



April 14, 2016

- I. Facilitator Jim Reid opened the meeting, reviewed the agenda for the evening, and asked for the committee to approve the summary of the [March 24, 2016](#) meeting. The committee approved the summary of the March 24, 2016 meeting.
  
- II. [Recap and Discuss Revenue Options – 10 YFSP](#) – Presentation from Rick Kirkwood, Budget Supervisor

Rick Kirkwood reviewed the slides that were originally presented on March 24, 2016 with some additional slides intending to clarify:

1. How the economic development impact of new development was determined; and
2. The cumulative impact of the “Gap” over the 10 year period.

**There were a few questions that were posed and answered following the presentation:**

**Recognizing that economic development won’t be able to solve the whole shortfall does that make it an “all or nothing proposition”?**

Response: No, Economic Development is clearly one of the seven strategies that have been identified as part of the 10YFSP. Reasonable targets have been set for development and as the development occurs revenue estimates will be adjusted to reflect the impacts.

**If the “Gap” is cumulative, then why are surpluses from the early years not used to reduce the long term gap?**

Response: Council has identified that annual surpluses are considered “one time” revenues and should not be used for ongoing expenses. Those surpluses increase the Fund Balance and reserves and are then used for one time uses as approved by Council through the budget process. The goal of Financial Sustainability is to ensure that regular ongoing expenses are sustained with ongoing revenue sources.

**Does the City have a reserve? And how is it funded?**

Response: Yes, the City has strong reserve policies that are evaluated by Bond Rating agencies and very important to maintaining a strong bond rating. The reserves are discussed in the budget document on page 422. By policy the City must maintain a cash flow operating reserve of approximately 1.5 to 2 months of regular expenditures (a best practice standard), a budget contingency reserve of 2% and an Insurance Deductible reserve. The City also maintains a revenue stabilization reserve equal to 30% of the City’s economically sensitive revenues. While the City creates a balanced budget each year, reserves are created when appropriations are not fully spent or revenues received exceed that which was budgeted.

**What is the minimum operating reserve amount? (In number of days)**

Response: The best practice standard is 45 to 60 days of regular expenditures.

**At what point in your projections do you plan the Boeing layoffs, etc. will have an impact? Human services agencies look out for these things.**

Response: The City uses the Puget Sound Economic Forecaster (an economic forecasting service for the Puget Sound region), which usually takes into consideration issues like this that will have regional impacts.

**What’s the City’s exemption level for B&O tax?**

Response: Staff will evaluate various exemption levels when the business community is engaged to explore the possible implementation of a B&O tax. The current estimate built into the 10 Year Financial Sustainability



Model was made strictly based on gross taxable sales receipts and doesn't include any non-sales taxable service income.

**When will we be analyzing the potential for a B&O tax?**

Response: We are planning to conduct that evaluation later this year. If Council decided to implement it would likely not go into effect until at least 2018.

**What is a "levy lid lift"?**

Response: The term "levy lid lift" refers to "lifting" the state mandated 1% "lid" on the annual growth of the City's overall property tax levy.

**III. Findings and Tentative Recommendations**

A. *Based on the information provided and the discussions during our first four meetings:*

**1. Are the needs and interests of the citizens being met by current service levels?**

Jim asked the committee for their thoughts and ideas related to this question. The following thoughts were shared by individuals:

- Concern with shortages in police and human services and noted that homelessness is up.
  - Agreement that there is a growing need for increased human services, especially for senior citizens, homelessness.
  - Feeling that human services funding needs to be increased to support the homeless.
  - Concern about the current property tax level; and that perhaps areas in the Citizen Survey that had lower sense of importance but high satisfaction (i.e. Parks) could be reduced to increase funding for human services.
  - Agreement with comments that there is a growing need for human services funding and added the City needs sidewalks and more police services.
  - Statement that committee member would answer "yes" to the above question as the City is generally doing a good job allocating its resources.
  - Another committee member noted they would also answer "yes" to the above question but noted that there are still gaps, for example, the need for school resource officers in all the high schools.
- **Jim summarized the comments: Most of the committee would answer "yes" to the above question, but that police and human services should be increased. The following summary was captured on the screen for committee members to review:**

F&TR: The City, in general, is doing a good job allocating resources. The Committee feels that areas that have stood out as possibly needing additional funding are police services and social services.



**2. Have you heard anything that leads you to conclude that the City of Shoreline isn't using taxpayer funds efficiently?**

Comments:

- The use of the jail in Yakima might be seen as an example of inefficiency without knowing the background and actual costs. After learning more it became clear that it was a cost saving effort and not inefficient at all.
- We could be spending more on treatment of lower level offenses (drug and alcohol use and treatment) to save the higher costs of housing inmates in jail by reducing recidivism. Expand rehabilitation piece by using people in community.
- When compared to other cities (i.e. the use of Yakima jail, KC police contract), the City is pretty efficient.
- Look for efficiencies in places where costs are rising faster than inflation.
- Operating budget is lean and mean, which is good.
- When reviewing the Citizen Survey data the City may be spending in areas that people don't really value, like code enforcement, surface water management, and parks.
- Recognize that some critical services won't be valued until they aren't being done (like surface water management or code enforcement).
- Look for savings where programs have been identified as not as important.
- Departments seem to be running efficiently. Programs should be looked at to see if needs are being over met.

*B. The 10YFSM reflects that without the Levy Lid Lift the City would be required to reduce levels of service or eliminate some services as soon as 2019. Council has indicated its desire to place a renewal of the Levy Lid Lift on the November ballot in order to maintain current services levels.*

*The renewal would restore the levy rate to \$1.48 and continue to allow the annual levy to be increased by the annual percentage change of the Consumer Price Index (CPI) rather than the 1% limit. Restoring the levy rate to \$1.48 for 2017 would cost the average homeowner \$78 (representing a 1.5% increase in the overall tax bill assuming all levy rates for other taxing jurisdictions remain unchanged from the 2016 tax year.) and generate \$1.435 million in additional revenues in 2017. Over the course of the six-year levy, the cost to the average homeowner will be \$104 per year on average and generate \$11.763 million in additional revenues, allowing the City to maintain current service levels.*

- **Does this appear to you to be a reasonable and appropriate action?**



Following are individuals' comments relating to the question:

- The rate is not important. Look at the cost to the individual homeowner. At \$1.48 it's 14%. What about school district, state, county, etc. This is not a "renewal".
- We have to be accountable to our neighbors. We need to be able to explain what we are recommending to our neighbors.
- If we did just the escalator then we don't close the gap unless \$1.60.
- Yes.
- The levy lid lift is needed to solve the budget if we agree that the City is using its current resources wisely and that services should not be reduced.
- Don't go to \$1.60; use the same model we used in 2010. Would like to see a different approach to economic development.
- If you feel the City is spending efficiently and you want to maintain services then you would have to support lid lift.
- Do we get to answer yes to both? If we did \$1.60 would we be able to shift funds, i.e. more money to economic development?
- During the discussion there were some clarifying questions on how Property Tax is assessed:  
Q- How does the assessed value impact this?  
A – Increases or decreases in assessed value change the rate a taxpayer pays. It does not impact how much the City collects. The rate that an individual pays is capped at \$1.60.  
(We referred to information from the March 10, 2016 meeting that showed the impact of property tax and valuation changes on three houses).  
<http://www.shorelinewa.gov/home/showdocument?id=25337> (pages 7-10)

IV. Jim reviewed the agenda for the next meeting and adjourned the meeting.

**Next meeting:** April 28, 2016 – Meeting 6      Council Chambers

- Levy lid lift polling results review
- Continue drafting recommendations to City Manager

