



Administration and Finance Committee Minutes

July 9, 2020

4:00 PM

Virtual Meeting

Commence: 4:00 PM

Adjourn: 5:07 PM

| Committee Members: | Present | Absent |
|-------------------------------|-------------------------------------|--------------------------|
| Mayor Erin Sitterley, Chair | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Councilmember Clyde Hill | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Councilmember Senayet Negusse | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Other Council Members Present: Stanley Tombs, Peter Kwon, Pam Fernald

Staff Coordinator: Gwen Pilo, Finance & Systems Director

| | |
|---|--|
| 1. Call to Order | <i>Committee Chair Erin Sitterley called the meeting to order at 4:00PM.</i> |
| 2. Public Comment | <i>Public comments were required to be sent in electronically prior to the meeting. No public comments were received.</i> |
| 3. Review of the Minutes | <u> X </u> Recommended for Approval <i>A copy of the 6/11/2020 minutes was provided to the committee for review. The committee approved the minutes as written.</i> |
| 4. Council/City Manager Travel Pre-Approval or Final Approval | <i>None</i> |
| 5. Consultant Contract for Building Needs Assessments | <u> X </u> Recommended for Approval <i>City Manager Carl Cole along with Senior Management Analyst Tim Ramsaur presented a proposed agenda bill authorizing the City Manager to enter into a contract with ARC Architects to provide a comprehensive review and analysis on security and operational modifications of City Hall. The funding for this analysis is already budgeted for 2020. The proposal also includes the option to evaluate the Public Works Maintenance Facility for an additional \$72,340, which is not included in the City's budget. The committee was in favor of performing the evaluation of both buildings at the same time. A budget</i> |

| | |
|--|--|
| | <i>amendment for the additional amount will be brought forward to council in August. The agenda bill authorizing the contract will be brought forward to the July 14th City Council meeting.</i> |
| 6. Housing Action Plan Contract and Budget Amendment | <u> X </u> Recommended for Approval <i>Senior Planner Kate Kaehny presented the committee with a proposed contract authorization and budget amendment in response to the acceptance of a \$100,000 grant from the Department of Commerce to develop SeaTac's first Housing Action Plan. The committee recommended this item for approval, it will be brought to the July 14th City Council meeting.</i> |
| 7. Investment Report | <u> X </u> Informational Update <i>Finance & Systems Director Gwen Pilo provided the committee with the May 2020 Investment Compliance Report and Portfolio Analysis.</i> |
| 8. Q2 2020 Financial Reports | <u> X </u> Informational Update <i>Finance & Systems Director Gwen Pilo provided the committee with the 2nd Quarter Financial Management Reports detailing actuals through June 30.</i> |
| 9. 2019-2020 Biennial Budget Amendment | <u> X </u> Recommended for Approval <i>Finance & Systems Director Gwen Pilo presented the committee with a proposed budget amendment to account for grants awarded by Department of Commerce and King County, and emergency funding for Seattle Southside Regional Tourism Authority. The committee recommended this item for approval and it will be brought to the July 14th City Council meeting.</i> |
| 10. Set Special Meeting Date and Time | <i>Finance & Systems Director Gwen Pilo addressed the committee to request a special Administrative & Finance meeting in July, to bring forward a budget amendment addressing the revenue shortfalls anticipated in 2020. The committee supported scheduling a Special A&F Meeting for July 30th.</i> |
| 11. Future Meeting Schedule | <i>The next Special A&F Meeting is scheduled for July 30th at 4:00 PM (Location: Virtual)</i> |

12. Adjourn

Committee Chair Erin Sitterley adjourned the meeting at 5:07 PM.



MEMORANDUM

To: Administration and Finance Committee
Through: Carl Cole, City Manager
From: Gwen Pilo, Finance And Systems Director
Date: July 31, 2020
Re: 2019-2020 Biennial Budget Amendment

History:

Due to the Coronavirus the City of SeaTac anticipates excessive loss of revenue in all funds. Expenditures are anticipated to exceed revenue in 8 of the City's 16 funds, however all funds will be able to cover the deficit and still meet their reserve target. The General Fund is impacted the most as sales tax, our second largest revenue source, is seeing the largest decline at approximately 50% of what was budgeted.

