




2009 Proposed Budget



Presented by:
Yvonne Ziomkowski
November 18, 2008

Today's Agenda

- 2009 Budget Process
- 2009 Expenditures by Fund
- Changes to preliminary budget
- Conduct Public Hearing on 2009 Budget
- Continue Public Hearing to December 2

Focus on General Fund

2009 Budget Process



How did we get here?

Budget Preparation Process

- First step – evaluate
 - What are our resources?
 - Are there new requirements or mandates?
 - Other challenges?
 - Economic forecast



Budget Preparation Process

- Second – staff prepares recommendations
- Third – discussions with committees
- Last step is for Council to determine how funds will be allocated based on limited resources



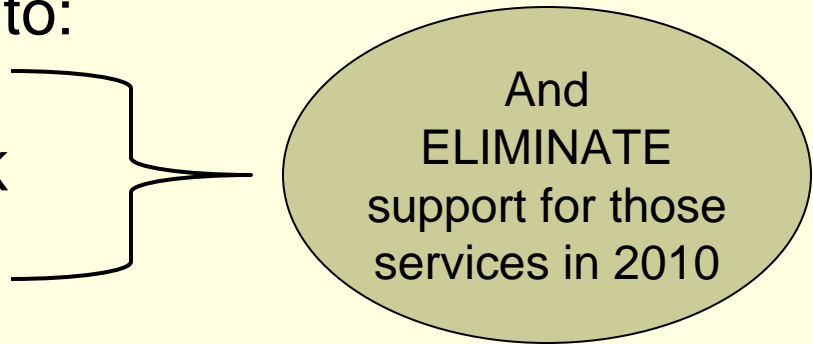
What did staff do?

- Evaluated ALL programs and services to identify...
 - essential and mandated services
 - “nice to have” and “wants”
 - possible service cuts
 - revenue enhancements



Suggestions from Staff:

- Staff reduction in Finance, CM, Police Admin., and Sr. Center \$130K
- Reduce travel/training and supplies \$16K
- Modify vehicle replacement program \$288K
- Reduce support by 50% to:
 - United Way \$62.5K
 - Marine Life Center \$22.5K
 - Fine Arts Center \$27.5K
- Reduce Humane Society contract \$26K



And
ELIMINATE
support for those
services in 2010

Suggestions from Staff (cont.):

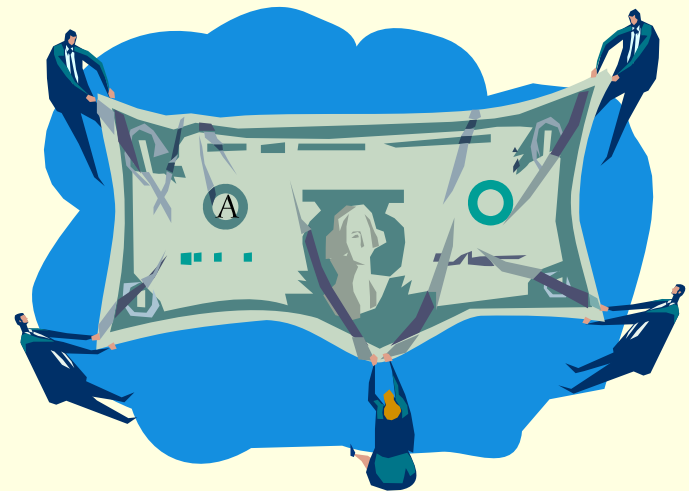
- Transfer Stormwater functions from Street to Stormwater utility \$235K
- Eliminate support to Economic Development \$60K
- Scale back beautification program \$20K
- Eliminate low-use neighborhood parks \$25K
- Cut ballfield maintenance \$20K
- Change City Hall operating hours to 9-4 (utility savings)
- Eliminate pool operations \$400K
- Other reductions \$116K

TOTAL REDUCTIONS = approx. \$1.5M

How Staff and Council Came Together...

- Suggestions presented at budget meetings with:
 - Finance Committee
 - Parks Oversight Committee
 - Full Council

. . .to review priorities, funding sources, suggestions including revenue enhancements, potential cuts, and additional requests.



Making Decisions...

- Council had to make tough decisions on which non-essential services to cut
- These decisions were made during several meetings in August and September
- In addition, Council had to consider which supplemental requests to fund

Using input from the Council, Staff developed a balanced preliminary budget

Proposed Preliminary
2009 Budget is

\$105 million

2009 Budget vs. 2008 Budget

Almost \$7 million of designated funds will be used for capital projects and rate stabilization

