

Covington: Unmatched quality of life



CITY OF COVINGTON SPECIAL MEETING AGENDA CITY COUNCIL STUDY SESSION

Council Chambers – 16720 SE 271st Street, Suite 100, Covington

www.covingtonwa.gov

Tuesday, May 10, 2011 - 6:00 p.m.

****Please note meeting start time ****

GENERAL INFORMATION:

The study session is an informal meeting involving discussion between and among the City Council, Commission (if applicable) and city staff regarding policy issues. Study sessions may involve presentations, feedback, brainstorming, etc., regarding further work to be done by the staff on key policy matters.

CALL CITY COUNCIL STUDY SESSION TO ORDER

ROLL CALL

APPROVAL OF AGENDA

ITEM(S) FOR DISCUSSION

1. Discussion on Direction from 2011 Summit
 - a. 2011 – 2017 Early Budget Forecast Update (Hendrickson)
 - b. Public Engagement Process Update (Matheson/Hendrickson)

PUBLIC COMMENT *Persons addressing the Council shall state their name, address, and organization for the record. Speakers shall address comments to the City Council, not the audience or the staff. Public Comment shall be for the purpose of the Council receiving comment from the public and is not intended for conversation or debate. Public comments shall be limited to no more than four minutes per speaker. If additional time is needed a person may request that the Council place an item on a future agenda as time allows.*

ADJOURN

Any person requiring disability accommodation should contact the City of Covington at (253) 638-1110 a minimum of 24 hours in advance. For TDD relay service, please use the state's toll-free relay service (800) 833-6384 and ask the operator to dial (253) 638-1110.

***Note* A Regular Council meeting will immediately follow at approximately 7:00 pm**

Agenda Item 1a

Covington City Council Special Study Session

Date: May 10, 2011

SUBJECT: 2011-2017 EARLY BUDGET FORECAST

RECOMMENDED BY: Rob Hendrickson, Finance Director

ATTACHMENT(S):

1. 2011 and Beyond Forecast
2. REET Funds Estimated Available Balance
3. Major Revenue and Expenditure Assumptions
4. Revenue Options

PREPARED BY:

Rob Hendrickson, Finance Director

EXPLANATION:

This is a very preliminary look at the current budget and future revenue and expenditure forecast. Revenue and expenditure assumptions and revenue options accompany the forecast.

The forecast includes the General Fund, Street Fund, Development Services Fund, Parks and Recreation Fund, and the Surface Water Management Fund.

During the Council Summit, staff presented two one-time options to implement the Council's vision for the Town Center. The first option was contracting with Buxton to create a retail development strategy called Community ID. The cost for this proposal is \$35,000. The second option was a Town Center Economic Impact & Infrastructure Study at a cost of \$50,000.

With these two options on the table, Council generated a third option either to hire or contract for an economic development position. For a placeholder, an estimate of \$115,000 is attached to this for a full time employee. This option however, could take on different facets as either a full- or part-time or a contracted position which could temper that cost estimate.

Against the backdrop of economic development, the Management Team at their retreat identified just a few additional unmet needs. These items include (in random order) 1) operation and maintenance of Covington Community Park for \$100,000 per year, 2) technology upgrades and improvements which include a permit tracking system, a work order system, upgrade of the financial accounting software, GIS, and the phone system, 3) police staffing at \$160,000 per officer per year, 4) the street overlay program at \$150,000 per year, and 5) the public engagement process which could include financial analysis, scientific surveys, marketing materials, ballot costs, etc.

Staff promised to review first quarter revenues to determine if and how funding could be utilized for economic development. However, these competing interests are all important and deserve further discussion and analysis. Given the continued volatility of the economy and the

importance of prioritizing these needs, staff recommends deferring any decisions until the 2012 budget process. This would allow staff time to better analyze these unmet needs and provide a more thorough cost benefit analysis to Council. Council then would have a better understanding of these needs and would be able to put them in perspective through a holistic approach to the budget.

Discussion questions:

- 1) Does Council wish to modify staff's revenue and expenditure assumptions at this time?
- 2) Does Council wish to give any direction regarding enhancements and/or reductions to any revenues, services, and/or CIP projects at this time or wait until the 2012 budget process?

ALTERNATIVES:

N/A

FISCAL IMPACT:

None.

