



EXECUTIVE SUMMARY



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10 YEAR FINANCIAL SUSTAINABILITY PLAN

10 YEAR FINANCIAL SUSTAINABILITY PLAN BACKGROUND

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

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

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

The subcommittee also established a public process to gather information and seek input on the draft 10 YFSP. In 2014, this process included an article in the *May Currents* newsletter, development of a webpage on the City’s website seeking public input, a presentation at the May 7 Council of Neighborhoods meeting, and an open house on May 14. All of the presentations, staff reports, memos, etc., regarding the project are readily available on the Ten Year Financial Sustainability Project webpage, which can be accessed at the following link:

<https://www.shorelinewa.gov/government/departments/administrative-services/ten-year-financial-sustainability-project>.

Ultimately, the 10 YFSP was accepted by the City Council on June 16, 2014. The 10 YFSP and 10 YFSM are now incorporated as part of the City’s annual budget process. The 10 YFSM has since been utilized in presenting the long-term financial projections for the preliminary and proposed budgets since 2015, as well as amendments to the budgets since 2015. The model is having the effect on budget planning that was desired by the Council as ASD is monitoring the progress in relation to the 10 YFSM.

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

10 YEAR FINANCIAL SUSTAINABILITY PLAN UPDATE

Since the 10 YFSP was accepted by the City Council in June 2014, staff have implemented all identified strategies. The preliminary 2021-2022 Operating Budget and updated ten-year forecast, incorporating the 2021-2022 proposed biennial budget with the updated results of the revenue and expenditure strategies that comprise the 10 YFSP into the 10 YFSM, was previewed by the City Council in the September 14, 2020 staff report. Based on audited 2019 results, 2020 estimates, and 2020 projections, the 10 YFSM projects gaps in all years of the forecast as a result of the economic impacts of COVID-19 and the expiration of the levy lid lift in 2023. Using general fund fund balance of \$1.4 million to balance the current biennium and assuming a successful levy lid lift in 2022, the 10 YFSM reflects surpluses generated between 2023-2025 is adequate to cover shortfalls into 2027. When we model expenditures at 99% to reflect our historical trend for expenditures and assume 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 2028. As of 2019, every strategy identified in the 10 YFSP has been implemented and is being employed to help achieve financial sustainability. The following provides a brief history for each of the strategies and our progress towards reaching the identified targets:

10 YFSP Strategy

Strategy Implementation Steps

- (1) 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 7,154 square feet (SF) of new retail space in 2015, 8,835 in 2016, 11,903 in 2017, 429 in 2018 and 0 sq. ft. of new retail space in 2019. We increased multi-family unit (MFU) count by 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). Additionally, we saw the remodel of 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. of remodeled retail space in 2019. Office space added in 2018 was 22,450 SF and 3,563 SF in 2019.
- (2) The 10 YFSP sought to reduce the expenditure growth rate. To achieve this the City has adopted a culture of continuous improvement to identify efficiencies that produce cost savings and cost avoidance. Additionally, staff continually look for opportunities to reduce costs in all areas of operations including proactively monitoring all its major contracts and considering alternative service delivery models to minimize cost increases and maintain or improve service levels. One example from the current biennium is the use of multiple Jail contracts to lower costs allowed the reduction of the Jail budget to help address the current economic challenge. Usage and costs have been historically volatile, and the City proactively seeks lower cost alternatives to delivering this mandated service. Another example is the City's Janitorial contract, where consolidation of services with a single vendor and changes in service levels for internal facing services have allowed us to maintain costs with lower than market increases. Additionally, this budget proposes the "in-sourcing of our durable road-stripping program, that is anticipated to save \$30,000 per year after the first biennium and improve service delivery. Finally, the City has changed its computer vendor and improved service delivery with computers arriving fully imaged, saving valuable staff time, at a lower cost.
- (3) The 10 YFSP strategy to increase investment returns with a target of 100 basis points. To accomplish this staff have implemented a laddered investment portfolio and have met the target through 2019. Given the impact of COVID-19 on the economy, it is likely that we will not achieve this target in this biennium but anticipate our strategy will still enable us to have better returns than without the strategy.
- (4) Evaluation City's Cost Recovery objectives for Recreation and Permitting were identified as a strategy. In 2016, the Parks, Recreation and Cultural Services Department conducted a study to evaluate cost recovery percentages for an appropriate combination of fee-based

programs with targeted implementation beginning with the 2016 budget. Those cost recovery for recreation programs are now reviewed on a regular cycle and adjust by market or CPI on the years when not evaluated

The City completed a Cost of Service and Cost Recovery evaluation of the Permitting and Inspection fee revenues in 2016. Staff presented recommendations on proposed permitting cost recovery objectives on April 26, 2016 and those recommendations were incorporated in the 2017 Fee Schedule. An update to this study will be performed in 2022 to be incorporated into the 2023-2024 budget.

- (5) The 10YFSP sought to replace the \$152,000 General Fund annual contribution to the City's Curb Ramp, Gutter, and Sidewalk Maintenance Program with an ongoing revenue source. After extensive evaluation to develop the City's Americans with Disabilities Act (ADA) Transition Plan, identifying over \$110 million of necessary repairs, City Council adopted Ordinance No. 822 to increase the VLF by \$20 per vehicle per year, to a total of \$40, to provide revenue to support the repair and maintenance of the City's sidewalk network. City Council levied) The City began collecting that tax in 2019, however voter initiative I-976 rolled back the City's ability to impose these fees. That initiative is currently under review by the State Supreme Court. Until its legality is resolved the City will be evaluating the use of One-Time contributions to the sidewalk repair program with each budget process.
- (6) The 10 YFSP included the consideration of implementing a Business & Occupation Tax. After extensive public engagement, Council City Council ultimately adopted Ordinance No. 808 providing for a B&O Tax on December 4, 2017. The Tax was implemented in 2019.
- (7) Consideration of renewal of the voter approved Levy Lid Lift for operations was identified as necessary to address the structural imbalance created by the 1% limit of growth for property tax. After extensive public engagement the Council placed Proposition 1, Basic Public Safety, Parks & Recreation, and Community Services Maintenance and Operations Levy on the ballot in November 2016, and it was passed with a 66.5% (19,272 votes) approval and set the new tax rate for 2017 at \$1.39 with the lid for the ensuing years to be "lifted" each year by a percentage increase tied to CPI-U for the Seattle Area. Council will be considering this strategy again in 2022.



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10 YEAR FINANCIAL SUSTAINABILITY PLAN

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

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

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

A. FINANCIAL SUSTAINABILITY

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

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

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

B. COMMUNICATIONS

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

C. POTENTIAL SURPLUSES AND UNANTICIPATED SAVINGS

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

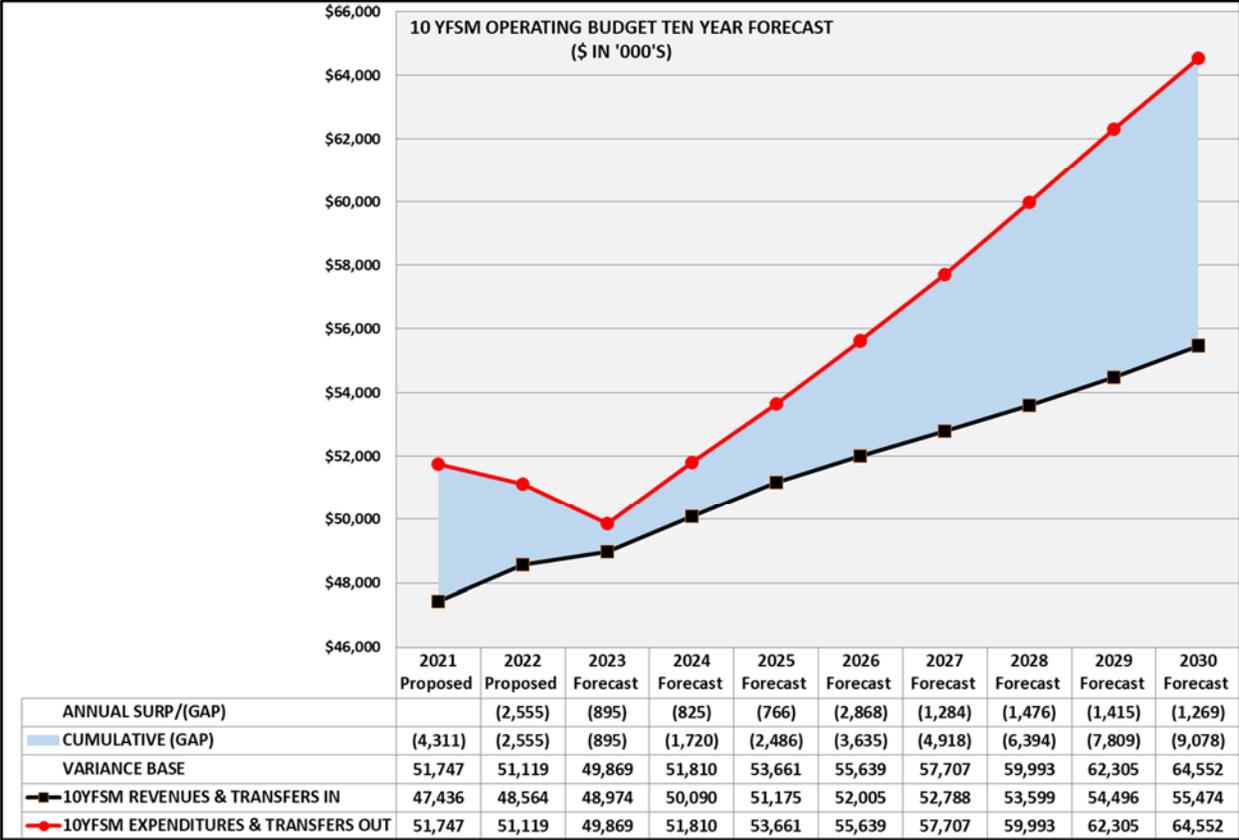
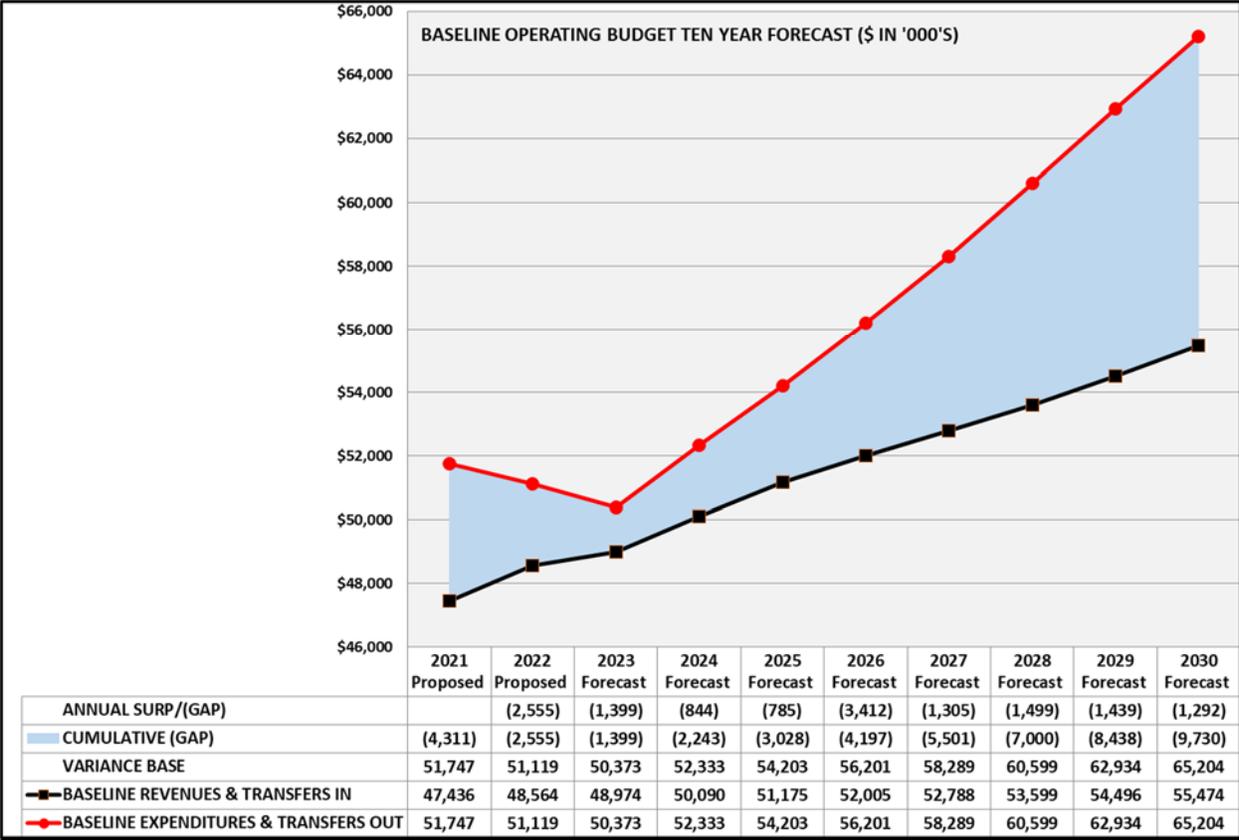
* The City will strive to achieve this target in 2014; however, the revenue impact will not be realized until 2019.

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

	2021 Proposed	2022 Proposed	2023 Forecast	2024 Forecast	2025 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$18,763,489	\$23,000,637	\$18,763,489	\$14,452,958	\$13,024,634
Baseline Revenues:					
Taxes					
Property	14,106,259	14,430,037	14,664,760	14,904,167	15,149,265
Sales and Use	10,203,420	10,710,242	11,187,907	11,808,952	12,207,310
Business and Occupation	971,770	1,018,613	1,054,968	1,098,788	1,148,682
Gambling	700,000	1,400,000	1,400,000	1,400,000	1,400,000
Utility	3,673,019	3,697,412	3,768,290	3,839,338	3,912,552
Other	85,929	85,929	85,929	85,929	85,929
Franchise/Utility Contract Payments	5,398,100	4,507,400	4,635,263	4,772,817	4,845,045
Licenses and Permits	2,658,071	2,688,565	2,670,756	2,759,511	2,949,162
Intergovernmental	3,102,584	3,366,324	2,841,304	2,664,393	2,620,028
Charges for Services	1,377,855	1,456,285	1,483,543	1,510,154	1,537,270
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	73,100	73,100	73,100	73,100	73,100
Miscellaneous Revenues	2,058,702	2,120,140	2,027,200	2,034,092	2,041,115
Total Baseline Revenue	44,812,809	45,958,047	46,297,021	47,355,241	48,373,458
Baseline Operating Expenditures:					
Salaries & Benefits	18,970,589	19,469,954	20,277,015	20,878,913	21,626,554
Supplies	1,046,500	1,039,374	1,057,374	1,057,374	1,057,374
Services & Charges	8,265,459	8,608,981	8,483,038	8,853,866	9,184,561
Intergovernmental	16,577,610	17,034,230	17,583,324	18,344,563	19,135,542
Interfund	558,511	560,915	562,297	565,928	569,643
Budgeted Contingency	240,000	1,383,208	(25,000)	(25,000)	(25,000)
Capital Outlay	8,434	-	-	-	-
Total Baseline Operating Expenditures	45,667,103	48,096,662	47,938,048	49,675,644	51,548,674
Baseline Revenue Over (Under) Expenditures	(854,294)	(2,138,615)	(1,641,028)	(2,320,402)	(3,175,216)
Baseline Other Financing Sources (Uses):					
Operating Transfers In	2,623,204	2,606,157	2,677,223	2,734,851	2,801,061
Transfers Out	6,079,441	3,022,074	2,434,849	2,657,570	2,653,934
Gain / (Use) of Operating Funds Fund Balance	(4,310,531)	(2,554,532)	(1,398,654)	(2,243,121)	(3,028,089)
Baseline Ending Operating Funds Fund Balance	\$14,452,958	\$20,446,105	\$17,364,835	\$12,209,837	\$9,996,545
Required Operating Funds Fund Balance	\$4,391,198	\$4,352,027	\$4,339,919	\$4,374,689	\$4,383,412
Over (Under) Required Operating Funds Fund Balance	\$10,061,760	\$16,094,078	\$13,024,916	\$7,835,148	\$5,613,133
10 YFSM:					
Beginning Operating Funds Fund Balance	\$18,763,489	\$23,000,637	\$18,763,489	\$14,452,958	\$13,024,634
Total 10YFSM Revenues & Transfers In	47,436,013	48,564,204	48,974,243	50,090,093	51,174,519
Total 10YFSM Operating Expenditures & Transfers Out	51,746,544	51,118,736	49,869,168	51,809,881	53,660,582
Gain / (Use) of Operating Funds Fund Balance	(4,310,531)	(2,554,532)	(894,925)	(1,719,789)	(2,486,063)
10YFSM Ending Operating Funds Fund Balance	\$14,452,958	\$20,446,105	\$17,868,564	\$12,733,169	\$10,538,571
Required Operating Funds Fund Balance	\$4,391,198	\$4,352,027	\$4,339,919	\$4,374,689	\$4,383,412
Over (Under) Required Operating Funds Fund Balance	\$10,061,760	\$16,094,078	\$13,528,645	\$8,358,481	\$6,155,159
Assumptions:					
Inflation	0.00%	1.73%	2.34%	2.24%	2.24%
Annual Revenue Growth		2.56%	0.74%	2.29%	2.15%
Annual Regular Levy Assessed Value Change		-2.24%	4.84%	4.59%	6.84%
Annual Sales & Use Tax Change	5.11%	4.67%	5.44%	7.68%	4.94%
General Fees & Licenses Increases	0.00%	1.38%	1.87%	1.79%	1.80%
Investment Interest Rate	0.23%	1.60%	1.90%	2.00%	2.10%
Building Permit Charge	13.28%	-1.02%	-0.71%	3.58%	7.39%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	100.00%	100.00%	100.00%	100.00%	100.00%
PERS Employer Contribution Rate	12.97%	12.97%	12.92%	12.92%	12.92%
Health Benefit Escalator	0.00%	0.00%	6.50%	6.50%	6.50%
Regular Salary Escalator	0.80%	2.53%	3.14%	3.04%	3.04%
Police Contract Escalator	7.10%	4.16%	4.77%	4.96%	4.91%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	100.00%	100.00%	99.00%	99.00%	99.00%
Annual Expenditure Growth		5.32%	-0.33%	3.62%	3.77%
Contribution to / (Refund From) Revenue Stabilization Fund	\$0	\$0	\$94,889	\$235,345	\$196,749

