

City of SeaTac

2011 Budget Workshop 1

Minutes Synopsis

September 24, 2010
9:00 AM

City Hall
Council Chambers

COUNCIL PRESENT: Mayor Terry Anderson, Councilmembers (CMs) Rick Forschler, Anthony (Tony) Anderson (*left at 3:09 p.m.*), Ralph Shape, and Pam Fernald. Excused Absence: Deputy Mayor (DM) Gene Fisher, and CM Mia Gregerson.

STAFF PRESENT: Interim City Manager (ICM) Todd Cutts, City Clerk Kristina Gregg, Finance Director Mike McCarty, Interim Assistant City Manager (IACM) Jeff Robinson, Human Resources (HR) Director Anh Hoang, Police Chief Jim Graddon, Police Administrative Captain Annette Louie, Acting Fire Chief Brian Wiwel, Municipal Court Judge Elizabeth Cordi-Bejarano, Municipal Court Administrator Mary Pederson, Facilities Director Pat Patterson, Parks & Recreation (P&R) Director Kit Ledbetter, Public Works (PW) Director Tom Gut, and Systems Administrator Bart Perman.

ICM Cutts briefed on the 2010 year end (YE) and 2011 budget estimates. Staff has worked diligently to balance the budget. In July, staff presented to the Administration & Finance (A&F) Committee a projected budget deficit of \$243,000 for 2010 and \$1.4 million for 2011. At that time staff requested consensus to use Port of Seattle (POS) Construction Sales Tax to cover a portion of the estimated deficit. Departments were also asked to propose 5% cuts. Since then, the budget deficit ballooned to \$2.5 million. Unfortunately, personnel cuts may be necessary to cover the remaining deficit, which will cause impacts to some services too.

BUDGET PREPARATION NOTEBOOK OVERVIEW

Finance Director McCarty reviewed the budget notebooks.

The following three items were discussed together:

2010 BUDGET STATUS

2011 BUDGET PROCESS AND ASSUMPTIONS

2011 GENERAL FUND (GF) PROJECTION SUMMARY

Finance Director McCarty reviewed the budget development process that began in July 2010. Budget Workshops are scheduled as follows: #2 - Saturday, September 25; #3 - Friday, October 8; #4 - Saturday, October 9, and #5 - tentatively scheduled for Saturday, October 23. An additional budget workshop may be needed after the November 2 election. A public hearing (PH) and Council action on the 2011 Budget are scheduled for the November 23, 2010 Regular Council Meeting (RCM).

Mr. McCarty stated that the estimated 2011 GF operating expenditures exceed estimated revenues by approximately \$2.5 million, partially due to the following:

- total 2011 GF expenditures, prior to 5% reductions, are estimated to increase 5.5% over 2010,
- medical premiums are expected to increase 12%,
- 5% increase to Police contract with King County (KC) anticipated, almost a \$450,000 increase over 2010 contract cost, mainly due to labor contract increases,
- while overall GF expenditures for 2011 are increasing 5.5% from 2010, property tax revenue, which accounts for approximately 39% of GF revenue, continues to be limited to only a 1% increase over the previous year's levy amount, and sales tax revenue, which accounts for approximately 32% of GF revenue, is expected to continue to remain low in comparison to previous years.

He reviewed the 2011 salaries and benefit assumptions: (1) American Federation of State, County and Municipal Employees (AFSCME) 2% cost of living adjustment (COLA) - \$102,640; (2) non-represented employees 2% COLA - \$101,607; (3) International Association of Fire Fighters (IAFF) tentative contract settlement reached on September 22, 2010. Council will hear the details of the settlement in the near future; and (4) Medical insurance - 12% increase.

The Property Tax Levy will be presented to Council at the November 23, 2010 RCM.

Mr. McCarty stated that sales tax revenue was 17.7% lower in 2009 than 2008. 2010 sales tax revenue for the first six months is 3.6% higher than the same period in 2009. The 2011 budget includes a modest 4.5% increase over 2010. Collections related to POS capital improvements are deposited to the Municipal Capital Improvement Fund to fund capital expenditures. The City anticipates receiving approximately \$1.9 million construction-related sales tax for the new rental car facility being constructed by the POS over the next three years.

2010 BUDGET STATUS / 2011 BUDGET PROCESS AND ASSUMPTIONS / 2011 GF PROJECTION SUMMARY (Continued):

ICM Cutts explained that there are other tax sources the City is not currently collecting, such as the Business & Occupation (B&O) Tax or Transportation Benefit District (TBD). Staff is prepared to discuss the options, but it is not in consideration for the 2011 budget.

Mr. McCarty concluded that the timing and strength of sales tax revenue recovery continues to dictate the City's ability to fund GF operations. A balanced GF budget for 2011 requires some combination of revenue increases and expenditure decreases that total \$2.5 million. Staff worked diligently to prepare a 2011 GF budget that reduces operating costs to get through this tough period without severely impacting service levels to the public.

