

City of Mountlake Terrace
2011-2012 Proposed Biennial Budget

Public Hearing
November 1, 2010

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Steps Taken

- September 16 Review Preliminary 2011-2012 Revenue Estimates
- October 4 Presentation of 2011-2012 Proposed Biennial Budget
Six Year Financial Forecast (2011-2016)
- October 14 Proposed 2011-2012 Biennial Budget Department
Presentations
- October 21 Proposed 2011-2012 Biennial Budget Department
Presentations
- October 28 Review of 2011-2012 Proposed Biennial Budget
Review of 2011 Property Tax Levy Ordinance
- November 1 Public Hearing on 2011-2012 Proposed Biennial Budget
Public Hearing on 2011 Property Tax Ordinance



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Budget Message

- Financial Plan and Roadmap
 - Financial and Operation Document
 - Guide that Determines the Direction of Government
- Policy Document
 - Provides direction for all programs & services
 - Competing Needs and Choices versus Limited Resources
- Review and Adoption of Budget is one of the City Council's Most Important Roles as Legislative Body
- Consistent with Community Values and Amenities
- Implements City Council Goals



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Council Goals

- Protect and Enhance the City's Financial Health and Stability
- Generate Economic Development throughout the Community
- Review and prioritize Capital Infrastructure Needs and Implement Projects
- Develop and Implement a Strategy to address the City's Aging Public Facilities
- Develop and Implement effective Communication and Outreach with the Community
- Maintain appropriate and essential Public Services in a cost effective manner



City of Mountlake Terrace...part of the solution...

- Continues to meet key community priorities
 - Public life, health and safety (e.g., police, fire, emergency medical services; building inspections; traffic control; water, sewer, and storm drainage service and infrastructure maintenance)
 - Legal mandates (e.g., accounting/auditing/financial reporting; land-use planning)
 - City facilities and property: maintenance of park land, buildings, streets, right-of-way, and equipment
 - Recreational, athletic, aquatic and youth programs
 - City Council and Community goals
- Retains existing municipal jobs
- Continues with aggressive and ambitious capital investment program
- Maintains existing levels of municipal service that our citizens have come to expect and demand

The Economy

- “Great Recession” -- 36 months by December 2010
- Deterioration of economy
- Massive layoffs
- Service reductions
- Elimination of services
- Delay of infrastructure projects
- Continued unemployment and growing under-employment (20-25%)
- Slumping real estate market
- Tight credit markets
- Continued slowdown in consumer spending
- Consumer confidence lowest in decades
- Most difficult years (perhaps next decade) may still be ahead
- Change and uncertainty of economic conditions

City's Approach to Economic Recession

- Opportunity in Crisis...

- Different Economic Environment from just a year ago
- The New Normal
- Economic Reset
- The Lost Decade
- How to address continued change and uncertainty

- In Mountlake Terrace...

- Services to our citizens and community have been maintained
- No lay-offs or reductions in services
- Continued and ongoing focus on service delivery and identification of organization and resource efficiencies
- Aggressive capital improvement program
- Focus on economic development

City's Approach to Economic Recession

- Why is the City of Mountlake Terrace weathering the most difficult economic times in generations?
 - Strong and Effective Leadership
 - Strategic Focus on Community Priorities (e.g., capital investment, economic development, finances, public safety, recreation & parks, public works)
 - Resources aligned with Community's Priorities
 - Adhering to sound & prudent financial policies
 - Balanced budget (operating revenues align with operating expenditures)
 - Maintaining adequate reserves consistent with adopted financial policies
 - Six-year financial forecast
 - Continuous Focus on Business Model & Organizational Improvements
 - Balance between Basic Services & Capital Investment
 - Local, Regional & National Partnerships
 - Advancing Technological Solutions
 - Fees for Service Reflecting Cost of Delivery

City's Approach to Economic Recession

- We no longer subscribe to...“That’s the way we always did it”
 - Economic Development as a priority (e.g., broaden & diversify economic base, focus on underdeveloped/underutilized commercial areas)
 - Aggressive \$83.8 million CIP
 - Leveraging \$5.0 million in state and federal funds
 - Increased Services
 - Public Safety (e.g., SWAT, code enforcement, bicycle patrol, animal control)
 - Parks Maintenance
 - Streets & ROW Maintenance
 - Facilities Maintenance
 - Streamlined Services (examples)
 - Contract for fire & EMS services (\$600,000 per year beg 2005)
 - Custodial services transitioned from in-house to contract (\$250,000 per year beg 2007)
 - Elimination of management positions (\$400,000 per year beg 2006)
 - Fleet management best practices (\$300,000 per year beg 2009)
 - Proactive (vs. reactive) approach with implementation of action strategies and preventative measures

Financial Reporting Recognition

- Clean Audit Reports
- Certificate of Achievement for Excellence in Financial Reporting
 - Comprehensive Annual Financial Report (CAFR)
- Distinguished Budget Presentation Award
- Standard & Poor's (S&P) 'AA' Bond Rating

Standard & Poor's (S&P) Bond Rating

- S&P assigned its 'AA' Rating
- Stable outlook
- Recognized for sound financial policies & practices
- Provides quarterly financial performance review
- Developed six-year forecasting model
- City is a quality borrower
- Very strong capacity to meet its financial commitments
- City commended for its resourcefulness in responding to changing conditions
- City stands out in management
- City is clearly different than the city of three or so years ago