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

	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$11,518,134	\$9,225,769	\$6,160,692	\$1,950,440	(\$3,543,513)
Baseline Revenues:					
Taxes					
Property	15,395,345	15,641,294	15,889,075	16,133,445	16,371,557
Sales and Use	12,690,665	13,143,209	13,597,298	14,065,428	14,467,457
Business and Occupation	1,185,926	1,220,765	1,255,892	1,294,201	1,329,150
Gambling	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Utility	3,990,407	4,070,324	4,153,707	4,237,270	4,321,508
Other	85,929	85,929	85,929	85,929	85,929
Franchise/Utility Contract Payments	4,922,306	5,000,588	5,081,915	5,161,192	5,239,053
Licenses and Permits	2,726,501	2,484,014	2,251,659	2,094,454	2,094,454
Intergovernmental	2,642,491	2,665,266	2,688,822	2,711,981	2,734,887
Charges for Services	1,566,325	1,595,743	1,626,317	1,656,043	1,685,169
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	73,100	73,100	73,100	73,100	73,100
Miscellaneous Revenues	2,048,641	2,056,260	2,064,179	2,071,878	2,079,422
Total Baseline Revenue	49,131,636	49,840,493	50,571,893	51,388,921	52,285,685
Baseline Operating Expenditures:					
Salaries & Benefits	22,438,021	23,277,784	24,164,247	25,069,203	25,997,897
Supplies	1,057,374	1,057,374	1,057,374	1,057,374	1,057,374
Services & Charges	9,566,128	9,927,134	10,334,547	10,715,605	10,922,993
Intergovernmental	19,917,058	20,763,793	21,674,136	22,633,735	23,638,981
Interfund	573,643	577,710	581,958	586,106	590,190
Budgeted Contingency	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Capital Outlay	-	-	-	-	-
Total Baseline Operating Expenditures	53,527,224	55,578,796	57,787,262	60,037,023	62,182,434
Baseline Revenue Over (Under) Expenditures	(4,395,588)	(5,738,303)	(7,215,369)	(8,648,102)	(9,896,749)
Baseline Other Financing Sources (Uses):					
Operating Transfers In	2,873,247	2,947,851	3,026,760	3,106,645	3,188,069
Transfers Out	2,674,270	2,710,675	2,811,287	2,896,998	3,021,497
Gain / (Use) of Operating Funds Fund Balance	(4,196,611)	(5,501,127)	(6,999,897)	(8,438,455)	(9,730,176)
Baseline Ending Operating Funds Fund Balance	\$7,321,523	\$3,724,642	(\$839,204)	(\$6,488,015)	(\$13,273,689)
Required Operating Funds Fund Balance	\$4,405,137	\$4,426,063	\$4,441,790	\$4,456,532	\$4,471,726
Over (Under) Required Operating Funds Fund Balance	\$2,916,386	(\$701,421)	(\$5,280,994)	(\$10,944,547)	(\$17,745,415)
10 YFSM:					
Beginning Operating Funds Fund Balance	\$11,518,134	\$9,225,769	\$6,160,692	\$1,950,440	(\$3,543,513)
Total 10YFSM Revenues & Transfers In	52,004,883	52,788,343	53,598,652	54,495,567	55,473,755
Total 10YFSM Operating Expenditures & Transfers Out	55,639,479	57,706,576	59,992,564	62,304,682	64,551,892
Gain / (Use) of Operating Funds Fund Balance	(3,634,596)	(4,918,233)	(6,393,911)	(7,809,115)	(9,078,137)
10YFSM Ending Operating Funds Fund Balance	\$7,883,538	\$4,307,536	(\$233,219)	(\$5,858,675)	(\$12,621,650)
Required Operating Funds Fund Balance	\$4,405,137	\$4,426,063	\$4,441,790	\$4,456,532	\$4,471,726
Over (Under) Required Operating Funds Fund Balance	\$3,478,401	(\$118,527)	(\$4,675,009)	(\$10,315,207)	(\$17,093,375)
Assumptions:					
Inflation	2.36%	2.35%	2.39%	2.28%	2.20%
Annual Revenue Growth	1.57%	1.44%	1.47%	1.62%	1.75%
Annual Regular Levy Assessed Value Change	7.19%	6.74%	6.52%	6.15%	6.21%
Annual Sales & Use Tax Change	6.09%	5.45%	5.14%	4.58%	3.38%
General Fees & Licenses Increases	1.89%	1.88%	1.92%	1.83%	1.76%
Investment Interest Rate	2.10%	2.10%	2.10%	2.10%	2.50%
Building Permit Charge	-8.08%	-9.57%	-10.14%	-7.64%	0.00%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	100.00%	100.00%	100.00%	100.00%	100.00%
PERS Employer Contribution Rate	12.92%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	3.16%	3.15%	3.19%	3.08%	3.00%
Police Contract Escalator	4.61%	4.76%	4.89%	4.91%	4.91%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	99.00%	99.00%	99.00%	99.00%	99.00%
Annual Expenditure Growth	3.84%	3.83%	3.97%	3.89%	3.57%
Contribution to / (Refund From) Revenue Stabilization Fund	\$112,587	\$97,680	\$101,416	\$125,679	\$145,304





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2021-2022 PROPOSED BIENNIAL BUDGET HIGHLIGHTS

Budget Highlights

The City's 2021-2022 Proposed Biennial Budget is balanced in all funds and totals 232.358 million. The 2021-2022 Proposed Biennial Budget is \$22.613 million, or 10.8%, more than the 2019-2020 biennial budget (2019 Actual plus 2020 Current Budget as amendments, excluding re-appropriations from 2019-to-2020, which have been adopted by the City Council through September 2020). The more can be linked to the following changes:

- \$9.452 million increase in the City's Enterprise Funds;
- \$6.144 million increase in the City's Capital Funds; and,
- \$1.243 million increase in the Operating Funds.

The increase in the enterprise funds is the result of a full biennium of wastewater operations in 2021-2022 as well as the implementation of the Proactive Management Strategy for surface water operations and capital. The increase in the Operating Funds is largely due to addition of Shoreline Secure Storage and normal operational increases, offset by the closure of the Shoreline Pool and reduction of jail costs.

The table below summarizes the 2021-2022 Proposed Biennial Budget by fund and provides a comparison to the 2019-2020 biennial budget by fund.

Fund Type	2021-2022 Biennial Budget				2019-2020 Biennial Budget Estimate	Expenditure Percentage Change
	Beginning Fund Balance	Revenue & Transfers In	Expenditures & Transfers Out	Ending Fund Balance		
Operating Funds:						
General Fund	\$18,503,585	\$89,599,820	\$96,464,883	\$11,638,522	\$96,629,107	-0.17%
Shoreline Secure Storage Fund	0	2,259,500	2,259,500	0	1,035,600	118.18%
Revenue Stabilization Fund	5,464,529	0	0	5,464,529	0	0.00%
Street Fund	259,904	4,140,897	4,140,897	259,904	4,009,634	3.27%
Code Abatement Fund	424,087	60,000	200,000	284,087	30,000	566.67%
Public Arts Fund	156,103	10,000	124,605	41,498	254,860	-51.11%
State Drug Enforcement Forfeiture Fund	79,024	36,486	36,486	79,024	37,213	-1.95%
Federal Drug Enforcement Forfeiture Fund	22,810	26,000	26,000	22,810	13,000	100.00%
Sub-Total Operating Funds	\$24,910,043	\$96,132,703	\$103,252,371	\$17,790,375	\$102,009,414	1.22%
Debt Service Funds:						
2006/2016 Unlimited Tax General Obligation	\$3,199	\$1,135,144	\$1,135,144	\$3,199	\$3,387,106	-66.49%
2009/2019 Limited Tax General Obligation Bond	183,411	2,202,688	2,202,688	183,411	20,647,765	-89.33%
2013 Limited Tax General Obligation Bond Fund	130	516,520	516,520	130	519,431	-0.56%
2020 Limited Tax General Obligation Bond Fund	0	25,960,000	25,960,000	0	382,666	6683.98%
Sidewalk Limited Tax General Obligation Bond	4,106,944	4,394,202	1,799,100	6,702,046	0	0.00%
Sub-Total Debt Service Funds	\$4,293,684	\$34,208,554	\$31,613,452	\$6,888,786	\$24,936,967	26.77%
Capital Funds:						
General Capital Fund	\$1,136,495	\$8,674,479	\$9,044,118	\$766,856	\$32,632,351	-72.28%
City Facility-Major Maintenance Fund	75,733	750,392	709,226	116,899	157,110	351.42%
Roads Capital Fund	4,886,480	47,877,684	49,710,564	3,053,600	26,676,320	86.35%
Sidewalk Expansion Fund	11,431,853	5,401,803	5,401,803	11,431,853	756,698	613.87%
Transportation Impact Fees Fund	4,414,615	0	867,701	3,546,914	66,800	1198.96%
Park Impact Fees Fund	777,838	750,000	750,000	777,838	50,000	1400.00%
Sub-Total Capital Funds	\$22,723,014	\$63,454,358	\$66,483,412	\$19,693,960	\$60,339,278	10.18%
Enterprise Funds:						
Surface Water Utility Fund	\$3,432,872	\$32,904,384	\$24,336,730	\$12,000,526	\$15,644,162	55.56%
Wastewater Utility Fund	(510,538)	5,673,260	5,673,260	(510,538)	4,914,270	15.44%
Sub-Total Enterprise Funds	\$2,922,334	\$38,577,644	\$30,009,990	\$11,489,988	\$20,558,432	45.97%
Internal Service Funds:						
Equipment Replacement Fund	\$4,929,176	\$1,162,479	\$484,456	\$5,607,199	\$597,454	-18.91%
Unemployment Fund	(0)	35,000	35,000	(0)	286,926	-87.80%
Vehicle Operations and Maintenance Fund	87,419	438,891	478,891	47,419	1,016,171	-52.87%
Sub-Total Internal Service Funds	\$5,016,595	\$1,636,370	\$998,347	\$5,654,618	\$1,900,551	-47.47%
Total City Budget	\$59,865,669	\$234,009,629	\$232,357,572	\$61,517,726	\$209,744,642	10.78%

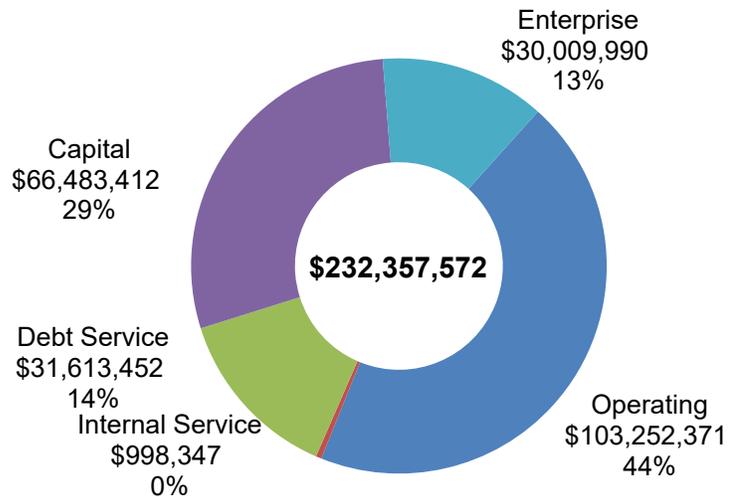
2021-2022 PROPOSED BIENNIAL BUDGET DEPARTMENT/FUND OVERVIEW

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

Fund Type	City Council	City Manager	City Attorney	Administrative Services	Human Resources	Police	Criminal Justice	Parks, Recreation & Cultural Services	Planning & Community Development	Public Works	Recreation, Cultural & Community Services	Utilities	Transfers Out	Total
Operating Funds														
General Fund)	\$493,796	\$9,728,711	\$1,772,457	\$19,021,350	\$1,122,022	\$27,992,838	\$4,914,192		\$6,692,518	\$7,010,449	\$11,566,511		\$8,409,539	\$98,724,383
Street Fund										\$3,448,921			\$691,976	\$4,140,897
Code Abatement Fund		\$200,000												\$200,000
State Drug Forfeiture Fund						\$36,486								\$36,486
Public Arts Fund											\$124,605			\$124,605
Federal Drug Forfeiture Fund						\$26,000								\$26,000
Property Tax Equalization Fund														\$0
Federal Criminal Forfeiture Fund														\$0
Revenue Stabilization Fund														\$0
Sub-Total Operating Funds	\$493,796	\$9,928,711	\$1,772,457	\$19,021,350	\$1,122,022	\$28,055,324	\$4,914,192	\$0	\$6,692,518	\$10,459,370	\$11,691,116	\$0	\$9,101,515	\$103,252,371
Debt Service														
2006 General Obligation Bond Fund				\$1,135,144										\$1,135,144
2009 General Obligation Bond Fund				\$2,202,688										\$2,202,688
2013 General Obligation Bond Fund				\$516,520										\$516,520
2019 General Obligation Bond Fund				\$1,799,100										\$1,799,100
2020 General Obligation Bond Fund				\$25,960,000										\$25,960,000
Sub-Total Debt Service Funds	\$0	\$0	\$0	\$31,613,452	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,613,452
Capital Budget														
General Capital Fund				\$550,000						\$7,116,550			\$1,377,568	\$9,044,118
Facility Major Maint. Fund				\$709,226										\$709,226
Roads Capital Fund										\$54,896,373			\$215,994	\$55,112,367
Transportation Impact Fees Fund													\$867,701	\$867,701
Park Impact Fees Fund													\$750,000	\$750,000
Sub-Total Capital Funds	\$0	\$0	\$0	\$1,259,226	\$0	\$0	\$0	\$0	\$0	\$62,012,923	\$0	\$0	\$3,211,263	\$66,483,412
Enterprise Funds														
Surface Water Utility Fund												\$21,762,196	\$2,574,534	\$24,336,730
Wastewater Utility Fund												\$4,641,116	\$1,032,144	\$5,673,260
Sub-Total Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,403,312	\$3,606,678	\$30,009,990
Internal Service Funds														
Equipment Replace. Fund				\$478,891										\$478,891
Vehicle Maint. & Ops. Fund				\$484,456										\$484,456
Unemployment Fund					\$35,000									\$35,000
Sub-Total Internal Service Funds	\$0	\$0	\$0	\$963,347	\$35,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$998,347
Total City Budget	\$493,796	\$9,928,711	\$1,772,457	\$52,857,375	\$1,157,022	\$28,055,324	\$4,914,192	\$0	\$6,692,518	\$72,472,293	\$11,691,116	\$26,403,312	\$15,919,456	\$232,357,572

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

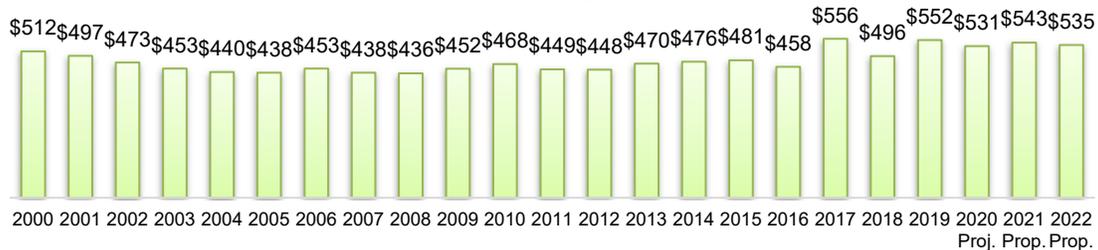
2021-2022 Proposed Biennial Budget



Within the Operating Funds it is important to focus on the operating budget, which is comprised of the General Fund, Shoreline Secure Storage Fund, and the Street Fund. The 2021-2022 Proposed Operating Budget totals \$102,865,280 million; and is \$0.033 million, or 1.2%, more than the 2019-2020 biennial budget. It includes one-time transfers, some of which were previously programmed in support of specific capital projects but delayed per the 2021-2026 CIP.