Mr. McCarty reviewed the 2010 GF YE projection and 2011 budget estimate as follows:

	Projected 2010 YE Estimate	2011 Department Estimates
Revenues	27,011,467	27,511,519
Expenditures	28,452,478	30,029,027
YE Estimated Deficit	(1,441,011)	(2,517,508)
Beginning Fund Balance	8,036,276	7,515,265
Estimated YE Fund Balance	6,595,265	4,997,757
Projected Fund Balance Target	7,113,120	7,507,257
Projected Over (Under) Fund Balance Target	(517,855)	(2,509,500)
Add: 2010 Construction Sales tax	920,000	
Projected Over (Under) Fund Balance Target after addition of construction sales tax	402,146	
Add: Contingency Reserve Fund transfer for one-time Decision Cards		155,905
Add: 2011 Construction Sales Tax		920,000
Subtotal after transfers from other funds		(1,433,595)
Subtract: One-Time Expenditure Decision Cards Fund transfer		(155,905)
Subtract: Ongoing and Radio Controlled (RC) Car Track Decision Cards funded from GF		(37,137)
Total Funded Decision Cards		(193,042)
Subtotal after funded Decision Cards		(1,626,637)
Non Personnel-related reductions		343,780
Personnel-related reductions necessary to balance 2011 GF budget		(1,282,857)

Upon a question posed by CM Shape, Mr. Cutts explained that an internal exercise was done to have departments propose 5% cuts across the board with the least amount of impacts. 90% of the recommended cuts were included in the proposed budget, totaling \$1.4 million.

RECESSED: The City Council recessed to a private meeting not subject to the Open Public Meetings Act (OPMA) per Revised Code of Washington (RCW) 42.30.140(4)(a).

RECONVENED: The Budget Workshop reconvened at 1:21 p.m.

2011 – 2016 CITYWIDE CAPITAL IMPROVEMENT PROGRAM (CIP)

ICM Cutts explained that the goal is to pass the CIP as part of the 2011 budget or shortly thereafter.

Finance Director McCarty stated that there are five main categories of expenditures in the CIP: (1) City Manager, (2) Facilities, (3) P&R, (4) PW, and (5) Capital Equipment.

City Manager's Office

IACM Robinson reviewed the City Manager's Office requests:

1. SeaTac Center Tenant Improvements - \$320,000 in 2011 (funds from lease revenues).
2. South 154th Street Station Area Property Acquisitions - \$500,000 in 2011, \$250,000 in 2012, and 250,000 in 2013.
3. Riverton Heights Property Development - \$100,000 in 2011.

2011 – 2016 CITYWIDE CIP (Continued):

City Manager's Office (Continued):

4. International Marketplace Store Front Retail Space - \$1,626,075 in 2014.
5. Community Access Point (CAP) Property Acquisition – placeholder. Mr. Cutts questioned whether Council wanted the purchase to be left in the CIP. Council consensus was to leave the purchase in the CIP.
6. CAP Construction – placeholder.

Facilities

Facilities Director Patterson reviewed the Facilities Department requests:

1. Fire Station 45 Replacement (on hold, but will need funds to make improvements at some time) - \$3,457,500 total costs. Mr. Cutts explained that in 2011 the funding source is a General Obligation (GO) Bond.
2. City Hall Heat Pump Replacement – 2011 - \$25,879, 2012 - \$26,654, 2013 - \$27,458, 2014 - \$28,266, 2015 - \$29,104, and 2016 - \$32,785.
3. SeaTac Community Center (STCC) Roof Replacement - \$168,260 in 2011.
4. City Hall Lighting Upgrade - \$194,089 in 2011 with energy savings of \$9,000+ each year after that.
5. Maintenance Facility Fueling Station - \$27,463 in 2012.
6. City Hall Direct Digital Control of HVAC System - \$111,236 in 2011 with energy savings of \$10,000+ each year (may start in 2010).
7. STCC Direct Digital Control of HVAC System - \$37,832 in 2011 with energy savings of \$4,400+ each year.
8. City Hall Carpet Replacement - \$197,343 in 2013.
9. City Hall Elevator Hydraulic Control Upgrade - \$64,161 in 2015.

Parks & Recreation (P&R)

P&R Director Ledbetter and IACM Robinson discussed the following CIP requests, stating that they are listed in order of department priority:

1. Phase II Angle Lake Park - \$1.9 million in 2013.
2. Fourth Sports Field, including restroom and concession building at Valley Ridge Park (VRP) - \$1.8 million in 2015-2016 (may not need if Tennis Outreach Program [TOPs] is developed).
3. Skate Park at STCC - \$280,000 in 2011 (only if receive block grant funds).
4. Playground Equipment Replacement at VRP - \$72,000 in 2011.
5. Playground Equipment Replacement at Angle Lake Park - \$43,000 in 2011.
6. South 154th Street Station Area Plaza Connector - \$413,000 in 2014.
7. Tennis Court Renovation at Sunset Park - \$120,000 in 2015.
8. Synthetic Turf Field Replacement at VRP - \$1.2 million (year to be determined).
9. Gathering Place Plaza at SeaTac/Airport Station - \$2 million in 2014 (staff recommend omitting from CIP) Mr. Robinson questioned whether Council wanted to remove the funding and use the item as a placeholder in the CIP. Council consensus was to leave it as a placeholder.
10. Ornamental Fence Replacement at Angle Lake Park - \$34,000 in 2016.