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Organization of the Budget

- General Government Funds (9)
 - General Fund (1)
 - Special Revenue (6)
 - Street Operations
 - Strategic Reserve
 - Hotel/Motel Tax
 - Solid Waste Service
 - Recreation
 - Accumulated Leave Reserve
 - Debt Service (1)
 - Internal Service (1)
 - Fleet Management
- Capital Improvement Funds (3)
 - Real Estate Excise Tax (REET)
 - Street Construction
 - Capital Improvement
- Utilities (3)
 - Storm Water/Drainage
 - Sewer
 - Water

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Organization of the Budget

- Department and Program Budget
 - Mission
 - Services Provided
 - Goals & Objectives
 - Performance Measures
 - Highlights & Changes
 - Multi-Year Summary of Costs and Personnel

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Budget Summary and Highlights

	2010	2011	2012
	Revised	Proposed	Proposed
General Government Funds	\$ 26,158,088	\$ 24,297,304	\$ 24,304,451
Capital Improvement Funds	8,407,474	6,194,369	5,820,726
Utility Funds	20,499,603	13,462,883	15,046,719
Total	\$55,065,165	\$43,954,556	\$45,171,896

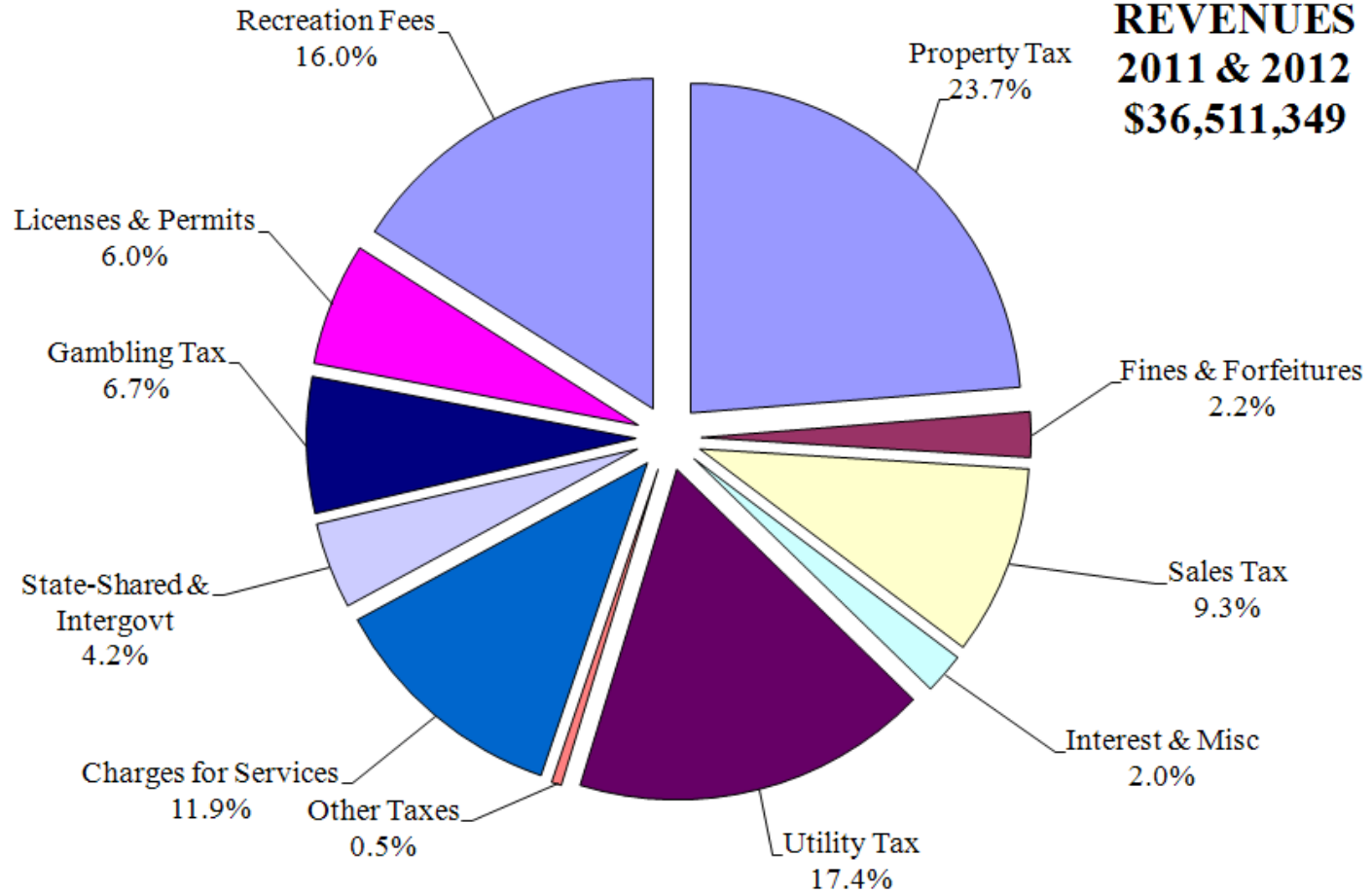
General Government Sources

	2010	2011	2012
GENERAL GOVERNMENT FUNDS	Revised	Proposed	Proposed
Beginning Fund Balances	\$ 5,437,459	\$ 3,967,955	\$ 3,392,556
Operating Revenues			
Property Tax	4,218,591	4,292,525	4,378,804
Sales Tax	1,700,000	1,600,000	1,800,000
Utility Tax	3,022,574	3,129,413	3,240,964
Gambling Tax	1,086,863	1,200,000	1,236,000
Other Taxes	124,000	88,000	90,550
Licenses & Permits	900,603	1,073,907	1,120,514
State-Shared & Intergovt	858,229	766,823	778,032
Charges for Services	2,461,906	2,155,376	2,183,583
Recreation Fees	3,002,000	2,860,005	2,974,877
Fines & Forfeitures	325,000	395,000	415,000
Interest & Misc	574,585	393,022	338,955
Total Operating Revenues	18,274,351	17,954,071	18,557,278
Other Financing Sources	2,446,278	2,375,279	2,354,617
Total Revenues & Sources	\$26,158,088	\$24,297,304	\$24,304,451

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General Government Revenues

**OPERATING REVENUES
2011 & 2012
\$36,511,349**



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General Government Uses

	2010	2011	2012
GENERAL GOVERNMENT FUNDS	Revised	Proposed	Proposed
Operating Expenditures			
City Council/City Manager/Community	816,773	831,288	831,554
Administrative Services	1,337,190	1,358,282	1,381,247
Public Safety	8,795,935	8,889,195	9,083,910
Community Development	1,153,432	1,033,882	1,050,708
Recreation	3,557,578	3,449,717	3,537,417
Parks Services & Property Management	1,480,289	1,460,119	1,477,035
Public Works (Streets)	822,451	820,236	823,312
Debt Service	51,192	7,000	7,000
Total Operating Expenditures	18,014,840	17,849,719	18,192,183
<i>Operating Surplus/(Deficit)</i>	<i>259,511</i>	<i>104,352</i>	<i>365,095</i>
Other Financing Uses	4,175,292	3,055,029	2,915,303



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General Government Uses

Ending Fund Balances			
Contingency (2% of GF Oper Exp)	293,217	293,024	297,377
Reserves (5% of GF Oper Exp)	733,043	732,559	743,442
Strategic Reserve (5% of GF Oper Exp)	740,800	746,800	768,300
Designated/Reserved:			
Encumbrances, Streets, Recreation &	404,498	334,231	238,416
Equipment Replacement & Reserve	892,521	985,353	1,052,350
Hotel/Motel-Tourism	27,378	21,378	15,878
Solid Waste Services	14,760	5,260	-
Accumulated Leave Reserve	253,340	265,840	78,840
Subtotal Designated/Reserved	1,592,497	1,612,062	1,385,484
Designated/Reserved (one-time)	608,398	8,112	2,363
Total Ending Fund Balances	\$ 3,967,956	\$ 3,392,557	\$ 3,196,965
Total Expenditures and Uses	\$26,158,088	\$24,297,304	\$24,304,451