The table above reflects a \$0.164 million, or 0.2%, decrease in the General Fund budget for 2021-2022.

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



The chart above shows the cost of providing City services on a per capita basis, adjusted for inflation, since 2000. The projected cost per capita in 2021 and 2022 is \$543 and \$535, which is approximately \$31 (6.0%) and \$22 (4.4%) higher than in 2000, respectively.

The 2021-2022 General Fund ending fund balance (reserves) is projected to be \$11.639 million, with \$1.126 million budgeted as an operational contingency and insurance reserve. This complies with the City's adopted reserve policy, which requires, for 2021 and 2022, that the General Fund maintain a

reserve level of \$3.000 million and \$4.126 million, respectively, for cash flow and budget contingency purposes.

In addition to the General Fund reserves, the City's Revenue Stabilization Fund is projected to have an ending 2021-2022 fund balance of \$5.465 million. This is above the City's reserve policy requiring that this fund be maintained at 30% of the budgeted economically sensitive revenues.

The 2021-2022 budgets for the Enterprise Funds are projected to increase by \$9.452 million, or 46.0%.

The City's 2021-2022 capital budget, exclusive of projects budgeted within the Enterprise Funds and transfers out from the Transportation Impact Fees Fund and Park Impact Fees Fund, will decrease by \$0.002 million, or 0.0%, from 2017-18. The capital budget reflects the 2021-2022 Capital Improvement Program projects proposed in the 2021-2026 Capital Improvement Plan included in this book.

2021-2022 Proposed Biennial Budget Highlights include the following:

◆ **Regular Property Tax Levy:**

- 2021 Property Tax Levy: At the time the proposed budget was compiled, the King County Assessor's Office had not yet released preliminary assessed valuation (AV) for the City, but staff estimated an increase of 3.8% based on available information. This increase will allow the City to take advantage of the provision in Proposition 1 to increase the property tax levy by the June-to-June percentage change in the CPI-U index, which equals 0.87%. With the inclusion of new construction AV estimated at \$63.8 million, the resulting estimated 2021 property tax levy would be \$14.106 million while the projected levy rate would decline from the current levy rate of \$1.19583 to an estimated \$1.16166 per \$1,000 AV. The preliminary estimate for City property taxes assumes a 100% collection rate and is \$190,000, or 1.4%, more than the projected 2020 tax collections.
- 2022 Property Tax Levy: The proposed budget anticipated the City will be able to take advantage of the provision in Proposition 1 to increase the property tax levy by the June-to-June percentage change in the CPI-U index, which is forecast at 1.73%. With the inclusion of new construction AV forecast at \$68.6 million, the resulting estimated 2022 property tax levy would be \$14.430 million, which is \$324,000, or 2.3%, more than the proposed budget's 2021 tax collections.

◆ **Fees:** Generally fees included in the fee schedule are increased from the current year's level by the June-to-June percentage change of the Seattle / Tacoma / Bellevue Consumer Price Index-All Urban Consumer (CPI-U; link to historical table: <https://data.bls.gov/timeseries/CUURS49DSA0>). Unless otherwise discussed below, many fees presented in the 2021 Proposed schedule are increased by 0.87% and fees presented in the 2022 proposed schedule are increased by the forecast change of 1.73%. The text in the fee schedules may have changed with deletions shown as ~~strikethrough~~ and additions shown as **bold**.

- Park, Aquatic and Recreation Fees: The Parks, Recreation and Cultural Services (PRCS) Department performed a comprehensive cost recovery evaluation in 2015 identifying cost recovery objectives for the various PRCS fees. Since that time PRCS performs cost recovery evaluation on a subset of their fees annually to ensure that fees continue to meet identified objectives and stay competitive in the market. Fees not evaluated each year are adjusted by CPI-U as described above.
- Impact Fees: Transportation and Park Impact Fees are adjusted by the same percentage changes in the most recent annual change of the CCI published in the Engineering News-Record (ENR) for the Seattle area. Application of the ENR CCI results in a year-over-year increases for 2021 and 2022 of 0.9% and 3.2%, respectively.

- **Surface Water Management Rates:** The City Council provided direction to staff to pursue the Proactive Management Strategy for the 2018 Surface Water Master Plan update. The 2021 and 2022 Surface Water Management fees reflect the financial impacts of the Proactive Management Strategy as was presented to the City Council in development of the 2018 Surface Water Master Plan.

**Surface Water Management Rate
Single-Family Residence**

	2018	2019	2020	2021	2022	2023	2024	2025	2026
SWM Fee Rate	\$214.39	\$246.55	\$271.21	\$298.33	\$313.24	\$328.91	\$345.36	\$362.63	\$380.76
\$ Change	0	\$32.16	\$24.66	\$27.12	\$14.91	\$15.67	\$16.45	\$17.27	\$18.13
% Change	0	15%	10%	10%	5%	5%	5%	5%	5%

Source: City of Shoreline

- **Damage Restitution Administrative Fee:** An administrative fee to cover a portion of the cost of collecting information and processing damage restitution invoices. This fee shall be added to the amount of calculated restitution necessary to repair, replace or restore damage to City property when invoiced. The administrative fee may be reduced or waived as provided.
- ◆ **Personnel Costs:** The 2021-2022 Proposed Biennial Budget reflects changes in personnel costs as summarized in the table below.

	2020 Current Budget	2019/2020 Personnel Changes	2021 Budget Changes						2021 Budget	2021 v. 2020 \$ Change	2021 v. 2020 % Change	
			Extra-Help , OT, Standby Pay and Callback Pay	Step Increases	Market Adjust.	Increase in Retirement (PERS)	Increase in Health Premium	L&I Changes				New Positions / Reclass / Elimination
Salaries	\$18,178,483	(\$197,076)	(\$240,224)	\$109,968	\$141,407	\$0	\$0	\$0	193,456	\$18,186,014	\$7,531	0.0%
Benefits	6,796,364	(113,711)	(16,749)	22,837	28,897	17,922	109,429	0	66,078	6,911,067	114,703	1.7%
Total	\$24,974,847	(\$310,787)	(\$256,973)	\$132,805	\$170,304	\$17,922	\$109,429	\$0	\$259,534	\$25,097,081	\$122,234	0.5%

	2021 Proposed Budget	2021/2022 Personnel Changes	2022 Budget Changes						2022 Budget	2022 v. 2021 \$ Change	2022 v. 2021 % Change	
			Extra-Help , OT, Standby Pay and Callback Pay	Step Increases	Market Adjust.	Increase in Retirement (PERS)	Increase in Health Premium	L&I Changes				New Positions / Reclass / Elimination
Salaries	\$17,877,933	(\$617,796)	(\$49,339)	\$107,506	\$286,707	\$0	\$0	\$0	\$202,804	\$17,807,815	(\$70,118)	(0.4%)
Benefits	7,108,271	(260,630)	(30,089)	22,325	58,910	0	242,888	0	69,891	7,211,566	103,295	1.5%
Total	\$24,986,204	(\$878,426)	(\$79,428)	\$129,831	\$345,617	\$0	\$242,888	\$0	\$272,695	\$25,019,381	\$33,177	0.1%

The major changes in personnel costs for 2021 include a combination of the following:

- Salaries: 0.0% increase inclusive of personnel changes made since the time the 2020 budget was developed in 2019 and through amendments throughout 2020; eligible employees receiving a step increase; a recommended COLA; addition/elimination of positions; and, changes related to existing positions.
 - Regular salaries: Reflects a 0.4% decrease.
 - Extra-Help salaries: Reflects a 24.2% decrease.
- Benefits: 1.7% increase inclusive of personnel changes made since the time the 2020 budget was developed in 2019 and through amendments throughout 2020; application of the COLA and step increase that affects social security, Medicare and retirement contributions; retirement contribution costs as a result of the state controlled employer rate for PERS contributions; addition/elimination of positions; and, changes to existing positions.

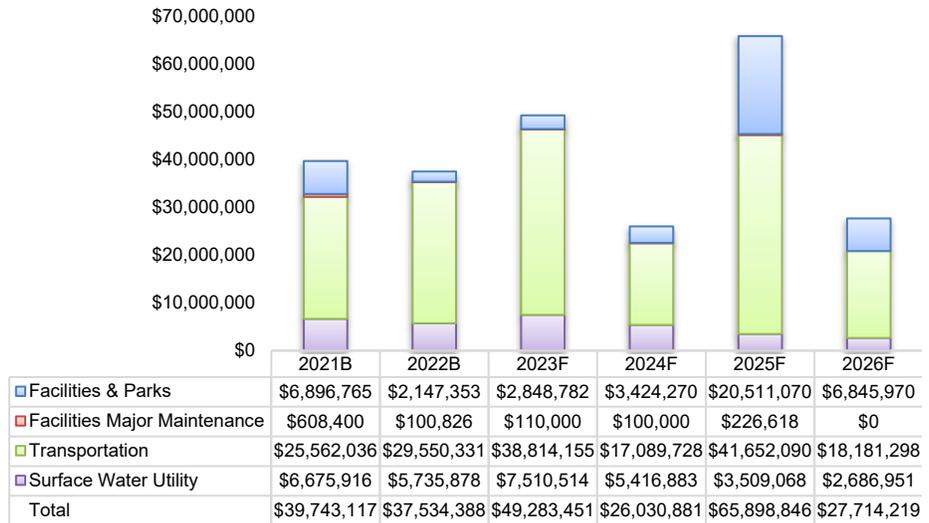
The major changes in personnel costs for 2022 include a combination of the following:

- Salaries: 0.4% decrease inclusive of personnel changes between the 2021 and 2022 budgets; eligible employees receiving a step increase; a recommended COLA; addition/elimination of positions; and, changes related to existing positions.

- Regular salaries: Reflects a 2.7% increase.
 - Extra-Help salaries: Reflects a 6.3% decrease.
- Benefits: 1.5% increase inclusive of personnel changes between the 2021 and 2022 budgets; application of the COLA and step increase that affects social security, Medicare and retirement contributions; retirement contribution costs as a result of the state controlled employer rate for PERS contributions; addition/elimination of positions; and, changes to existing positions.
- ◆ **Police Contract:** The 2021-2022 biennial budget reflects the results of negotiations for the King County Sheriff's Office (KCSO) guild contract. Staff projects that the 2021 police services contract will total \$13.626 million, which is 2.9% more than the 2020 police services contract and the 2022 police services contract will total \$14.047 million, which is 3.1% more than the 2021 police services contract. The first detailed estimate will be provided by KCSO in late September or early October. For future years (2023 onward), staff has assumed an annual escalator of 3.5%.
- ◆ **Jail:** The projection for the 2021-2022 Proposed Biennial Budget is 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. Beginning in 2016, inmates serving a sentence longer than three days are being housed at the Yakima County Jail. The current contract with SCORE is being continued as the City's primary booking facility. In 2020, projected jail housing days and costs are impacted by a COVID-19 outbreak at the Yakima County Jail that resulted in suspension of our use of the jail. At the same time, SCORE has also decided to bill the City for the actual number of beds used rather than the minimum number of guaranteed beds. Additionally, a change in sentencing philosophy appears to be resulting in fewer jail days overall. All of these factors have resulted in significant savings in our Jail budget in 2019 and 2020. In response to this actual experience and the face of reduced revenues, the 2021-2022 budget has been reduced to better align the budget with the actual and projected experience. Staff will continue to monitor this potentially volatile expense and the associated cost drivers closely.
- ◆ **Budgeted Contingency Expenditures:** The 2021-2022 Operating Budget includes the required Operating Contingency and Insurance Reserve. Per the City's financial policies, these contingencies total \$1.126 million and are funded by allocating a portion of the existing fund balance in the General Fund.
- ◆ **City Hall Debt Service Costs:** The 2021-2022 Proposed Biennial Budget includes \$2.203 million in debt service costs for City Hall from two sources; the General Fund, based on monies previously budgeted for lease payments for City Hall and Annex (\$0.856), and Real Estate Excise Tax (REET) collected in the General Capital Fund (\$1.347). The City Council authorized staff to use up to \$750,000 of REET towards the City's debt service costs for City Hall.
- ◆ **Support for Contracted Services:** The 2021-2022 Proposed Biennial Budget includes funding for the operation of the Kruckeberg Botanic Garden, funding for the Shoreline-Lake Forest Park Arts Council, the Shoreline Historical Museum and additional funding for the Shoreline/Lake Forest Park Senior Center, as follows:
 - *Kruckeberg Botanic Garden:* \$40,000 to fund the long-term operational plan for the Gardens between the City and the Kruckeberg Botanical Garden Foundation.
 - *Shoreline-Lake Forest Park Arts Council and Shoreline Historical Museum:* \$60,000 in funding for each of these organizations to provide services to the Shoreline community and to partner with the City for special events.
 - *Senior Center:* \$18,000 in continued funding.
- ◆ **Capital Programs:** The 2021-2022 capital budget reflects the 2021-2022 Capital Improvement Program projects proposed in the 2021-2026 Capital Improvement Plan (CIP). The 2021-2026 CIP, including surface water projects totals \$246.205 million, while the 2021-2022 Capital Improvement Program budget, including surface water projects, totals \$77.278 million. The CIP covers projects over \$10,000 and includes buildings, land acquisition, park facilities, road and

transportation projects, and drainage system improvements. Much of the capital improvement activity is funded through contributions from the General Fund, real estate excise tax (REET), grants, and debt issuance.

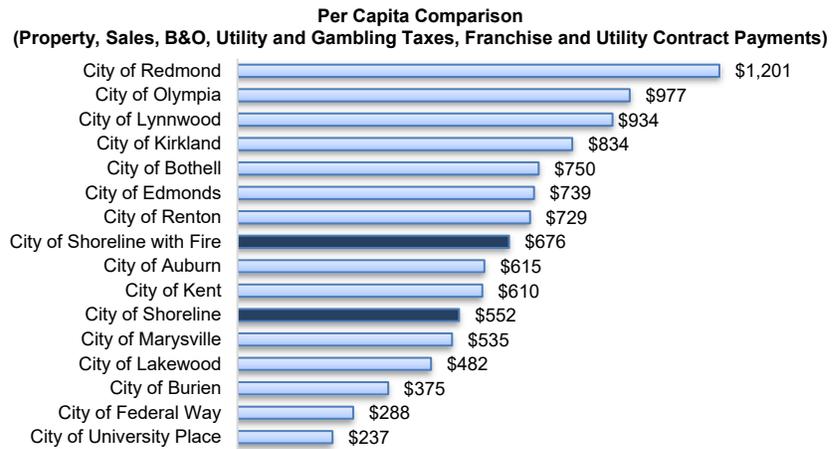
This chart provides a breakdown of the allocation of capital spending throughout the 2021-2026 CIP. The change in spending can vary significantly from year to year based on available resources to complete projects and the impact of previously completed capital projects on the City's operating budget. Detailed information on the CIP may be found in the Capital Improvement Program section of this budget document.



More detailed information regarding changes within the 2021-2022 Proposed Biennial Budget can be found in the individual department sections of this document.

Fiscal Capacity:

As a City, we are challenged by currently limited fiscal capacity. Shoreline is primarily a residential community. The chart to the right shows a comparison of tax per capita with comparable cities using 2018 data (the most recent year for audited financial data). Shoreline also has relatively low sales tax revenue per capita as compared to many other jurisdictions of similar population. This is especially true with those jurisdictions that have much larger retail centers within their communities. Some of these jurisdictions operate their own fire departments.