CITY COUNCIL ACTION: ____ Ordinance ____ Resolution ____ Motion ____ Other

NO ACTION NECESSARY AT THIS MEETING

REVIEWED BY: City Manager

CITY OF COVINGTON
GENERAL FUND LONG RANGE FORECAST
 2011-2017 Analysis in 000s
 BASE BUDGET

ATTACHMENT 1

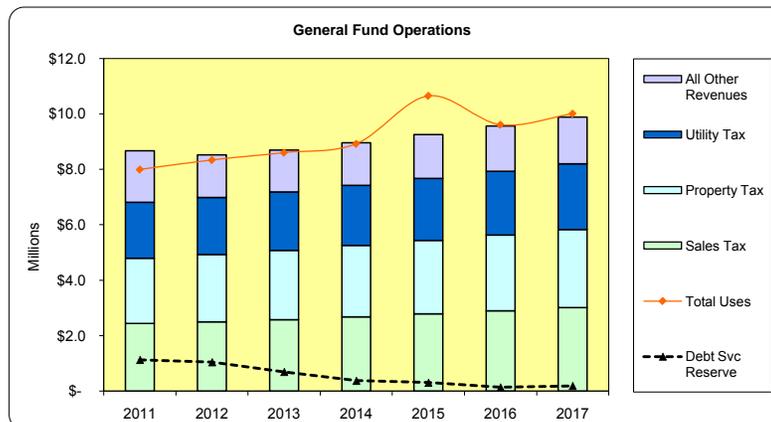
	2011	2012	2013	2014	2015	2016	2017
BEGINNING FUND BALANCE	\$ 2,352	\$ 2,681	\$ 2,865	\$ 3,030	\$ 3,169	\$ 1,885	\$ 1,952
REVENUES							
Sales Tax ¹	\$ 2,439	\$ 2,500	\$ 2,575	\$ 2,678	\$ 2,785	\$ 2,896	\$ 3,012
Property Tax	2,357	2,428	2,500	2,575	2,653	2,732	2,814
Utility Tax ²	2,016	2,056	2,108	2,171	2,236	2,303	2,372
Local Criminal Justice	346	342	340	341	341	341	341
Intergovernmental Revenue	318	322	328	334	340	346	352
Charges for Services	12	12	13	13	14	14	14
Fines & Forfeitures	123	129	136	143	150	157	165
Miscellaneous	40	42	43	44	45	47	48
Central Services Payment	392	412	432	454	476	500	525
Interfund Payment	278	276	290	305	320	336	353
BASE BUDGET REVENUES	8,321	8,519	8,764	9,057	9,359	9,673	9,997
EXPENDITURES							
Central Service Overhead	-	-	-	-	-	-	-
Salaries and Wages	1,342	1,355	1,382	1,410	1,438	1,467	1,496
Personnel Benefits	491	560	638	728	830	946	1,078
Supplies	60	52	53	54	56	58	59
Other Services and Charges	1,342	1,356	1,369	1,410	1,453	1,496	1,541
Intergovernmental	3,567	3,574	3,752	3,940	4,137	4,344	4,561
Capital Outlay	-	-	-	-	-	-	-
Debt Service	13	13	14	15	15	16	17
Debt Service: Interest	-	-	-	-	-	-	-
Interfund Payment for Services	19	20	21	22	23	24	25
Operating Transfers less debt svc transfer ³	455	474	493	512	533	554	576
Debt Svc Transfer	704	932	877	827	774	701	648
BASE BUDGET EXPENDITURES	7,992	8,335	8,599	8,918	9,258	9,605	10,002
Operating Surplus/Deficit by Year	\$ 329	\$ 184	\$ 166	\$ 139	\$ 101	\$ 67	\$ (6)
OTHER FINANCING USES							
Decision Cards	-	-	-	-	-	-	-
Budget Strategies	-	-	-	-	-	-	-
One-time Costco payout	-	-	-	-	1,386	-	-
TOTAL OTHER FINANCING USES	-	-	-	-	1,386	-	-
TOTAL USES	\$ 7,992	\$ 8,335	\$ 8,599	\$ 8,918	\$ 10,644	\$ 9,605	\$ 10,002
Sources over Uses	\$ 329	\$ 184	\$ 166	\$ 139	\$ (1,285)	\$ 67	\$ (6)
TOTAL ENDING FUND BALANCE	2,681	2,865	3,030	3,169	1,885	1,952	1,946
Cumulative net amount available for debt service.	\$ 1,831	\$ 1,974	\$ 1,572	\$ 1,202	\$ 1,081	\$ 839	\$ 839
Amount transferred to the debt service fund.	\$ 704	\$ 932	\$ 877	\$ 827	\$ 774	\$ 701	\$ 648
Remainder of debt service reserve.	\$ 1,127	\$ 1,042	\$ 695	\$ 375	\$ 307	\$ 138	\$ 191
COSTCO RESERVE	\$ 693	\$ 924	\$ 1,155	\$ 1,386	\$ -	\$ -	\$ -
UNRESERVED FUND BALANCE	\$ 861	\$ 898	\$ 1,180	\$ 1,408	\$ 1,577	\$ 1,814	\$ 1,756
TOTAL ENDING FUND BALANCE	\$ 2,681	\$ 2,865	\$ 3,030	\$ 3,169	\$ 1,885	\$ 1,952	\$ 1,946
10% fund balance target	\$ 680	\$ 690	\$ 719	\$ 754	\$ 791	\$ 831	\$ 874
Fund balance policy	Meets 10%	Meets 10%	Meets 10%				
Margin above/below the 10% threshold	\$ 181	\$ 209	\$ 461	\$ 654	\$ 786	\$ 983	\$ 882

Notes:

1) This worksheet makes no assumptions as to new programs and decision cards past 2011 other than ongoing costs.

Footnotes:

- ¹ Sales tax is allocated at 84% of forecasted revenues to the General Fund and 16% to the Parks Fund.
- ² This represents gross receipts for utility tax collections. Transfers are made to other funds.
- ³ Operating transfers go to Streets, Parks, SWM, and Long Term Debt.