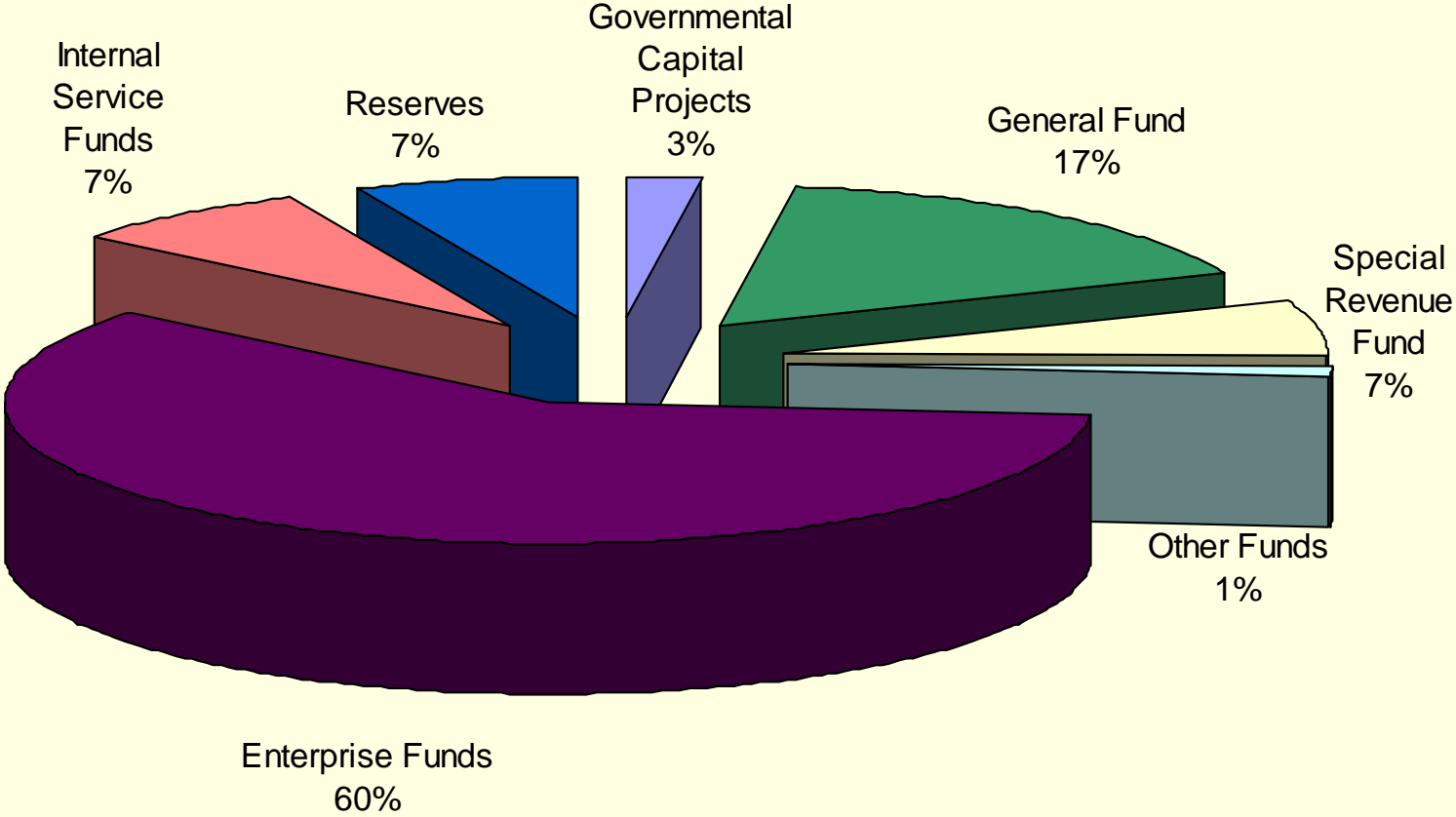
2009 TOTAL FINANCIAL PROGRAM

	2009 Budget	2008 Budget	<u>Variance</u>	
			2009 vs. 2008 Budget \$	%
Operating Budget	87,580,522	81,804,277	5,776,245	7.06%
Capital Projects	16,985,260	27,777,223	(10,791,963)	-38.85%
Total	104,565,782	109,581,500	(5,015,718)	-4.58%

