

City of Mountlake Terrace  
2011-2012 Proposed Biennial Budget

Council Consideration  
November 15, 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

# 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



# 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 of Mountlake Terrace...part of the solution...

- Continues to meet key community priorities
  - Services to our citizens and community have been maintained
  - 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/no lay-offs or reductions in services
- Continues with aggressive and ambitious capital investment program
- Maintains existing levels of municipal service that our citizens have come to expect and demand
  - Continued and ongoing focus on service delivery and identification of organization and resource efficiencies
- Focus on economic development

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

- 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
  - Opportunity in Crisis

# City of Mountlake

## Terrace...part of the solution...

- 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

# 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

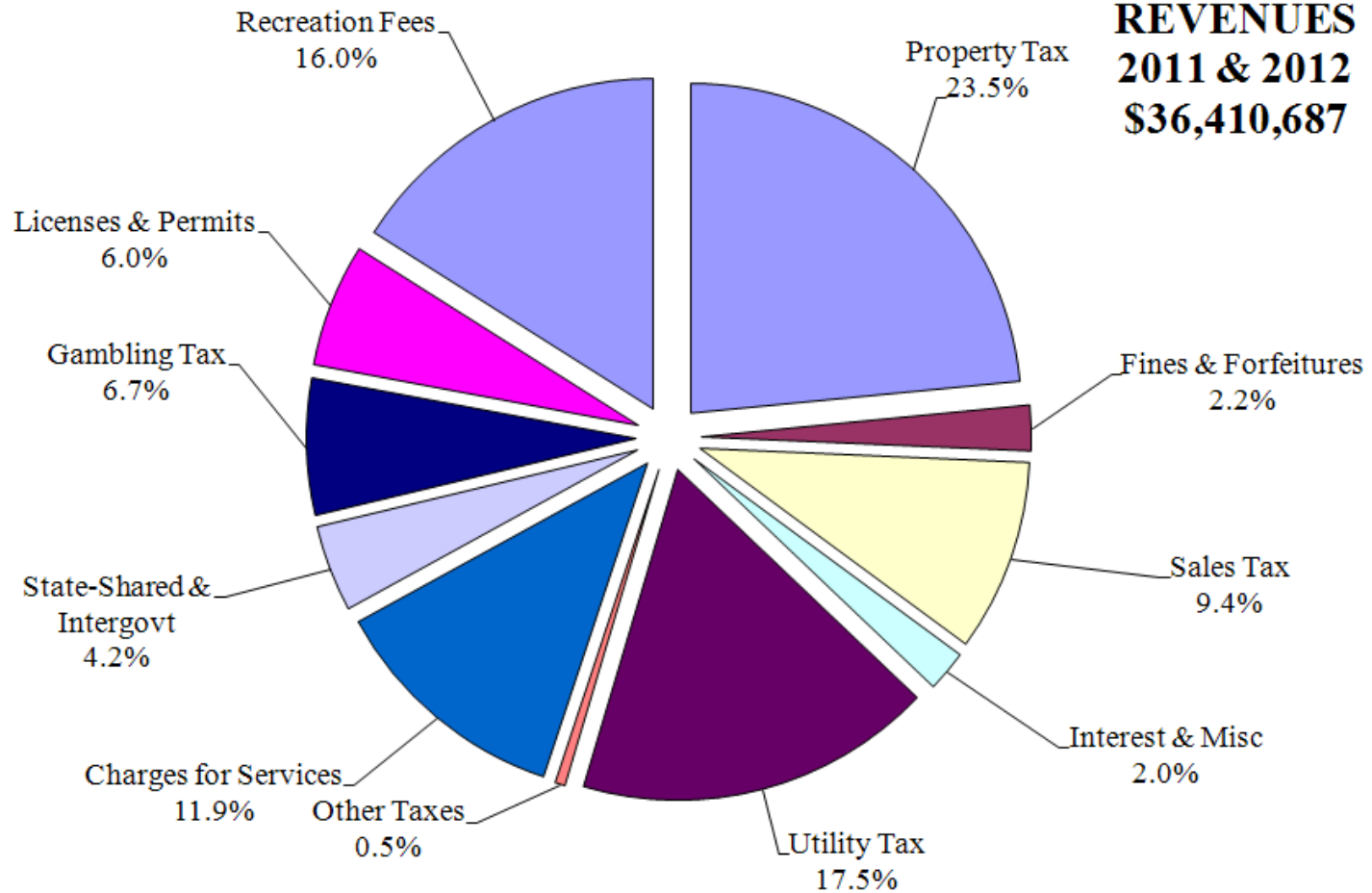
|                                  | <b>2010</b>         | <b>2011</b>         | <b>2012</b>         |
|----------------------------------|---------------------|---------------------|---------------------|
|                                  | <b>Revised</b>      | <b>Proposed</b>     | <b>Proposed</b>     |
| <b>General Government Funds</b>  | \$ 26,158,088       | \$ 24,196,642       | \$ 24,304,451       |
| <b>Capital Improvement Funds</b> | 8,407,474           | 6,194,369           | 5,820,726           |
| <b>Utility Funds</b>             | 20,499,603          | 13,462,883          | 15,046,719          |
| <b>Total</b>                     | <b>\$55,065,165</b> | <b>\$43,853,893</b> | <b>\$45,171,895</b> |