CITY OF COVINGTON STREET FUND LONG RANGE FORECAST

2011-2017 Analysis in 000s
BASE BUDGET

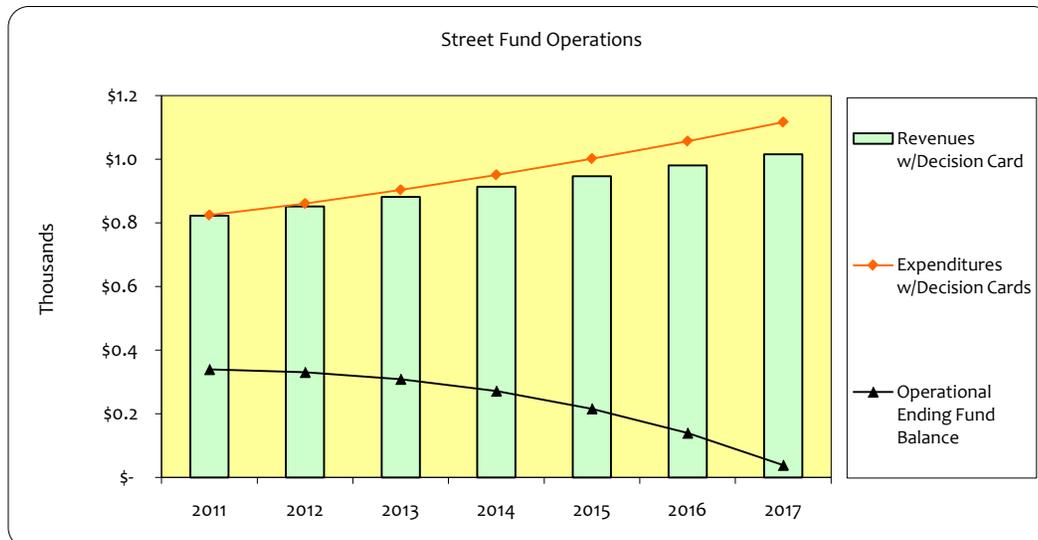
	2011	2012	2013	2014	2015	2016	2017
BEGINNING FUND BALANCE	592	339	330	309	271	216	139
REVENUES							
Street Fuel Tax	378	388	397	407	417	428	439
Licenses and Permits	199	209	219	230	242	254	267
Miscellaneous	1	1	1	1	1	1	1
BASE BUDGET SUBTOTAL	578	598	618	639	661	683	707
Transfers In	244	254	264	275	286	297	309
Revenue Decision Card	-	-	-	-	-	-	-
TOTAL REVENUES	822	852	882	914	946	980	1,016
EXPENDITURES							
Central Svcs Overhead	-	-	-	-	-	-	-
Salaries and Wages	262	264	270	275	280	286	292
Personnel Benefits	95	109	124	141	161	184	209
Supplies	48	48	49	50	52	53	55
Other Services and Charges	224	236	247	260	273	286	301
Intergovernmental	124	130	136	143	150	158	166
Capital Outlay	-	-	-	-	-	-	-
Debt Service: Principal	2	1	1	1	1	1	1
Interfund Payment for Services	70	73	77	80	85	89	93
BASE BUDGET SUBTOTAL	824	861	904	951	1,002	1,057	1,117
Decision Cards	-	-	-	-	-	-	-
Budget Strategies	-	-	-	-	-	-	-
TOTAL EXPENDITURES	824	861	904	951	1,002	1,057	1,117
Operating Surplus/Deficit by Year	(2)	(9)	(22)	(37)	(56)	(77)	(101)
ENDING FUND BALANCE	590	330	309	271	216	139	38
REET Payback ¹	251	-	-	-	-	-	-
TOTAL ENDING FUND BALANCE	339	330	309	271	216	139	38
10% fund balance target	\$ 75	\$ 79	\$ 83	\$ 87	\$ 92	\$ 97	\$ 102
Fund balance policy	Meets 10%	Meets 10%	Meets 10%	Meets 10%	Meets 10%	Meets 10%	Under 10%
Margin above/below the 10% threshold	\$ 264	\$ 252	\$ 226	\$ 184	\$ 124	\$ 43	\$ (64)

Notes:

1) This worksheet makes no assumptions as to new programs and decision cards past 2011 other than ongoing costs.

Footnotes:

¹ Funds borrowed from REET to maintain the Street Fund's positive cash flow are being repaid in 2011.