Over \$5 million less than 2008 Budget

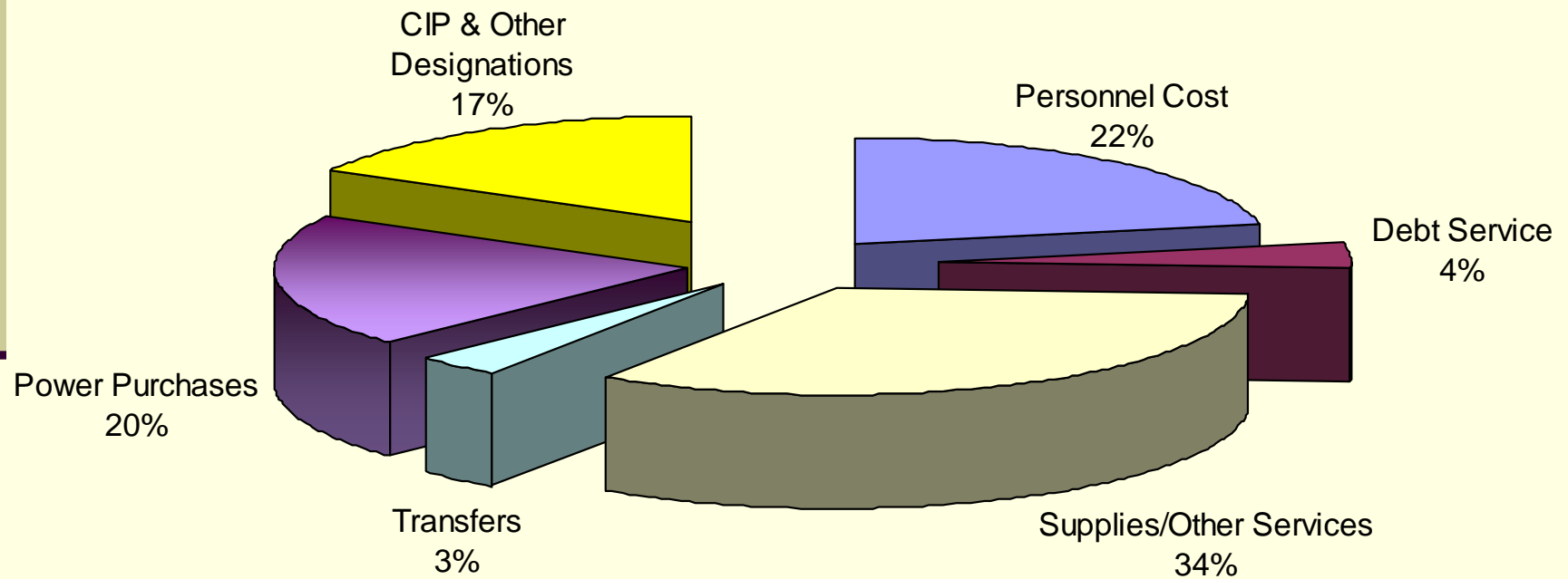
2009 Preliminary Budget

Expenditures
\$104,565,782



Where is the money going?

The money goes to...
\$104,565,782



Major Changes included in Preliminary Budget:

- Use of REET Funds for Street projects **\$400,000**
- Closure of Pool effective March 31, 2009 **\$300,000**
- Modifying vehicle replacement program **\$288,000**
- Transfer of some Street functions to Stormwater **\$235,000**
- Reducing support of Community Services **\$138,500**
- Personnel reductions **\$96,000**
- Use of reserves for IT capital projects **\$322,500**
- Other miscellaneous reductions approx. **\$100,000**

City-Wide Supplemental Requests included in Preliminary Budget:

- Peabody Street Reconstruction **\$705,000**
- Street Overlay **\$650,000**
- New Electric Line Crew (3 FTE) **\$314,000**
- New Stormwater Utility Workers (2 FTE) **\$133,000**
- New Water Utility Workers (2FTE –mid year)
\$60,000
- New software **\$44,500**
- Transportation Comprehensive Plan **\$40,000**
- Gateway Caretaker **\$24,000**

Changes Affecting Operating Costs

- PERS retirement rate increase – 12%
- AWC medical and dental rate increase – 10%
- COLA – from 3.5% to 5.58% depending on union
- Retirement pay-outs
- Increase in GF support for Medic 1, PenCom, and Recreational Activities

Progress Continues...

Improvements to infrastructure remains a priority...

78% decrease
in govt. capital projects
due to completion of
Gateway & 8th St.
Bridges

2009 CAPITAL PROJECTS

	2009 Budget	2008 Budget	Variance	
			2009 vs. 2008 Budget \$	%
Governmental Capital Funds	3,722,010	16,722,223	(13,000,213)	-77.74%
Enterprise Funds	13,263,250	11,055,000	2,208,250	19.98%
Total Capital Projects	16,985,260	27,777,223	(10,791,963)	-38.85%

Linking Budget to Strategic Plan

■ Financial Stability:

- Equipment Services reserve policy altered which saved \$288K in 2009, with \$5.5M still remaining in reserves
- Continue to promote strong reserves in GF & Utilities

■ Intergovernmental Relations:

- Working with surrounding jurisdictions on projects such as Elwha Dams, and service extension into EUGA

■ Quality Municipal Services:

- On-going CSO projects
- Increased Street improvement projects

Linking Budget to Strategic Plan

■ Employee Excellence:

- Leadership and training classes are encouraged, although travel & training was cut 10% citywide

■ Community Development:

- Infrastructure projects are included in nearly every utility (except Solid Waste and Medic I)
- Nearly \$1.4M is budgeted for Street improvements

■ Economic Development

- Support for Harborworks PDA is budgeted to focus on re-development of Rayonier property
- Continued support for CBI, EDC and PADA

Linking Budget to Strategic Plan

■ Community Livability:

- Promoting safe neighborhoods through community-oriented policing
- Continued support of NICE neighborhood infrastructure improvements

■ Community Relations:

- Expanding use of technology to assist citizens with paying utility bills and providing information on the web