# General Government Sources

|                                     | <b>2010</b>         | <b>2011</b>         | <b>2012</b>         |
|-------------------------------------|---------------------|---------------------|---------------------|
| <b>GENERAL GOVERNMENT FUNDS</b>     | <b>Revised</b>      | <b>Proposed</b>     | <b>Proposed</b>     |
| <b>Beginning Fund Balances</b>      | \$ 5,437,459        | \$ 3,967,955        | \$ 3,392,556        |
| <b>Operating Revenues</b>           |                     |                     |                     |
| Property Tax                        | 4,218,591           | 4,162,017           | 4,378,804           |
| Sales Tax                           | 1,700,000           | 1,629,846           | 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             |
| <b>Total Operating Revenues</b>     | <b>18,274,351</b>   | <b>17,853,409</b>   | <b>18,557,278</b>   |
| <b>Other Financing Sources</b>      | <b>2,446,278</b>    | <b>2,375,279</b>    | <b>2,354,617</b>    |
| <b>Total Revenues &amp; Sources</b> | <b>\$26,158,088</b> | <b>\$24,196,642</b> | <b>\$24,304,451</b> |
|                                     |                     |                     |                     |

# General Government Revenues

**OPERATING  
REVENUES  
2011 & 2012  
\$36,410,687**



# General Government Uses

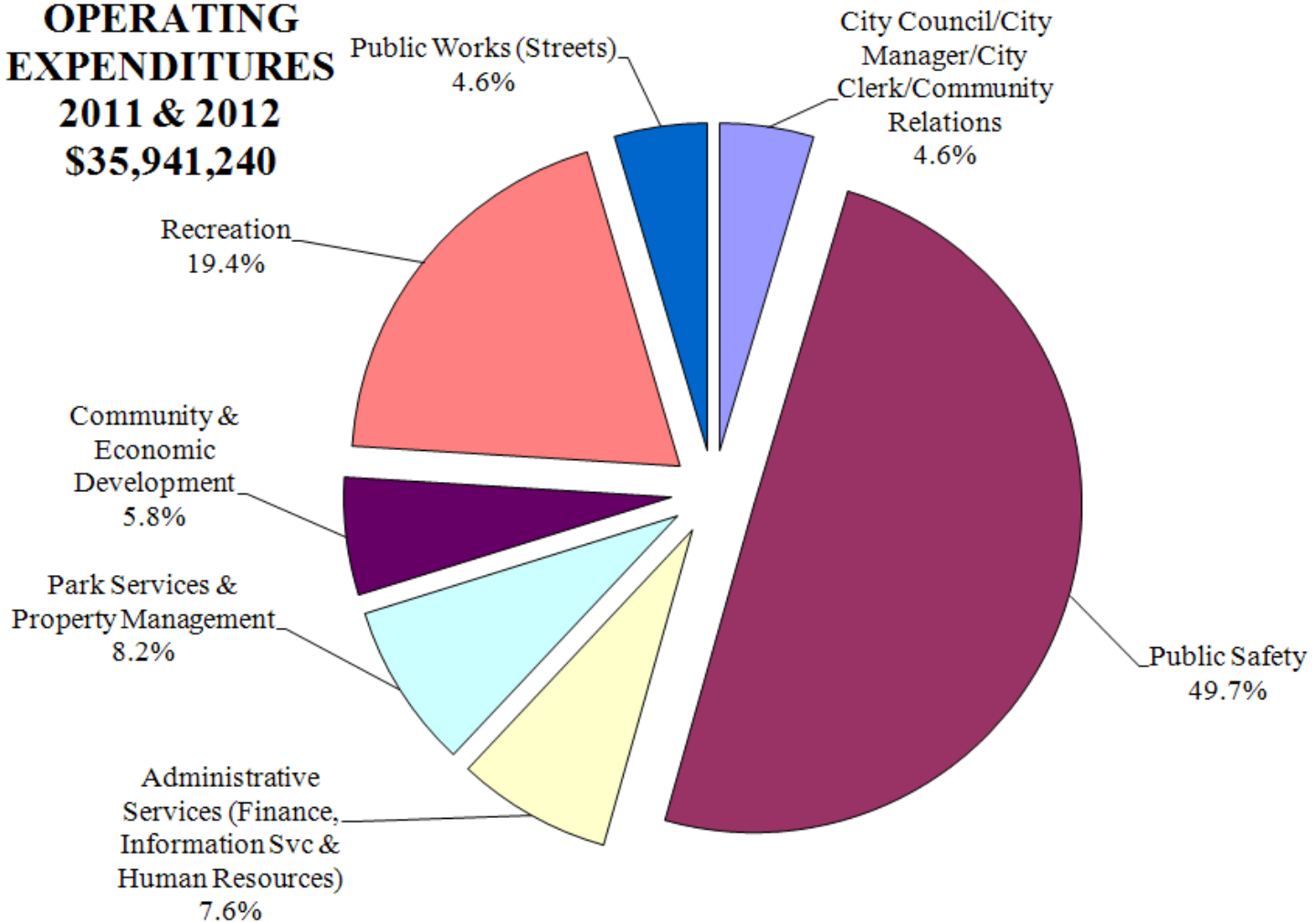
|                                      | 2010              | 2011              | 2012              |
|--------------------------------------|-------------------|-------------------|-------------------|
| <b>GENERAL GOVERNMENT FUNDS</b>      | <b>Revised</b>    | <b>Proposed</b>   | <b>Proposed</b>   |
| <b>Operating Expenditures</b>        |                   |                   |                   |
| 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         | 8,788,533         | 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             |
| <b>Total Operating Expenditures</b>  | <b>18,014,840</b> | <b>17,749,057</b> | <b>18,192,183</b> |
|                                      |                   |                   |                   |
| <i>Operating Surplus/(Deficit)</i>   | <i>259,511</i>    | <i>104,352</i>    | <i>365,095</i>    |
|                                      |                   |                   |                   |
| <b>Other Financing Uses</b>          | <b>4,175,292</b>  | <b>3,055,029</b>  | <b>2,915,303</b>  |

# General Government Uses

|                                       |                     |                     |                     |
|---------------------------------------|---------------------|---------------------|---------------------|
| <b>Ending Fund Balances</b>           |                     |                     |                     |
| 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               |
| <b>Total Ending Fund Balances</b>     | <b>\$ 3,967,956</b> | <b>\$ 3,392,557</b> | <b>\$ 3,196,965</b> |
|                                       |                     |                     |                     |
| <b>Total Expenditures and Uses</b>    | <b>\$26,158,088</b> | <b>\$24,196,642</b> | <b>\$24,304,451</b> |
|                                       |                     |                     |                     |