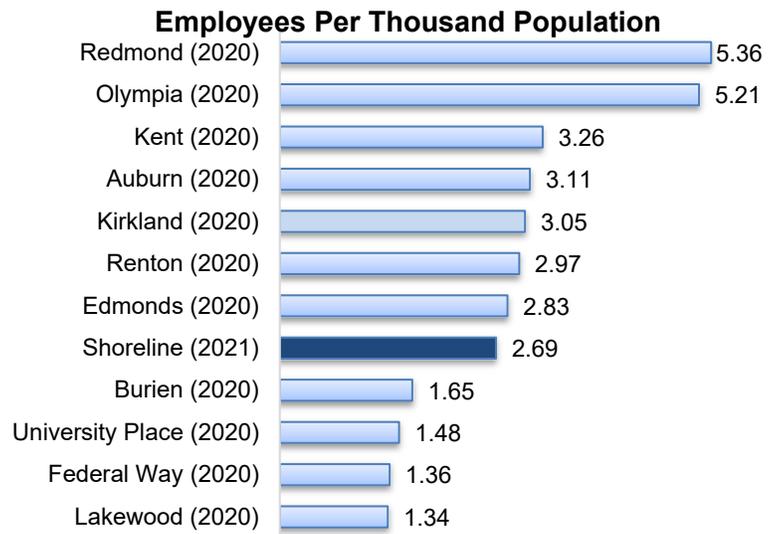
Staffing:

The 2021-2022 Proposed Biennial Budget decreases the net number of full-time equivalent (FTE) positions in the City's personnel complement from the 2020 total by 4.200 FTE. This number reflects the following:

- ◆ Closure of the Shoreline Pool eliminating 5.075 FTEs;
- ◆ Addition of a proposed 0.50 FTE Housing and Human Services Coordinator;
- ◆ Addition of 1.00 FTE Engineer 3 and 1.00 FTE Transportation Specialist to support delivery of transportation related capital projects within the Roads Capital fund;
- ◆ Changes to FTEs according to staffing needs during phases of various projects, including elimination of limited-term positions as terms come to an end; and,
- ◆ In addition to the reduction in budgeted FTEs the City is currently leaving three positions vacant: Grants Coordinator, Clerk Office Administrative Assistant II and Recreation Administrative

Assistant III. Staff will monitor the on-going impacts of the COVID pandemic on City operations and the need for filling vacant positions.

The chart to the right depicts a comparison of staffing to population ratios. These ratios have been adjusted to exclude fire, police, special programs and utility personnel from comparable cities.



CITY BUDGET SUMMARY

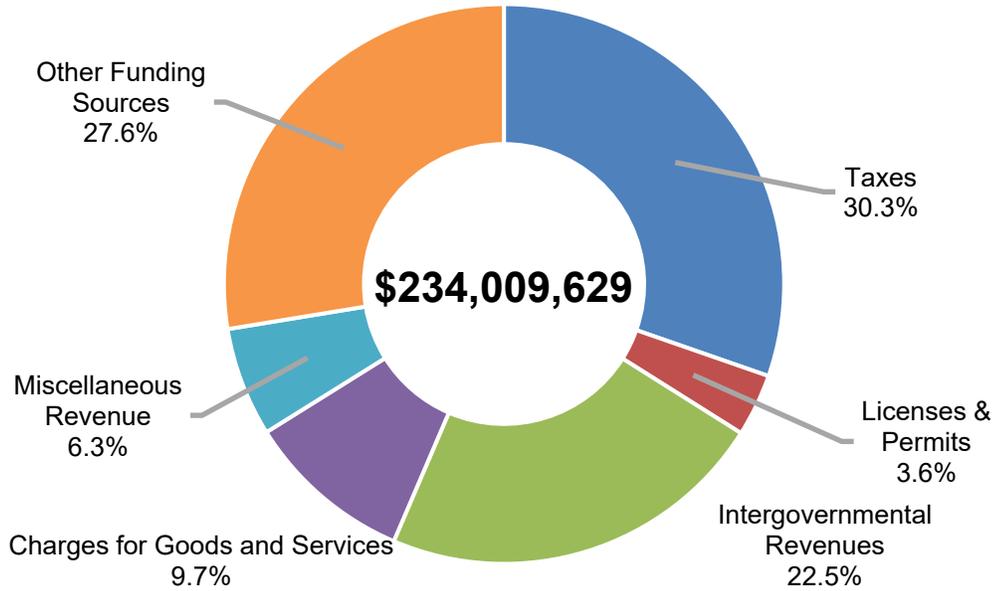
Listed below are the resources and expenditures for all City funds. The resources section lists all revenue and uses by category. Beginning Fund Balance represents the reserves that are available to the City at the beginning of any given year. Operating Uses represent expenses necessary to run the City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

	2017 - 2018 as a Biennium Actual	2019 - 2020 Biennial Budget	2019 - 2020 Biennial Year-End Estimate	2021 - 2022 Biennial Budget	2021 - 2022 vs. 2019 - 2020 Biennial Budget	Percentage Change
Beginning Fund Balance	\$38,264,567	\$41,229,889	\$26,650,668	\$59,865,669	\$18,635,780	45%
Revenues:						
Taxes	\$68,175,338	\$69,795,174	\$74,808,182	\$70,990,722	\$1,195,548	2%
Licenses & Permits	9,715,525	9,382,220	9,303,009	8,439,798	(942,422)	-10%
Intergovernmental Revenues	18,986,435	39,134,826	39,163,525	52,647,712	13,512,886	35%
Charges for Goods and Services	20,031,738	22,280,207	24,813,796	22,632,680	352,473	2%
Fines and Forfeits	902,402	808,000	630,479	866,900	58,900	7%
Miscellaneous Revenues	3,728,315	16,246,676	4,275,865	13,592,703	(2,653,973)	-16%
Investment Earnings	1,017,823	346,809	1,246,454	310,855	(35,954)	-10%
Total Fund Sources	\$122,557,575	\$157,993,912	\$154,241,309	169,481,370	11,487,458	7%
Other Financing Sources:						
Proceeds from Capital Assets	71,301	2,463,750	2,478,895	77,000	(2,386,750)	-97%
Capital Contributions	0	0	0	0	0	0%
Transfers In General Fund Overhead	2,108,279	2,885,153	2,705,153	3,548,118	662,965	23%
Transfers In General Fund Capital Support	4,203,599	5,373,413	4,502,295	3,943,880	(1,429,533)	-27%
Transfers In General Fund Support	395,277	1,921,822	1,956,231	1,688,824	(232,998)	-12%
Other Transfers In	6,377,846	5,852,784	7,893,018	6,738,634	885,850	15%
Other Financing Sources	1,667,543	29,348,464	54,603,521	48,531,803	19,183,339	65%
Total Other Financing Sources	\$14,823,845	\$47,845,386	\$74,139,113	64,528,259	16,682,873	35%
Total Funding Sources	\$137,381,420	\$205,839,298	\$228,380,422	\$234,009,629	\$28,170,331	14%
Uses:						
Operating Budget						
Salaries & Benefits	\$32,898,036	\$37,782,962	\$37,396,021	\$38,440,543	\$657,581	2%
Supplies	1,979,221	2,291,638	2,025,723	2,085,874	(205,764)	(9%)
Other Services & Charges	14,208,426	20,457,341	17,935,217	16,874,440	(3,582,901)	(18%)
Intergovernmental Services	28,818,747	31,836,682	30,519,993	33,611,840	1,775,158	6%
Interfund Payments/Charges	1,168,887	1,448,883	1,355,590	1,119,426	(329,457)	(23%)
Budgeted Contingency	-	4,587,342	784,654	1,623,208	(2,964,134)	(65%)
Capital Outlays	215,869	113,874	81,488	8,434	(105,440)	(93%)
Debt Services - Principal	-	-	-	-	-	0%
Debt Services - Interest	12,244	-	-	-	-	0%
Transfers Out	7,637,210	11,449,070	11,575,654	9,101,515	(2,347,555)	(21%)
Sub-Total Operating Uses	\$86,938,640	\$109,967,792	\$101,674,341	\$102,865,280	(\$7,102,512)	(6%)
All Other Funds						
Other Operating Funds	2,401,958	544,935	224,174	387,091	(157,844)	(29%)
Debt Service	7,239,338	7,612,446	24,936,967	31,613,452	24,001,006	315%
Facilities, Parks and Roads Capital (CIP)	22,045,863	74,048,614	60,339,278	66,483,412	(7,565,202)	(10%)
Surface Water Utility	10,880,035	19,936,886	15,644,162	24,336,730	4,399,844	22%
Wastewater Utility	3,013,293	5,822,128	4,914,270	5,673,260	(148,868)	(3%)
Internal Service Funds	1,896,972	2,485,718	2,011,450	998,347	(1,487,371)	(60%)
Sub-Total All Other Funds	\$47,477,458	\$110,450,727	\$108,070,301	\$129,492,292	\$19,041,565	17%
Total Uses	\$134,416,099	\$220,418,519	\$209,744,642	\$232,357,572	\$11,939,053	5%
Ending Fund Balance	\$41,229,889	\$26,650,668	\$59,865,669	\$61,517,726	\$34,867,058	131%
<i>Budgeted Provision/(Use) of Fund Balance</i>		(\$21,244,216)		(\$11,012,250)		
<i>Budgeted Surplus</i>		\$6,664,995		\$12,664,307		

THE CITY BUDGET

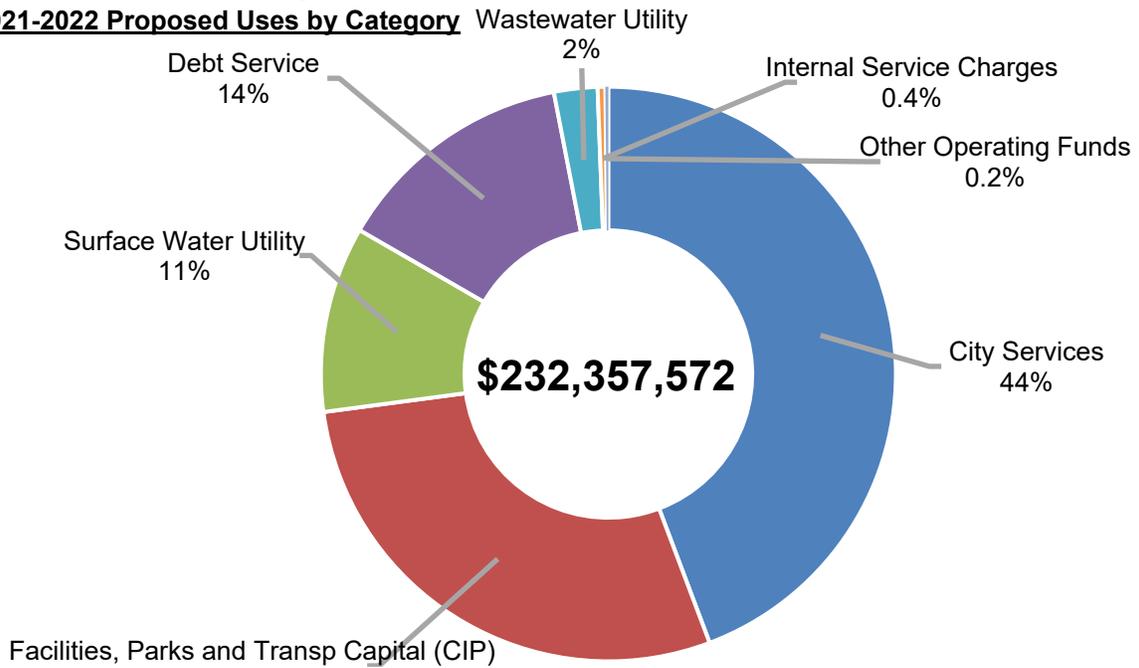
Where the money will come from ...

2021-2022 Proposed Sources by Category



How will the money be spent ...

2021-2022 Proposed Uses by Category



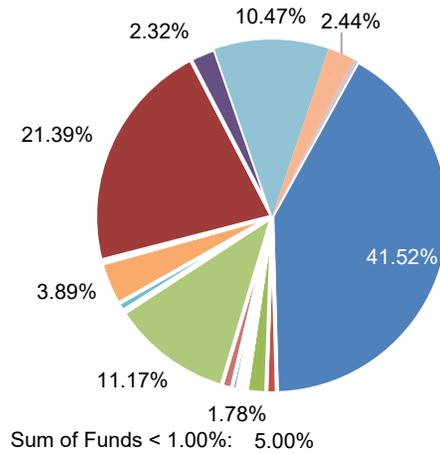
City of Shoreline
2021-2022 All Funds Resources/Appropriations Summary

Fund	Beginning Fund Balance (A)	Revenue (B)	Other Financing Sources (C)	Transfers In (D)	Total Resources (A+B+C+D+E)	Expenditures (F)	Transfers Out (G)	Total Expenditures (F+G=H)	Ending Fund Balance (E-F-G=I)	Total Appropriation (F+G=J)
General Fund (O)	\$18,503,585	\$86,021,702	\$30,000	\$3,548,118	\$108,103,405	\$89,015,344	\$7,449,539	\$96,464,883	\$11,638,522	\$96,464,883
Shoreline Secure Storage Fund (O)	0	2,259,500	0	0	2,259,500	1,299,500	960,000	2,259,500	0	2,259,500
Street Fund (O)	\$259,904	\$2,419,654	\$40,000	\$1,681,243	\$4,400,801	\$3,448,921	\$691,976	\$4,140,897	\$259,904	\$4,140,897
Revenue Stabilization Fund (O)	5,464,529	0	0	0	5,464,529	0	0	0	5,464,529	0
Code Abatement Fund (O)	\$424,087	\$60,000	\$0	\$0	\$484,087	\$200,000	\$0	\$200,000	\$284,087	\$200,000
State Drug Enforcement Forfeiture Fund (O)	79,024	36,486	0	0	115,510	36,486	0	36,486	79,024	36,486
Federal Drug Enforcement Forfeiture Fund (O)	\$22,810	\$26,000	\$0	\$0	\$48,810	\$26,000	\$0	\$26,000	\$22,810	\$26,000
Public Arts Fund (O)	156,103	10,000	0	0	166,103	124,605	0	124,605	41,498	124,605
Transportation Impact Fees Fund (C)	\$4,414,615	\$0	\$0	\$0	\$4,414,615	\$0	\$867,701	\$867,701	\$3,546,914	\$867,701
Park Impact Fees Fund (C)	777,838	750,000	0	0	1,527,838	0	750,000	750,000	777,838	750,000
2006 Unltd. General Obligation Bond Fund (D)	\$3,199	\$1,135,144	\$0	\$0	\$1,138,343	\$1,135,144	\$0	\$1,135,144	\$3,199	\$1,135,144
2009 Ltd. General Obligation Bond Fund (D)	365,512	0	0	2,202,688	2,568,200	2,202,688	0	2,202,688	365,512	2,202,688
2020 Ltd. General Obligation Bond Fund (D)	\$0	\$0	\$25,000,000	\$960,000	\$25,960,000	\$25,960,000	\$0	\$25,960,000	\$0	\$25,960,000
2013 Ltd. General Obligation Bond Fund (D)	130	0	0	516,520	516,650	516,520	0	516,520	130	516,520
Sidewalk Ltd. General Obligation Bond Fund (D)	\$4,106,944	\$4,394,202	\$0	\$0	\$8,501,146	\$1,799,100	\$0	\$1,799,100	\$6,702,046	\$1,799,100
General Capital Fund (C)	1,136,495	3,537,438	0	5,137,041	9,810,974	7,666,550	1,377,568	9,044,118	766,856	9,044,118
City Facility-Major Maint. Fund (C)	\$75,733	\$491,053	\$0	\$259,339	\$826,125	\$709,226	\$0	\$709,226	\$116,899	\$709,226
Roads Capital Fund (C)	4,886,480	41,655,417	4,700,000	1,522,267	52,764,164	49,494,570	215,994	49,710,564	3,053,600	49,710,564
Sidewalk Expansion Fund (C)	\$11,431,853	\$2,390,000	\$3,011,803	\$0	\$16,833,656	\$5,401,803	\$0	\$5,401,803	\$11,431,853	\$5,401,803
Surface Water Utility Fund (E)	3,432,872	17,154,384	15,750,000	0	36,337,256	21,762,196	2,574,534	24,336,730	12,000,526	24,336,730
Wastewater Utility Fund (E)	(\$510,538)	\$5,673,260	\$0	\$0	\$5,162,722	\$4,641,116	\$1,032,144	\$5,673,260	(\$510,538)	\$5,673,260
Vehicle Operations Fund (I)	87,419	438,891	0	0	526,310	478,891	0	478,891	47,419	478,891
Equipment Replacement Fund (I)	\$5,351,848	\$1,105,239	\$0	\$57,240	\$6,514,327	\$484,456	\$0	\$484,456	\$6,029,871	\$484,456
Unemployment Fund (I)	(0)	0	0	35,000	35,000	35,000	0	35,000	(0)	35,000
Total City Funds	\$60,470,442	\$169,558,370	\$48,531,803	\$15,919,456	\$294,480,071	\$216,438,116	\$15,919,456	\$232,357,572	\$62,122,499	\$232,357,572