Personnel Changes Included in Preliminary Budget

Personnel Reductions

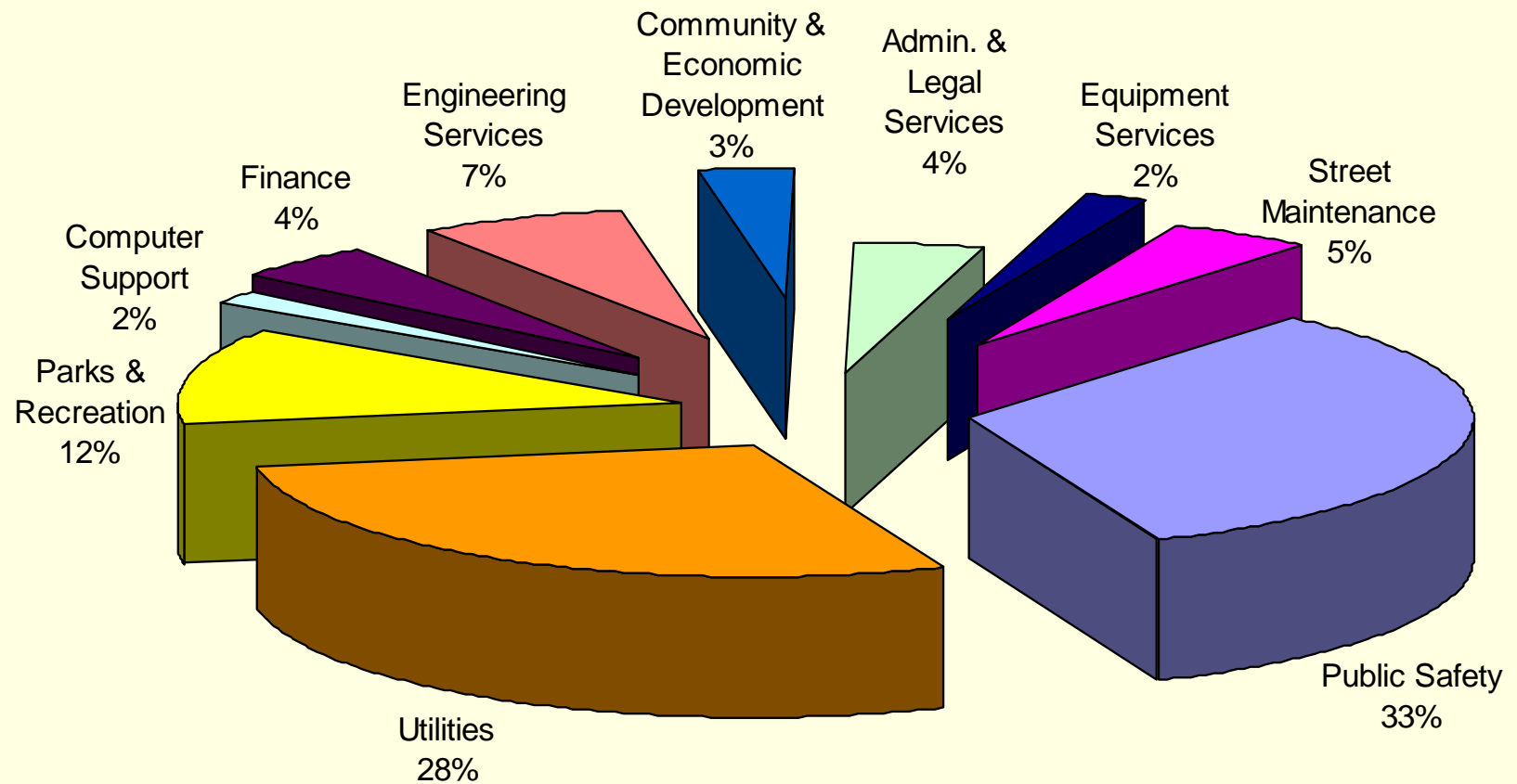
Assistant to City Manager	(0.60)
Accounting Technician II/On-Call Customer Service	(0.50)
Intern - Community & Econ. Development	(0.25)
Records Supervisor-Police Department	(0.50)
Senior Center Assistant	(0.48)
Aquatics Manager ¹	(1.00)
Pool Supervisor/Recreation Coordinator ¹	(1.00)
Aquatics Coordinator/Recreation Leader ¹	(1.00)
Part-time/Seasonal pool personnel ¹	(6.25)
Seasonal Parks Maintenance personnel	<u>(1.15)</u>
Total Reductions	<u><u>(12.73)</u></u>

¹ The anticipated closing date of the pool is March 31, 2009.

Personnel Additions

Gateway Caretaker	0.25
System Coordinator-PenCom	1.00
Electric Crew	3.00
Part-time Electrical Inspector	0.20
Operator II-Water	2.00
Source Control Intern-Wastewater	0.25
Scale Attendant-Transfer Station	0.25
Utility Worker II-Stormwater	2.00
Total Additions	<u>8.95</u>
Total Change in Personnel	(3.78)

Personnel by Function



Last Moment Changes to Revenue – Not included in Preliminary Budget*

Preliminary Budget Revenues
\$97,592,679

+

Proposed Changes
(\$577,303)

=

Proposed Budget
\$97,015,376

* Proposed changes are included in Budget ordinance

Last Moment Changes to Revenue

Include:

- General Fund \$17,278,755 (reduced by \$79K)
- Street \$1,688,003 (increased by \$91K)
- Lodging Tax \$493,205 (reduced by \$30K)
- Economic Development \$705,000 (increased by \$280K)
- REET \$385,078 (reduced by \$200K)
- Housing Rehab \$1,016,444 (increased by \$750K)
- Electric \$30,236,163 (reduced by \$1.16M)
- Medic I \$1,460,274 (reduced by \$13K)
- Equipment Services \$1,748,393 (reduced by \$121K)
- Fine Arts Center \$88,025 (reduced by \$100K)

Last Moment Changes to Expenses – Not included in Preliminary Budget*

Preliminary Budget Expenditures
\$104,565,782

+

Proposed Changes
\$677,505

=

Proposed Budget
\$105,243,287

* Proposed changes are included in Budget ordinance

Last Moment Changes to Expenditures Include:

- General Fund \$17,278,755 (reduced by \$79K)
- Street \$1,688,003 (increased by \$91K)
- Lodging Tax \$574,921 (reduced by \$230K)
- Economic Development \$1,080,774 (increased by \$208K)
- Housing Rehab \$1,153,144 (increased by \$960K)
- Utilities (Overall reduction in expenditures \$150K)
- Equipment Services \$1,806,567 (reduced by \$121K)

Additional Changes for Final Budget for Council Consideration

- PenCom use of Fund Reserves \$100,000
 - One-time use of reserves for operations
 - Will decrease user fees for all agencies
 - Police and Fire contributions will decrease approximately \$42K
 - Will offset GF by reducing sales tax \$42K
 - PenCom reserves are expected to decrease to \$548K by end of 2009

These changes will be added to Final Budget ordinance for adoption at next meeting

What Services Are Maintained in the Proposed Budget?