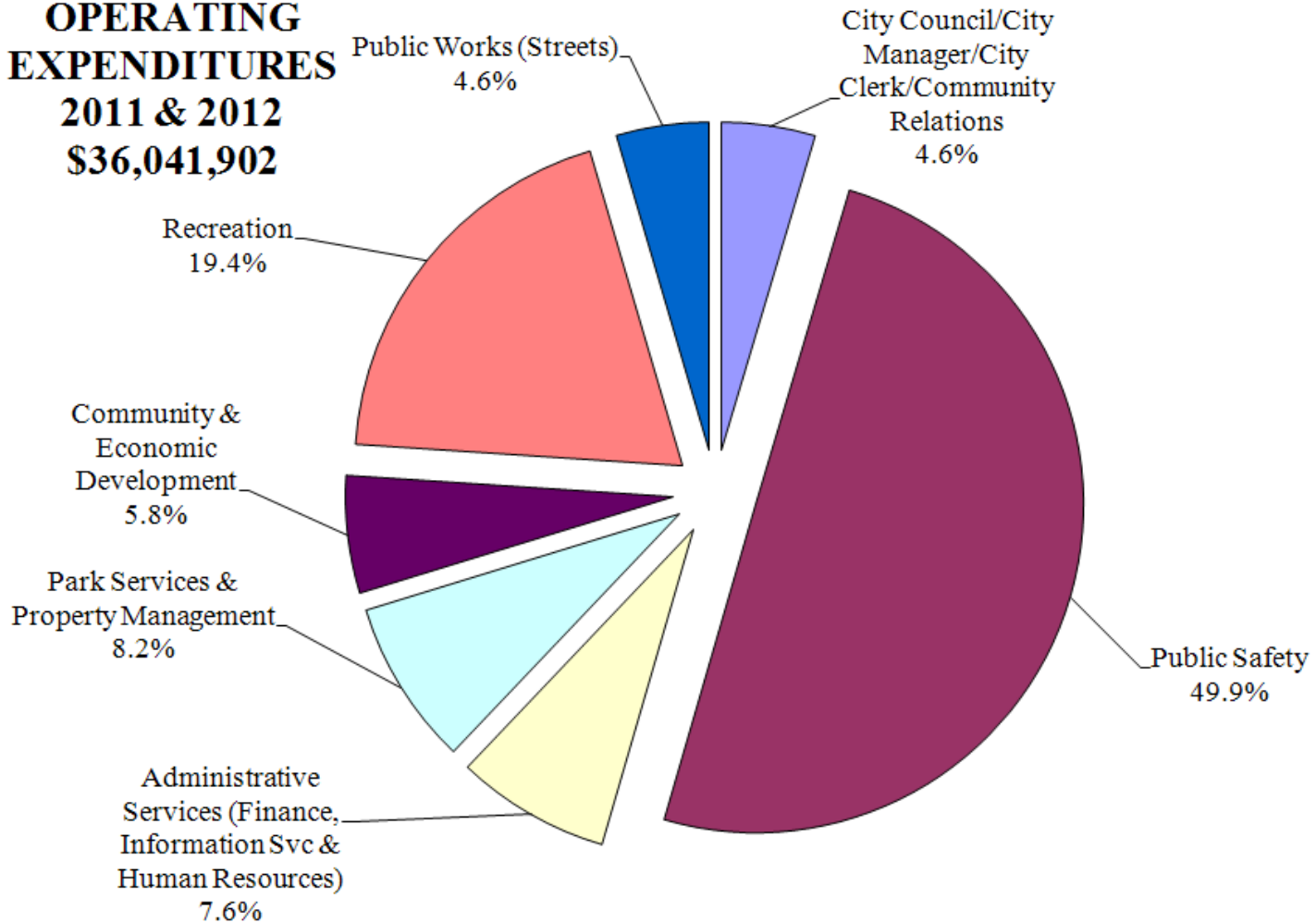


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General Government Expenditures

**OPERATING
EXPENDITURES
2011 & 2012
\$36,041,902**



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Capital Improvement Funds

- Consequences of investments and capital projects extend far into the future;
- Decisions to invest are often irreversible; and
- Such decisions significantly influence a community's ability to grow and prosper



Capital Improvement Funds

CAPITAL IMPROVEMENT FUNDS	2010 Revised	2011 Proposed	2012 Proposed
Overlay Program	\$ 115,767	\$ 600,000	\$ 1,033,500
Chip & Slurry Seal Program	313,000	355,300	321,900
ADA Sidewalk Program	32,198	40,000	40,000
Traffic Calming Program	20,000	20,000	20,000
Bicycle Route Program	40,000	20,000	20,000
Sidewalk Program	252,400	460,000	365,879
Traffic & Signal Control Program	863,506	43,400	45,600
Interurban Trail Link	21,444	-	-
Street Reconstruction	1,435,130	600,000	1,000,000
Engineering Services	185,945	253,308	258,274
Capital-Information Technology	100,000	121,313	106,676
Capital-Property Management	939,510	464,824	481,623
Capital-Parks	80,000	15,000	15,000
Capital-Recreation	22,200	18,900	29,100
Capital-Police	84,824	78,493	76,237
Total Projects	4,629,864	3,090,538	3,814,789
Transfer to Debt Service & CIP Funds (from REET)	352,000	260,078	293,963
Ending Fund Balance-designated/reserved for capital projects	3,425,610	2,843,753	1,711,974
Total Capital Improvement Budget	\$ 8,407,474	\$ 6,194,369	\$ 5,820,726

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Utility Funds

	2010	2011	2012
UTILITY FUNDS	Revised	Proposed	Proposed
Beginning Fund Balances	\$ 6,353,637	\$ 5,612,103	\$ 1,641,465
Operating Revenues			
Storm Water	1,334,173	1,367,091	1,523,656
Sewer	3,019,139	3,187,468	3,352,135
Water	3,151,254	3,296,221	3,429,463
Subtotal Operating Revenues	7,504,566	7,850,780	8,305,254
Operating Expenditures			
Storm Water	1,165,979	1,282,763	1,253,598
Sewer	2,529,438	2,691,375	2,756,146
Water	2,951,580	2,898,555	2,912,260
Debt Service	180,452	577,958	792,489
Subtotal Operating Expenditures	6,827,449	7,450,651	7,714,493
<i>Operating Surplus (Deficit)</i>	<i>677,117</i>	<i>400,129</i>	<i>590,761</i>



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Utility Funds

	2010	2011	2012
UTILITY FUNDS	Revised	Proposed	Proposed
Other Financing Sources			
Loan Proceeds & Grants	6,521,000	-	5,100,000
Transfer from Utility Funds	120,400	-	-
Subtotal Other Financing Sources	6,641,400	-	5,100,000
Other Financing Uses			
Utility Construction Projects	7,939,650	4,370,768	3,416,844
Transfer to Utility Funds	120,400	-	-
Subtotal Other Financing Uses	8,060,050	4,370,768	3,416,844
Fund Balances			
Reserves (15% of Oper Exp)	997,050	1,030,904	1,038,301
Designated/Reserved (Construction)	4,615,054	610,560	2,877,081
Total Ending Fund Balances	\$ 5,612,104	\$ 1,641,464	\$ 3,915,382
Total Expenditures and Uses	\$20,499,603	\$13,462,883	\$15,046,719

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Other Issues Affecting the Budget