- General Fund (O)
- Shoreline Secure Storage Fund (O)
- Street Fund (O)
- Revenue Stabilization Fund (O)
- Property Tax Equalization Fund (O)
- Code Abatement Fund (O)
- State Drug Enforcement Forfeiture Fund (O)
- Federal Drug Enforcement Forfeiture Fund (O)
- Federal Criminal Forfeiture Fund (O)
- Public Arts Fund (O)
- Transportation Impact Fees Fund (C)
- Park Impact Fees Fund (C)
- 2006 Unltd. General Obligation Bond Fund (D)
- 2009 Ltd. General Obligation Bond Fund (D)
- 2020 Ltd. General Obligation Bond Fund (D)
- 2013 Ltd. General Obligation Bond Fund (D)
- Sidewalk Ltd. General Obligation Bond Fund (D)
- General Capital Fund (C)
- City Facility-Major Maint. Fund (C)
- Roads Capital Fund (C)
- Transportation Benefit District (C)
- Sidewalk Expansion Fund (C)
- Surface Water Utility Fund (E)
- Wastewater Utility Fund (E)
- Vehicle Operations Fund (I)
- Equipment Replacement Fund (I)
- Unemployment Fund (I)

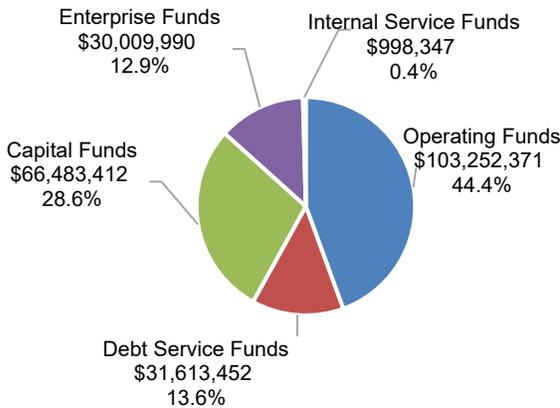
\$232,357,572

Appropriation by Fund



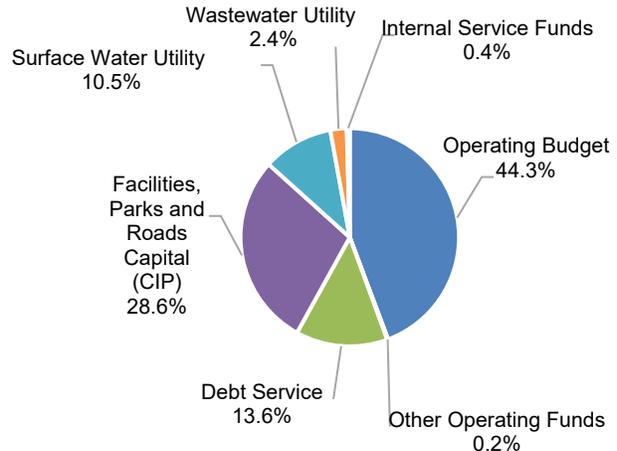
Appropriation by Fund Type

\$232,357,572



Use by Service Type

\$232,357,572



CITY REVENUE SOURCES

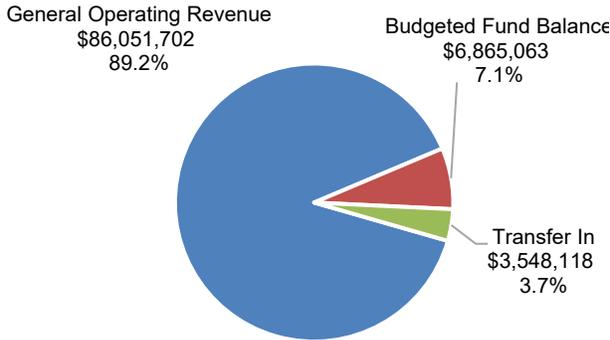
The City of Shoreline receives revenues from local property, sales, utility, business and occupation and gambling taxes; a variety of population-based state-shared revenues; user fees for development services and parks programs; and, grants, fines, and other miscellaneous revenues. Budgeted resources for all of the City’s funds, inclusive of the budgeted use of fund balance and transfers between funds, totals \$294.480 million. Budgeted appropriations, including transfers between funds, total \$232.358 million. Excess resources will remain in fund balance until they are appropriated at a later date.

General Fund

The General Fund resource base is \$96.465 million and is comprised of the budgeted use of fund balance (\$6.865 million, 7.1%), operating revenues (\$86.052 million, 89.2%), and transfers-in from other funds for their share of the General Fund overhead (\$3.548 million, 3.7%).

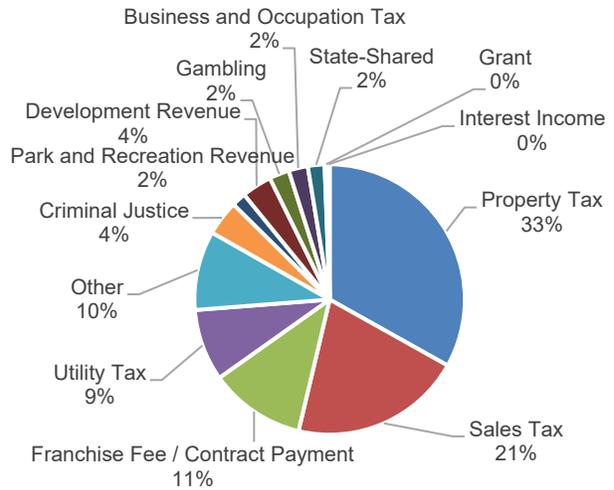
General Fund Resources

\$96,464,883



General Fund Operating Revenues

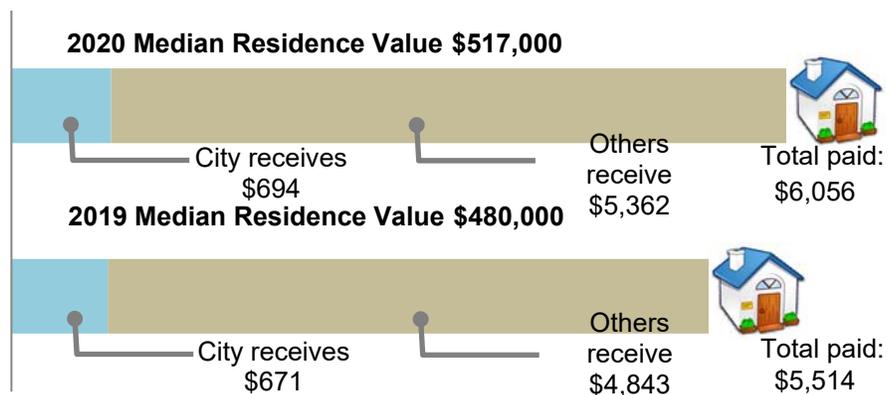
\$86,051,702



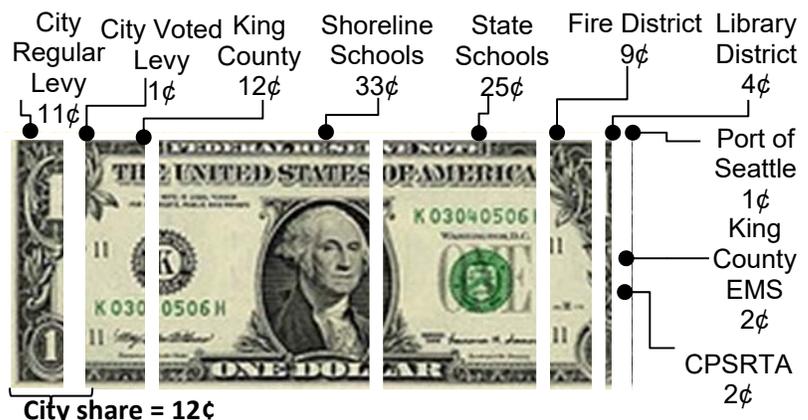
Property Tax

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

In 2020, the City of Shoreline property tax regular levy rate and excess voted levy rates decreased from \$1.24 to \$1.20 and \$0.16 to \$0.15, respectively. When all the taxing jurisdictions' levy rates are combined the total levy rate increased from \$11.49 to \$11.72. The chart to the right exhibits the amount a homeowner of a residence with a median value (as determined by the King County Department of Assessments) paid to the City and all other taxing jurisdictions. In 2020, a total of \$6,056 in property taxes is paid to all taxing jurisdictions, which is \$543 more than that paid in 2019.



The chart to the right and the table below provide information regarding the allocation of the total 2020 levy rate for all taxing districts within Shoreline. The City receives 11¢ of each dollar of property tax paid, which would equate to 10¢ (\$618 total) for the regular levy and 1¢ (\$76 total) for the excess voted levy. A homeowner will pay \$23 more than that paid in 2019.



	Assessed Value	Per \$1,000 (AV/\$1,000)		Rate		Assessment	%
City	\$ 517,000	517.00	X	\$1.34	=	\$694	11%
King County	\$ 517,000	517.00	X	1.33	=	688	11%
Shoreline School Dist.	\$ 517,000	517.00	X	4.07	=	2,104	35%
State Schools	\$ 517,000	517.00	X	3.03	=	1,565	26%
Fire District	\$ 517,000	517.00	X	1.00	=	516	9%
Library District	\$ 517,000	517.00	X	0.36	=	186	3%
Port of Seattle	\$ 517,000	517.00	X	0.12	=	62	1%
King Co. EMS	\$ 517,000	517.00	X	0.27	=	137	2%
CPSRTA	\$ 517,000	517.00	X	0.20	=	103	2%
TOTAL				\$11.71		\$6,056	100%

Source: King County Department of Assessments; 2018 Median Residence Value for Shoreline reported per Assessed Value and Taxes by City

For 2021, the proposed budget assumed the AV will increase by 4.3% from the current 2020 AV of 11,637,183,574, including the value of new construction, to \$11.638 billion according to the latest forecast available from the Puget Sound Economic Forecaster, and the regular property tax levy will generate \$14.106 million. The 2021-2022 Proposed Biennial Budget reflects this as the budgeted levy value. For 2022, it is assumed the regular property tax levy will generate \$14.430 million. AV, excluding new construction, is projected to grow in future years.

Property Tax Historical Comparison & Forecast



Sources: City of Shoreline; King County Department of Assessments

Sales Tax

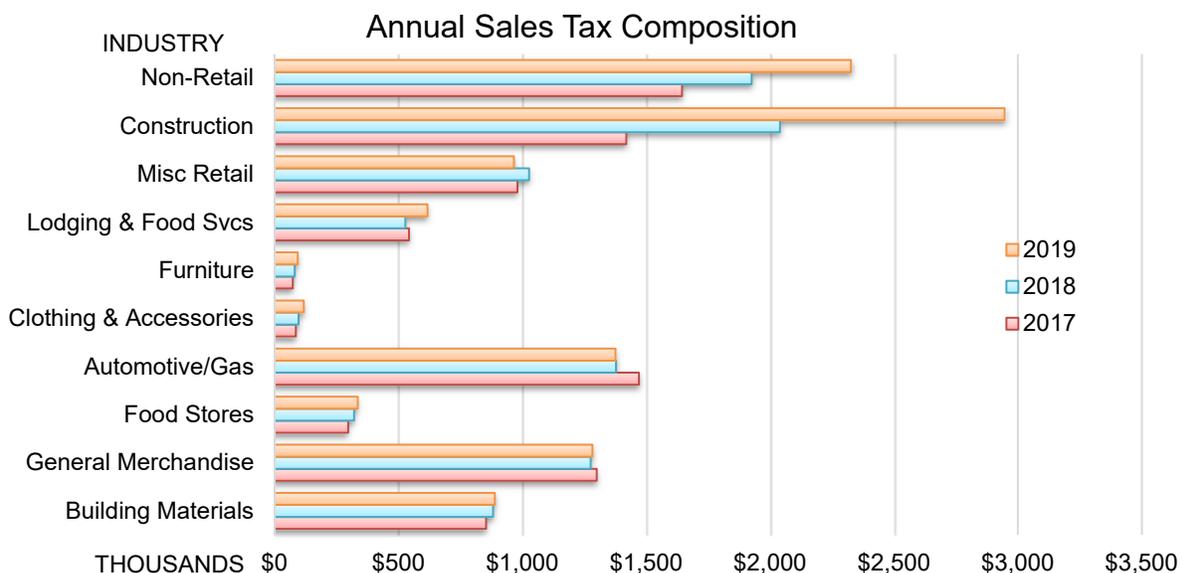
General sales tax, the third largest revenue source for City operations, totals \$17.694 million and reflects decreases over the 2020 revised projection for the Current Biennium of \$1.431 million, or 7.5%.

Shoreline's sales tax base consists largely of basic consumer goods, and, therefore, sales tax collections were fairly consistent prior to the great recession and have experienced steady growth from 2011 through 2019. Sales tax collections in 2020 have been significantly impacted by the economic impacts of COVID-19, staff's year-end estimates reflect a conservative estimate and do not consider one-time revenues associated with construction that may buoy the overall actual results. Automobiles are large ticket items in the Shoreline sales tax base, and these sales have experienced steady growth but were hit hard as a result of the shutdown in 2020. Staff is projecting slow growth for 2021 and 2022 with a return to pre-COVID levels in 2023.

Sales Tax Historical Comparison & Forecast



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017



Business & Occupation Tax

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

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

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

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

All businesses operating in Shoreline that have gross receipts in excess of \$500,000 per year (or \$125,000 per quarter), except 501(C)(3) non-profits, will be subject to the tax. A rate of 0.001 will be applied to all gross receipts for all business classifications except services which will be taxed at a rate of 0.002. More information regarding tax and licensing in the City of Shoreline may be found at the following link: <http://www.shorelinewa.gov/government/departments/administrative-services/taxes-in-shoreline>. While first year collections significantly exceeded budget, the budget and forecast follow the projections for sales tax using the 2020 budget as the base. Staff will wait to adjust the base and projections until more collection history is available as a basis for such a forecast.

Gambling Tax

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

In 2021-2022, collections are projected to total \$2.100 million. Staff has assumed no growth in future years in tax collections with a baseline of \$2.800 million.

The City Council has a policy to retain only an amount equal to a 7% card room tax rate in the General Fund’s on-going revenue base and transfer the difference of 3% to support capital project planning and delivery. This policy was adopted in order to reduce the General Fund’s reliance on this revenue source for general operations of the City in response to several attempts by the State Legislature to lower the allowable City tax rate. In 2012 the Transportation Planning Program was moved from the Roads Capital Fund to the General Fund and the transfer was decreased starting in 2014 by the amount required to fund this program. The transfer for 2021-2022 totals \$195,302.

