

City Hall  
17425 Ballinger Way  
Lake Forest Park, WA 98155  
Telephone: 206-368-5440  
FAX: 206-364-6521  
E-mail: cityhall@ci.lake-forest-park.wa.us  
www.cityofflp.com



*Mayor*  
David R. Hutchinson

*Councilmembers*  
Don Fiene  
Alan S. Kiest  
Sandy Koppenol  
Roger Olstad  
Ed Sterner  
Dwight A. Thompson  
Donovan Tracy

TO: Citizens of Lake Forest Park  
FROM: Mayor David R. Hutchinson  
RE: The 2007-2008 Adopted Budget

The City is implementing a biennial budget process for 2007 and 2008. Developing a budget for two years will allow more time for City staff and the City Council to devote to other issues and service provision. We are also beginning to place a larger focus on the City's capital improvement program which will list, prioritize, and fund various capital needs of the City. We have developed a capital budget for 2007-2008 and a Six-Year Capital Improvement Program (CIP). This program will receive additional focus during 2007 with time saved from the implementation of the biennial budget process.

In April, the City Council approved a new compensation plan for all City staff who do not belong to either the Police Guild or Public Works Teamsters unions. The compensation plan adjusted salaries internally between positions and brought the salaries up to the levels of other comparable cities. This will help us to continue to recruit and retain professional City staff.

Since salaries and benefits together comprise 67% of the General Fund budget this is the largest financial driver of the City's budget from year to year. Even with the compensation plan and benefit increases, the City's five-year financial plan is in better shape than was last presented to the City Council in April when the compensation plan was adopted. We continue to improve our financial position through conservative fiscal management practices during the year. We have also not included, in our financial plan, any expected State revenue from the new streamlined sales tax initiative which is likely to pass the State Legislature during the 2007 Legislative Session. Based on the last estimates from the State Department of Revenue, conservatively this would provide the City with an additional \$350,000 per year.

This budget reflects important steps for the City in a number of program categories. In this budget I would like to highlight the following: Town Center development, transportation and safety improvements, emergency preparedness, sewerage unsewered areas, the Shoreline Master Plan, the opening of the Grace Cole Nature Park, the Legacy Project, and a continued view towards our future.

### **Towne Centre Re-development**

Now that the Towne Centre has been sold we will continue to work towards its redevelopment. In 2005, we completed phase two of a process that will positively position the City to negotiate a development agreement with the new owner. We continue to hold \$20,000 for 2007 and \$10,000 for 2008 in the Planning Department budget for City work on this development agreement when the new owners are ready. The redevelopment of the center of our City will implement the community vision that was developed by the Sustaining Task Force on the Future of Town Center and the Design Guidelines Task Force. The Sustaining Task Force held

a series of public workshops in 2004 to develop valuable information and data to guide a new developer in the redevelopment of the center. More specific guidance has been provided by the Design Guidelines Task Force that will be used in negotiating the development agreement with the new owner. We will vigorously represent and promote the community's vision to provide the new owner with the direction and assurances needed to move forward toward the redevelopment of the Towne Centre.

### **Transportation and Safety Improvements**

We are continuing to focus on transportation safety in the City to provide safe pedestrian and vehicular movements in important transportation corridors. The budget includes funding in four areas as described below.

NE 178<sup>th</sup> / Brookside Roundabout: The City has received a federal grant for \$360,000 to construct a roundabout at NE 178<sup>th</sup> and Brookside Boulevard to improve traffic flows and pedestrian safety as citizens navigate that busy intersection. It is estimated that work will begin on this project in late 2007 with the actual construction to take place in 2008.

#### NE 178<sup>th</sup> Safety Improvements

The City has applied for additional federal and state grants for work on transportation and pedestrian safety improvements on NE 178<sup>th</sup> Street between 40<sup>th</sup> Ave. NE and 33<sup>rd</sup> Ave. NE. We will learn about these grant awards late in 2006 and early in 2007. We have included \$50,000 in the 2007 capital budget as a match for these potential grants. This section of NE 178<sup>th</sup> Street includes Brookside Elementary School, Eagle Scout and Animal Acres Parks, and the Lake Forest Park Presbyterian Church.

NE 153<sup>rd</sup> and Bothell Way Traffic Signal: This project will construct a traffic signal at NE 153<sup>rd</sup> St. at Bothell Way along with sidewalks on both sides of Bothell Way from approximately 145<sup>th</sup> extending to 38<sup>th</sup>. The cost for this nearly \$6 million project will be paid for by Federal, State and King County grants. This project is a coordinated effort of the City, Washington State Department of Transportation, and King County Metro. Construction will begin in 2006.