# General Government Expenditures

**OPERATING  
EXPENDITURES  
2011 & 2012  
\$35,941,240**



# 2011 Property Tax

|                                              | 2010               | 2011               | Variance           |              |
|----------------------------------------------|--------------------|--------------------|--------------------|--------------|
|                                              |                    |                    | \$                 | %            |
| <b>Property Tax Levy</b>                     |                    |                    |                    |              |
| General Property Tax Levy                    | \$ 3,088,497       | \$ 3,139,382       | \$ 50,885          | 1.6%         |
| EMS Property Tax Levy                        | 1,119,450          | 1,022,635          | (96,815)           | -8.6%        |
| <b>Total Property Tax Levy</b>               | <b>\$4,207,947</b> | <b>\$4,162,017</b> | <b>\$ (45,930)</b> | <b>-1.1%</b> |
| <b>Impact to Avg Single Family Residence</b> |                    |                    |                    |              |
| General Property Tax Levy                    | \$ 354             | \$ 362             | \$ 8               | 2.3%         |
| EMS Property Tax Levy                        | 128                | 118                | (10)               | -7.8%        |
| <b>Total Property Tax Levy</b>               | <b>\$ 482</b>      | <b>\$ 480</b>      | <b>\$ (2)</b>      | <b>-0.4%</b> |



# 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                | 2011                | 2012                |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|
|                                                              | Revised             | Proposed            | 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              |
| <b>Total Projects</b>                                        | <b>4,629,864</b>    | <b>3,090,538</b>    | <b>3,814,789</b>    |
| 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           |
| <b>Total Capital Improvement Budget</b>                      | <b>\$ 8,407,474</b> | <b>\$ 6,194,369</b> | <b>\$ 5,820,726</b> |

# Utility Funds

|                                        | <b>2010</b>      | <b>2011</b>      | <b>2012</b>      |
|----------------------------------------|------------------|------------------|------------------|
| <b>UTILITY FUNDS</b>                   | <b>Revised</b>   | <b>Proposed</b>  | <b>Proposed</b>  |
| <b>Beginning Fund Balances</b>         | \$ 6,353,637     | \$ 5,612,103     | \$ 1,641,465     |
| <b>Operating Revenues</b>              |                  |                  |                  |
| 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        |
| <b>Subtotal Operating Revenues</b>     | <b>7,504,566</b> | <b>7,850,780</b> | <b>8,305,254</b> |
| <b>Operating Expenditures</b>          |                  |                  |                  |
| 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          |
| <b>Subtotal Operating Expenditures</b> | <b>6,827,449</b> | <b>7,450,651</b> | <b>7,714,493</b> |
| <i>Operating Surplus (Deficit)</i>     | <i>677,117</i>   | <i>400,129</i>   | <i>590,761</i>   |

