

October 17, 2016

CITY COUNCIL PROPOSED BUDGET OVERVIEW

SUBJECT

Introduction of the Preliminary 2017-2018 Operating Budget and the 2017-2023 Capital Investment Program (CIP) Plan.

STAFF CONTACTS

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POLICY ISSUES

RCW 35A.34 – Biennial Budgets:

State law specifies requirements that must be followed in budgeting each of the City's funds.

Key areas covered include:

- Preparation and filing of a preliminary budget by the Chief Administrative Officer, i.e., City Manager;
- A "budget message" from the Chief Administrative Officer explaining the content, financial policies and major proposed changes;
- A public hearing on the proposed preliminary budget conducted before adoption of a final budget, which shall be held on or before the first Monday in December;
- Balanced expenditure and revenue estimates for each of the City's funds;
- Council adoption of the budget prior to the beginning of the ensuing fiscal biennium, i.e., January 1, 2017.

The City's proposed 2017-2018 Operating Budget and 2017-2023 Capital Investment Program (CIP) Plan are consistent with Council's direction to continue high quality, efficient municipal services.

DIRECTION NEEDED FROM COUNCIL

ACTION



DIRECTION



INFORMATION ONLY



Council feedback on specific budget elements and/or requests for additional information that might be needed for deliberation are welcomed this evening and at future scheduled sessions to enable Budget adoption on December 5, 2016.

An overview of the City Manager's Preliminary Budget, including the 2017-2018 Operating and 2017-2023 Capital Investment Program (CIP) plan, will be presented this evening. This overview begins Council's deliberations on the Preliminary Budget.

BACKGROUND/ANALYSIS

The City Manager's Budget Transmittal letter is included in Attachment A.
The Executive Summary of the Preliminary Budget is included in Attachment B.

The preliminary 2017-2018 operating budget and 2017-2023 Capital Investment Program (CIP) plan builds upon the 2016 Mid-Biennium review by maintaining current service levels and addressing Council's priorities, adopted in April 2016. The preliminary operating budget provides a blueprint for the continuation of quality operations for 2017-2018; the City's CIP plan sets forth a strategy for ongoing progress in meeting the city's long-term infrastructure needs.

Some highlights from the 2017-2018 combined budget:

- Assumes tax rates at current levels, without any increase;
- Continues to fund the Council 2016-2017 priorities, including increased funding for economic development, smart cities, Eastside Rail Corridor and early implementation of the Grand Connection; and completes Phase I of Meydenbauer Park and Downtown Park Circle;
- Meets many of the city's infrastructure priorities. These include maintaining existing infrastructure, parks levy projects, transportation and mobility improvements, and neighborhood programs;
- Grows city reserves to help prepare for known future events;
- Adjusts Development Services rates to account for inflation, and increases Utility rates by 4% to address aging infrastructure and wholesale costs.

Council Calendar and Actions

This is the first of several briefings on the 2017-2018 operating budget and the 2017-2023 CIP plan. The tentative calendar for Council discussion and action is noted below:

Date	Agenda	Status
October 17	Study Session: Preliminary budget presentation	Tonight
October 24	Study Session: Holding for any immediate needed response/feedback to Council; if no immediate need, staff will return on November 7.	
November 7	Study Session: Deeper dive into CIP and operating budget; respond to areas of Council interest	
November 14	Study Session: Utilities and DS fee discussions	
November 21	Study Session: Respond to areas of Council interest Regular Session: Public Hearing	
November 28	Study Session: Respond to areas of Council interest	
December 5	Regular Session: Tentative Adoption	

There are several actions that will be required to adopt the 2017-2018 budget:

Ordinance Title	Brief Explanation
2017 Property Tax Levy Ordinance	By law (RCW 35A.34.230 and RCW 84.55.092), Council is required to adopt property tax levies annually.
2017 Property Tax Banked Capacity Resolution:	Staff recommends a property tax banked capacity resolution to continue to reserve banked capacity.
2017 Substantial Need Ordinance	Under Initiative 747, the regular levy or banked capacity, if no increase in the regular levy is taken, can grow at a maximum of 1 percent annually or the rate of “inflation” (defined as the increase in the implicit price deflator (IPD) whichever is less, plus additions for new construction). IPD for 2017 is 0.953 percent, which means that under normal circumstances the City’s statutory ability to increase the regular levy or banked capacity if no increase in the regular levy is taken would be limited to the 0.953 percent rather than 1 percent. There is, however, a provision in the Revised Washington Code (RCW 84.55.0101) for cities with “Substantial Need” to levy or bank the full 1 percent with a majority plus one vote from their governing board or City Council for cities with a population greater than 10,000. To utilize this provision in the law the City must adopt an Ordinance establishing substantial need in order to access the full 1percent increase. Staff recommends adopting a substantial need ordinance to fully bank the 1 percent capacity.
Utility Rate Fee Ordinances (Water, Storm, and Sewer)	Staff will present for Council consideration increases in Utility rates for 2017 and 2018 to address aging infrastructure and wholesale costs.
Development Services Fee Ordinance	Staff will present for Council consideration routine inflationary changes to the 2017 Development Services fee ordinance for all Development Services functions, including building, land use, fire, transportation, and utilities plan review and inspection.
2017-2018 Budget Ordinance	This is the “umbrella” ordinance with includes appropriation approval by Fund, 2017 pay plans, and summarizations of grants and donations accepted that are less than \$90,000.

Staff requests that Council bring the Preliminary Budget document to each of the future Study Sessions scheduled for budget review and deliberations.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENTS

Attachment A – City Manager Transmittal Letter

Attachment B – 2017-2018 Preliminary Budget Executive Summary

Attachment C – Budget One Process Overview and Milestones

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A