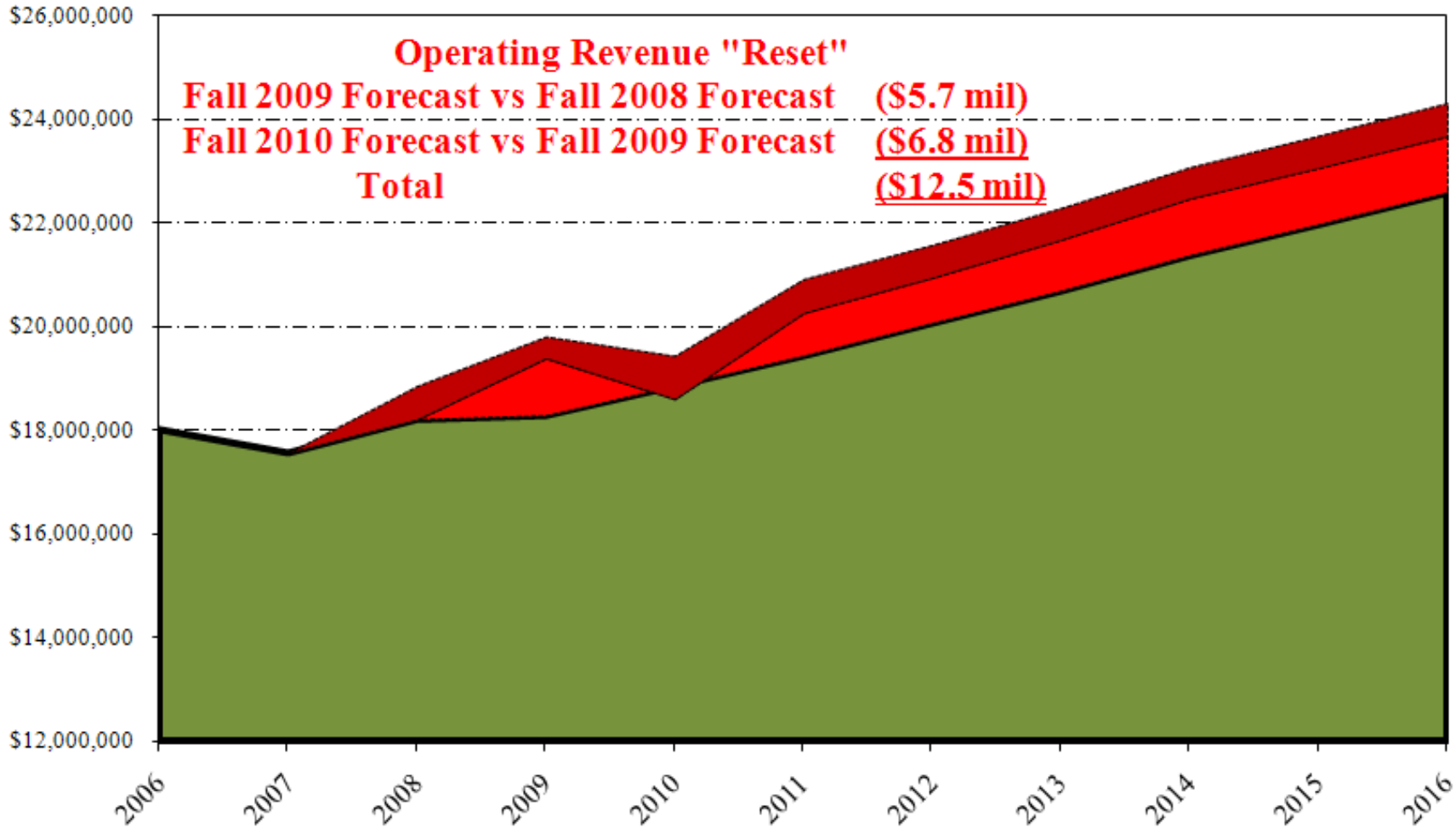
- Change and uncertainty of economic conditions
- Reliance on Gambling Taxes
- Legislative Changes & Initiatives
- Rising Employee Health Care & Pension Costs
- Growing demand for services (e.g., economic development, senior services, community events/grants)
- Underdeveloped/underutilized commercial areas (e.g., downtown)
- Age of City's physical infrastructure (30-50 years old)
- Unfunded Capital Improvement Needs

Impact of Economic Recession

Fall 2010 Forecast vs. Fall 2008 Forecast

	General Government Operating Revenues				
	Fall 2010	Fall 2009	Fall 2008	Change 2008 vs 2010	
	Forecast	Forecast	Forecast	\$	%
2008	\$17,562,446	\$17,562,446	\$18,211,174	-\$648,728	-3.6%
2009	\$16,761,584	\$17,866,835	\$18,288,499	-\$1,526,915	-8.3%
2010	\$18,274,351	\$18,021,247	\$18,857,816	-\$583,465	-3.1%
2011	\$17,954,070	\$18,784,352	\$19,440,510	-\$1,486,440	-7.6%
2012	\$18,557,279	\$19,436,825	\$20,072,871	-\$1,515,592	-7.6%
2013	\$19,085,224	\$20,077,138	\$20,693,640	-\$1,608,416	-7.8%
2014	\$19,667,533	\$20,770,668	\$21,378,965	-\$1,711,432	-8.0%
2015	\$20,255,059	\$21,352,247	\$21,977,576	-\$1,722,517	-7.8%
2016	\$20,853,435	\$21,950,110	\$22,592,948	-\$1,739,513	-7.7%
				-\$12,543,018	-6.9%