Analysis:

General Fund (001) – Increase revenue \$1,400,000. Increase expenditures \$230,000.

Finance staff has been monitoring the budget to actual, and evaluating and analyzing the financial impact to the City of SeaTac since the beginning of the coronavirus pandemic. Initial steps taken to mitigate the revenue shortage include a hiring freeze on non-essential positions, cancelation of travel and training, limiting overtime, and identification of programs within departmental budgets that could be delayed or eliminated. These actions reduced expenditures by approximately \$2.3 million.

The Administration and Finance Committee supported staff recommendations to use 2 months of excess reserves (\$7,187,489) to help cover the shortfall. This will leave approximately 2.3 months of excess reserves at the end of 2020. Use of excess reserves, coupled with the departmental reductions, leaves the General fund approximately \$1.4 million short.

An analysis of the Municipal Capital Improvements fund was performed to see if funds could be diverted from the 301 fund to the General fund, as the 301 fund receives the Port Construction Sales tax, an unrestricted revenue source. The analysis found construction sales tax is strong, receipts have already exceeded anticipated revenue by \$600,000, and the fund meets the reserve target of funding 3 years of the CIP program. Therefore, the recommendation is to transfer \$1.4 million from the 301 fund to the General Fund to support operations.

The additional expenditure is to cover the cost of the Fire Contract. While staff was estimating 2020 year-end expenditures it was found the CPI was not applied to the salaries portion of the contract resulting in a shortage of \$230,000.

Municipal Capital Improvements Fund (301) – Increase expenditures \$1,476,328.

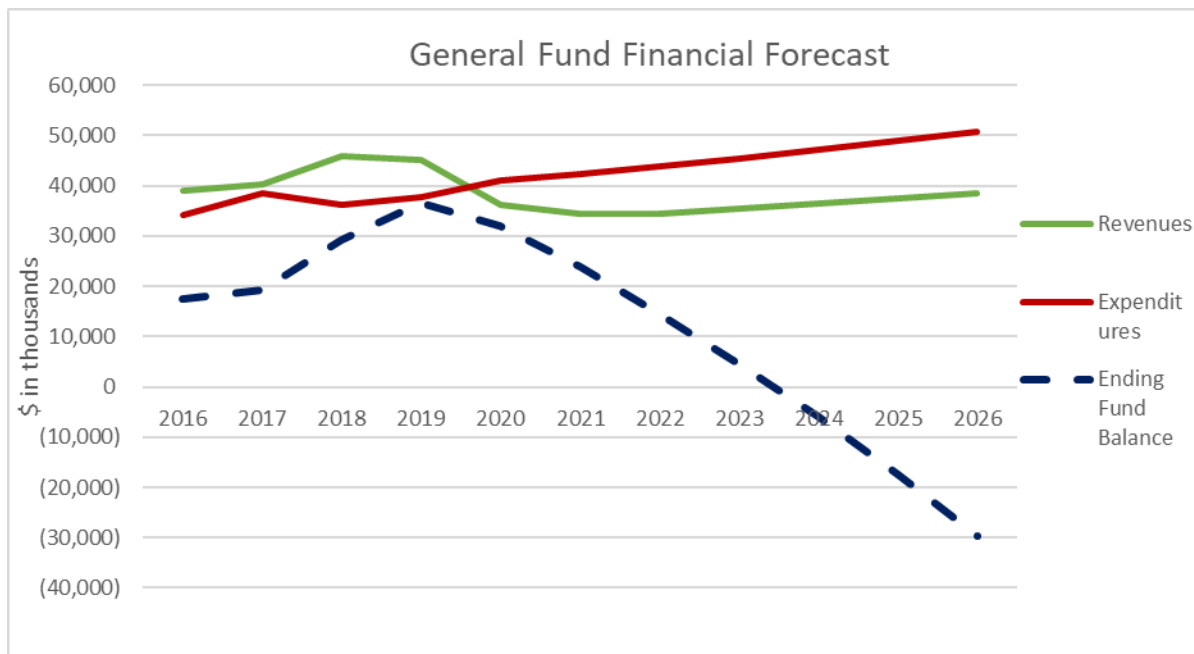
Transfer \$1,400,000 to the General Fund to support operations.
 Increase Professional Services for the ARC contract approved at the July 14, 2020 Council Meeting.