Blue Heron/Hamlin Bridge Feasibility and Design Options: An amount of \$50,000 is included in the budget to look at the feasibility of options to improve the safety of vehicular and pedestrian access to the town center area from the Sheridan Heights and Hamlin Road neighborhoods. The current vehicular bridge is unsafe for pedestrians and vehicles and will need to be replaced in the coming years.

Pedestrian Improvement Project Town Center (Bothell Way and NE 170<sup>th</sup> Street): This project is the second phase of pedestrian improvements on Bothell Way between Ballinger Way NE and Brookside Boulevard NE. The first phase included sidewalks at the northeast corner of the Ballinger Way NE/Bothell Way NE intersection, and the second phase includes sidewalks on Bothell Way NE between NE 170<sup>th</sup> Street and Brookside Boulevard NE. The City has received a federal grant for this project.

### **Emergency Preparedness**

With an increasing focus being placed on emergency preparedness for potential pandemics, storm events or earthquakes, federal, state, county and local governments are all working towards a coordinated approach to emergency management. We, at the local level, need to be prepared to be the first responders for our local needs and be prepared to quickly and effectively seek additional outside resources in a larger regional or national disaster.

In 2006, we rejoined the Emergency Services Coordinating Agency (ESCA) as a cost effective approach to emergency management by pooling our dollars and resources with surrounding communities, here in north King County and south Snohomish County. ESCA provides professional emergency management expertise and staff to assist each participating jurisdiction and to coordinate all of our efforts. This membership will cost the City \$19,000 per year.

We are budgeting a total of \$32,000 in the Police Department budget for emergency preparedness for 2007 and \$28,000 for 2008. We will again be implementing a local education program to help our residents be prepared for self-sufficiency in the event of a natural disaster. Approximately \$5,000 is being made available for this program. I am also including funding for table top exercises, training for staff, and supplies for the City's Emergency Operations Center (EOC).

The largest portion of this emergency management proposal includes funds in the capital budget for emergency generators at City Hall (\$75,000) and the Public Works Facility (\$30,000) and computer, communications, and security equipment for the EOC (\$10,000). This will strengthen emergency response, mitigation, preparedness and coordination and enhance our EOC capabilities.

After a localized short-term emergency of only one or two days the City police and public works staff did an evaluation of what worked well and where the EOC needed to be enhanced. The areas of concern identified that the City's generator was not adequate. There was not enough power to prepare food and provide heat for the EOC and other important areas of City Hall which would be needed during a longer term emergency. City Hall was totally shut down and unusable even for a short-term event and the EOC would be shut down within 48 hours.

### **Sewering the Unsewered Areas**

In 2005, the City received a \$4.65 million, 0.5% interest State Public Works Trust Fund (PWTF) loan, to install sanitary sewer mains in the remaining areas of the City where sewer mains are currently not available. When completed, this effort will eliminate septic tanks and their drainage fields throughout the City that can contribute to the pollution of the ground water that drains into our streams and the lake. We will begin the actual projects this fall with completion expected in 2009. The 2007-2008 budget includes funding for this important City project.

### **Shoreline Master Plan**

We have been successful in obtaining a \$76,300 grant from the State Department of Ecology for the Shoreline Master Program comprehensive update. The shoreline area of Lake Forest Park has been under the same master plan in effect since 1993, as adopted from King County's plan. This work will update the master plan to focus on the specific conditions of our community, to integrate with the State requirements, and to integrate the plan into the City's local planning and regulatory framework, including the Comprehensive Plan. Most of the consultant work will occur during 2006 (\$50,000) with the remainder in 2007 (\$26,300). The adoption process would start in 2007.

### **Grace Cole Nature Park**

We are completing the first phase of the Grace Cole Nature Park master plan and opening the Park to the public in the fall of 2006. The Park is located at 28<sup>th</sup> Avenue and NE 166<sup>th</sup> Street. This brings to five the number of City parks that are available for the citizens, with the third park opening in the last five years. The Cole Nature Park offers citizens 15.2 acres of forested wetland and a quiet opportunity to enjoy the serenity of nature within the City limits. We will be continuing some work into 2007-2008, mostly plantings, as we begin to assess the usage, maintenance needs, and future needs of this park.

## **Legacy Project and the Future**

An amount of \$60,000 is included for a consultant to assist the Legacy Taskforce with the Legacy Project. The Legacy Project will create a 100-year vision of what Lake Forest Park should be like in the near and far future. It will articulate a long-term plan for City parks, trails, and open space. The plan will provide guidelines and direction for the City in terms of purchasing and preserving property, accepting donations, fund development, and other actions. It will enable the City to respond to opportunities in a timely fashion. The Legacy Taskforce's function will be to create a scope of work for a consultant who will lead the city in developing the City's Legacy Plan.