Public Works (PW)

PW Director Gut discussed the following CIP requests:

1. South 154th Street (24th – 32nd Avenues South) - \$6.4 million in 2011-2012.
2. Pedestrian Program (South 138th Street Sidewalk – 24th Avenue South – Military Road South) - \$1.5 million in 2010-2011.
3. Pedestrian Program (Location to be determined) - \$1.6 million in 2011-2012.
4. Des Moines Memorial Drive (DMMD) and South 200th Street Intersection - \$1.3 million in 2012.
5. Transportation Plan Update - \$1 million in 2011-2012.
6. Pedestrian Program (Location to be determined) - \$1.6 million in 2012-2013.
7. Military Road South (South 176th to 166th Streets) - \$7.4 million (year to be determined). Mr. Gut suggested the funding be left out at this time. If a grant is awarded to SeaTac, it will be added back in.
8. Military Road South (South 152nd - 166th Streets) - \$2.1 million in 2012-2013.
9. Pedestrian Program (Location to be determined) - \$1.6 million in 2013-2014.
10. South 152nd Street Right Lane - \$1.1 million in 2014.
11. South 152nd Street (30th Avenue South - Military Road South) - \$5.4 million in 2015-2016.
12. South 154th Street Transit Station Area Improvements - \$7.5 million in 2014-2015.
13. 34th Avenue South Improvements (South 160th and 176th Streets) - \$7.1 million (year to be determined).
14. Pedestrian Program (Location to be determined) - \$1.6 million in 2014-2015.

2011 – 2016 CITYWIDE CIP (Continued):

PW (Continued):

15. Pedestrian Program (Location to be determined) - \$1.6 million in 2015-2016.
16. Pedestrian Program (Location to be determined) - \$1.6 million in 2016-2017.
17. International Boulevard (IB) at SR 518 - \$1.5 million in 2015-2016.

CMA. Anderson left at this point in the meeting.

Capital Equipment

Equipment Rental Fund Vehicles/Equipment Replacement

PW Director Gut stated that the Equipment Rental Fund was established to maintain, repair and replace City vehicles and auxiliary equipment, other than for Fire and Police Departments equipment. For the second year, the rental fund is continuing to charge the department budgets for the rental rates, but then is making a rebate back to the department funds so the net is zero. Sedan A12 is being proposed to be surplusd one year early, and replace it with an existing pool car and then replace the pool car with a Nissan Leaf Electric Vehicle. Staff is working to get a charging station installed at City Hall.

Council discussion ensued regarding the purchase of an electric vehicle which costs approximately \$30,000. Mr. Gut stated that staff would not pursue the vehicle without the charging station. He stated his recommendation that Council approve the purchase in the 2011 budget and then assess the situation early in the year. The vehicle would be used for driving to local meetings.

He reviewed the vehicles and equipment schedule for replacement in 2011 – 2016.

Mr. Gut stated that different vehicle manufacturers have different shades of blue making it harder to match and increasing delivery time. He suggested new vehicles be purchased in white instead of blue. Council concurred.

Information Systems Equipment Replacement

Systems Administrator Perman reviewed the fund with some equipment on a regular replacement schedule, and other items reaching end of service life:

1. Computers and Monitors – 4 year life cycle for computer and monitors until they break, \$45,000 a year.
2. Network Routers - \$24,000 in 2013.
3. Remote Site Network Switches - \$53,000 in 2011.
4. Permit Plan Software - \$250,000 in 2011.
5. City Hall Data Center Battery Backup - \$45,000 in 2012.
6. City Hall Core Network Switch Replacement - \$18,000 in 2011.
7. City Virtual Server Hosts - \$7,000 in 2011 and \$14,000 in 2015.
8. Storage Area Network - \$30,000 in 2011 and 2015.
9. Data Backup and Recovery System - \$20,000 in 2011.

Fire Capital Reserve Fund Vehicles/Equipment Replacement

Acting Fire Chief Wiwel stated that this fund deals with the replacement of fire vehicles, tools and other equipment according to an established schedule based on expected life. He reviewed the proposed replacement vehicles and equipment for 2011 – 2016.

City Clerk's Office Equipment Replacement

City Clerk Gregg reviewed the CIP request for replacement of audio/visual equipment in the Council Chambers, Court Room, Executive Conference Room, and Lobby - \$75,000 in 2012.

Budget Workshop 2 will be held Saturday, September 25, 2010, 9 a.m. - 4 p.m.

Council 2011 Budget Workshop 1 was closed at 4:27 p.m.