Budgetary Impacts:

With approval of the recommendation, ending fund balance across all funds is budgeted to be \$75.8 Million at the end of 2020.

The proposed amendment focuses on addressing the 2020 budget in order to lessen the anticipated deficit by the end of the year. However, this is a one-time transfer that does not help increase revenue in future years and staff will continue to seek opportunities to reduce spending to offset lost revenue.

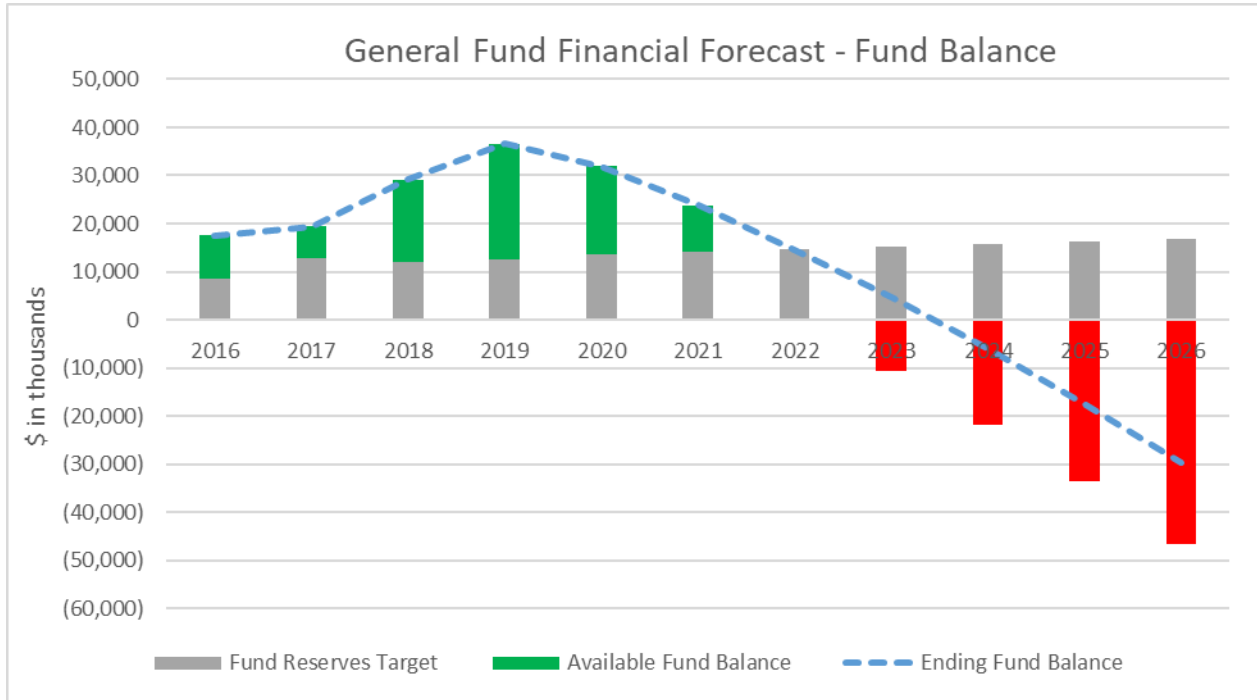
An update of the General Fund Financial Forecast is below for review.



This chart illustrates the fund’s revenues (green line) and expenditures (red line) and ending fund balance (blue dotted line). The ending fund balance will continue to decrease in future years until 2024 when it will be a negative balance.

The forecast is updated with the transfer in from the 301 fund and assumes the slow phased re-opening approach and does not assume another Stay at Home order is put in place. The financial forecast provided is very similar to what was previously shown to Council at the Macro Budget

Workshop. Given the assumptions and no additional course corrections the General Fund’s expenditures will exceed anticipated revenues in all future years and the City will not meet its reserve target by 2022. The ending fund balance will continue to decrease until 2024 when it is completely depleted.