## **FINANCIAL OVERVIEW**

### Capping City Reserves

In addition to \$1.6 million in annual operating reserves that provide a positive cash flow in our General, Street, Drainage, and Sewer Funds, the City has built up \$2 million in "rainy day" reserves since Initiative 695 dramatically impacted the City's General Fund. Over the past five years, the City has used any extra General Fund resources to build our \$600,000 City Council Contingency Fund and our \$1.4 million "unallocated reserve" in our Long-Term Bond Fund. As in 2006, we have determined that the current level of reserves is appropriate for our City and are proposing that we cap the reserves at the current levels and discontinue transferring dollars out of the General Fund to these reserve funds and to allocate interest earnings from the reserve funds to the General Fund. This will provide approximately \$159,000 in 2007 and \$96,000 in 2008 in additional revenue in the General Fund. The larger amount in 2007 is due to a one-time transfer of the remaining City provided funds for the Inflow and Infiltration Project which ended this year.

### Capital Dollars for City Hall Debt

In 1996 the City sold bonds to finance the construction of a new City Hall and Public Works Facility. In 2005 we refinanced these bonds, saving the City \$20,000 per year. As in 2006 I am proposing that we use \$200,000 in REET I funds toward the annual bond payment rather than utilizing General Fund dollars entirely for this payment. This will provide increased flexibility in the General Fund to continue to provide ongoing City services.

### Conservative Budgeting

Overall, the 2007-2008 budget maintains most operational expenses at inflation and our departments continue to pursue conservative spending practices. The departments are projected to save approximately \$250,000 (4.2%) from their 2006 Adopted Budgets. These savings carry over into the next fiscal year benefiting the City's financial picture. Due to the historical average of department underexpenditures from 3.5%-4% we have built this expected level (3.5%) of underexpenditure into the 2007-2008 budget. This is shown as the 2008 General Fund beginning balance being higher than the 2007 budgeted ending fund balance due to these projected underexpenditures.

Even with all that we are doing to become more effective and efficient in our operations, it has become increasingly difficult to continue to reduce costs while improving services with high health care cost increases, an uncertain economy, and federal and state unfunded mandates that require additional costs and services. We have been battling a tight fiscal situation for several years due to the uncertain State, regional and local economies, the annual placing on the ballot of statewide initiatives, and the annual unknown finances of the State which has been a major revenue source throughout our City's history.

### Street Fund

Initiative 695 dramatically reduced local street maintenance funding by eliminating the County vehicle license fee (\$120,000 per year). In 2005 the State Legislature passed a \$9.5 million gas tax that is providing the City with an additional \$25,000 in 2006 and similar amounts in the following years. Without the state gas tax increase, the revenue from the gas tax coming to the City has decreased for five years in a row while the cost of maintenance has continued to increase. This is causing a shortfall in our Street Fund. In 2006, we began to subsidize the Street Fund for the first time from the General Fund in the amount of \$50,000. This subsidy continues into 2007-2008 in the amount of \$60,000 per year.

### Sewer Rates

The 2007-2008 Budget includes the third and fourth years of implementing the results of the sewer rate study conducted in 2004. That study analyzed how the rates were distributed between the City portion (sewer infrastructure) and the County portion (treatment facilities), the need for a Sewer Capital Replacement Program for the replacement of the City's aging sewer infrastructure, and the implementation of the Unsewered Areas Project.

For 2007, both the County and the City are planning to raise the sewer rates, the County by \$2.35 (9%) per month and the City by \$1.00 (9%) per month. For 2008, the County is not planning to raise the sewer rates, but the City is planning to raise the City portion of the rate by \$1.08 (9%) per month.

|                             | <b>2006</b>      | <b>2007</b>   | <b>2008</b>   |
|-----------------------------|------------------|---------------|---------------|
|                             | <b>Projected</b> | <b>Budget</b> | <b>Budget</b> |
| <b><u>Utility Rates</u></b> |                  |               |               |
| County Charges \$           | 25.60            | \$ 27.95      | \$ 27.95      |
| City Charges                | 11.06            | 12.06         | 13.14         |
| Monthly Rate \$             | 36.66            | \$ 40.01      | \$ 41.09      |
| Bi-Monthly Billing: \$      | 73.32            | \$ 80.01      | \$ 82.18      |
| County Increase \$          | 0.00             | \$ 2.35       | \$ 0.00       |
| City Increase               | 1.08             | 1.00          | 1.08          |
| Total Increase \$           | 1.08             | \$ 3.35       | \$ 1.08       |

These City sewer rate increases follow the guidelines of the 2004 sewer rate study to establish an adequate Sewer Capital Replacement Fund. The increase will allow the City to transfer \$150,000 per year in 2007-2008 to cover future replacement costs of the City's aging sewer infrastructure.

