

# City of SeaTac

## Council Macro Budget Workshop

### Minutes Synopsis

June 23, 2014  
4:30 PM

City Hall  
Council Chambers

**CALL TO ORDER:** Mayor Mia Gregerson called the SeaTac City Council Workshop to order at 4:30 p.m.

**COUNCIL PRESENT:** Mayor Mia Gregerson, Deputy Mayor (DM) Tony Anderson (arrived at 4:37 PM), Councilmembers (CMs) Barry Ladenburg, Kathryn Campbell, Terry Anderson, Dave Bush, and Pam Fernald.

**STAFF PRESENT:** City Manager Todd Cutts, City Attorney Mary Mirante Bartolo, Deputy City Clerk Zenetta Young, Finance & Systems Director Aaron Antin, Assistant City Manager (ACM) Gwen Voelpel, Community and Economic Development (CED) Director Joe Scorcio.

#### ●Macro Budget Presentation and Discussion

Finance Director Antin reviewed the 2013 budget performance. There was a general fund revenue short fall of \$1.4 million due to construction tax and sales tax both being down. This was partially offset by General Fund expenditure savings of approximately \$500,000, resulting in an impact of -\$900,000 to the ending GF balance. All other funds were also discussed in summary form and total 2014 ending balances reviewed by fund.

*DM A. Anderson arrived at this point in the meeting.*

He stated that Council will be asked to review their definition of a balanced budget. The two options discussed were (1) GF Revenues = GF Expenditures, or (2) the current definition that City Council uses, which is to target a minimum GF budgeted ending balance = 3 months operating reserve. Council agreed to option 2 unanimously.

Mr. Antin reviewed the GF revenue structure, with a 2014 Budget of \$30.6 million, noting that 76% of GF revenue comes from two primary sources 1) property taxes and 2) sales taxes. The State limitations of property tax were reviewed and noted, as well as the limited growth in sales taxes from a slowly growing economy.

Mr. Antin reviewed the main drivers of the GF expense budget, which is the City's two public safety contracts for police and fire services. A 2011 thru 2014 historical summary of these two major service cost areas was shown as well as the percentage increase by year.

Mr. Antin then reviewed the assumptions used in the development of the 2014-2018 GF financial forecast which forecasted a cumulative deficit of \$5.2 million thru 2016. The projection was reviewed and a brief discussion occurred regarding what impact an increase in assessed valuation may have on the revenue projections that were included and how likely that might be to occur.

In looking forward at other budget considerations not included in the forecast, Mr. Cutts expressed appreciation for the work of the Code Compliance Working Group. This group held three meetings, and recommended a code compliance program that would rotate throughout SeaTac neighborhoods, encouraging neighborhood pride, enforcement and compliance, and awards of recognition. They recommended using the existing code compliance coordinator, adding one new code enforcement officer and an administrative assistant. The cost of the proposal was estimated at an additional \$260,000. Council expressed interest in seeing a decision card prepared for this item in the upcoming budget process.

Discussion ensued regarding the Classification and Compensation Study. The last time the City performed a review of job descriptions and compensation was in 1993. The City is proposing to do a study in 2015, the estimated cost was between \$60,000 to \$70,000. Mayor Gregerson requested a working group to be created to discuss with a consultant the what if's regarding the results of a Classification and Compensation Study. Council agreed unanimously.

Mr. Antin reviewed potential approaches for expenditure reductions to close the funding gap. This included reducing service levels, strategic planning for reallocation of resources and the use of business analytics. He then discussed revenue options: (1) Increasing fees for services to shift the cost of providing services to those that are requesting the service in the first place rather than those not requesting the service paying to keep the fee for that service at the same level. Mr. Cutts stated added that many of the City's fees haven't been adjusted in years and are below market. That can be discussed at a future date.

A brief discussion occurred on (1) property tax revenues (1% increase) and utilizing any property tax levy banked capacity occurred, this was estimated to generate about \$123,000; (2) Utility Tax (6% tax rate is estimated to generate \$2.67 million per year based on 2011 estimate; and (3) Business and Occupation Tax rate of 0.2% .

Council discussion ensued regarding the revenue options.

Council discussion ensued regarding forming a working group to continue discussion on revenue and expenditure options to balance the budget. Council agreed unanimously to create a working group. Members were asked to send an email to the Mayor to indicate who would be willing to serve on this working group.

Council discussion ensued regarding general guidance for preparing the 2015-2016 budget:

- Continue using the current definition/practice for a “balanced” budget: the goal then is to create a budget with a target 2016 fund balance equal to three months operating reserve.
- Continue to levy at the State capped maximum property tax rate of \$3.10/1000 Assessed Valuation
- Continue using Construction Sales Tax dollars to pay for general fund services
- In regard to the funding gap, consider a combination of possible options including levying and implementing a Utility Tax, increasing fees where it makes sense and implementing targeted expenditure reductions. The Council working group could help explore these balancing actions further.

A budget timeline of future major budget calendar dates was shown.

**ADJOURNED:** Mayor Mia Gregerson adjourned the workshop at 6:15 p.m.