CITY OF COVINGTON

DEVELOPMENT SERVICES FUND LONG RANGE FORECAST

2011-2017 Analysis in 000s
BASE BUDGET

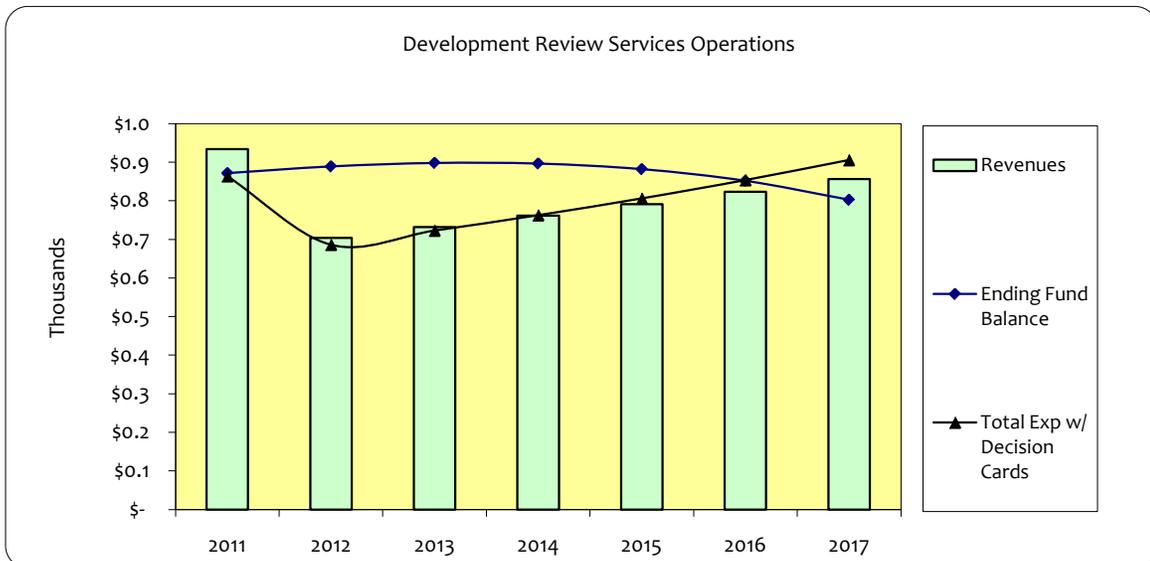
	2011	2012	2013	2014	2015	2016	2017
BEGINNING FUND BALANCE	801	872	889	898	897	882	852
REVENUES							
Licenses & Permits	\$ 403	\$ 419	\$ 436	\$ 454	\$ 472	\$ 491	\$ 510
Intergovernmental Revenues	2	2	2	2	2	3	3
Charges for Goods & Services	528	282	293	305	317	330	343
Miscellaneous Revenues	1	-	-	-	-	-	-
Operating Transfer In	-	-	-	-	-	-	-
TOTAL REVENUES¹	934	704	732	761	792	823	856
EXPENDITURES							
Central Svcs Overhead	-	-	-	-	-	-	-
Salaries and Wages	410	295	301	307	313	320	326
Personnel Benefits	147	124	141	161	183	209	238
Supplies	6	6	6	6	7	7	8
Other Services and Charges	114	81	85	89	94	98	103
Intergovernmental	49	51	54	57	59	62	66
Other Financing	-	-	-	-	-	-	-
Interfund Payment for Services	138	129	135	142	149	157	165
BASE EXPENDITURES	864	686	723	763	806	854	905
Budget Strategies	-	-	-	-	-	-	-
TOTAL EXPENDITURES	864	686	723	763	806	854	905
Operating Surplus/Deficit by Year	70	17	9	(2)	(15)	(30)	(49)
Operating Transfer	-	-	-	-	-	-	-
Ending Fund Balance	\$ 872	\$ 889	\$ 898	\$ 897	\$ 882	\$ 852	\$ 803
Fund balance target	\$ 140	\$ 106	\$ 110	\$ 114	\$ 119	\$ 123	\$ 128
Fund balance policy	Meets 10%						
Margin above/below the 10% threshold	\$ 732	\$ 784	\$ 788	\$ 782	\$ 763	\$ 728	\$ 674

Notes:

1) This worksheet makes no assumptions as to new programs and decision cards past 2011 other than ongoing costs.

Footnotes:

¹ Reflects all revenues related to Development Review.



CITY OF COVINGTON PARKS & RECREATION SERVICES FUND LONG RANGE FORECAST

2011-2017 Analysis in 000s

BASE BUDGET

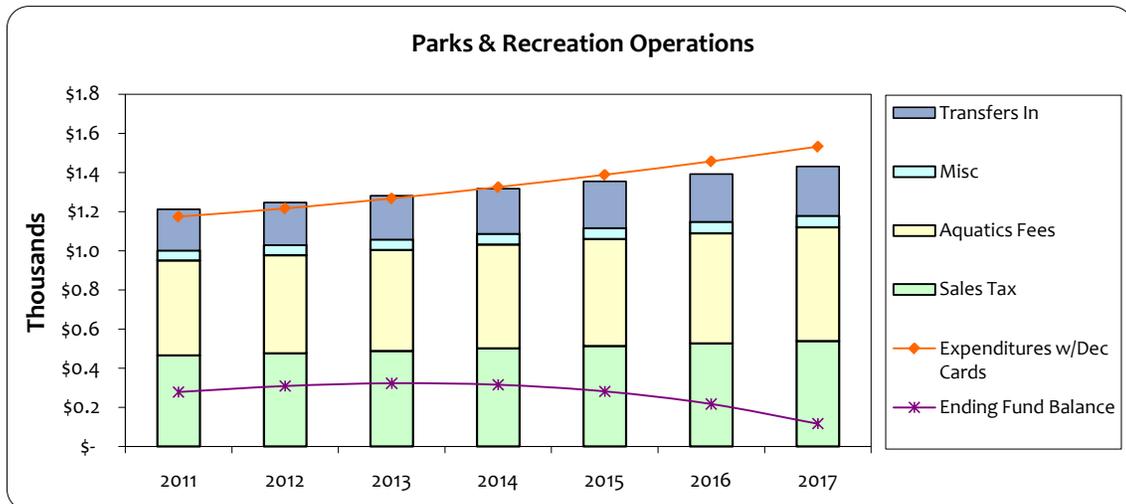
	2011	2012	2013	2014	2015	2016	2017
BEGINNING FUND BALANCE	240	278	308	323	315	281	217
REVENUES							
Sales Tax ¹	465	477	489	501	513	526	539
Charges for Goods and Services	486	501	516	531	547	564	581
Intergovernmental Revenues							
Aquatics Fees	-	-	-	-	-	-	-
Athletics & Recreation	-	-	-	-	-	-	-
Miscellaneous	50	51	53	55	56	58	60
Other Financing Sources	-	-	-	-	-	-	-
BASE BUDGET SUBTOTAL	<u>1,001</u>	<u>1,029</u>	<u>1,057</u>	<u>1,087</u>	<u>1,117</u>	<u>1,148</u>	<u>1,180</u>
Transfers In	211	217	224	231	238	245	252
TOTAL REVENUES	<u>1,212</u>	<u>1,246</u>	<u>1,281</u>	<u>1,317</u>	<u>1,354</u>	<u>1,392</u>	<u>1,432</u>
EXPENDITURES							
Central Svcs Overhead	-	-	-	-	-	-	-
Salaries and Wages	548	554	565	576	587	599	611
Personnel Benefits	168	192	219	249	284	324	369
Supplies	109	110	111	115	118	121	125
Other Services and Charges	192	198	204	210	216	223	229
Intergovernmental	9	9	9	9	9	9	9
Capital Outlay	-	-	-	-	-	-	-
Operating Transfer	29	29	29	29	29	29	29
Interfund Payment for Services	119	125	131	138	145	152	159
BASE BUDGET SUBTOTAL	<u>1,174</u>	<u>1,216</u>	<u>1,267</u>	<u>1,325</u>	<u>1,388</u>	<u>1,457</u>	<u>1,532</u>
Decision Cards	-	-	-	-	-	-	-
Budget Strategies	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,174</u>	<u>1,216</u>	<u>1,267</u>	<u>1,325</u>	<u>1,388</u>	<u>1,457</u>	<u>1,532</u>
Operating Surplus/Deficit by Year	38	30	14	(8)	(34)	(64)	(100)
ENDING FUND BALANCE	278	308	323	315	281	217	116
10% fund balance target	\$ 117	\$ 122	\$ 127	\$ 133	\$ 139	\$ 146	\$ 153
Fund balance policy	Meets 10%	Under 10%					
Margin above/below the 10% threshold	\$ 161	\$ 187	\$ 196	\$ 182	\$ 142	\$ 71	\$ (37)