- Current levels are maintained and improved for essential and mandated services in:
 - Public Safety
 - Streets
 - Utilities



General Fund

\$17.3 M

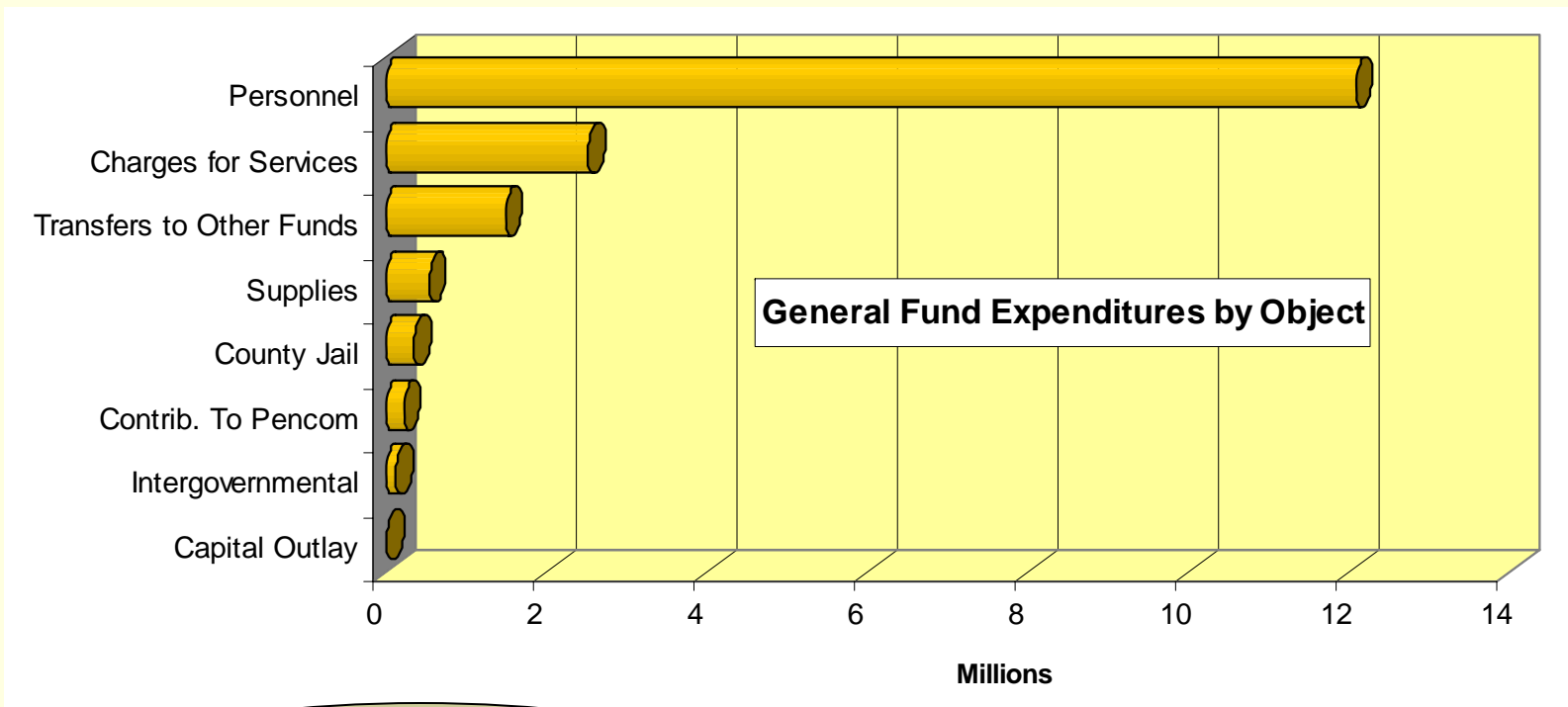
General Fund Revenue

- Preliminary Budget \$17,357,678
- Less: Revenue Adjustments (\$78,923)
 - Sales Tax (\$55K)
 - Utility Tax (\$33K)
 - Property Tax +\$38K
 - Uncollectible Property Tax (\$29K)

Additional \$42K reduction in Sales Tax revenue due to PenCom adjustment will bring Sales Tax to **\$2.96M**

This is 8% lower than 2008 YE Est. of \$3.2M

General Fund - \$17,357,678



GF expenditures
increased 1.8% in 2009

General Fund – Increases

- Personnel - 1.6% increase
 - Increases in retirement, medical, and COLA

- Support for:
 - Medic I – 38% increase to \$414K
 - PenCom – 31% increase to \$227K
 - Street Projects - \$575,000 (from \$150K in 2008)
 - Equipment Operations – 36% increase to \$407K

General Fund – Reductions

■ Personnel

- Elimination of positions in Finance, Police Administration, City Manager, and Recreation

■ Support for:

- Economic Development – eliminated in 2009
- Street operations – decreased 42% in 2009
- United Way, Marine Life Center, Fine Arts Center – reduced by 50% in 2009
- Reduced contract with Humane Society

