rate would generate approximately $13,400 (a maximum of about $134,000 in new revenue). However, it should be noted that gross gambling receipts have been falling in Shoreline. It is possible that any significant increase in the card game tax rate could result in further erosion of gross gambling receipts, threatening this sector's economic viability.

Cost Recovery Options

The City can explore the possibility of recovering a greater portion of expenditures incurred in various areas. Staff looked at two examples to show what a cost recovery option might look like. These are examples only and are not intended as a recommendation to the Subcommittee. Before making any final recommendations in this area staff would recommend a study examining all City fees. That study could then recommend cost recoveries in instances that make the most sense from a city-wide perspective.

To see what this might mean we have included an example showing a higher cost recovery for adult recreation programming. A second case study shows the effect of billing citizens and businesses for a portion of street light costs.

At the present time Shoreline recovers $160,000 (64%) of the cost of adult recreation programs. Recovering an additional 10% of the cost would generate an extra $25,100 per year.

The City currently pays for 100% of the cost of street lights, which is over $400,000 per year (the City is currently working with Seattle City Light to reconcile their streetlight inventory with our billing statements so that we have an accurate accounting of our billing for this service). This cost pays for the electricity and maintenance of 2,946 lights in Shoreline that illuminate the right-of-way. For each 10% of the cost recovered, the City would generate an extra $40,000 per year.

Prior to the 2005/2006 timeframe, streetlights were paid for by individual Shoreline residents who were billed directly by Seattle City Light for the streetlight outside their home. This changed when the City decided to assume the cost of the majority of streetlights in Shoreline that illuminate the right of way. This was done as the City Council felt that right of way illumination was a public service that should be provided for by the City (out of the City's general fund).

<u>Other Options</u>

In addition to the above areas, there are other revenue options available. These options have been granted to cities, but Shoreline has not chosen to implement these to date. Options explored include a Business and Occupation (B&O) Tax, a revenue generating Business License Fee, and an expansion of the $20 Transportation Benefit District (TBD) fee.

Voter approval would be needed to implement a B&O tax. This is a tax on gross business receipts. The maximum rate is 0.2%. In 2009 the Citizen's Advisory Committee estimated that a 0.1% voter approved Business and Occupation Tax would generate approximately $460,000 per year. B&O Taxes can be set based on the class of business (retail, wholesale, etc) and can be used for any governmental purpose. Approximately 14% of Washington's cities (34) impose this tax.

Council could take action to implement a revenue generating Business License Fee. This is a regulatory license fee. This fee can be used for any governmental purpose. There is a great deal of flexibility in how to determine the fee. In Washington, approximately 17% of cities (41) impose this fee. Most Business License Fees are based on employment. Three are based on square footage. Some have a combination calculation of the fees (including Mountlake Terrace, Bothell, and Kirkland). The amount collected by Shoreline would vary depending on the way the fee is structured.

In addition to these options staff considered an additional $20 TBD (Transportation Benefit District) fee. This source is not available for the operating budget and needs to be used for transportation related projects. Voter approval would be required. Although the fee would generate about $800,000 per year, it would only affect the operating funds by about $290,000 per year. The operating funds currently transfer that amount to the Roads Capital Fund each year for curb, gutter, and sidewalk maintenance, and transportation planning.

Questions for Council:

- *Are there revenue strategies that the Subcommittee would like to explore or remove from consideration?*
- *Are there other revenue strategies that the Subcommittee would like to consider?*
- *Any other questions?*

EXPENDITURE STRATEGIES

Expenditure strategies will be discussed at the February 10th Subcommittee meeting.

RESPONSES TO JANUARY 13, 2014 SUBCOMMITTEE QUESTIONS

Responses to the Subcommittee's questions are included as Attachment D to this staff report. We will continue to follow up on "work in progress" items at subsequent Subcommittee meetings.