# Utility Funds

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

# Other Issues Affecting the Budget

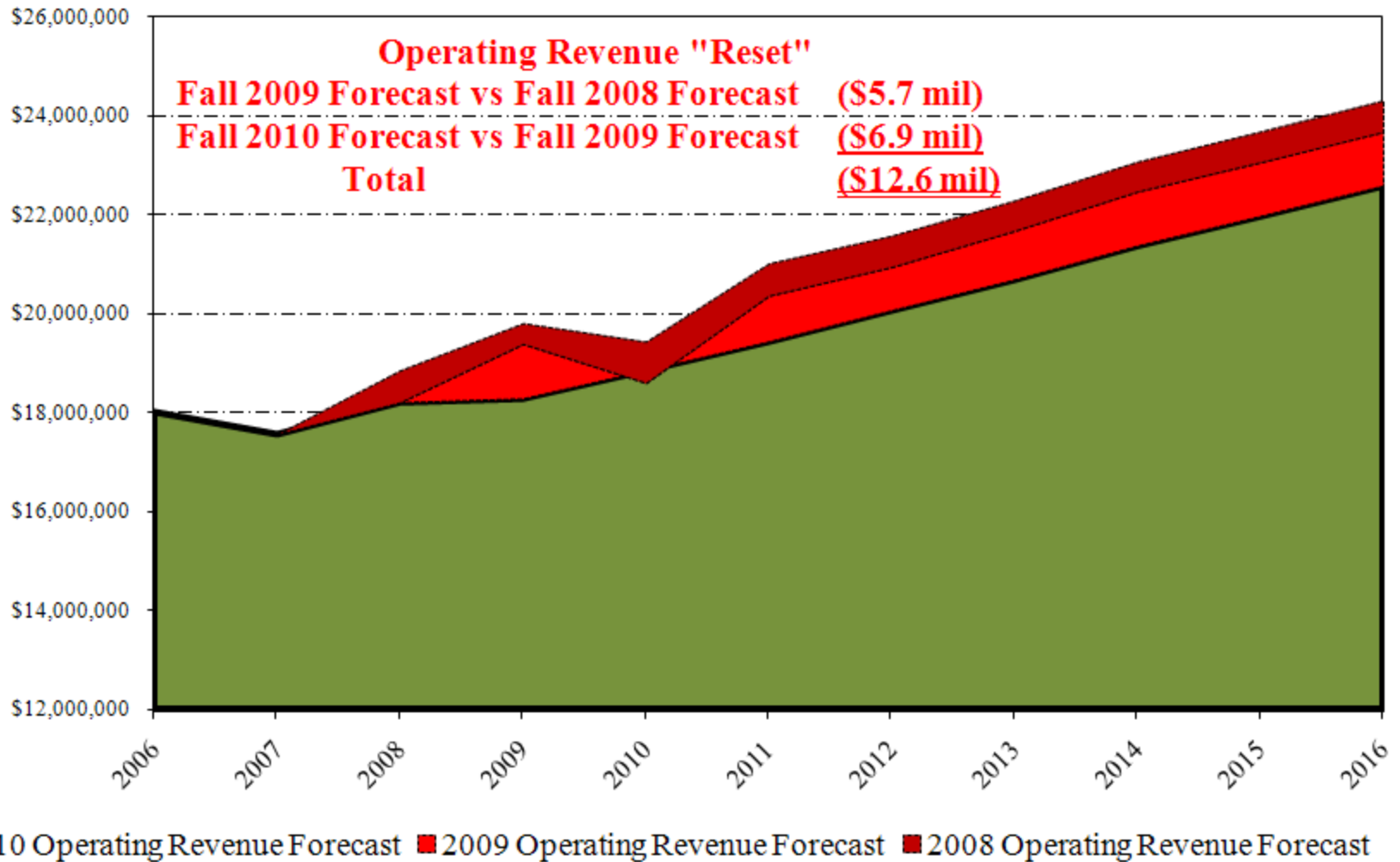
- Change and uncertainty of economic conditions
- Reliance on Gambling Taxes
- Legislative Changes & Initiatives
- Rising Employee Health Care & Pension Costs
- Growing demand for services (e.g., economic development, senior services, community events/grants)
- Underdeveloped/underutilized commercial 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