### Surface Water Fees

As part of our long-term capital improvement program we have developed a list of twelve drainage culverts which need to be replaced in the City based on the Lyon and McAleer Creek Drainage Basin Study and our operational knowledge of drainage caused erosion and the state of the current culvert system. Our 2007-2008 capital budget includes \$400,000 for the replacement of a culvert on NE 178<sup>th</sup> Street, just east of 44<sup>th</sup> Avenue NE. Funding for this culvert replacement will use a significant portion of the approximately \$700,000 Drainage Fund ending fund balance. We have, therefore, approved a 5% increase in the drainage utility fee in 2007 with a 5% increase proposed for 2008 through 2012 to begin the replacement of the culverts and to keep up with inflationary increases. This 5% increase would raise the annual drainage fee from \$92.82 to \$97.46 in 2007, an additional \$4.64 per year per parcel. The last time the City raised the drainage fees was in 2004.

## OVERVIEW OF THE 2007-2008 BUDGET

As you can see in the table below, the total Budget for 2007 is \$23,255,342 and for 2008 is \$20,950,611 for the City's 18 funds. The 2007 Budget represents about a \$1.5 million or 6.9% increase over the 2006 Budget. The 2008 budget is \$2.3 million less than 2007 primarily due to 2007 expenditures for capital projects in the Drainage, Capital, Transportation Capital, the Unsewered Areas Project, and the Vehicle/Equipment Replacement Fund. Since the total amount budgeted equals the beginning fund balance, revenues, and transfers it is difficult to gauge the changes for each fund by looking at just the totals. Review the fund summaries and the fund details in the appendices for details on each fund.

|                              | 2006<br>Budget      | 2007<br>Budget      | 2007<br>vs. 2006 | 2008<br>Budget      | 2008<br>vs. 2007 |
|------------------------------|---------------------|---------------------|------------------|---------------------|------------------|
| General Fund                 | \$ 7,147,044        | <b>\$ 7,571,856</b> | \$ 424,812       | <b>\$ 7,464,587</b> | \$ (107,269)     |
| Street Fund                  | 529,525             | <b>542,564</b>      | 13,039           | <b>539,350</b>      | (3,214)          |
| Surface Water Mgmt. Fund     | 1,149,280           | <b>1,297,656</b>    | 148,376          | <b>857,235</b>      | (440,421)        |
| Sewer Utility                | 2,528,923           | <b>2,389,958</b>    | (138,965)        | <b>2,377,724</b>    | (12,234)         |
| Capital Improvement          | 1,659,959           | <b>1,260,346</b>    | (399,613)        | <b>808,501</b>      | (451,845)        |
| Transportation Capital       | 2,097,307           | <b>2,340,670</b>    | 243,363          | <b>1,769,507</b>    | (571,164)        |
| Public Works Contract        | 626,900             | <b>640,807</b>      | 13,907           | <b>665,603</b>      | 24,796           |
| Unsewered Areas Project      | 2,497,935           | <b>3,358,318</b>    | 860,383          | <b>2,642,956</b>    | (715,362)        |
| Inflow & Infiltration Grant  | 104,665             | <b>39,865</b>       | (64,800)         | <b>0</b>            | (39,865)         |
| Contingency Reserve          | 633,401             | <b>646,674</b>      | 13,273           | <b>630,766</b>      | (15,908)         |
| 1996 LTGO Bond               | 1,777,314           | <b>1,810,868</b>    | 33,554           | <b>1,767,392</b>    | (43,476)         |
| Sewer Bond Redemption        | 58,062              | <b>55,226</b>       | (2,836)          | <b>51,172</b>       | (4,054)          |
| Sewer Bond Reserve           | 90,559              | <b>95,292</b>       | 4,733            | <b>97,867</b>       | 2,575            |
| LID Guarantee                | 0                   | <b>0</b>            | 0                | <b>0</b>            | 0                |
| Public Works Facility Const. | 95,199              | <b>98,785</b>       | 3,586            | <b>101,542</b>      | 2,757            |
| Public Works Trust Repay.    | 87,386              | <b>262,177</b>      | 174,791          | <b>287,583</b>      | 25,407           |
| Sewer Capital Replacement    | 308,000             | <b>460,545</b>      | 152,545          | <b>624,361</b>      | 163,816          |
| Vehicle/Equipment Replace.   | 353,850             | <b>383,734</b>      | 29,884           | <b>264,465</b>      | (119,269)        |
|                              | <b>\$21,745,307</b> | <b>\$23,255,342</b> | \$1,510,035      | <b>\$20,950,611</b> | \$ (2,304,731)   |
|                              |                     |                     | 6.94%            |                     | (152.63%)        |

## **KEY PROVISIONS**

The key provisions of the 2007-2008 Budget are outlined below:

- **City Reserves:** As previously mentioned, we have \$1.4 million in unallocated reserves residing in the Long-Term Bond Fund, \$600,000 in the Council Contingency Fund, and \$1.6 million in operating reserves in the General, Street, Drainage, and Sewer Funds.
- **Salary Increases:** The 2007 budget reflects the 2006 and 2007 impacts of the non-union employee compensation plan that was implemented in 2006. The 2006 financial impact of the compensation plan is reflected in the 2006 Projected column amounts but is not reflected in the 2006 Budget column since the compensation plan was implemented in April 2006 after the 2006 Budget was adopted. The implementing ordinance for the compensation plan adopted a new salary schedule to be implemented effective January 1, 2006 but did not amend the 2006 Budgeted amounts. Thus, the 2006 financial impact was absorbed within the original 2006 Adopted Budget.

The 2007 budget includes the 2006 new pay plan and 2007 step increases for employees who are not already at the top step of the pay plan and who receive a satisfactory performance evaluation. These increases will add \$140,072 to the 2007 budget.

The 2008 budget reflects step increases for employees who are not at the top step of their pay scale and who receive a satisfactory performance evaluation. These increases add \$82,130 to the 2008 budget.

- **Council salaries 2007:** Council salaries will increase by a total of \$400 in 2007 due to the full-year impact of the increase in Councilmember salaries from \$400 to \$500 per month for the Councilmembers sworn in on January 1, 2006.
- **Council Salaries 2008:** The Mayor is recommending a salary increase for Councilmembers from \$500 to \$600 per month. This increase would take effect for the three Councilmembers sworn in on January 1, 2008.
- **Mayors Salary:** The Mayor's salary has been increased from \$30,000 to \$36,000 per year.
- **Cost-of-Living Increases (COLA):** The overall 2007 pay plan for non-union employees is increased by a 3.3% cost-of-living increase (COLA) based on the consumer price index for urban wage earners for the Puget Sound region. The Teamsters increase per their union agreement provides for a 3.5% COLA. The 2008 budget reflects an estimated 3.0% COLA at a cost of \$43,439.
- **Cost-of-Living Adjustments:** We have included the 3.3% COLA for the City Administrator and Police Chief for 2007 and the 3% COLA for 2008.
- **Health Care Increases:** The Citywide medical and dental increases will cost the City \$33,208 for 2007, with increases ranging from 7.5% for Group Health to 6.5% for Regence and a 2.0% increase for dental benefits. We are estimating an overall 6% increase for 2008 at a cost of \$25,891.

- Employee Portion of Healthcare: We continue with the provision implemented two-years ago where employees pay for a portion of their health benefits. This will save the City approximately \$22,760 in 2007 and \$24,126 in 2008.
- State Pension Rates Increase: The State is continuing with their increases in the rates that both the employer and the employee pay into the State pension system. The pension system investments have not done well over the past several years and the rates need to be increased to keep the system financially sound. The increase in rates will cost the City an additional \$36,498 for 2007 and \$35,079 for 2008.
- Insurance: Overall insurance costs for 2007 are 8% higher than in 2006 and are estimated to increase by 5% in 2008. The assessment formula is based on worker hours multiplied by the assessment rate which is determined by an actuarial review of the City's last five years loss history. For individual departments, the insurance increase may be higher or lower than 8% since the distribution of insurance charges to the departments is based on their percent of the total City worker hours.
- City Council - Wi-Fi /Broadband Consultant: An amount of \$10,000 is included in 2007 to utilize a consultant to work with the City on options for Wi-Fi /Broadband services in the City. Wi-Fi is being implemented in some cities around the country to varying degrees of success. There are many new technologies and options for providing services so the City needs to determine what makes sense for Lake Forest Park if it decides to become involved in the provision of these services.
- Executive - City Administrator Hiring Process: With the current City Administrator vacating her position, we have included \$15,000 in 2007 to assist with the hiring process for a new City Administrator.
- Executive - City Commission Evaluation Survey: An amount of \$3,000 is included in 2007 to work with the City to conduct an evaluation of the City's commission system. The City currently has nine ongoing commissions/committees or boards each of which requires recruitment, staffing, and support. Over the past several years the City has utilized taskforces to address specific issues which are then disbanded after the issue has been resolved. An evaluation would review each of the commissions to determine which commissions should be ongoing rather than be structured more like a taskforce.
- Finance - Economic Development Consultant: An amount of \$2,000 is included for the Economic Development Commission (EDC) to hire a strategic planning consultant for a strategic planning session in which to train and educate EDC members on economic development planning that is realistic for Lake Forest Park. The EDC will come up with 4-5 specific items to focus on before a consultant is hired to make the most effective use of the available funds.
- Finance & Planning - Integrated Financial and Planning Software Package: An amount of \$80,000 is included in the Vehicle and Equipment Replacement Fund to release a request for proposals (RFP); to conduct an analysis of proposals; and to purchase, install, convert existing data, and provide staff training on a new integrated financial and planning software package. Based on our discussions with other cities and prior experience we are estimating that we will be able to acquire the needed software in this price range.