Notes:

1) This worksheet makes no assumptions as to new programs and decision cards past 2011 other than ongoing costs.

Footnotes:

¹ Sales tax is allocated at 84% of forecasted revenues to the General Fund and 16% to the Parks Fund.



CITY OF COVINGTON

SURFACE WATER MANAGEMENT FUND LONG RANGE FORECAST

2011-2017 Analysis in 000s
BASE BUDGET

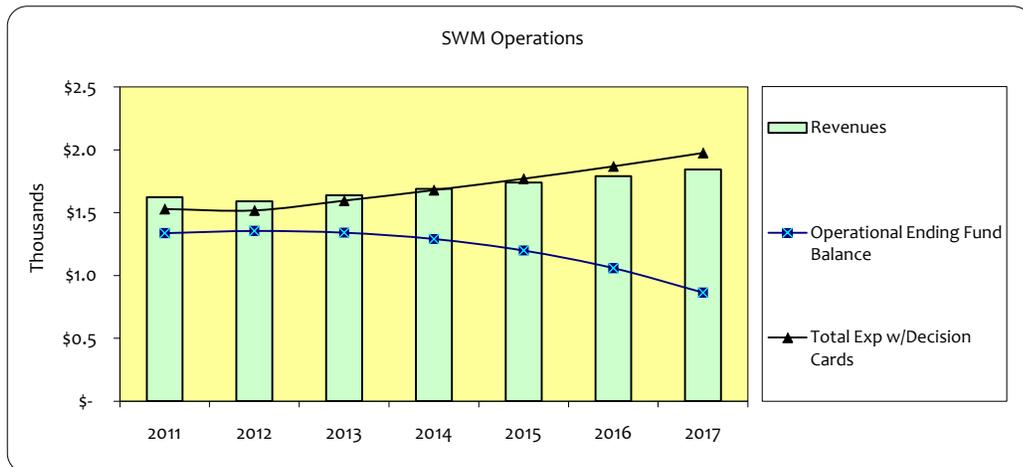
	2011	2012	2013	2014	2015	2016	2017
BEGINNING FUND BALANCE	\$ 1,297	\$ 1,337	\$ 1,354	\$ 1,341	\$ 1,290	\$ 1,198	\$ 1,059
REVENUES							
Customer Charges ¹	1,542	1,589	1,636	1,685	1,736	1,788	1,842
Intergovernmental Revenues	78	-	-	-	-	-	-
Grant Revenue							
Misc	2	2	2	3	3	3	3
TOTAL REVENUES	<u>1,623</u>	<u>1,591</u>	<u>1,639</u>	<u>1,688</u>	<u>1,738</u>	<u>1,791</u>	<u>1,844</u>
Transfers In	-	-	-	-	-	-	-
TOTAL SOURCES	<u>1,623</u>	<u>1,591</u>	<u>1,639</u>	<u>1,688</u>	<u>1,738</u>	<u>1,791</u>	<u>1,844</u>
EXPENDITURES							
Central Svcs Overhead	-	-	-	-	-	-	-
Salaries and Wages	512	517	528	538	549	560	571
Personnel Benefits	184	210	240	273	311	355	405
Supplies	35	37	39	41	43	45	47
Other Services and Charges	213	223	235	246	259	272	285
Intergovernmental	78	-	-	-	-	-	-
Capital Outlay							
Debt Service: Principal	-	4	4	4	4	4	4
Debt Service: Interest	35	31	31	31	31	31	31
Interfund Payment for Services	472	495	520	546	573	602	632
BASE BUDGET TOTAL	<u>1,529</u>	<u>1,518</u>	<u>1,596</u>	<u>1,679</u>	<u>1,770</u>	<u>1,868</u>	<u>1,975</u>
Decision Card	-	-	-	-	-	-	-
Budget Strategies	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,529</u>	<u>1,518</u>	<u>1,596</u>	<u>1,679</u>	<u>1,770</u>	<u>1,868</u>	<u>1,975</u>
Operating Surplus/Deficit by Year	94	73	43	8	(32)	(78)	(131)
TOTAL ENDING FUND BALANCE	1,390	1,410	1,397	1,349	1,259	1,121	928
Reserved Ending Fund Balance	-	-	-	-	-	-	-
Equipment Replacement Cost	-	-	-	-	-	-	-
Operating Transfers Out	54	55	57	58	60	62	64
OPERATIONAL ENDING FUND BALANCE	\$ 1,337	\$ 1,354	\$ 1,341	\$ 1,290	\$ 1,198	\$ 1,059	\$ 864
10% fund balance target	\$ 102	\$ 99	\$ 104	\$ 110	\$ 116	\$ 123	\$ 131
	Meets 10%	Meets 10%					
Margin above the 10% threshold	\$ 1,235	\$ 1,256	\$ 1,237	\$ 1,181	\$ 1,082	\$ 935	\$ 733