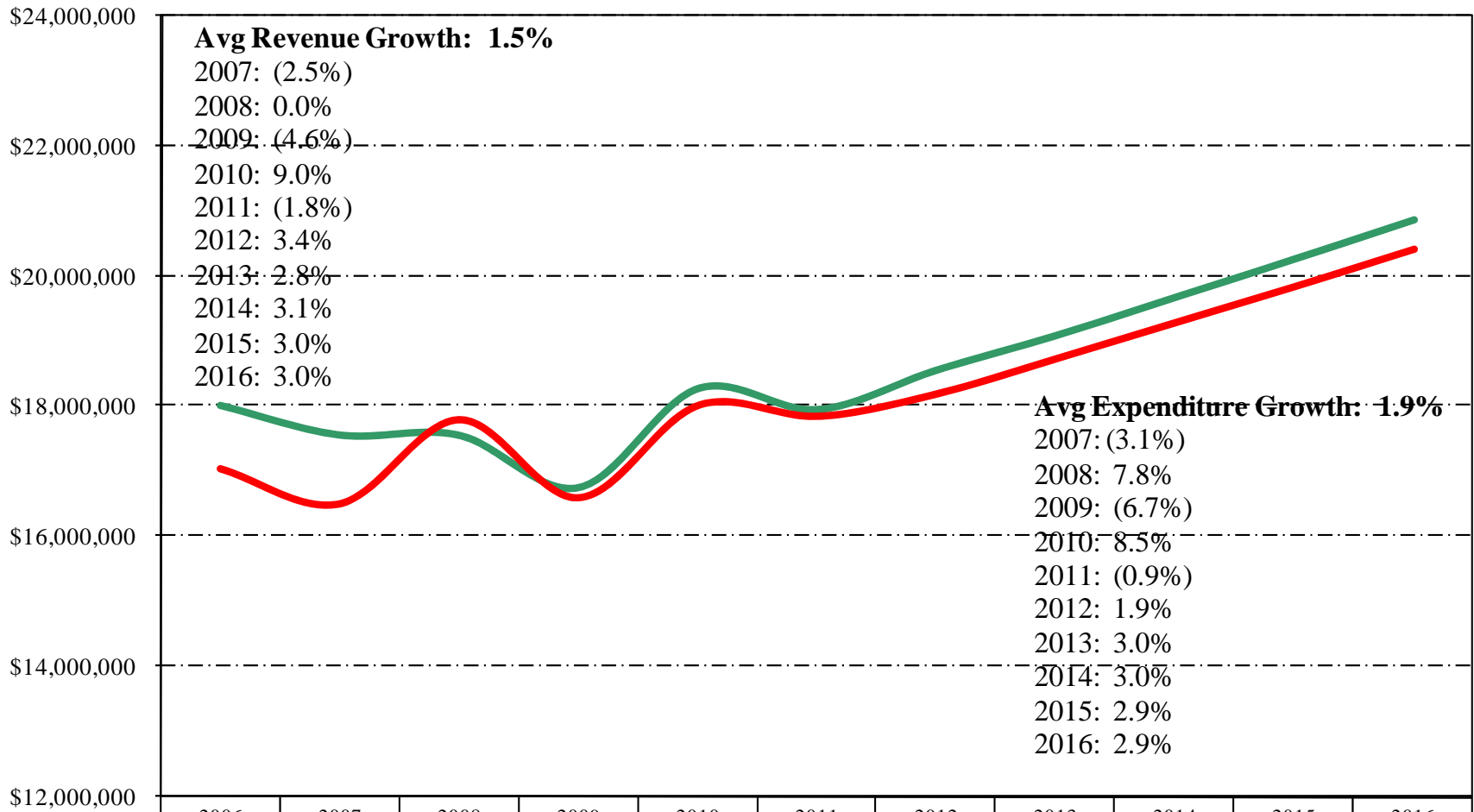
**City of Mountlake Terrace
General Government Funds
Impact of Economic Recession**



■ 2010 Operating Revenue Forecast ■ 2009 Operating Revenue Forecast ■ 2008 Operating Revenue Forecast