This chart illustrates the General Fund ending fund balance (blue dotted line) and its impact on the target reserves (either green or red bars) of 4 months. Given this scenario, by 2022, we will not meet our reserve target.

While the proposed amendment does not drastically alter the future forecast, the additional revenue helps support the fund and stretch out the use of reserves a little farther. Although the forecast shows target reserves will not be met in 2022, it is much closer than the forecast presented at the Macro Budget Workshop. The purpose of the forecast is to bring attention to what needs to be corrected in future years to keep the fund balanced and on target.

Revenue

001 001.397.76.00.000

| |
|---|
| Transfers & Reimbursements |
| \$1,400,000 |
| \$1,400,000 |

Transfer In - 301 Fund

Expenditures

FUND #

To Acct #

001 001.000.09.522.20.41.030

Subtotal General Fund (001)

| |
|-------------------------------|
| 2020 TOTAL Request |
| \$230,000 |
| \$230,000 |

Description

Fire Services PSRFA (Contract Increase)

301 301.000.04.518.30.41.000

301.000.04.597.76.00.000

Subtotal Municipal CIP Fund (301)

| |
|--------------------|
| \$76,328 |
| \$1,400,000 |
| \$1,476,328 |

Professional Services (Contract Increase - ARC Architects)

Transfer Out - 301 Fund

Grand Total - ALL FUNDS

| |
|--------------------|
| \$1,706,328 |
|--------------------|

CITY OF SEATAC, WASHINGTON
2019-2020 BIENNIAL BUDGET: EXHIBIT B

8/11/2020

| 2019-2020 BIENNIAL BUDGET (EXPENDITURES + ENDING BALANCES) = \$ 248,670,642 | | | | | |
|--|--------------------------------|--|---|--|---|
| FUND | | BEGINNING BALANCE 2019-2020 | REVENUES & OTHER SOURCES 2019-2020 | EXPENDITURE APPROPRIATION 2019-2020 | ENDING BALANCE 2019-2020 |
| 001 | General Fund | \$ 29,090,983 | \$ 84,772,096 | \$ 81,522,520 | \$ 32,340,559 |
| 102 | Street Fund | 15,681,557 | 21,647,044 | 25,386,256 | \$ 11,942,345 |
| 105 | Port ILA | 1,609,124 | 2,940,579 | 3,125,920 | \$ 1,423,783 |
| 106 | Transit Planning | 367,000 | 1,158,990 | 1,157,304 | \$ 368,686 |
| 107 | Hotel/Motel Tax | 8,359,594 | 3,716,226 | 3,089,992 | \$ 8,985,828 |
| 108 | Building Management | 3,453,957 | 1,610,560 | 2,148,874 | \$ 2,915,643 |
| 110 | Facility Repair & Replacement | - | - | - | \$ - |
| 111 | Des Moines Creek Basin ILA | 2,487,282 | 700,000 | 374,866 | \$ 2,812,416 |
| 206 | 2009 LTGO Bond Fund | 16,203 | 23 | 16,226 | \$ (0) |
| 207 | SCORE Bond Servicing | 266,456 | 415,463 | 405,197 | \$ 276,722 |
| 301 | Municipal Capital Improvements | 7,257,432 | 3,432,400 | 8,586,142 | \$ 2,103,690 |
| 306 | Facility Construction CIP | 1,767,848 | 20,000 | 25,000 | \$ 1,762,848 |
| 307 | Transportation CIP | 15,658,987 | 19,074,185 | 29,375,609 | \$ 5,357,563 |
| 308 | Light Rail Station Areas CIP | 1,907,243 | 3,004,282 | 2,995,625 | \$ 1,915,900 |
| 403 | SWM Utility | 4,299,891 | 9,824,182 | 11,325,436 | \$ 2,798,637 |
| 404 | Solid Waste & Environmental | 427,982 | 813,240 | 573,755 | \$ 667,467 |
| 501 | Equipment Rental | 1,094,797 | 1,795,034 | 2,718,034 | \$ 171,797 |
| TOTAL BIENNIAL BUDGET | | \$ 93,746,338 | \$ 154,924,304 | \$ 172,826,757 | \$ 75,843,884 |