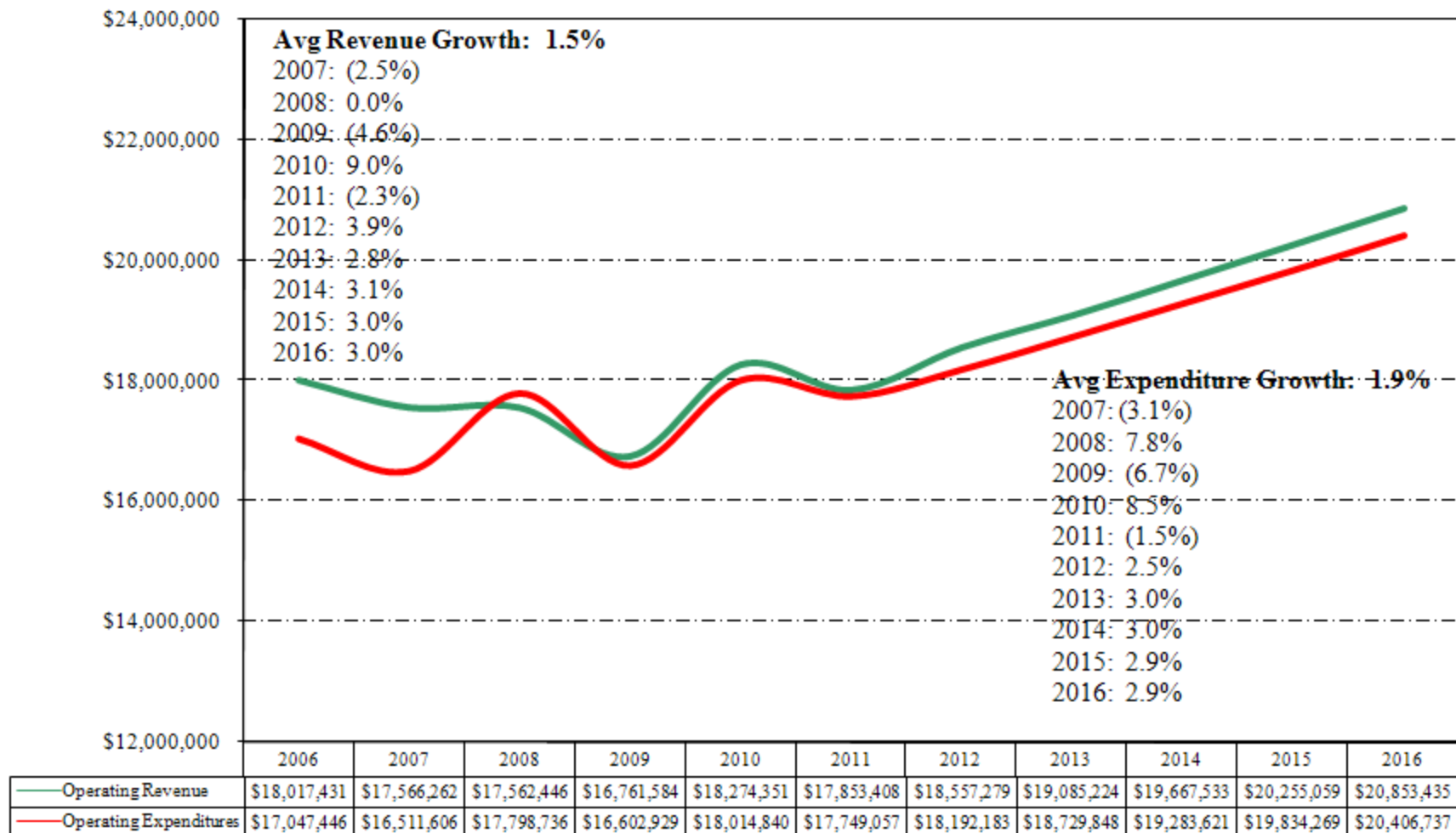
|      | <b>General Government Operating Revenues</b> |                  |                  |                            |              |
|------|----------------------------------------------|------------------|------------------|----------------------------|--------------|
|      | <b>Fall 2010</b>                             | <b>Fall 2009</b> | <b>Fall 2008</b> | <b>Change 2008 vs 2010</b> |              |
|      | <b>Forecast</b>                              | <b>Forecast</b>  | <b>Forecast</b>  | <b>\$</b>                  | <b>%</b>     |
| 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 | \$17,853,408                                 | \$18,784,352     | \$19,440,510     | -\$1,587,102               | -8.2%        |
| 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%        |
|      |                                              |                  |                  | <b>-\$12,643,680</b>       | <b>-7.0%</b> |