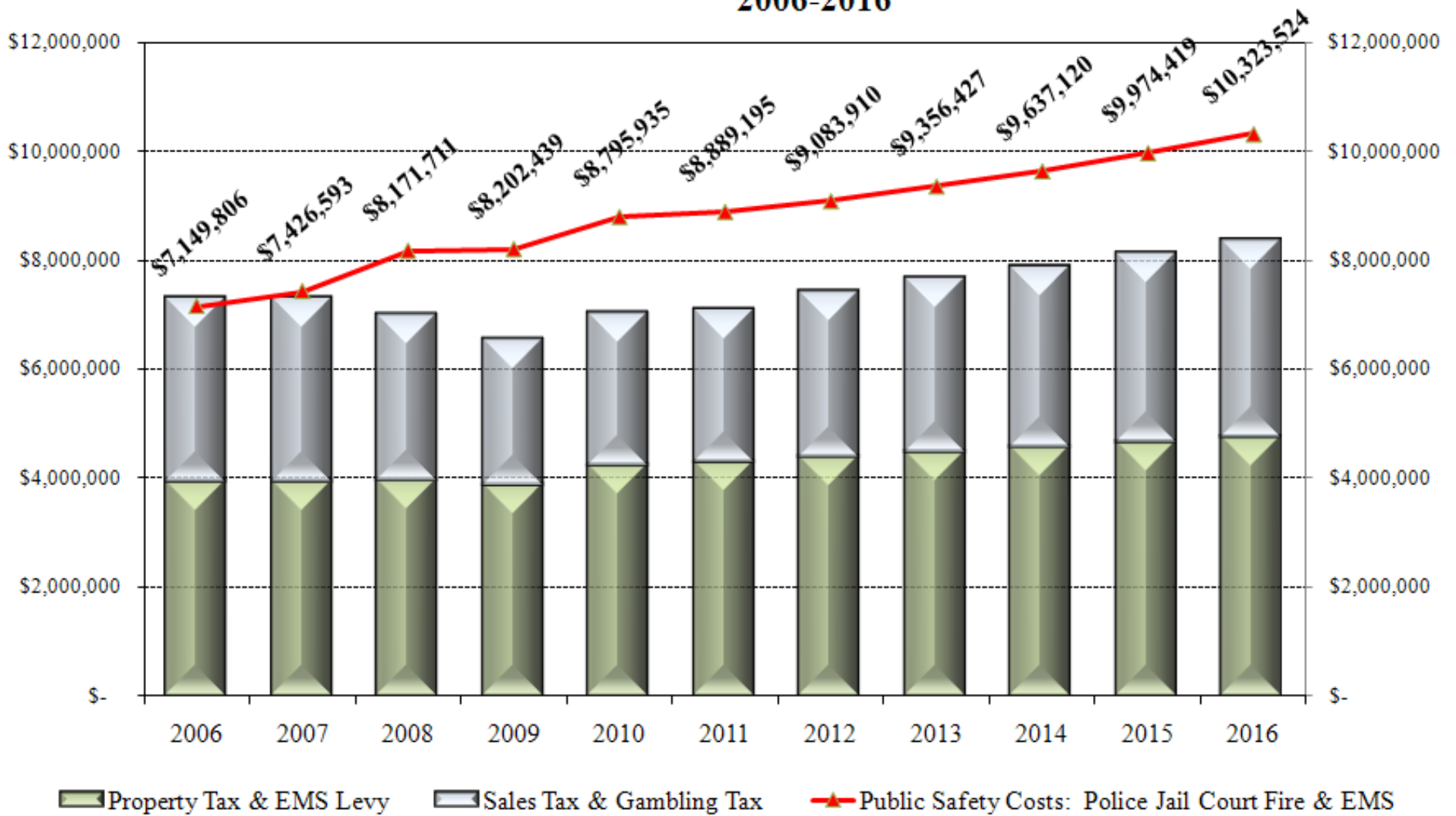
**City of Mountlake Terrace
Financial Forecast
General Government Funds
2006-2016**