Notes:

1) This worksheet makes no assumptions as to new programs and decision cards past 2011 other than ongoing costs.

Footnotes:

¹ This reflects 3% increases after 2010.



City of Covington
Estimated REET Cash Flow, Debt Service, and General Fund Transfers
2011 - 2017

Estimated REET Funds Available Balance							
	2011	2012	2013	2014	2015	2016	2017
Current estimated balance (both REET 1 & 2)	5,542	1,963	4,980	1,055	1,851	1,085	1,000
Annual estimated revenue (both REET 1 & 2)	300,000	325,000	375,000	425,000	475,000	550,000	600,000
Subtotal	305,542	326,963	379,980	426,055	476,851	551,085	601,000
Less: Projected REET Funds for bond proceeds projects	-	-	-	-	-	-	-
Less: Other Currently Budgeted CIP Projects	-	-	-	-	-	-	-
Less: PWTF Debt Service Payment:	(229,939)	(228,864)	(227,790)	(226,715)	(225,641)	(224,566)	(223,492)
Less: 2007 Bond Debt Service:	(1,025,554)	(1,024,976)	(1,027,938)	(1,024,217)	(1,023,779)	(1,026,409)	(1,024,634)
Less: Downtown Park Development	-	-	-	-	-	-	-
Less: One-time transfer to Streets and SWM	-	-	-	-	-	-	-
Add: Transfer in from SWM/Street	251,000	-	-	-	-	-	-
Add: Transfers in from General Fund	700,914	931,857	876,803	826,728	773,654	700,890	648,126
Available REET balance at year end	1,963	4,980	1,055	1,851	1,085	1,000	1,000

Major Revenue Assumptions for the 2011- 2017 early budget forecast

General Fund

The General Fund relies on three major revenue sources to fund operations: Sales, property, and utility taxes. For 2011, they account for 82% of the revenue needed to fund the day to day operations of the City. Another 8% of revenue comes from other funds to support central services and to pay for services provided by the General Fund. The remaining 10% are derived from various minor sources of revenue.

- 1) Taxes –
 - a. Property – The 2011 property tax levy is \$2,357,000. This includes the banked capacity the council approved for 2011 collection. This increased the levy rate to \$1.36 per thousand assessed valuation. Construction is forecasted to continue to come in low. The one percent annual increase is forecasted to continue.
 - b. Sales
 - i. Sales tax is currently allocated 84% to the General Fund and 16% to Parks and Recreation.
 - ii. Revenues for 2010 came in almost even with 2009. The forecast for 2011 is currently \$2,904,000 which is 3.9% higher than 2010 actuals. For the quarter just ended, collections (cash basis) are on target at 25.5% of budget. There are several new businesses that will add to the tax base that were not included in the forecast – Airstream, Big Lots, and Firestone.
 - iii. For 2012 – sales tax is inflated at 2.5%, 2013 at 3%, and beginning in 2014 and beyond it is inflated at 4%.
 - c. Utility tax
 - i. This tax is 5.5% on electrical energy, natural gas, brokered natural gas, solid waste, cable television, cell phones and telephones. Without a vote, the maximum rate is 6% except for solid waste.
 - ii. Utility tax is transferred to the following funds: Parks and Streets. For 2011 and beyond, the \$150,000 transfer to CIP for Street Overlay is being suspended along with the \$370,000 for Parks CIP.
 - iii. For 2011, the forecast has been reduced by 2.2% from the 2010 budget. For 2012, it is forecasted to inflate at 2%, for 2013 at 2.5% and for 2014 and beyond at 3%.
 - d. Criminal justice sales tax – 2012 estimate of \$361,000 based on population and inflation. 2014 and beyond will see 4% potential increases. For the last of 2011 and then 2012 and beyond there will be a 3.4% reduction based on legislative action taken during this session.
- 2) Intergovernmental -
 - a. Liquor excise – Cities receive 28% of liquor excise tax receipts. These are distributed on a per capita basis that is forecasted by Municipal Research Services Corporation (MRSC). (See initiatives section)
 - b. Liquor profits – Cities receive 40% share of liquor board profits. These are distributed on a per capita basis that is forecasted by MRSC. (see initiatives section)
 - c. Both of these sources are inflated at the same rate as sales tax for illustration purposes. For the last of 2011 and then 2012 and beyond there will be a 3.4% reduction based on legislative action taken during this session.
- 3) Fines and Forfeitures – The City is entitled to money received in payment of fines, forfeitures, fees, costs and penalties associated with enforcement of local ordinances.
- 4) Interfund service payments/Central Services overhead – these fees are collected from other funds within the City for their percentage of General Fund services that they require. Overhead is paid by each fund except the General Fund based on the number of FTEs in that fund. Interfund services payments are made by Streets, the SWM fund, and a small portion

from Development Services for their proportional share of the assistance they receive from the City Manager, Finance, Legal, and Personnel. Parks does not pay since they are heavily subsidized by the General Fund.