ATTACHMENTS:

Attachment A – Economic Development Assumptions
Attachment B – Economic Development Needed to Close Hypothetical $500,000 Gap
Attachment C – Economic Development Needed to Achieve 2% Growth in Assessed Value
Attachment D – Responses to Subcommittee Questions
Attachment E – Report of the Developer Focus Group (September 27, 2011)
Attachment F – Subcommittee Approach to Arrive at a Recommendation
Attachment G – Base Scenario Charts (Revenues, Expenditures, and Fund Balance)

Attachment A

10-Year Financial Sustainability Plan

Economic Development Assumptions

January 28, 2014

	Single Family Residential	Multi Family Residential	Commercial (Non-Retail)	Retail
2014 Base Assumptions:				
1/1/14 Assessed Valuation	$ 6,040,386,470	$ 6,040,386,470	$ 6,040,386,470	$ 6,040,386,470
1/1/14 Property Tax Rate/$1000 A V	$ 1.60	$ 1.60	$ 1.60	$ 1.60
City Sales Tax Rate	0.85%	0.85%	0.85%	0.85%
Total Taxable Sales	$ 792,823,529	$ 792,823,529	$ 792,823,529	$ 792,823,529
Residential Taxable Sales	$ 591,000,000	$ 591,000,000	$ 591,000,000	$ 591,000,000
Non-Residential Taxable Sales	$ 201,823,529	$ 201,823,529	$ 201,823,529	$ 201,823,529
Population	53,670	53,670	53,670	53,670
Employment	16,374	16,374	16,374	16,374
Residential Assumptions:				
Assessed Value - Residential	$ 3,998,735,843	$ 670,482,898		
Property Tax per Unit of Housing	$ 480	$ 232		
Number of Units of Housing	16,295	6,175		
Population per Unit of Housing	2.54	2.00		
Sales Tax per Unit of Housing	$ 239	$ 188		
Utility Revenue per Unit of Housing	$ 389	$ 172		
Gas Tax per Unit of Housing	$ 51	$ 40		
Police Expenditures per Unit of Housing	$ (505)	$ (398)		
Other Expenditures per Unit of Housing	$ (97)	$ (76)		
Commercial Assumptions:				
Assessed Value - Commercial			$ 750,493,193	$ 620,674,536
Property Tax per Job			$ 70	$ 70
Utility Revenue per Job			$ 130	$ 130
Total Commercial Utility Revenue			$ 1,187,632	$ 982,198
Utility Revenue per Sq Ft of Space			$ 0.48	$ 0.48
Sq Ft of Space per Job			274	274
Total Square Feet of Space			2,456,032	2,031,193

Note:

Staff is showing direct economic impacts only. A more thorough economic analysis would take into account both direct and indirect economic impacts. For example, the current analysis shows the direct impact of sales tax the resident pays on coffee. However, it does not show the indirect impact of the tip left for the barista. Staff believes that a complete analysis showing both direct and indirect impacts would probably forecast greater positive economic effects of development.

10-Year Financial Sustainability Plan

Economic Development Needed to Close Hypothetical $453,000 Gap

January 18, 2014

	Residential (Per Capita)		Commercial (Per Job)	
	Single-Family	Multi-Family	Commercial (Non-Retail)	Retail
Revenue				
Property Tax	$ 189	$ 116	$ 75	$ 55
Sales Tax	94	94	-	822
Gas Tax	20	20	-	-
Utility Revenue	153	86	133	133
Total Revenue	**456**	**316**	**208**	**1,010**
Expenditures				
Police	199	199	-	-
Other Municipal Services	38	38	-	-
Total Expenditures	**237**	**237**	**-**	**-**
Net Revenue Per Capita/Job	**$ 219**	**$ 79**	**$ 208**	**$ 1,010**
x Residents/Unit	2.54	2.00		
Net Revenue per Housing Unit	**$ 555**	**$ 158**		
Gap to Close	**$ 453,609**	**$ 453,609**	**$ 453,609**	**$ 453,609**
/ Net Revenue per Housing Unit	555	158		
Number of Housing Units Needed to Close Gap	**817**	**2,871**		
/ Net Revenue per Job			208	1,010
Number of Jobs Needed to Close Gap			2,181	449
x Square Feet per Job			274	274
Number of Square Feet of Commercial (Non-Retail) Needed to Close Gap			**597,543**	**123,058**
Additional Growth Rate in Assessed Valuation Needed	**4.06%**	**6.88%**	**1.68%**	**0.25%**
Current Growth in A V from New Construction	0.78%	0.78%	0.78%	0.78%

Notes:
All amounts are over and above historic growth already included in the Base Scenario
The City has 56 acres of vacant land available for residential development.
A "big box" retail store is 100,000 - 150,000 SF in size.
A drug store sized retail store is about 15,000 SF in size.
A 5 story office building on a 2.3 acre lot is generally about 78,000 SF in size.