The new software would integrate the general ledger, accounts receivable, cash receipting, accounts payable, budgeting, financial reporting, payroll, building/land use permits and licenses, fixed assets, business licensing and taxation, and human resources.

The City's current integrated financial software, Associated Software Products (ASP) is ten years old, has limited flexibility, does not allow for user customization, and has very limited data analysis and reporting capabilities. The City's current permit software, PTWin, is twelve years old, has limited flexibility, does not allow for user customization, has very limited analysis and reporting capabilities, does not integrate with our financial software, and Blackbear, the software maker no longer supports it.

The current ASP software company was purchased last year by Harris Computers. As we move forward, we are looking for an integrated financial software package that will provide: single entry of information, ease of use, customization of fields, ability to view increasing levels of account detail on screen, easy export of all data for analysis, customizable reporting, reliable and responsive support, and company stability.

- Human Services - Basic Needs: An amount of \$3,000 is recommended by the Human Services Commission to provide basic needs through HopeLink. Based on the Commissions funding gap analysis. The funds for HopeLink will provide for food bank meals for 124 residents and financial assistance for rent, utilities, and transportation to 5 low income City residents. The City has not previously supported services for basic emergency needs.
- Human Services - Support for Domestic Violence Victims and their Families: An amount of \$3,500 is included to provide funding to New Beginnings which provides accessible comprehensive services for domestic violence victims. The City makes referrals for client support groups and more intensive counseling and support for women and their children.
- Parks Recreation - Legacy Project: An amount of \$60,000 is included for a consultant to assist the Legacy Taskforce with the Legacy Project. The Legacy Project will create a 100-year vision of what Lake Forest Park should be like in the near and far future culminating in a long-term plan for City parks, trails, and open space. The plan will provide guidelines and direction for the City in terms of purchasing and preserving property, accepting donations, fund development, and other actions. It will enable the City to respond to opportunities in a timely fashion. The Legacy Taskforce's function will be to create a scope of work for a consultant who will lead the city in developing the City's Legacy Plan.
- Parks Recreation - Third Place Commons: The 2007-2008 Budget includes \$20,000 per year for the Third Place Commons with \$15,000 as a direct grant and an additional \$5,000 to be provided as a match. Third Place Commons is the City's community center. It offers educational and cultural events in addition to providing a community gathering place. There are programs that appeal to all members of the community. Funding enables the Commons to expand its programs and to ensure its facilitation of community activities and events that support the livability of Lake Forest Park. These include dance performances, art shows, concerts for youth, children's fairs as well as the coordination of parent/child play groups and a "Healthy Heart" fair for seniors." Third Place Commons relies on the support of the City and individual contributions.
- Parks Recreation - Resident Recreation Program Subsidy: The 2007-2008 Budget includes \$6,000 each year for payment to the City of Shoreline so Lake Forest Park residents can

take Shoreline recreation classes at the same cost as Shoreline residents. The funds from Lake Forest Park will pay for the Shoreline administrative costs for recreation classes.

- Police - SLR Digital Camera, lens, and Flash Outfit: An amount of \$2,800 in 2007 and 2008 to enhance the Departments ability to photograph and record for crime, accident and domestic assault cases. The use of digital equipment will eliminate the use of film and processing and allow the phase out of traditional camera equipment.
- Police – Vehicle Collision Investigation Software: An amount of \$2,600 is included for data software that enables a collision investigator to download data directly from the airbag module located in many vehicles. The data obtained includes engine speed, throttle position, brake status, vehicle speed, seatbelt switch, warning lap indication, and time from impact to airbag deployment.
- Police - Coalition Training Expenses: The Small Cities Police Coalition has received a \$100,000 two-year grant from the State. An amount of \$50,000 was received in 2005 and \$50,000 will be received in 2006. The budget for 2007-2008 reflects grant revenues and reimbursement from the other participating agencies. Expenses cover the training, overtime, and equipment purchases of the Coalition of Small Police Agencies that have combined their resources to provide better training opportunities for the police agencies involved.
- Police Vehicles: Funds are included for the scheduled replacement of one patrol vehicle (\$29,000), for the scheduled replacement of the Supervisors vehicle (\$35,000), and for a traffic motorcycle (\$15,000) through the Vehicle and Equipment Replacement Fund. See the section on vehicle and equipment replacement in the Appendices of this book for additional details.
- Planning - Shoreline Master Plan Grant: The 2006 budget included \$76,300 from a State Department of Ecology Grant for the Shoreline Master Program comprehensive update. The shoreline area of Lake Forest Park has been under the same master plan in effect since 1993, as adopted from King County's plan. This work will update the master plan to focus on the specific conditions of our community, to integrate with the State requirements, and to integrate the plan into the City's local planning and regulatory framework, including the Comprehensive Plan. An amount of \$50,000 is projected to be spent in 2006 with the \$26,300 remainder of the grant to be spent in 2007. It is assumed that there will be an additional \$10,000 available from the State for this in 2008.
- Planning - Towne Centre Development Agreement: Proceeding on to the next phase of the Sustaining a Livable Lake Forest Park project would require consultant assistance with the development and negotiation of a development agreement. It is estimated that the consultant assistance will cost about \$30,000 with \$20,000 for 2007 and \$10,000 for 2008.
- Public Works - Neighborhood Mini-Grants: The pilot program of neighborhood mini-grants has been increased by \$500 to bring the total to \$2,500 for neighborhood mini-grants to match local citizen projects which will enhance the environment and improve the natural environments ability to control and utilize stormwater. These mini-grants are to have a maximum of \$500 per household and each household may only apply once a year.
- Public Works - Culvert Replacements: After reviewing the 1999 Lyon and McAleer Creek Drainage Basin Study, the historical erosion and repair needs, and coordination with street projects, there is \$400,000 in the drainage budget for a culvert replacement on NE 178<sup>th</sup>