Gambling Tax Historical Comparison & Forecast

Gambling Tax Revenue

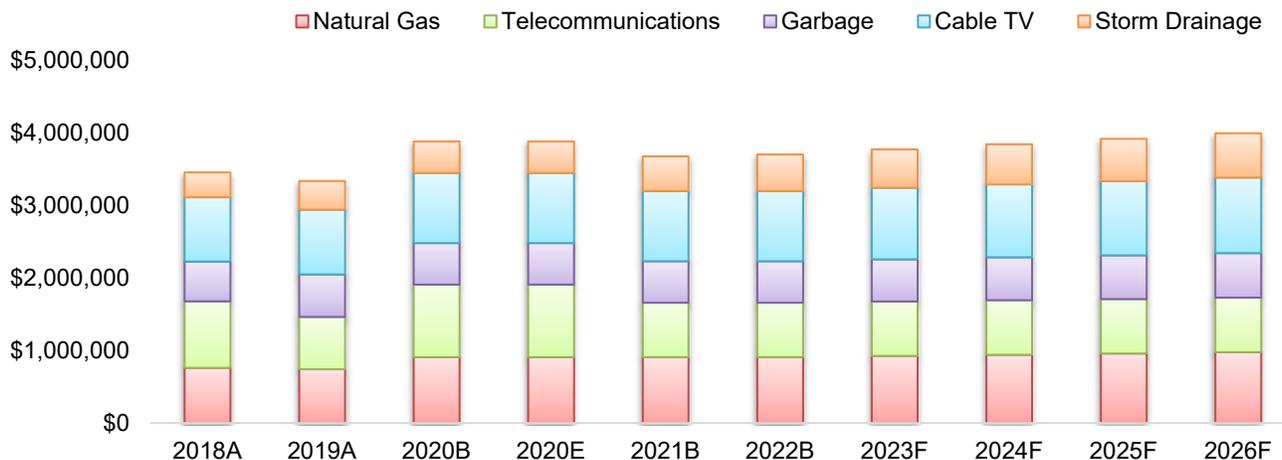


Utility Taxes

The Council enacted a 6% utility tax on natural gas, telephone, cellular telephone, pager services, and sanitation services along with a 1% utility tax on cable effective in 2000. In 2005 a 6% utility tax was applied to storm drainage and the tax rate for cable television was increased to 6% on July 1, 2007. Projected revenues in 2021-2022 from utility taxes total \$7.370 million.

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

Utility Tax Historical Comparison & Forecast



Revenue	2018A	2019A	2020E	2021B	2022B	2023F	2024F	2025F	2026F
Natural Gas	\$758,880	\$738,926	\$906,500	\$906,500	\$906,500	\$923,467	\$940,032	\$956,911	\$974,997
Annual Change		(\$19,954)	\$167,574	\$0	\$0	\$16,967	\$16,565	\$16,879	\$18,086
% Change		(2.6%)	22.7%	0.0%	0.0%	1.9%	1.8%	1.8%	1.9%
Telecomm.	\$917,010	\$721,132	\$1,000,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Annual Change		(\$195,878)	\$278,868	(\$250,000)	\$0	\$0	\$0	\$0	\$0
% Change		(21.4%)	38.7%	(25.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
Garbage	\$547,125	\$586,340	\$570,700	\$570,700	\$570,700	\$581,382	\$591,811	\$602,437	\$613,823
Annual Change		\$39,215	(\$15,640)	\$0	\$0	\$10,682	\$10,429	\$10,626	\$11,387
% Change		7.2%	(2.7%)	0.0%	0.0%	1.9%	1.8%	1.8%	1.9%
Cable TV	\$886,343	\$892,209	\$968,000	\$968,000	\$968,000	\$986,118	\$1,003,807	\$1,021,831	\$1,041,144
Annual Change		\$5,866	\$75,791	\$0	\$0	\$18,118	\$17,688	\$18,024	\$19,314
% Change		0.7%	8.5%	0.0%	0.0%	1.9%	1.8%	1.8%	1.9%
Storm Drainage	\$342,284	\$394,237	\$433,947	\$477,819	\$502,212	\$527,323	\$553,689	\$581,373	\$610,442
Annual Change		\$51,953	\$39,710	\$43,872	\$24,393	\$25,111	\$26,366	\$27,684	\$29,069
% Change		15.2%	10.1%	10.1%	5.1%	5.0%	5.0%	5.0%	5.0%
Total Revenue	\$3,451,642	\$3,332,844	\$3,879,147	\$3,673,019	\$3,697,412	\$3,768,290	\$3,839,338	\$3,912,552	\$3,990,407
Annual Change		(\$118,798)	\$546,303	(\$206,128)	\$24,393	\$70,878	\$71,048	\$73,213	\$77,855
% Change		(3.4%)	16.4%	(5.3%)	0.7%	1.9%	1.9%	1.9%	2.0%

Source: City of Shoreline

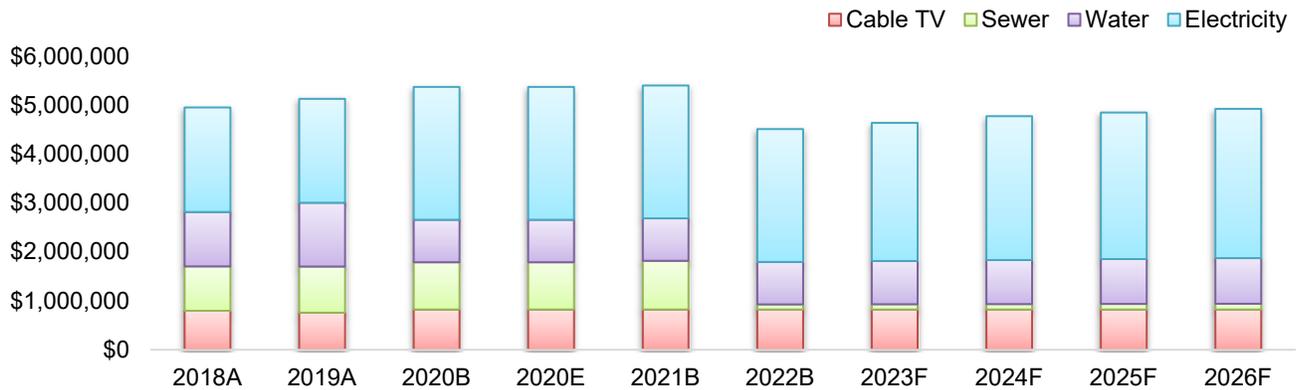
Franchise Fee & Contract Payments

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

Projected revenues in 2021-2022 from franchise fees and contract payments total \$9.906 million.

- Sewer contract payments are budgeted according to the City’s agreement with the Ronald Wastewater District.
- The cable television franchise fee is set at a rate equal to five-percent of gross cable service revenues.

Franchise Fees Historical Comparison & Forecast



Revenue	2018A	2019A	2020E	2021B	2022B	2023F	2024F	2025F	2026F
Cable TV	\$794,847	\$757,276	\$823,000	\$823,000	\$823,000	\$823,000	\$823,000	\$823,000	\$823,000
Annual Change		(\$37,572)	\$65,724	\$0	\$0	\$0	\$0	\$0	\$0
% Change		(4.7%)	8.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sewer	\$909,000	\$942,000	\$964,000	\$993,000	\$102,300	\$105,369	\$108,530	\$111,786	\$115,140
Annual Change		\$33,000	\$22,000	\$29,000	(\$890,700)	\$3,069	\$3,161	\$3,256	\$3,354
% Change		3.6%	2.3%	3.0%	(89.7%)	3.0%	3.0%	3.0%	3.0%
Water	\$1,110,732	\$1,304,435	\$868,800	\$868,800	\$868,800	\$885,062	\$900,937	\$917,114	\$934,449
Annual Change		\$193,703	(\$435,635)	\$0	\$0	\$16,262	\$15,876	\$16,177	\$17,334
% Change		17.4%	(33.4%)	0.0%	0.0%	1.9%	1.8%	1.8%	1.9%
Electricity	\$2,135,311	\$2,122,870	\$2,713,300	\$2,713,300	\$2,713,300	\$2,821,832	\$2,940,349	\$2,993,145	\$3,049,718
Annual Change		(\$12,441)	\$590,430	\$0	\$0	\$108,532	\$118,517	\$52,796	\$56,573
% Change		(0.6%)	27.8%	0.0%	0.0%	4.0%	4.2%	1.8%	1.9%
Total Revenue	\$4,949,890	\$5,126,581	\$5,369,100	\$5,398,100	\$4,507,400	\$4,635,263	\$4,772,817	\$4,845,045	\$4,922,306
Annual Change		\$176,691	\$242,519	\$29,000	(\$890,700)	\$127,863	\$137,554	\$72,228	\$77,261
% Change		3.6%	4.7%	0.5%	(16.5%)	2.8%	3.0%	1.5%	1.6%

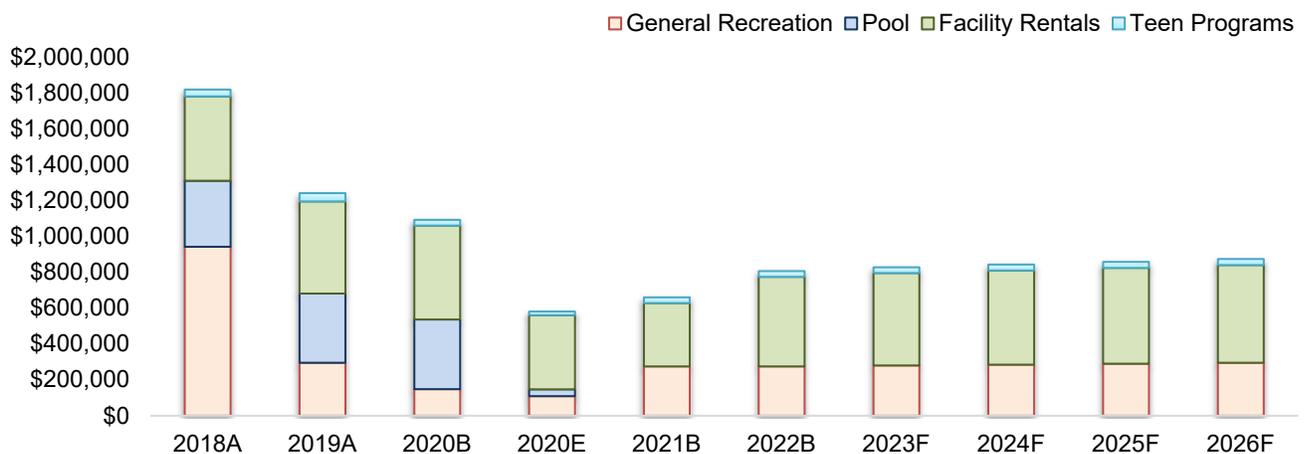
Source: City of Shoreline

Recreation Fees

Projected revenues for 2020 are estimated at \$582,000. The reduction of \$660,000 from 2019 results from the program closures associated with the impacts of COVID-19 mandated closures. Projected revenues in 2021-2022 from recreation fees total \$1.467 million. Revenue projections for 2021-2022 are projected excluding pool revenues and assuming that recreation programs are resumed at regular levels for the whole biennium. Staff recognizes that the level of operations will be dictated by state mandates and the COVID-19 operating phase as determined by the Governor. Staff will be monitoring closely and programs and expenditures will be adjusted accordingly as was done in 2020.

In the future the fees are expected to increase by the June-to-June percentage change of the CPI-U. As revenues will likely be impacted by programming changes, facility maintenance, and other unforeseen issues, the growth projection is limited to 80% of projected inflation rates.

Recreation Fee Historical Comparison & Forecast



Revenue	2018A	2019A	2020E	2021B	2022B	2023F	2024F	2025F	2026F
Recreation	\$942,376	\$295,666	\$109,070	\$275,000	\$275,000	\$280,147	\$285,172	\$290,293	\$295,780
Annual Change		(\$646,710)	(\$186,596)	\$165,930	\$0	\$5,147	\$5,025	\$5,120	\$5,487
% Change		(68.6%)	(63.1%)	152.1%	0.0%	1.9%	1.8%	1.8%	1.9%
Pool	\$368,669	\$385,832	\$37,898	\$0	\$0	\$0	\$0	\$0	\$0
Annual Change		\$17,163	(\$347,934)	(\$37,898)	\$0	\$0	\$0	\$0	\$0
% Change		4.7%	(90.2%)	(100.0%)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Facility Rentals	\$470,164	\$513,923	\$413,821	\$353,800	\$499,800	\$515,749	\$524,973	\$534,372	\$544,444
Annual Change		\$43,759	(\$100,102)	(\$60,021)	\$146,000	\$15,949	\$9,224	\$9,399	\$10,072
% Change		9.3%	(19.5%)	(14.5%)	41.3%	3.2%	1.8%	1.8%	1.9%
Teen Programs	\$38,381	\$46,133	\$20,768	\$31,909	\$31,909	\$32,506	\$33,089	\$33,683	\$34,320
Annual Change		\$7,751	(\$25,365)	\$11,141	\$0	\$597	\$583	\$594	\$637
% Change		20.2%	(55.0%)	53.6%	0.0%	1.9%	1.8%	1.8%	1.9%
Total Revenue	\$1,819,589	\$1,241,553	\$581,557	\$660,709	\$806,709	\$828,402	\$843,235	\$858,348	\$874,544
Annual Change		(\$578,036)	(\$659,996)	\$79,152	\$146,000	\$21,693	\$14,833	\$15,114	\$16,195
% Change		(31.8%)	(53.2%)	13.6%	22.1%	2.7%	1.8%	1.8%	1.9%

Source: City of Shoreline

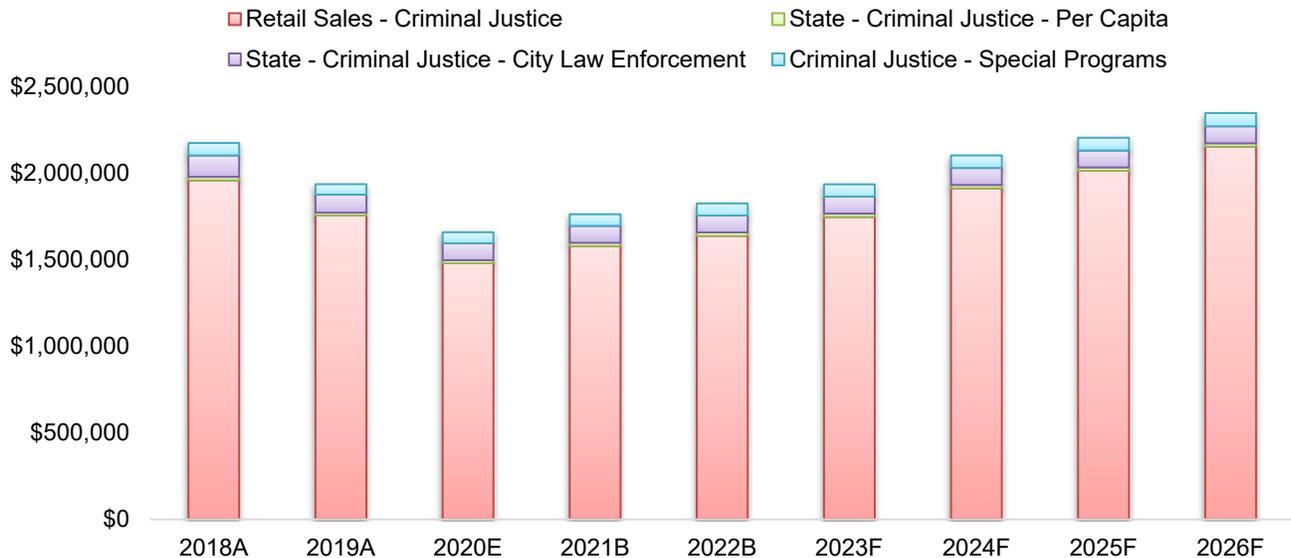
Criminal Justice Funding

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

Projected revenues in 2021-2022 for criminal justice total \$3.591 million.

The largest revenue source in this category is the Criminal Justice Retail Sales tax, which was negatively impacted by the recent recession. This tax is collected at the county level and distributed to the cities on a per capita basis. Local Criminal Justice Sales Tax revenue is expected grow. The remainder of the revenues in this category increase only slightly each year based upon per capital projections provided by state forecasters.

