



DATE: September 10, 2018

TO: Mayor Chelminiak and City Councilmembers

FROM: Toni Call, Director, 452-7863  
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*Finance*

SUBJECT: *2019-2020 Biennial Budget Process*

This year the Council will be presented for review, deliberation, and adoption the 2019-2020 Operating budget and the 2019-2025 Capital Investment Program Plan. Tonight is the first of several meetings with the Council regarding the budget with focus on the Council process and timelines.

As a reminder, Council held a budget workshop on March 26 to kick off the budget development season. At that time, Council received information on the budget process, the state of the City's general fund financial forecast, the Utilities forecast, budget and business survey highlights, and the early look at the Capital Investment Program plan.

Council held public hearings on June 4 and August 6. Thus far, 26 public testimonies have been heard on numerous issues. The preliminary budget document will provide a summary listing of all testimonies. The third and final public hearing is tentatively scheduled for mid-November, post presentation of the City Manager's Preliminary budget.

### **Council Calendar**

The City Manager's Preliminary budget is anticipated in mid-October, with final Council action in December. The following table provides an overview of the tentative Council calendar dates:

<b>Topic</b>	<b>Date</b>	<b>Detail</b>
Budget Schedule and Process	September 10	Tonight
City Manager's Preliminary Budget Presentation	October 15 (tentative)	
Study Session: Follow up with responses to Council questions/comments	October 22	
Study Session: Follow up with responses to Council questions/comments	November 5	
Study Session: Utilities Rates and Development Services Rate and follow up with responses to Council questions/comments (if needed)	November 13	
Study Session: Follow up with responses to Council questions/comments (if needed)	November 19	
Regular Session: Third Budget Public Hearing	November 19 (tentative)	

Topic	Date	Detail
Study Session: Follow up with responses to Council questions/comments (if needed)	November 26	
Budget Adoption	December 3 (tentative)	

### **Preliminary Budget Council Required Actions**

There are several items that will be required to adopt the 2019-2020 budget:

Ordinance Title	Brief Explanation
Human Services Commission Recommendation	Adopt funding recommendations for allocations to human services agencies.
Community Development Block Grant Recommendation	Adopt recommended spending plan for Community Development Block Grant funds.
Development Services Fee Ordinance	Set Development Services 2019 rates.
Utilities Rates Ordinances	Set the Utilities 2019-2020 rates.
Substantial Need Resolution*	Initiative 747 states the regular levy or banked capacity may increase by one percent or the rate of inflation if no increase in the regular levy is taken. (Inflation is defined as the increase in the implicit price deflator plus additions for new construction). There is, however, a provision in the Revised Code of Washington (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 in a year where IPD is below one percent, the City must adopt an Ordinance or Resolution establishing substantial need.
2019 Property Tax Banked Capacity Resolution	Preserve the full levy amount available to the City.
2019 Property Tax Levy Ordinance	Adopt 2019 property tax levies (RCW 35A.23.230 and RCW 84.55.092).
2019-2020 Budget Ordinance	This is the "umbrella" budget ordinance which includes appropriation approval by Fund, 2019 pay plans, and summarizations of grants and donations accepted that are less than \$90,000.

*\*IPD for 2018 will be provided by the Department of Revenue on September 25. The IPD is anticipated to exceed one percent, which means that a finding of "substantial need" should be unnecessary. Staff will update council on the need for this ordinance during the preliminary budget presentation.*

### **Changes for the 2019-2020 Budget One Process**

Since the 2011-2012 Budget, the City has used "Budget One" (a budgeting for outcomes approach) to develop the City's Biennial Budgets. Budget One is a process that:

- 1) Identifies the community's priorities (called Outcomes) (See narrative below for the six Outcomes);
- 2) Prioritizes services to meet those Outcomes; and
- 3) Funds those services with available monies.

Historically, Results Teams (interdepartmental teams consisting of five members each) were created and ranked the department budget proposals based on how well each proposal would accomplish the Outcome. The Council vision, along with the Comprehensive Plan, citizen and business surveys, and other adopted plans informed the basis of their work. Due to the excellent work of the Results Teams during the 2017-2018 process, and to streamline the organizational work for 2019-2020 process, the 2017-2018 proposal rankings will be used for the current budget cycle.

For the 2019-2020 budget process, the Leadership Team will once again review the overall budget proposals as well the fiscal information to make a budget recommendation to the City Manager. The City Manager takes all information, including the feedback from Council, and prepares his 2019-2020 Preliminary Budget which will be presented to Council in October for review, deliberation and final action.

This year, in addition to using the ranking information from 2017-2018 to prepare the basis for the budget, the Preliminary Budget document will include a crosswalk from Outcome to department as well as budget information on a department basis. Our goal is to provide a clear understanding of the budget by both Outcome and department.

**Attachments**

- A. Narrative regarding the Budget Outcome Areas
- B. 2019-2020 Public Engagement