October 2010

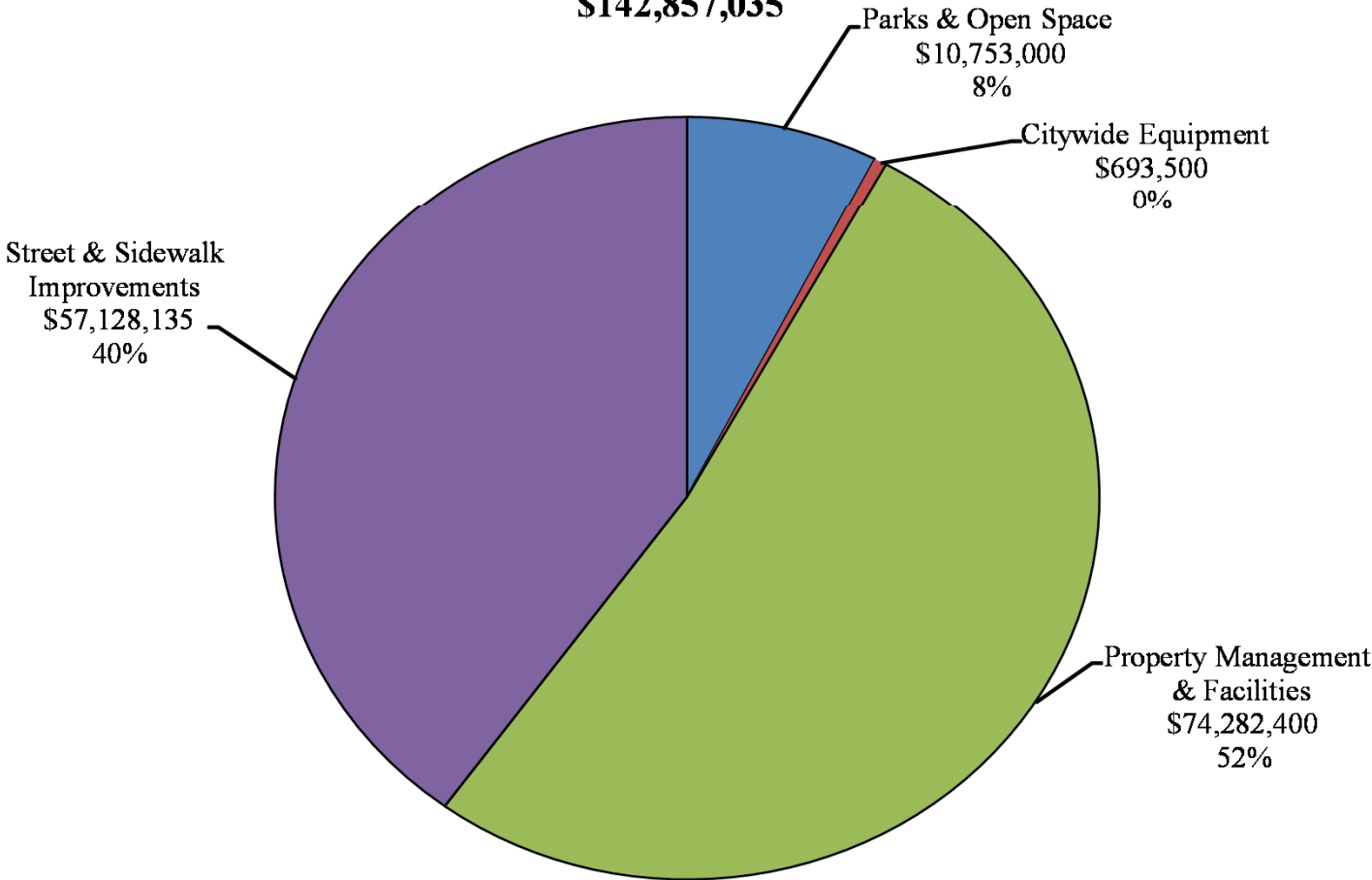


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
— Operating Revenue	\$18,017,431	\$17,566,262	\$17,562,446	\$16,761,584	\$18,274,351	\$17,954,070	\$18,557,279	\$19,085,224	\$19,667,533	\$20,255,059	\$20,853,435
— Operating Expenditures	\$17,047,446	\$16,511,606	\$17,798,736	\$16,602,929	\$18,014,840	\$17,849,719	\$18,192,183	\$18,729,848	\$19,283,621	\$19,834,269	\$20,406,737

City of Mountlake Terrace Financial Forecast Major Tax Revenues vs. Public Safety Costs 2006-2016



**City of Mountlake Terrace
Unfunded Capital Needs
\$142,857,035**



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Beyond 2010

- Revisit prioritized unfunded capital improvement projects (Feb-Apr 2010)
- Review funding alternatives *
 - Transportation Benefit District (TBD)
 - Regional Fire Authority (RFA)
 - Levy Lid Lift
 - Park & Recreation District options
 - Voter-approved bonds

* See City of Mountlake Terrace Guide to Revenue Sources, Alternatives and Options (April 2007)



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Summary

- **Balanced operating budget**
 - Sound underlying financial and management assumptions & policies in place
 - Consistent with adopted financial policies
 - Not using one-time funds for ongoing operations
 - Action strategies and preventative measures are working
- **Ability to maintain current level of service in public safety, parks, recreation, street maintenance, development services, etc.**