Criminal Justice Funding Historical Comparison & Forecast



Revenue	2018A	2019A	2020E	2021B	2022B	2023F	2024F	2025F	2026F
Retail Sales - Criminal Justice	\$1,960,448	\$1,756,507	\$1,481,017	\$1,580,357	\$1,639,472	\$1,748,535	\$1,914,137	\$2,014,905	\$2,155,098
State - Criminal Justice - Per Capita	\$20,031	\$16,914	\$17,475	\$18,803	\$19,422	\$19,470	\$19,519	\$19,568	\$19,617
State - Criminal Justice - City Law Enforcement	\$123,614	\$104,178	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160	\$98,160
Criminal Justice - Special Programs	\$72,370	\$60,779	\$63,358	\$66,667	\$69,689	\$71,171	\$72,629	\$74,118	\$75,708
Total Revenue	\$2,176,463	\$1,938,377	\$1,660,010	\$1,763,987	\$1,826,743	\$1,937,337	\$2,104,445	\$2,206,751	\$2,348,582
Annual Change		(\$238,086)	(\$278,367)	\$103,977	\$62,756	\$110,594	\$167,108	\$102,306	\$141,831
% Change		-10.9%	-14.4%	6.3%	3.6%	6.1%	8.6%	4.9%	6.4%

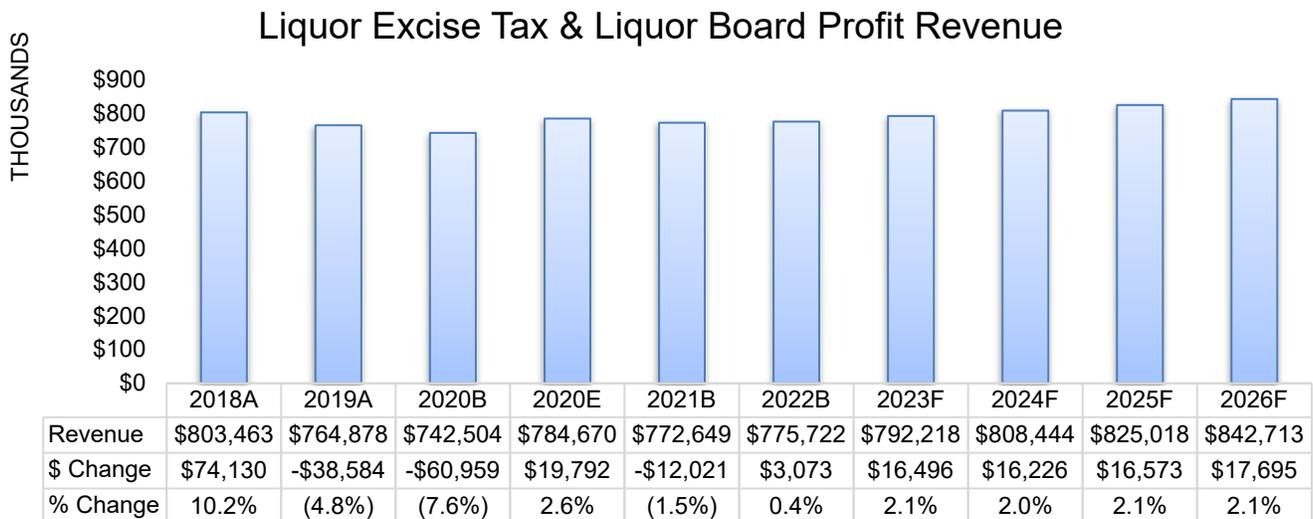
Sources: King County; Municipal Research and Services Center 2018 Budget Suggestions

Liquor Excise Tax & Board Profits

Revenue sources in this category used to be comprised of a portion of the liquor excise tax receipts collected by the State and a portion of the markups on liquor, commonly referred to as Liquor Board Profits. Much has changed with the passage of Initiative 1183 in November 2011, which resulted in the privatization of the distribution and retail sale of liquor, effective June 1, 2012. The Liquor Board Profits have been replaced as a state revenue source by license fees that are paid to the state by retailers and distributors. In 2012, the legislature passed ESHB 2823, ch. 5, Laws of 2012, 2nd sp. Sess, which diverted all liquor excise tax revenue that would have been distributed to cities and counties to the State General Fund for one year beginning in October 2012. In addition to that one-time loss, beginning with the October 2013 distribution, the state treasurer began transferring \$2.5 million per quarter from the Liquor Excise Tax Fund to the State General Fund before the distribution is made to cities and counties. The distribution to cities and counties was also reduced in the State's 2013-2015 budget, which increased the share of liquor taxes deposited into the state general fund from 65.0% to 82.5%, thereby reducing the share going to the Liquor Excise Tax Fund for distribution to cities and counties from 35.0% to 17.5%. When the 2015 budget was developed, it was assumed that the legislature would take action to continue with the reduced share of revenues. The 2015-2017 state budget, passed by the 2015 legislature returned the percentage distribution to the pre-2013 state budget provisions which means that 35% of revenues are to be deposited in the Liquor Excise Tax Fund to be distributed to cities, counties, and towns. The percentage distribution remains at 35% in the 2017-2019 state budget, passed by the 2017 legislature.

Projected revenues in 2021-2022 from these two sources totals \$1.548 million and are forecast based on state-provided per capita estimates.

Liquor Tax Historical Comparison & Forecast



Source: Municipal Research and Services Center 2018 Budget Suggestions

Development Fees

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

In 2011, 2012 and 2017, 2018 and 2019, the City received a significant amount of one-time revenue from Shoreline School District's major capital projects to construct new schools. In spite of the economic impacts of COVID, staff is projecting some growth for 2021 and 2022.

Development Fee Historical Comparison & Forecast

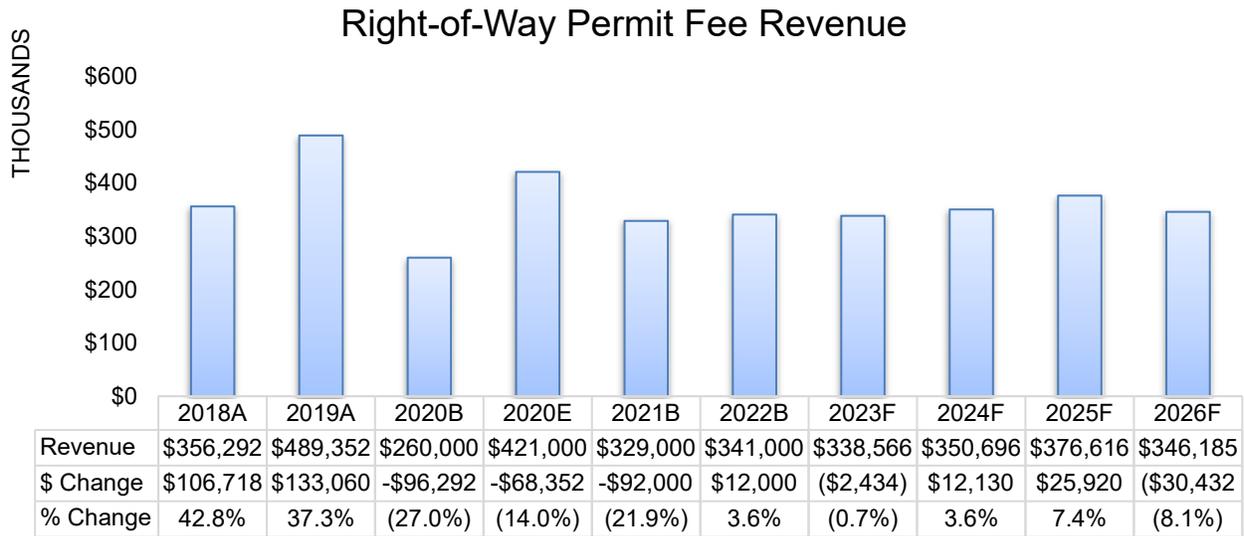


Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017

Right-of-Way Permit Fees

Fees are charged for the use of the City's right-of-way. This revenue source was affected by the drop in the level of construction activity occurring within the City during the great recession. In 2019, there were several major development projects that contributed to the increase fees. The chart below shows collections vary from year-to-year based on the level of activity.

Right-of-Way Permit Fee Historical Comparison & Forecast



Source: City of Shoreline

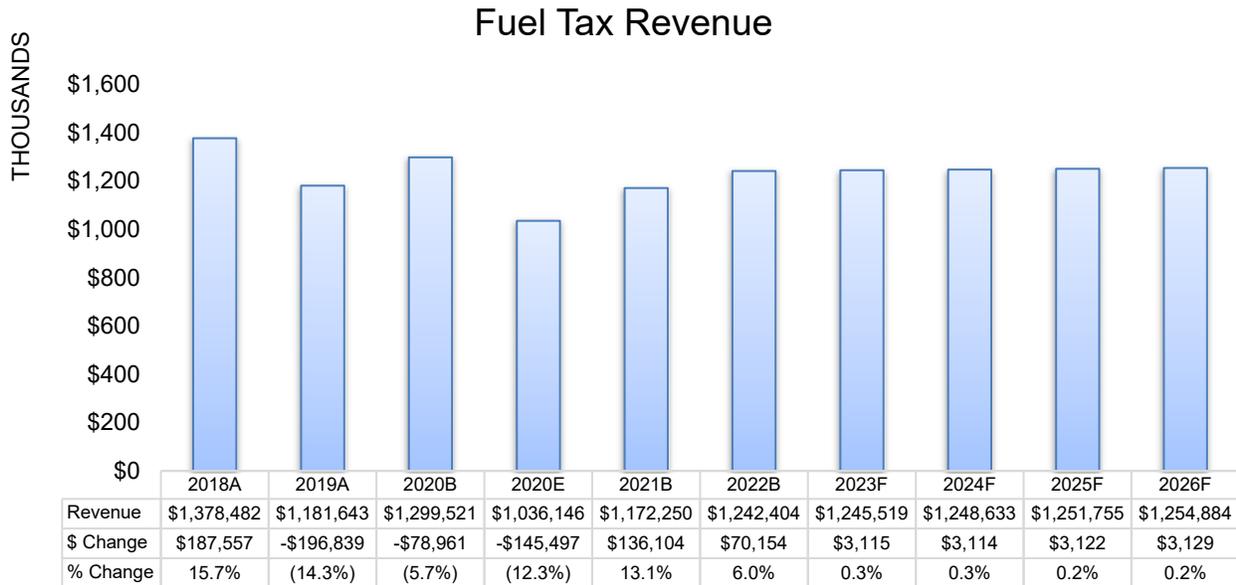
Street Fund

Fuel Tax

The major source of revenue for the City’s Street Fund is fuel tax. State collected gasoline and diesel fuel tax is shared with cities and towns on a per capita basis. This revenue is to be used for street repairs and maintenance. Fuel taxes are assessed as cents per gallon; therefore, fuel tax revenue depends on the number of gallons sold, not the dollar value of the sales. Gasoline and diesel fuel prices and Washington personal income are the primary variables affecting fuel consumption. Fuel prices are forecast to decrease over the next two years and personal incomes are anticipated to increase, both of these factors may contribute to an increase in gallons sold and fuel tax revenue received.

Year end estimate for 2020 includes the impact of COVID-19 restrictions. Given the uncertainty and likelihood of continued increased telecommuting, staff tempered estimates for 2021 and 2022. Reductions in this revenue source result in a need for additional contribution from the General Fund to the Street Fund.

Fuel Tax Historical Comparison & Forecast



Source: City of Shoreline

Surface Water Utility Fund

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

Surface Water Management Fee

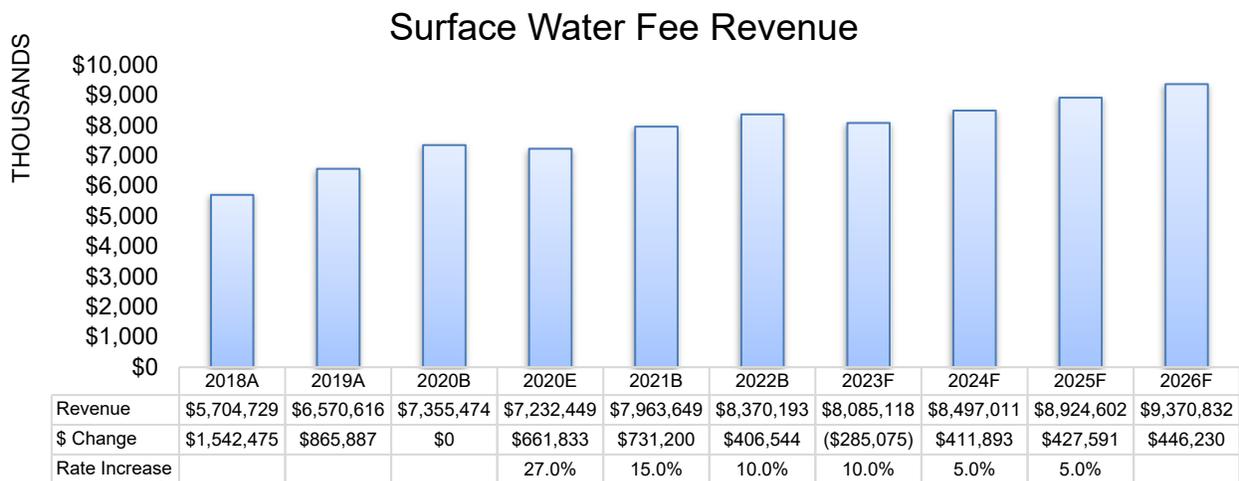
The City contracts with King County to collect the utility revenues via the annual property tax assessments. In 2005, the City Council adopted a Surface Water Master Plan that was updated in 2018. This plan includes operational needs and capital projects for the next twenty years to improve drainage,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

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

The rate is proposed to increase 10.0% in 2021 and by 5.0% each in 2022 through 2026. The proposed rate for a single-family annual bill in 2021 is \$298.33. Multi-family and commercial users are charged at a rate that reflects the area of impervious surface. These rates will be increased by the same percentages as those for a single-family residence.

In 2012, the Surface Water Utility established the Education Fee Credit (EFC) program which provided a credit up to 100% of its standard rates based on the value of an approved educational curriculum that promoted water quality and environmental awareness. Ordinance No. 642 establishing the EFC Program included a provision to sunset the program on July 1, 2015. This credit was reinstated in the 2017 fee schedule and continues in the 2021 fee schedule. The fee schedule also provides credits for low income seniors as defined in RCW 84.36.381.

Surface Water Utility Fund Historical Comparison & Forecast



Source: City of Shoreline

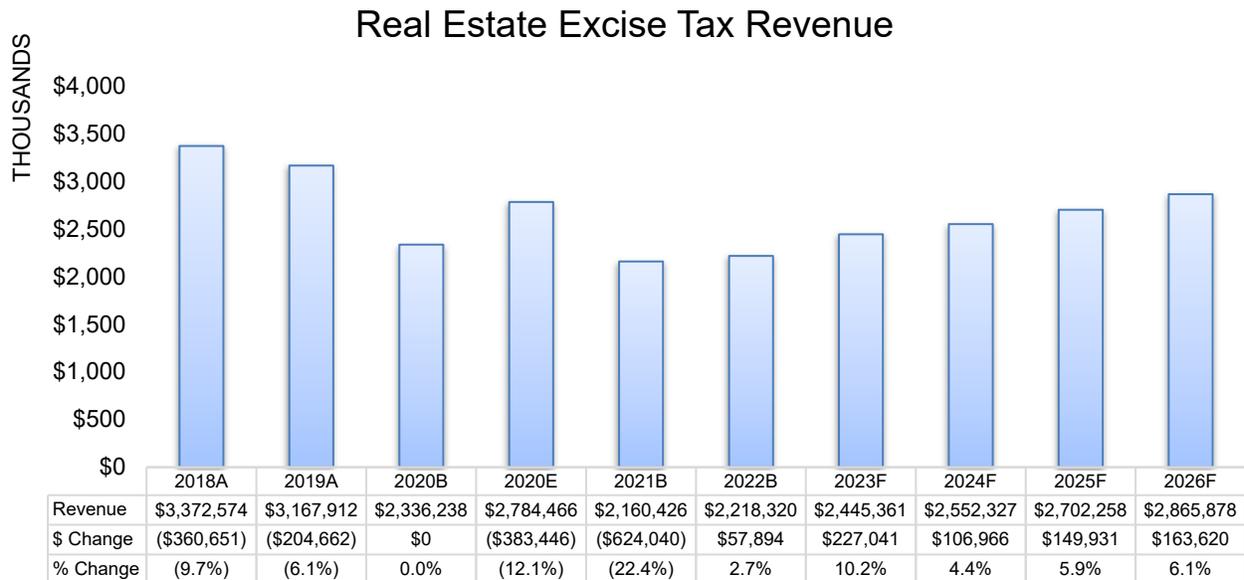
Capital Improvement Fund Revenues

Real Estate Excise Tax (REET)

All real estate property sales in the county are taxed at a rate of 1.28%. A portion of these revenues, equal to a 0.5% tax rate, is distributed by King County to the cities on a monthly basis. The use of REET funds is restricted by State law. The first 0.25% of the REET tax rate must be spent on capital projects listed in the City's Comprehensive Plan. These projects could include local capital improvements, including streets, parks, pools, municipal buildings, etc. Starting in 2009, a portion of the first 0.25% of the tax is being used for debt service payments for City Hall. In 2021 to 2026, \$4.050 million will be used for this purpose. The second 0.25% of the REET tax rate must be spent on public works projects for planning, acquisition, construction, reconstruction, repair, replacement, or improvement of streets roads, highways, sidewalks, street lighting, etc.

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

Real Estate Excise Tax (REET) Historical Comparison & Forecast



Sources: City of Shoreline; The Puget Sound Economic Forecaster History and Ten-Year Forecast, June 2017

Capital Grants

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



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Ending Fund Balances

The following table and graphs illustrate the City's ending fund balance through the Proposed 2021-2022 biennium. The fund balances are segregated into three major components: unreserved/undesignated, reserved, and designated.