Street, just east of 44<sup>th</sup> Avenue NE. This is included in the capital improvement program along with a listing of other priority culvert replacements.

- Public Works – County Sewer Treatment Charges: The 2007 budget reflects over a 9% increase over the 2006 Budget since King County is raising their treatment charges from \$25.60 per month to \$27.95 per month. They are not projecting to increase their rates in 2008. The City charges our sewer utility customers for the County portion which is then passed onto the County for treatment costs.

These key provisions will be discussed in greater detail with the City Council as part of the upcoming City Council budget process in November and December.

### **FIVE-YEAR FINANCIAL FORECAST**

The summary of the five-year forecast for the General Fund, based on the 2007-2008 Budget, is shown below. As you can see, the 2007-2008 budget is above the City's 12% operating reserve by \$155,253 in 2007 and \$49,959 in 2008. The five-year forecast and details for all of the City's eighteen funds is shown in the appendices of this budget book.

|  | 2006<br>Budget   | 2006<br>Projected | 2007<br>Budget   | 2008<br>Budget   | 2009<br>Forecast | 2010<br>Forecast | 2011<br>Forecast | 2012<br>Forecast |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>BEGINNING FUND BALANCE</b>                      | <b>1,181,564</b> | <b>1,169,387</b>  | <b>1,276,371</b> | <b>1,133,617</b> | <b>1,035,980</b> | <b>981,284</b>   | <b>911,102</b>   | <b>815,645</b>   |
| Revenues   | 5,654,117        | 5,791,321         | 5,930,205        | 6,028,668        | 6,153,587        | 6,293,116        | 6,437,447        | 6,586,779        |
| Transfers-In                                       | 311,363          | 311,363           | 365,280          | 302,302          | 305,198          | 308,181          | 311,254          | 314,419          |
| <b>RESOURCES</b>                                   | <b>7,147,044</b> | <b>7,272,071</b>  | <b>7,571,856</b> | <b>7,464,587</b> | <b>7,494,765</b> | <b>7,582,582</b> | <b>7,659,803</b> | <b>7,716,843</b> |
| Department Expenditures                            | 5,928,340        | 5,673,942         | 6,312,024        | 6,361,423        | 6,497,136        | 6,673,859        | 6,846,514        | 7,029,664        |
| Transfers-Out                                      | 321,758          | 321,759           | 347,136          | 289,834          | 308,716          | 297,944          | 305,739          | 302,737          |
| <b>EXPENDITURES</b>                                | <b>6,250,098</b> | <b>5,995,701</b>  | <b>6,659,160</b> | <b>6,651,257</b> | <b>6,805,852</b> | <b>6,971,803</b> | <b>7,152,253</b> | <b>7,332,401</b> |
| <b>ENDING FUND BALANCE</b>                         | <b>896,946</b>   | <b>1,276,370</b>  | <b>912,696</b>   | <b>813,329</b>   | <b>688,913</b>   | <b>610,779</b>   | <b>507,551</b>   | <b>384,441</b>   |
| <b>12% Operating Reserve</b>                       | <b>711,401</b>   | <b>680,873</b>    | <b>757,443</b>   | <b>763,371</b>   | <b>779,656</b>   | <b>800,863</b>   | <b>821,582</b>   | <b>843,560</b>   |
| <b>Amount Above or (Below)<br/>the 12% Reserve</b> | <b>185,545</b>   | <b>595,497</b>    | <b>155,253</b>   | <b>49,959</b>    | <b>(90,743)</b>  | <b>(190,084)</b> | <b>(314,031)</b> | <b>(459,118)</b> |