■ Other

- Pool – anticipated closure date of March 31, 2009

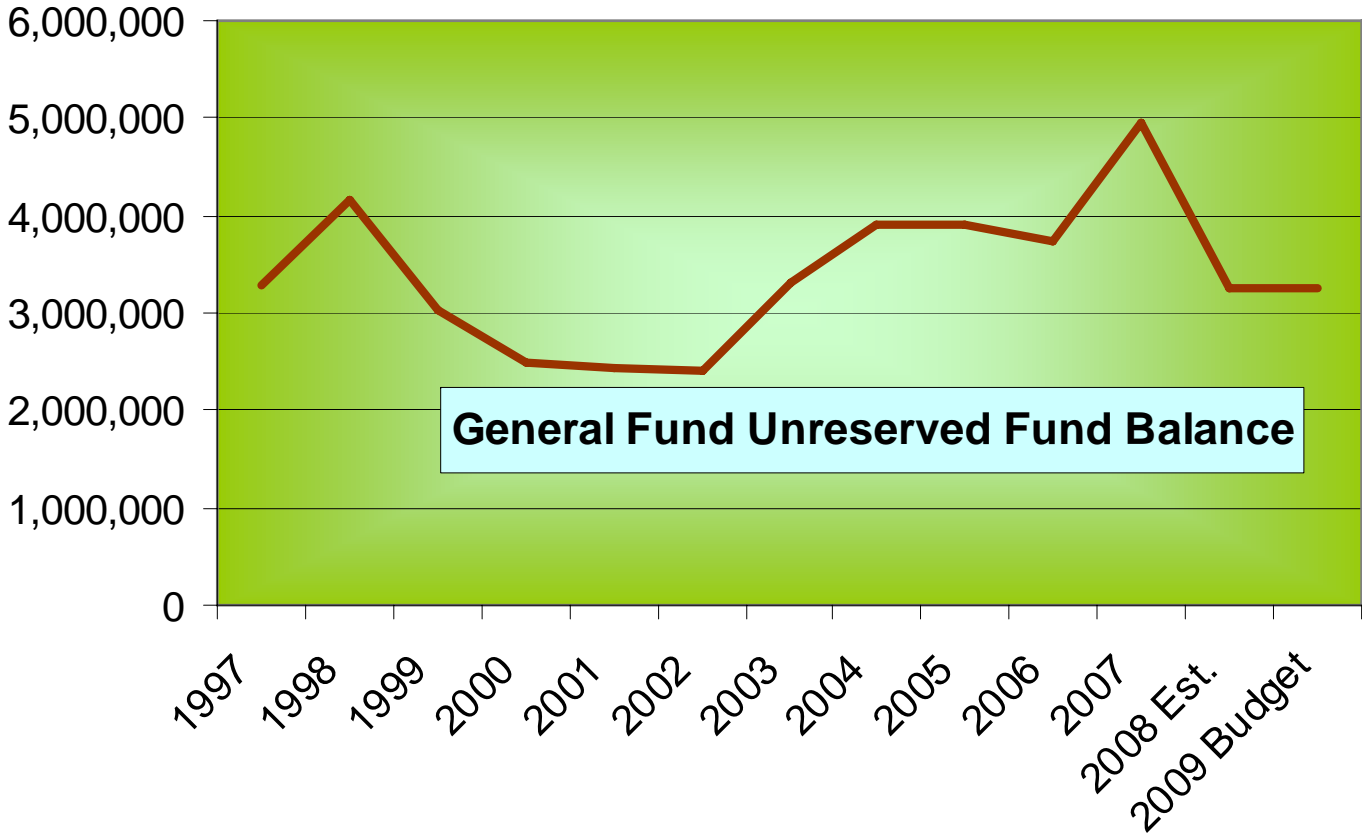
Community Services \$2.5 million - Included in the Budget

- Pool - 1st quarter
- Senior Center (operations & capital)
- Cemetery
- Recreational Programs
- Park Facilities/Ballfields
- Fine Arts Center
- Marine Life Center
- United Way
- OPNET
- EDC, CBI, PADA, Peninsula College Center of Excellence
- Library (capital) - mandatory



**These are
Non-Mandated
Programs**

General Fund – Unreserved Fund Balance \$3.2 million (est.)