	2017-2018 as a Biennium Actual	2019-2020 Biennium Budget	2019-2020 Biennium Year-End Estimate	2021-2022 Biennium Budget
Reserved:				
General Capital Fund	(\$563,063)	\$194,261	\$1,136,495	\$766,856
City Facility-Major Maintenance Fund	58,073	17,201	75,733	116,899
Roads Capital Fund	\$7,249,229	\$2,805,155	\$4,886,480	\$3,053,600
Sidewalk Expansion Fund	0	0	11,431,853	11,431,853
Shoreline Secure Storage Fund	\$0	\$0	\$0	\$0
Street Fund	\$576,847	\$427,872	\$259,904	\$259,904
Transportation Impact Fees Fund	3,148,687	2,662,687	4,414,615	3,546,914
Park Impact Fees Fund	\$31,781	\$31,781	\$777,838	\$777,838
2006/2016 Unlimited Tax General Obligation	892	892	3,199	3,199
2009/2019 Limited Tax General Obligation B	\$1,310	\$1,310	\$183,411	\$183,411
2013 Limited Tax General Obligation Bond F	300	300	130	130
2020 Limited Tax General Obligation Bond F	\$0	\$0	\$0	\$0
Sidewalk Limited Tax General Obligation Bo	0	0	4,106,944	6,702,046
Surface Water Utility Fund	\$3,378,690	(\$881,680)	\$3,432,872	\$12,000,526
Wastewater Utility Fund	(463,846)	(470,653)	(510,538)	(510,538)
Subtotal Reserved	\$13,418,900	\$4,789,126	\$30,198,936	\$38,332,638
Designated:				
Equipment Replacement Fund	\$3,896,637	\$4,512,203	\$4,929,176	\$5,607,199
Vehicle Operations and Maintenance Fund	113,285	73,285	87,419	47,419
Unemployment Fund	58,196	23,196	(0)	(0)
Code Abatement Fund	395,097	255,097	424,087	284,087
State Drug Enforcement Forfeiture Fund	73,883	63,651	79,024	79,024
Federal Drug Enforcement Forfeiture Fund	22,251	22,251	22,810	22,810
Federal Criminal Forfeiture Fund	0	0	0	0
Property Tax Equalization Fund	0	0	0	0
Public Arts Fund	283,402	76,779	156,103	41,498
Subtotal Designated	\$4,842,753	\$5,026,464	\$5,698,619	\$6,082,037
Unreserved/Undesignated:				
General Fund	\$17,817,459	\$11,010,500	\$18,503,585	\$11,638,522
Revenue Stabilization Fund	5,150,777	5,824,578	5,464,529	5,464,529
Subtotal Unreserved/Undesignated	\$22,968,236	\$16,835,078	\$23,968,114	\$17,103,051
	\$41,229,889	\$26,650,668	\$59,865,669	\$61,517,726

* Negative ending fund balances are due to:

- Interfund loan pending the sale of the former Police Station in the General Capital Fund, and
- Accounting accruals required to comply with GASB 68 requirements related to DRS Retirement Liabilities in the Wastewater Fund where no operating fund balance is maintained pending full assumption of RWD.

Unreserved/Undesignated Fund Balances

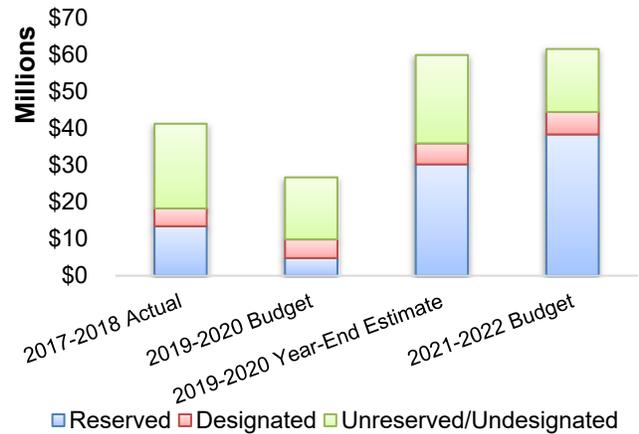
The unreserved/undesignated fund balance is the balance of net financial resources that are available for discretionary appropriations. The 2021-2022 Bienium Budget estimates unreserved/undesignated fund balance of \$17,103,051 at the end of 2022.

Reserved Ending Fund Balances

The second component of ending fund balance is those funds reserved for a specific purpose. These funds are not available for appropriation because they are legally restricted. These reserves primarily represent monies allocated for capital and specific maintenance purposes. The reserved fund balances are estimated to be \$38,332,638 at the end of 2022.

Designated Ending Fund Balances

The third component of ending fund balances, totaling \$6,082,037 in 2022, is those moneys that have been earmarked for specific purposes (equipment replacement, unemployment, etc.). Although designated for specific purposes, there is the ability to appropriate some of these funds for other purposes since the original source of the funds was general revenues from the General Fund. The designated fund balances are estimated to be \$6,082,037 at the end of 2022.



Change in Ending Fund Balance

	2019-2020 Biennium Year-End Estimate	2021-2022 Biennium Budget	2021 - 2022 vs. 2019 - Biennium Budget	Percentage Change
General Fund	\$ 18,503,585	\$ 11,638,522	\$ (6,865,063)	(37%)
Shoreline Secure Storage Fund	0	0	0	0%
Street Fund	\$ 259,904	\$ 259,904	\$ -	0%
Revenue Stabilization Fund	5,464,529	5,464,529	0	0%
Code Abatement Fund	424,087	284,087	(140,000)	(33%)
State Drug Enforcement Forfeiture Fund	79,024	79,024	0	0%
Federal Drug Enforcement Forfeiture Fund	22,810	22,810	0	0%
Federal Criminal Forfeiture Fund	0	0	0	0%
Public Arts Fund	156,103	41,498	(114,605)	(73%)
Transportation Impact Fees Fund	4,414,615	3,546,914	(867,701)	(20%)
Park Impact Fees Fund	777,838	777,838	0	0%
2006/2016 Unlimited Tax General Obligation Bond Fund	3,199	3,199	0	0%
2009/2019 Limited Tax General Obligation Bond Fund	183,411	183,411	0	0%
2013 Limited Tax General Obligation Bond Fund	130	130	0	0%
2020 Limited Tax General Obligation Bond Fund	0	0	0	0%
Sidewalk Limited Tax General Obligation Bond Fund	4,106,944	6,702,046	2,595,102	63%
General Capital Fund	1,136,495	766,856	(369,639)	(33%)
City Facility-Major Maintenance Fund	75,733	116,899	41,166	54%
Roads Capital Fund	4,886,480	3,053,600	(1,832,880)	(38%)
Sidewalk Expansion Fund	11,431,853	11,431,853	0	0%
Surface Water Utility Fund	3,432,872	12,000,526	8,567,654	250%
Wastewater Utility Fund	(510,538)	(510,538)	0	0%
Vehicle Operations and Maintenance Fund	87,419	47,419	(40,000)	(46%)
Equipment Replacement Fund	4,929,176	5,607,199	678,023	14%
Unemployment Fund	(0)	(0)	0	0%
Total	\$ 59,865,669	\$ 61,517,726	\$ 1,652,057	3%

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

General Fund: The 2022 ending fund balance is \$6.865 million less than the projected 2020 ending fund balance. Available fund balance totaling \$ 6,865,063 million will be used for the Operating Contingency, Insurance Reserve, one-time CIP support, transfers to the Revenue Stabilization Fund, and one-time supplemental requests as detailed in the Transmittal Letter.

Street Fund: The 2022 ending fund balance is \$0.000 million more than the projected 2020 ending fund balance.

Code Abatement Fund: The 2022 ending fund balance is \$0.140 million less than the projected 2020 ending fund balance. Accumulated funds from prior years will be used for City code abatement efforts (public nuisances, dangerous buildings, etc.).

Public Arts Fund: The 2022 ending fund balance is \$0.115 million less than the projected 2020 ending fund balance. As capital projects have been constructed, funds have been accumulating in this fund. Available fund balance will support continued work on several public arts projects. The 0.500 FTE Public Art Coordinator is funded 50% in the General Fund and 50% in the Public Arts Fund.

General Capital Fund: The 2022 ending fund balance is \$0.370 million less than the projected 2020 ending fund balance. Additional information can be found in the 2021-2026 Proposed Capital Improvement Plan section in this book.

City Facility – Major Maintenance Fund: The 2022 ending fund balance is \$0.041 million more than the projected 2020 ending fund balance. Additional information can be found in the 2021-2026 Proposed Capital Improvement Plan section in this book.

Roads Capital Fund: The 2022 ending fund balance is \$1.833 million less than the projected 2020 ending fund balance. Additional information can be found in the 2021-2026 Proposed Capital Improvement Plan section in this book.

This fund balance includes Vehicle License Fees, which is restricted in its use and is partly programmed for the Annual Road Surface Maintenance Program and Sidewalk Rehabilitation Program.

Surface Water Utility Fund: The 2022 ending fund balance is \$8.568 million more than the projected 2020 ending fund balance. Additional information can be found in the 2021-2026 Proposed Capital Improvement Plan section in this book. The 2018 Surface Water Master Plan identified several new capital projects as necessary to deliver the Proactive Management Strategy. These projects have been programmed in the 2021-2026 Proposed Capital Improvement Plan. It is anticipated that a bond will be issued in 2018 to provide funding for several capital projects.

Vehicle Operations Fund: The 2022 ending fund balance is \$0.040 million less than the projected 2020 ending fund balance. This fund strives to maintain a minimum balance needed to fund a \$40,000 contingency.

Equipment Replacement Fund: The 2022 ending fund balance is \$0.678 million more than the projected 2020 ending fund balance. Funds are being accumulated for the future replacement of the City's fleet.

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

MUNICIPAL DEBT

Fund Name	Type of Debt	Purpose	Issue Date	Maturity Date	Total Amount Authorized	Interest Rate	Original Amount	Outstanding Debt 12/31/2019	Outstanding Debt 12/31/2020	Avg Annual Debt Service
General Obligation										
Unltd. Tax GO Bond Fund 2006/2016	Parks and Open Space	Acquisition of Open Space & Improvements to Parks & Recreation Facilities	12/2/2016	12/1/2021	\$7,595,000	1.02% - 1.72%	\$7,595,000	\$2,760,000	\$1,113,000	1,691,837
Ltd Tax GO Bond 2009/2019	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Pre-payment of the City's Administration Building	11/6/2019	12/1/2039	15,490,000	3.00% - 6.4%	15,490,000	15,490,000	15,015,000	1,096,355
LTGO BAN Fund 2020	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Acquisition of Open Space & Improvements to Parks & Recreation Facilities	2/14/2020	12/1/2022	\$25,000,000	1.92%	\$25,000,000	\$0	\$25,000,000	382,667
Ltd Tax GO Bond 2013	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Purchase & Improvements of a Maintenance Facility	8/21/2013	12/1/2033	3,565,000	3.75%	3,565,000	2,775,000	2,620,000	259,063
Sidewalk LTGO Bond	General Purpose Councilmanic Bonds - Limited Tax General Purpose	Sidewalk Expansion	11/6/2019	12/1/2034	\$10,000,000	3.00% - 5.0%	\$10,000,000	\$10,000,000	\$9,530,000	898,926
Total General Obligation					\$61,650,000		\$61,650,000	\$31,025,000	\$53,278,000	\$4,328,847
Revenue Bond										
Surface Water Utility Fund	Revenue Bond	Surface Water Utility Pipe Replacement Projects	12/2/2016	12/1/2031	2,000,000	2.23%	2,000,000	1,651,208	1,529,678	158,352
Surface Water Utility Fund	Revenue Bond***	Surface Water Utility Capitalization Projects	12/1/2019	12/1/2033	\$500,000	3.35%	\$500,000	\$229,046	\$4,100,000	131,207
Total Revenue Bond					\$2,500,000		\$2,500,000	\$1,880,254	\$5,629,678	\$289,559
Public Works Trust Fund Loans										
Surface Water Utility Fund	Trust Fund Loan	3rd Avenue Drainage Improvements	6/18/2001	7/1/2021	\$1,959,500	0.50%	\$1,959,500	\$228,426	\$114,213	\$115,355
Surface Water Utility Fund	Trust Fund Loan	Ronald Bog Drainage Improvements	6/18/2001	7/1/2021	3,852,725	0.50%	3,852,725	424,523	212,262	214,384
Total Public Works Trust Fund Loans					\$5,812,225		\$5,812,225	\$652,949	\$326,475	\$329,739
Total Debt					\$69,962,225		\$69,962,225	\$33,558,203	\$59,234,153	\$4,948,146

General Obligation Long-Term Debt

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

Municipal Debt Capacity

2020 Assessed Valuation: **\$11,637,183,574**

	General Purpose Debt				Open Space, Parks, and Economic Development Facilities		Utility Purpose Debt		TOTAL DEBT CAPACITY
	Legal Limit	Councilmanic (Non-voted)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	Legal Limit	Voted Debt (60% of Voters)	
Total Debt Capacity	1.50%	\$174,557,754	2.50%	\$290,929,589	2.50%	\$290,929,589	2.50%	\$290,929,589	\$1,047,346,522
Less Councilmanic Debt		52,165,000		52,165,000		N/A		N/A	104,330,000
Less Voted Debt		N/A		0		1,113,000		0	1,113,000
Remaining Debt Capacity		\$122,392,754		\$238,764,589		\$289,816,589		\$290,929,589	\$941,903,522

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

- General Purpose Councilmanic Debt:** The City Council may approve bond issues without voter approval up to 1.5% of the City’s assessed valuation. Prior to the passage of new legislation in 1994, councilmanic debt was available for lease-purchase contracts only (RCW 35.43.200). This statutory authority can be used for any municipal purpose now, including using the entire 1.5% for bonds. Councilmanic debt must be approved by a majority of the City Council and must be repaid from existing operational revenue sources. In 2020 the City Council can levy up to \$174,557,754, or 1.5%, of the City’s estimated assessed value. Because the City currently has outstanding Councilmanic debt of \$52,165,000, the remaining Councilmanic Debt Capacity for 2020 is \$122,392,754.
- General Purpose Voted Debt:** As authorized by the Revised Code of Washington (RCW) 39.36.020(2), the public may vote to approve bond issues for general government in an amount not to exceed 2.5% of the value of all taxable property within the City. This requires

a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. The debt would be repaid from an increase to the City's existing property tax levy. An amount up to 2.5% of the City's assessed value can be levied, or \$290,929,589 for 2020. Because the City currently has outstanding Councilmanic debt of \$52,165,000 (as noted above) and General Purpose voted debt of \$0 the remaining Voted Debt Capacity for 2020 is \$238,764,589.

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

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

3. Open Space, Parks, and Economic Development Facilities Debt: The City is authorized to issue debt and increase the property tax levy for acquiring or developing open space and park facilities. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. An amount up to 2.5% of the City's estimated assessed value, less outstanding debt, can be levied or \$289,816,589 for 2020.
4. Utility Purpose Debt: The City is authorized to issue debt and increase the property tax levy for utility purposes if a utility is owned and controlled by the City. This requires a 60% vote of the City electorate and must have a voter turnout of at least 40% of the last State general election. Debt is repaid from the increased property tax levy. An amount up to 2.5% of the City's estimated assessed value can be levied \$290,929,589 for 2020.

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

Year Ending December 31	Governmental Activities	
	Principal	Interest Rate
2020	\$2,747,000	\$1,581,847
2021	2,283,000	1,586,037
2022	26,225,000	1,510,394
2023	1,280,000	971,207
2024	1,350,000	909,332
2025-2029	7,690,000	3,582,531
2030-2039	14,450,000	2,066,224
Total	\$56,025,000	\$12,207,572

Revenue Bonds

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

***The City anticipates a withdraw of \$4.2 million in 2021, which will affect the debt service requirements annually.

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

Year Ending December 31	Business Activities	
	Principal	Interest Rate
2020	\$250,576	38,983
2021	124,240	34,112
2022	127,010	31,341
2023	129,842	28,509
2024	132,738	25,613
2025-2029	709,433	82,324
2030-2039	306,415	10,287
Total	\$1,780,254	\$251,170

Public Works Trust Fund Loan Debt

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

The annual debt service requirements to maturity for the Public Works Trust Fund Loan debt are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest Rate
2020	326,475	3,265
2021	326,475	1,632
Total	\$652,950	\$4,897

Other Long Term Debt

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