The forecast is based on the following assumptions:

- 1) For 2008, the beginning fund balance assumes a 3.5% underexpenditure of department budgets and for 2009-2012 assumes a 3.5% department underexpenditure. The average for the past five years has been 4%.
- 2) Revenues: Property Tax is assumed to grow at 1.5%, representing an annual 1% growth due to the limits of I-747, and 0.5% for annual new construction. Utility taxes are forecast to increase by 4.5% in 2007 and 5% per year thereafter. The three-year average has been 7.3%. State revenues are forecast to increase by 3% per year. Court revenues are forecast to increase by 4% in 2007 and 5% thereafter. Sales tax is estimated to increase by 1% in 2007 and 3% thereafter. Construction permit revenue is not projected to change but land use revenue is forecast to increase by 5% in 2007 and 10% per year thereafter. The three-

year average has been over 16% per year. Other smaller revenue sources are forecast to not increase over the five-year period or to increase by fairly small amounts.

- 3) Transfers-In represents overhead charged to the Street, Drainage, Sewer, and Public Works Contract Funds for the administrative support provided by general departments (Executive, Municipal, Legal, Finance, etc.). This is not forecast to increase. Beginning in 2006, it also includes interest revenue from the Council Contingency and Unallocated Reserves as previously mentioned in this message.
- 4) Department expenditures are based on the 2007-2008 Budget with the forecast including an annual 3.0% cost-of-living increase and employee increases pursuant to the approved salary plan. Employee benefits are forecast to increase by 6% per year. Insurance is forecast to increase by 5%, communications by 3%, and city memberships by 2%. All other service and supply accounts are forecast to not increase over the five-year period. If inflation pressures increase we will need to revisit that assumption.
- 5) The transfers-out are to subsidize the Street Fund, to the Long-term Debt Fund for partial payment of the City Hall Bonds, to the Transportation Capital Fund for the General Fund share of the engineering program, to the Facility Construction Fund for the General Fund share of the Public Works Facility loan, and to the Vehicle/Equipment Replacement Fund for the General Fund's share of replacement costs.
- 6) The 12% Operating Reserve equals 12% of annual expenditures and represents the General Operating Cash Reserve pursuant to our Fiscal Reserve Policies to ensure adequate cash flow throughout the year, especially until April when approximately half of the annual property taxes are received. Since the 12% reserve was established a review of historical cash flow shows that the City could safely lower the reserve to 10% providing a one-time savings.

This forecast is just a picture in time, based on the 2007-2008 Budget. We have improved our financial position from past year's forecast through the strategic decisions to cap our City reserves, to use eligible capital dollars to make a portion of our City Hall debt payment, thus freeing up General Fund dollars, and through the effective management of our departments. While the financial forecast has not improved from last year due to the new compensation plan, we are continuing to seek ways to improve the City's financial position without decreasing our services to the community.

## **CONCLUSION**

We are excited about the future for this great community in which we live. We are continuing to strengthen and improve our City's infrastructure and services. The three-year Sustainability Project focusing on the town center has produced great ideas and community involvement and has positioned us to work effectively and pro-actively with the new owner/developer of the mall property in 2007-2008.

This budget again directs financial and staff resources towards the continued development of our local emergency management needs. While the federal, state, and county governments are all part of a coordinated approach to emergency management, we are most cognizant that we at the local level, need to be prepared to be the first responders for our local needs and be prepared to quickly and effectively seek additional outside resources in a larger regional or national disaster. This should continue to be a strong focus of our City organization. This is a basic service provided by our City government and I cannot stress enough the need for these resources to help keep us prepared for our community.

We are also excited about breaking ground this fall on the unsewered areas project to finally complete our sanitary sewer system. This three-year project represents the culmination of much hard work by the City Council and staff.

We have also begin to sharpen our focus on the long-term capital development needs of our City through citizen surveys, an open house, and the development of a six-year capital improvement program to begin to prioritize and tackle some of the important capital needs. These will be discussed further with the City Council during the remainder of the year.

We continue to pursue other cost savings and revenue producing opportunities that will keep us in the black well into the future. We are evaluating other shared service opportunities with other cities and utility districts to lower our costs and we are vigorously pursuing passage of State Streamlined Sales Tax that initially would provide the City an estimated \$350,000. We are confident that we have the capability to develop strategies with the City Council and community to continue to provide high quality services to our citizens and ensure a continued healthy fiscal future.

Have a great year!!

David R. Hutchinson, Mayor  
City of Lake Forest Park