Special Revenue Funds - \$7,227,347

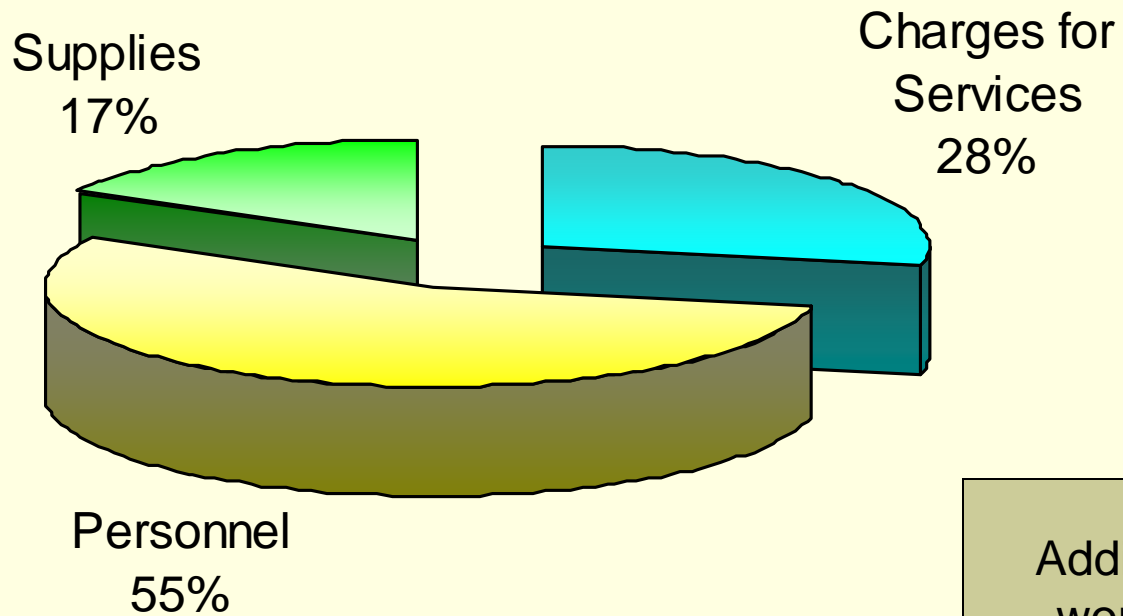
**The City budgets 17
Special Revenue Funds
with Expenditures totaling
\$7,227,347 in 2009**

Lodging Tax - \$805,746

- Chamber of Commerce \$375,000
- Capital Projects:
 - Olympic Discovery Trail Dry Creek Bridge project \$80,000/year for 2 years
 - Interpretive signs \$18,000
 - International Gateway welcome sign \$11,175
- Designated for future capital projects \$240,825
- Support for:
 - Recreational Activities \$40,000
 - Park Facilities \$20,000
 - Water Fund for debt service on sidewalk loan \$20,746

Street Fund - \$1,597,139

Expenditures by Object



Addition of 2 new Utility workers to assist with Stormwater-related programs

Economic Development - \$872,672

- Support for:
 - Rayonier Property Development & Harbor Planning \$500,000
 - Clallam Business Incubator \$85,000
 - PADA \$20,000
 - Economic Development Council \$15,000
 - Other economic development projects \$40,000

- Addition of \$208,000 for archaeology programs

REET Funds - \$553,489

- Street projects (\$200,000/each)
- Debt payments (REET #1)
 - Marine Drive \$39,903
 - 8th Street Culvert \$4,729
 - Downtown sidewalk \$18,779
- Debt payments (REET #2)
 - 8th St. reconstruction \$90,078

Reserves are projected
at almost \$700,000
at the end of 2009

PenCom - \$2,503,557

- Personnel – 18% increase to \$1.7M
 - Overtime increased \$52,357
 - New System Coordinator position from County
- Capital Outlay - \$355,000
 - Paid for from sales tax reserved for capital
- Charges for Services – 74% decrease to \$28,500
 - Due to transfer of System Coordinator position from County

Reserves are projected
to be \$550,000
at the end of 2009

Port Angeles Housing Rehab Fund - \$193,444 (increased to \$1.1M)

- Professional Services for:
 - Wildwood Terrace \$193,144

- Additional \$960,000 to be added to Final Budget
 - \$750,000 for Maloney Heights
 - \$150,000 City match for Maloney Heights
 - \$60,000 for OlyCap loans

Recreational Activities - \$405,300

- Sports Programs \$124,165
- Special Events \$114,205
- Youth Programs \$166,930

Approximately
43% funded by
user fees



Other Special Revenue Funds

- Criminal Justice Fund \$235,000
 - Transfers to Police (\$200K) and Legal (\$35,000)
- Electric Utility Rural Economic Development Fund \$50,000
- Firearms Range \$4,000
- Drug Task Force \$7,000