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

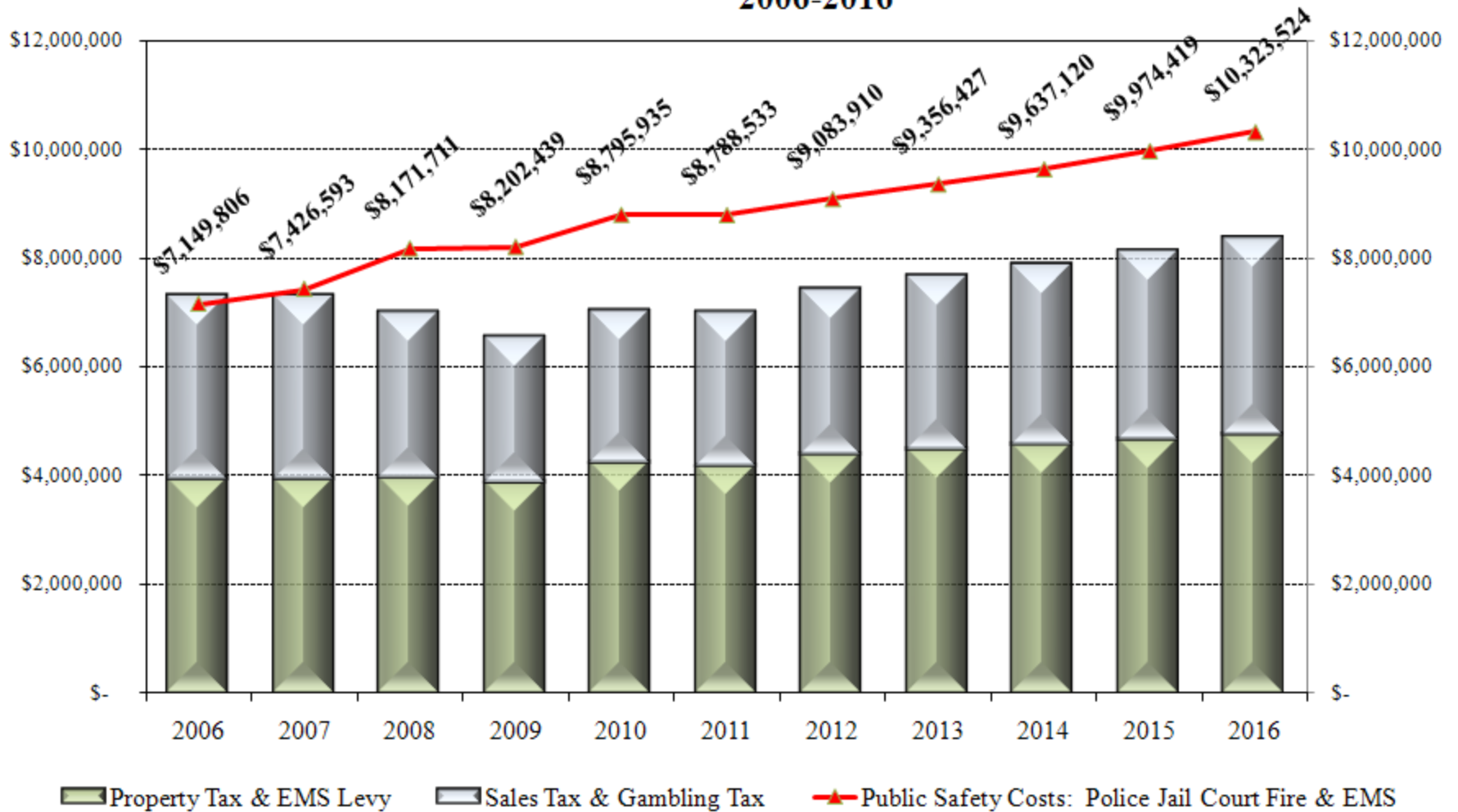


**City of Mountlake Terrace  
Financial Forecast  
General Government Funds  
2006-2016**

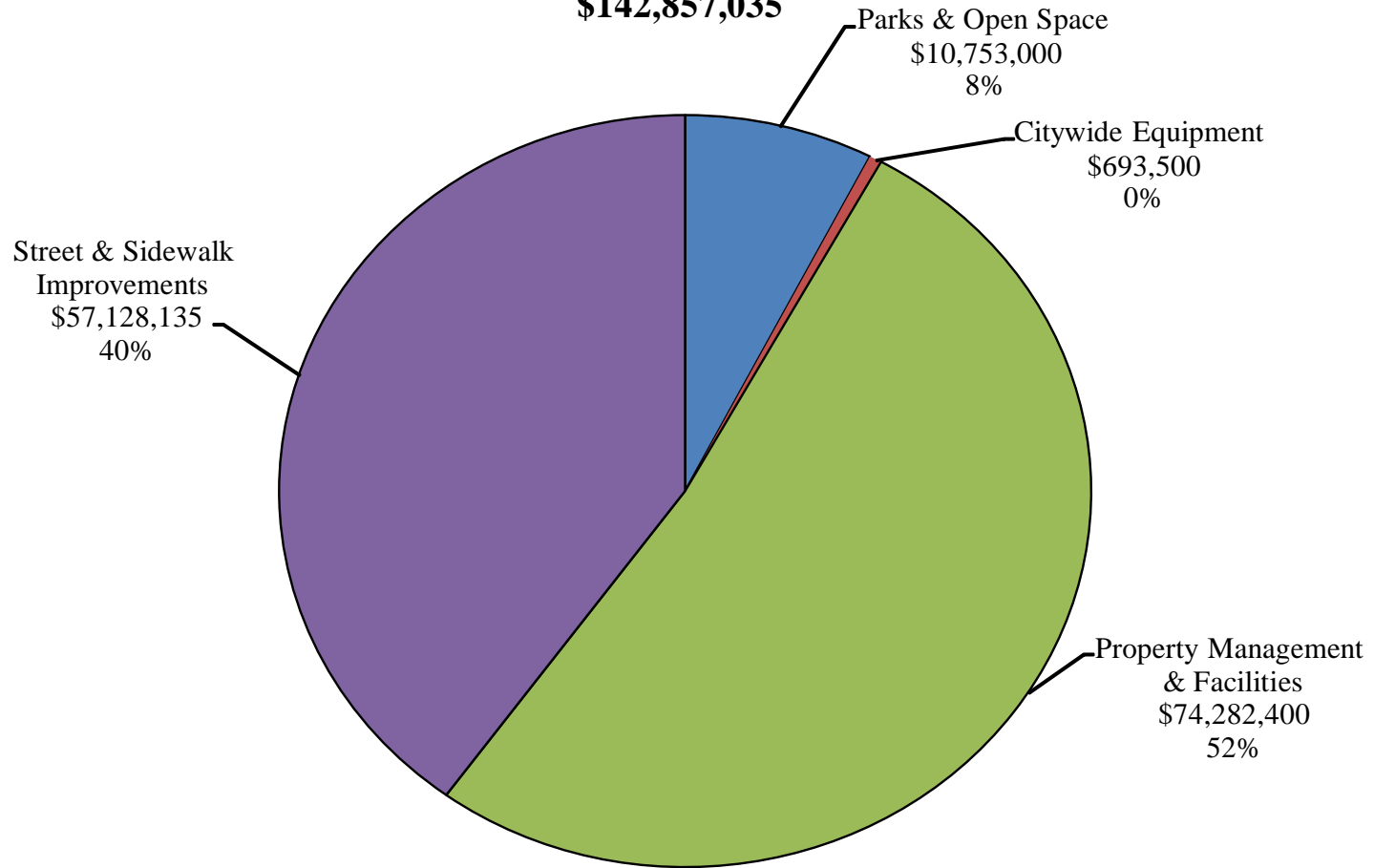
**November 2010**



## 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**



# Beyond 2010

- Revisit prioritized unfunded capital improvement projects (Feb-Apr 2010)
- Review funding alternatives \*
  - Federal & State partnerships
  - 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)

# 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 utilities<sup>31</sup>

# 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

Recommend City Council adopt the  
2011-2012 Biennial Budget Ordinance.  
This can be accomplished by making  
the following motion:

“Move for the adoption of the 2011-2012  
Biennial Budget Ordinance”