 - **No program, service reductions or lay-offs**
 - Continue to focus on community goals and objectives
- **Aggressive and Proactive Capital Improvement Plan (\$83.8 mil)**
- **Strong Reserves**
 - 2% contingency; 5% general fund reserve; 5% Strategic Reserve; Equipment reserve; Accumulated Leave Reserve
 - Operating reserve equal to 15% of operating expenditures in all utilities³¹

Conclusion

**Mountlake
Terrace's best
days are not
behind us...**

**...but are in
front of us.**

- City Council Leadership
- Strategic Approach to Economic Development
- Town Center Plan
- Zoning in Place
- Housing Choices & Options
- Public/Private Partnerships
- Revitalization & redevelopment opportunities
- Sustainability and Conservation Strategy (“Creating a Livable Community”)
- High level of municipal services
- Financial accountability
- Streamlined permitting process

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Next Steps

November 10 Work/Study Session

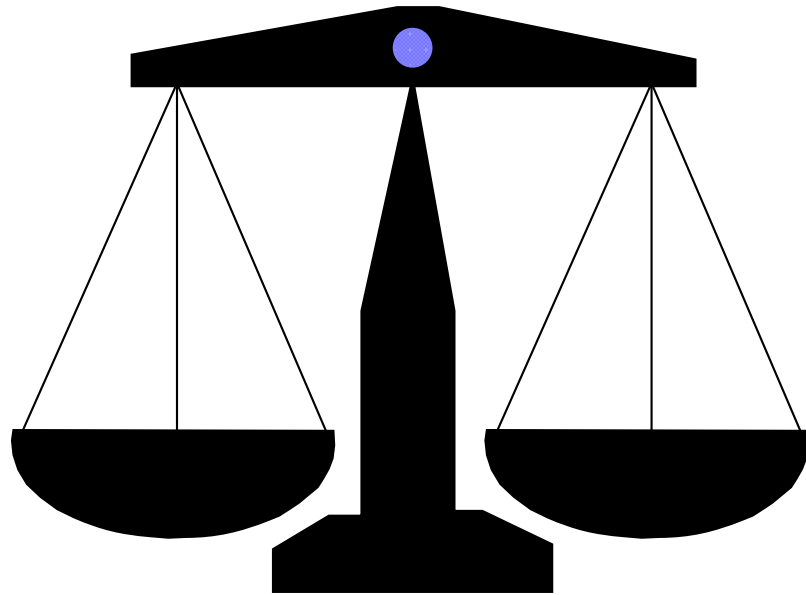
- Review of 2011-2012 Proposed Biennial Budget (if needed)

November 15 Regular Meeting

- Adoption of 2011-2012 Proposed Biennial Budget
- Adoption of 2011 Property Tax Ordinance
- Approval of 2010-2014 Recreation & Park Fee Resolution
- Third Quarter 2010 Financial Report & Performance Measures

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Q & A



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