10-Year Financial Sustainability Plan

Economic Development Needed to Achieve 2% Growth in Assessed Value

January 28, 2014

	Residential (Per Capita)		Commercial (Per Job)	
	Single-Family	Multi-Family	Commercial (Non-Retail)	Retail
Total Assessed Valuation	$ 6,040,386,470	$ 6,040,386,470	$ 6,040,386,470	$ 6,040,386,470
x 2% A V Growth	0.02	0.02	0.02	0.02
Amount of New Construction Needed	120,807,729	120,807,729	120,807,729	120,807,729
/ Assessed Value per Housing Unit	300,000	144,833		
/ Assessed Value per SF of Commercial Construction			170	125
Number of Residential Units Needed Annually for 2% A V Growth	**403**	**834**		
Number of Square Feet of Commercial Construction Needed Annually for 2% A V Growth			**710,634**	**966,462**

Notes:
The City has 56 acres of vacant land available for residential development.
A "big box" retail store is 100,000 - 150,000 SF in size.
A drug store sized retail store is about 15,000 SF in size.
A 5 story office building on a 2.3 acre lot is generally about 78,000 SF in size.

10-Year Financial Sustainability Plan
Responses to Subcommittee Questions
January 28, 2014

Meeting date: January 13, 2014

ITEM	REPLY	STATUS
Provide the report that came from the development focus group the City held a couple of years ago.	The report is included with the January 28, 2014 Staff Report as Attachment E.	Complete 1/28
Briefly summarize the approach to the entire 10YFSP process. Need an easily understandable plan. How will subcommittee reach a recommendation?	The summary is included with the January 28, 2014 Staff Report as Attachment F.	Complete 1/28
Add an agenda item to a future City Council meeting. Need to know how developers make development decisions. Can the City affect this decision making process?	Staff is planning to make this presentation at the March 17, 2014 Dinner Meeting.	Pending

Demarche
CONSULTING GROUP
Making workplaces better places to be.

Focus Group Thematic Analysis
September 27th, 2011: 6:30pm: City Hall

Attendees:

Linda Paralez, Cailin Baker: Demarche
Debbie Tarry: City of Shoreline

Al Wagar – Community
Kristen Clem Kissinger – OTAK (School District)
Al Jackson – Remodel
Terry Williams – Public Health Lab

"Best place I've ever been to get permits."

Introduction

The session began with brief introductions and an explanation of what the City is doing, and of the purpose of the focus group. In order to keep conversation organic, Dr. Paralez asked broadly for any comments, compliments, concerns, or complaints about attendees' experiences with permitting and public works.

Through a variety of anecdotes and comparisons with other jurisdictions, the following key points emerged as important to these individuals in their experience.

Summary of Ideas to Consider

- Consider accepting Licensed Structural Engineer's stamp on documents as sufficient and not engaging an external review. Hold that licensed person responsible/liable for their work. Consider the same thinking for other very specialized technical areas (e.g., wetland biologist) where liability can be passed on to the professional. Additional review that we pay for is pointless.
- Consider implementing a formal process where a customer can pay for the overtime to expedite review.
- Continue to ensure that the Building Department is accessible, and that they maintain that attitude of "Liking Your Project." (Being development friendly.)
- Consider adopting the same process for issuing correction letters in PW as in Building (or across all departments) – should be same level of formality and consistency.
- Consider working on a public infrastructure process that seems more fair (e.g., sidewalks doesn't seem fair in residential areas) in terms of requirements to build. Be transparent.

- Consider limiting public hearing to those instances where a public hearing actually benefits the project and/or the public, rather than do it by rote. This does not exclude public process, which still happens through notice, public comment, etc.