Street Fund

- 5) Fuel Tax – This tax is distributed monthly on a per capita basis to cities and is forecasted by MRSC. Cities are required to spend 0.42 percent of their gas tax receipts on paths and trails, unless that amount is \$500 or less. It is inflated at 2.5% for 2012 and beyond.
- 6) Franchise Fees – Comcast falls under federal regulation. The City levies the maximum rate of five percent of gross revenues regardless of the cost of managing the franchise business. Other franchise fees that fall under state law are limited by statute to the actual administrative expenses incurred by the city. They are not revenue generators as they are in some states. The forecast is based on rate increases and population and is estimated to increase by 5% annually.

Development Services Fund

- 7) Licensing and Permitting - A fee of \$39 is collected for business licenses from those businesses that conduct activities within the City. The 2011 revenue estimate for this license fee is \$47,000. Building permit revenues are based on staff estimates and are estimated at \$355,766 for 2011. Additional one-time permit revenue (not budgeted) for 2011 is \$257,000. These fees are inflated at 4% beginning in 2012 although these revenues are based more on economic influences than CPI.
- 8) Land use/Inspection/Engineering Fees (Charges for Services) – These fees are collected for services related to the issuance of permits for both residential and commercial aspects of construction or capital improvements, and for services related to the review of plans for compliance with aspects of the various codes. Fees are generally collected at a level estimated to recover the cost of the service. The 2011 budget for these fees is estimated at \$271,000 with a 4% inflation factor built in for 2012 and beyond.

Parks and Recreation

- 9) Parks Fees
 - a. Aquatics – a number of different fees are collected for the Aquatics Center. These include: pool rental, admissions, registrations, merchandise sales, concessions, and locker rental. Staff forecasts these revenues. These fees are inflated at 3%. In August 2010, a new fee structure went into effect. For 2011, fees are estimated at \$486,000 and are inflated at 3% for 2012 and beyond.

Surface Water Management

- 10) SWM Drainage Fees – for 2012 and beyond they are forecast to increase by 3% annually. An audit has been conducted by public works. This audit has produced additional revenue. A recent court ruling determined that BPA and the USPS need to pay drainage fees. Current billings for both are \$125,500 however that revenue has not been budgeted. Negotiations for the Kent School District are ongoing and are not budgeted.

Capital Investment Program

- 11) REET – budgeted for \$300,000 in 2011. On a cash basis, REET collections are at 56% of budget at the end of the first quarter. REET is used 100% to pay for debt service related to capital projects.

- 12) Impact Fees - Payment imposed on a developer, as a condition of approval, to fund the developers' proportional share of the cost of providing new public improvements. Impact fees have dwindled over the past several years.

Other One-time revenues

- 13) Grants – grants are generally one-time funds. Some programs are on-going but application must be made annually. They are restricted funds and pay for specific projects or programs.

All Funds

- 14) Investment interest earnings – The majority of the City's portfolio is invested with the Local Government Investment Pool (LGIP) at the State Treasurer's Office. However, a portion is invested in agency bonds. The current rate for the LGIP is 0.15%. The agency bond is earning 1.14%. Interest earnings are distributed monthly to all funds based on cash balances.

Other factors used in forecasting

- 15) Population – the population figure used for the 2011 budget is 17,640 as determined by the Office of Financial Management for Washington State (April 2010). This figure is an integral part of the formula when determining distribution of State shared revenues on a per capital basis. The 2010 census figure of 17,575 was not used during the budget.
- 16) Inflation – for purposes of COLA and other budgetary increases, the City uses the June to June Seattle-Tacoma-Bremerton CPI-W index as reported by the Bureau of Labor Statistics. The CIP as reported is -0.1%. The Feb to Feb CPI-W for Seattle showed a 2.1% increase. For the 2012 budget, a positive CPI should be expected.