Public Process

There was some frustration voiced about the public process related to building and land use projects within the City, including public hearings, in that there is a tendency for the same individuals to attend these types of meetings to provide various comments. However, if the project is legal, there is no real reason it wouldn't happen anyway. Suggestions were made to only include a public hearing in cases relevant need, and to otherwise meet the obligation of public engagement and notice with the mailers and other methods of informing the public of the project.

> "We need to get our regulators out of the office and into the field."

> *"It's easy to get along with the Building Department here."*

Vegetation and Storm water

Regulations and ordinances regarding vegetation control and canopy goals are unclear, unfair, and often unobtainable, and issues continue to arise in these areas.

Treatment of these regulations interferes with Parks mission to efficiently and effectively care for City assets though best use of volunteer commitments and resources, and even best management practices.

Storm water regulations are frustrating in the development industry since much of the area being regulated by the code is already built. Since these rules were not in place during original construction, it is now the responsibility of builders on current projects to "fix" what exists, at their own cost.

> "Storm water [regulations] should have taken place 20 years ago."

Inter-Departmental Coordination and Streamlining of Documentation Requirements

Comments in this area were largely positive. Exceptions regarding excessive requirements for assembly of individual permits and submittal packages where large projects are being done were discussed at length, including the consequential problems of getting consistent level of formality and completeness of comments back on the packages from the various departments. Formality, timing, and completeness vary widely by department.

Customer Service and Availability of Staff

All attendees were pleased by the departments' customer service, knowledge, and availability, especially in comparison with other jurisdictions. When asked what should be changed or

> "Planning and Development is scared that if you cut a leaf it will all go into the Sound. There is the issue of enforcing the letter of the code and totally missing the spirit of it."

improved, the unanimous response was, "keep it up."

The point was made that staff might be well-versed in every project and so available right now because of the low volume of permits required in the slow economy. The dual worry is that this may change when things pick up, and that current staffing may not be aligned with workload. For comparison, one attendee mentioned that in the City of Seattle, one is charged a substantial fee just to talk to a "zoner" because they are so short staffed.

"I appreciate that with Shoreline, when we do meet with them, it's always the people who need to be there in the room and they speak with authority."

Attachment F

10-Year Financial Sustainability Project

Subcommittee Approach to Arrive at a Recommendation
January 28, 2014

January 14:

Review purpose, scope, and deliverables
Discuss challenges to sustainability
Discuss assumptions
Review baseline forecast, Base Scenario, and financial model

January 28:

Discuss strategies available to close hypothetical, future, structural budget gaps
Discuss economic development strategies

- Are the alternatives achievable?
- What level of economic development is achievable?
    - Staff opinion
    - Council discussion
    - Establish consensus

Discuss revenue strategies

- Discuss pros and cons of various strategies

Staff will model alternatives selected for the February 10th Subcommittee meeting

February 10:

Review updated financial model
Final input regarding economic development and revenue strategy discussions

- Establish consensus regarding revenue strategies to include in alternatives

Discuss expenditure strategies

- Discuss pros and cons of various strategies
- Establish consensus regarding strategies to include in alternatives

Finalize strategies to include in the financial model
Staff will model final alternatives selected for the February 24th Subcommittee meeting

February 24:

Discuss the financial model and how it would look using various strategies
Develop Subcommittee's list of preferred alternatives
Staff will model the preferred alternatives for the March 1st Subcommittee meeting

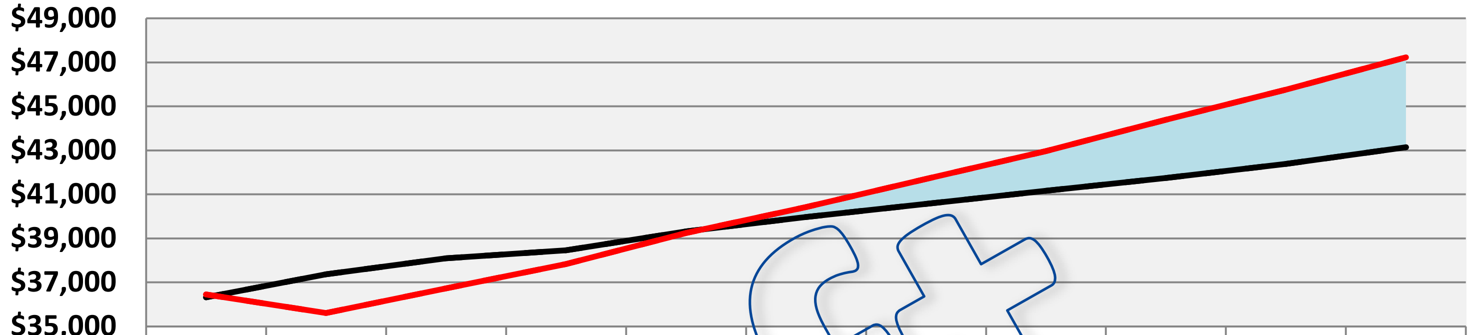
March 1:

Structured as a 3 hour meeting to offer time for a final discussion of alternatives
Develop a recommended preferred alternative
Finalize recommendations
Staff will model the recommended preferred alternative for the March 31st meeting

March 31:

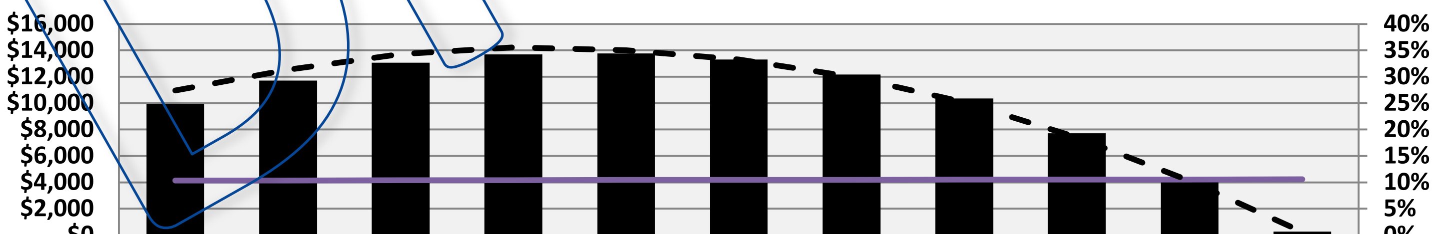
Consider feedback provided by the full Concil
Review final financial model
Provide any final feedback to staff
Staff will adjust the model if necessary based on Council feedback
Staff will ensure that any final comments are reflected in a sustainable model
Staff will prepare the information for the Council’s consideration in April and May

BASE SCENARIO REVENUES (101%) AND EXPENDITURES (98%) ($ IN '000'S)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ANNNUAL SURP/(GAP)	(133)	1,747	1,356	631	68	(454)	(685)	(667)	(837)	(719)	(727)
CUMULATIVE (GAP)	(133)	-	-	-	-	(454)	(1,138)	(1,806)	(2,643)	(3,362)	(4,089)
VARIANCE BASE	36,450	35,614	36,733	37,831	39,243	40,422	41,708	42,971	44,396	45,755	47,234
BASE REVENUE	36,317	37,361	38,089	38,463	39,311	39,969	40,570	41,165	41,753	42,393	43,145
SCENARIO REVENUES	36,317	37,361	38,089	38,463	39,311	39,969	40,570	41,165	41,753	42,393	43,145
BASE EXPENDITURES	36,450	35,614	36,733	37,831	39,243	40,422	41,708	42,971	44,396	45,755	47,234
SCENARIO EXPENDITURES	36,450	35,614	36,733	37,831	39,243	40,422	41,708	42,971	44,396	45,755	47,234

BASE SCENARIO FUND BALANCE ($ IN '000'S)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
POSITIVE	9,952	11,699	13,055	13,686	13,754	13,300	12,162	10,356	7,713	4,351	262
NEGATIVE	-	-	-	-	-	-	-	-	-	-	-
MIN. REQ'D. OPERATING FB	4,137	4,145	4,159	4,170	4,179	4,187	4,194	4,201	4,209	4,217	4,227
% REVENUE	27%	31%	34%	36%	35%	33%	30%	25%	18%	10%	1%