Major Expenditure Assumptions for the 2011- 2017 budget

- 1) All expenditures are based on 2011 service levels.
- 2) Police Contract – The City’s contract increased 7.8% (budget to budget) in 2011. The average annual increase has been 5% since incorporation. For 2011, the city will realize an additional reduction of \$95,000. For the forecast – an inflation factor of 6% was given to 2012 and then 5% for years past 2012.
- 3) COLA – The 2010 COLA was 0%. The actual CPI-W ending June 30, 2010 was negative. Any resulting CPI increase at the end of June 30, 2010 will be adjusted to account for the previous negative CPI. The reported CPI is -0.1%. The most recent CPI data for February showed a 2.1% increase. With a 0.8% reduction from the previous two years the City could still see positive CPI for the 2012 budget.
- 4) Salaries are inflated at 1% for 2012 and 2% thereafter.
- 5) Benefits
 - a. Benefits are inflated at 14%. This takes into account a 10% premium increase plus a 4% (maximum) additional increase due to the impact of the new health care law.
 - b. A new benefits plan went into effect on Jan 1 providing an estimated net savings of \$29,000 across all funds.
- 6) Supplies are inflated at 5%.
- 7) Other Services and Charges are inflated at 5%.
- 8) Intergovernmental costs are inflated at 5%.
- 9) Interfund service payments costs are inflated at 5%.
- 10) Ending fund balance for Development Services is 10% for 2010 and 15% for 2011 and beyond.
- 11) District Court – in 2010 the City paid an additional \$52,000 as part of the annual reconciliation. There is an expectation in 2011 that another large reconciliation amount will be due.
- 12) Jail Costs
 - a. The City will enter into a new agreement with King County which will cost the City \$13,000 in 2011.
 - b. The City entered into an agreement with the City of Buckley in 2010.
- 13) Animal Control
 - a. Based on direction from the City Council, the City entered into a 2.5 year contract for animal control with King County. The contract cost is \$152,459.
- 14) Levels of service
 - a. General Fund – 23.1 fte.
 - b. Street - 3.4 fte
 - c. Development Svcs – 3.2 fte
 - d. Parks – 10.27 fte
 - e. SWM – 6.7 fte
- 15) Debt Service – A transfer from the General Fund and REET continue to pay the debt service which will be \$1.0 million for the transportation bonds and \$230,000 for the Public Works Trust Fund loan in 2011.
- 16) Street operating transfer – transfer the short term cash flow fix back to REET in 2011.
- 17) Development Services has added additional staff resources and professional services for 2011 totaling \$202,062. These costs are one-time only and do not extend past 2011. They are offset by the additional permit revenue noted in the Development Services Fund revenue discussion.
- 18) The General Fund has realized one-time salary and benefit savings in the amount of \$44,706 for 2011 only.
- 19) As the Street Fund continues to decline the General Fund will be tapped to support it in future years unless additional funding sources are found.
- 20) Fuel costs – Difficult to forecast given the nature of oil prices which are subject to market fluctuations, speculators, OPEC, war, and other variables.

**City of Covington
Revenue Options**

Description	Current	Projected
Utility tax 0.5%	\$ 2,016,000	\$ 168,000
Extend 5.5% utility tax to water and sewer via interlocal agreements		Variable
Levy lid lift	-	Variable
B&O Tax	-	Variable
Business licenses/renewals - current fee is \$39	\$ 47,000	Variable
Transportation Benefit District (TBD) - \$20 VLF	-	180,000 - 280,000
Metropolitan Parks District (MPD)	-	Variable
Lodging Tax	N/A	N/A
Gambling tax CMC 3.20	-	-\$0-
Leasehold excise tax - the City does not currently collect leasehold excise tax	-	Unknown
Admission tax CMC 3.50	-	Variable
Capital reserve		\$ 140,000
This is one-time money in the CIP:		
\$65,000 for Street CIP		
\$45,000 for Economic Development		
\$30,000 for the Maintenance Facility		
SWM rate increases	\$ 1,542,000	Variable
REET - available in CIP (one-time)		\$ 40,000

Agenda Item 1b

Covington City Council Special Study Session

Date: May 10, 2011

SUBJECT: PUBLIC ENGAGEMENT PROCESS UPDATE

RECOMMENDED BY: Derek Matheson, City Manager
Rob Hendrickson, Finance Director

ATTACHMENT(S):

PREPARED BY: Derek Matheson, City Manager
Rob Hendrickson, Finance Director

EXPLANATION:

The City Council reached agreement at its January 29, 2011, strategic planning summit to establish a public engagement process to consider the programs and projects needed to achieve the Council's vision, identify the resources needed to implement those programs and projects, and recommend options for funding them. The Council directed "staff to take this direction, develop a proposed approach, and present it to the Council in the not-too-distant-future."¹

The Management Team discussed the public engagement process at its March 1, 2011, retreat. The team proposed some desired outcomes that can be summarized as follows:

- A community that is educated and engaged regarding mandated services, discretionary services, and the crucial role of the town center
- A clear sense of the community's priorities – both operating and capital – for existing revenue
- A clear sense of the community's priorities – both operating and capital – for new revenue as well as a clear sense of the community's willingness to provide new revenue for those priorities

The Management Team further proposed some criteria to guide process development.

Noteworthy criteria include:

- Involve the community through a steering committee, community meetings, surveys, social media, and maybe focus groups.
 - Include advocates and skeptics
- Let the community lead the process and produce results independent of Council and/or staff desires
- Stay focused on the future, not the past or present
 - Start with the Council's vision, mission, and goals

¹ City of Covington City Council Annual Strategic Planning Summit Final Summary, approved March 8, 2011

- Ensure transparency
 - Keep the community informed through the website, newspaper, newsletter, Facebook, etc.
 - Use common language, not government jargon
- Use limited staff time efficiently
 - Focus on activities with a high return on investment
- Invest the financial resources necessary to make the process successful

The finance director has spent several hours with Shoreline’s finance director to understand better that city’s successful process. A work group consisting of the finance director (lead), city manager, community development director, parks & recreation director, and public works director has begun work on a draft charter for a steering committee and draft scope of work for the overall process (tasks, a timeline, and a budget). Staff will present the draft charter and scope to Council this summer. A steering committee could be in place this fall.

Staff welcomes Council input on the proposed outcomes, criteria, and next steps.

ALTERNATIVES:

FISCAL IMPACT: Staff time.

CITY COUNCIL ACTION: ___Ordinance ___Resolution ___Motion ___Other

NO ACTION NECESSARY – DISCUSSION ITEM ONLY

REVIEWED BY: Management Team