Debt Service Funds - \$1,006,467

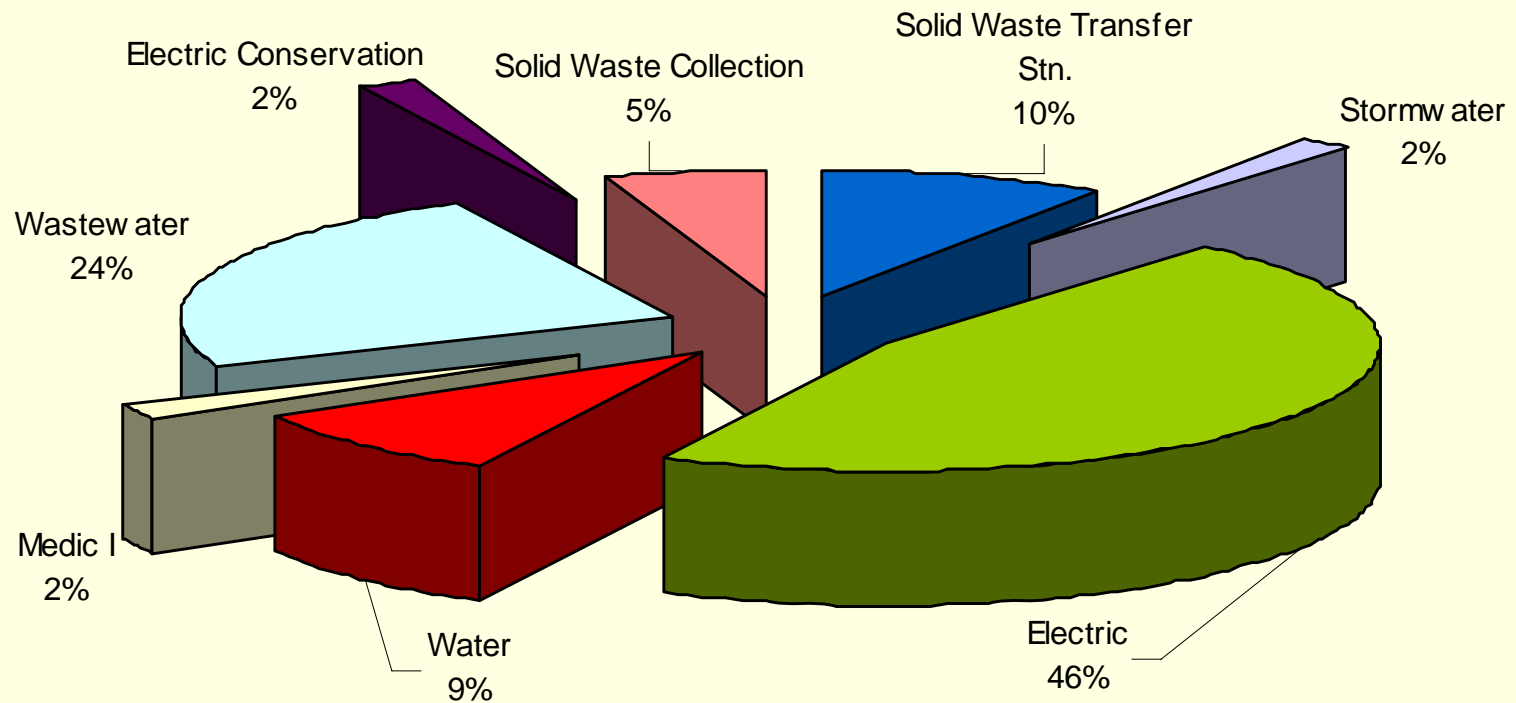
- Special (voted) Levies
 - Senior Center/Fire Hall \$388,454
 - Library \$281,354

- Councilmanic Levies
 - WUGA \$249,769
 - Property Acquisition \$86,890

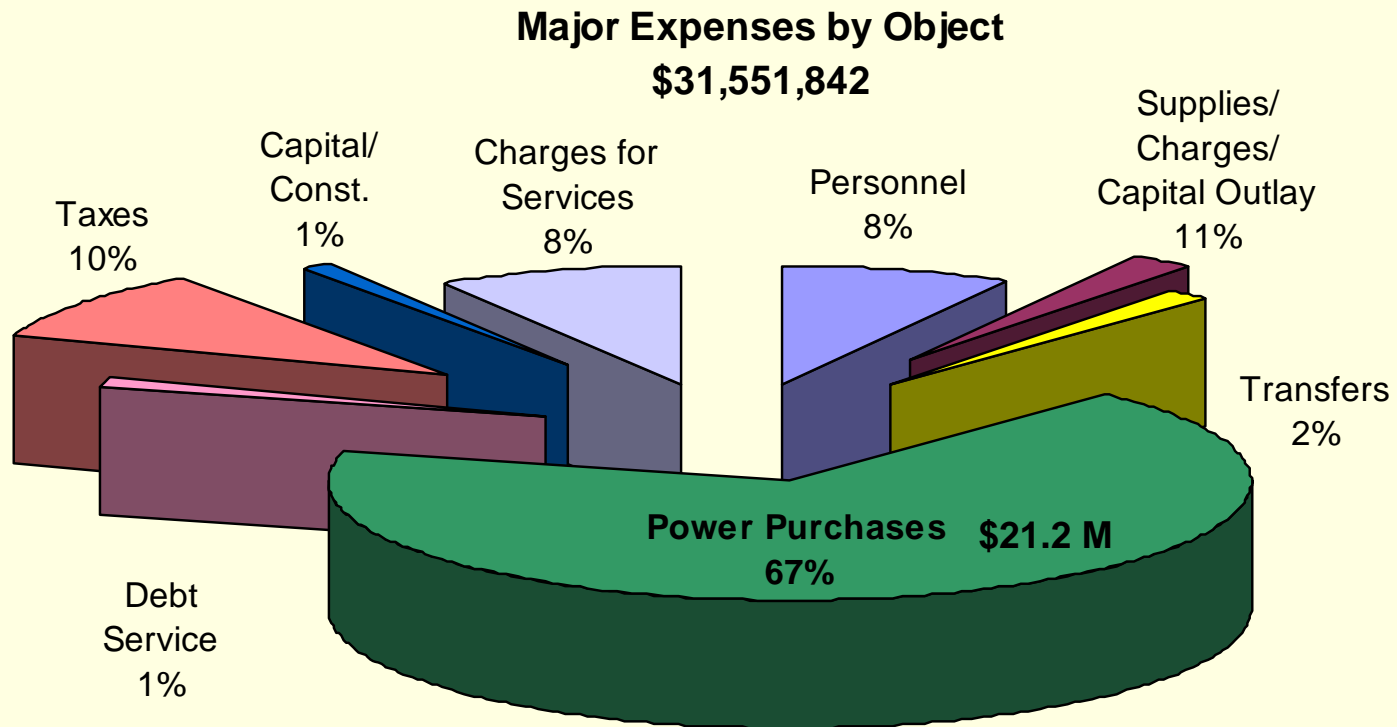


Enterprise Funds - \$68,003,706

Enterprise Funds by Utility



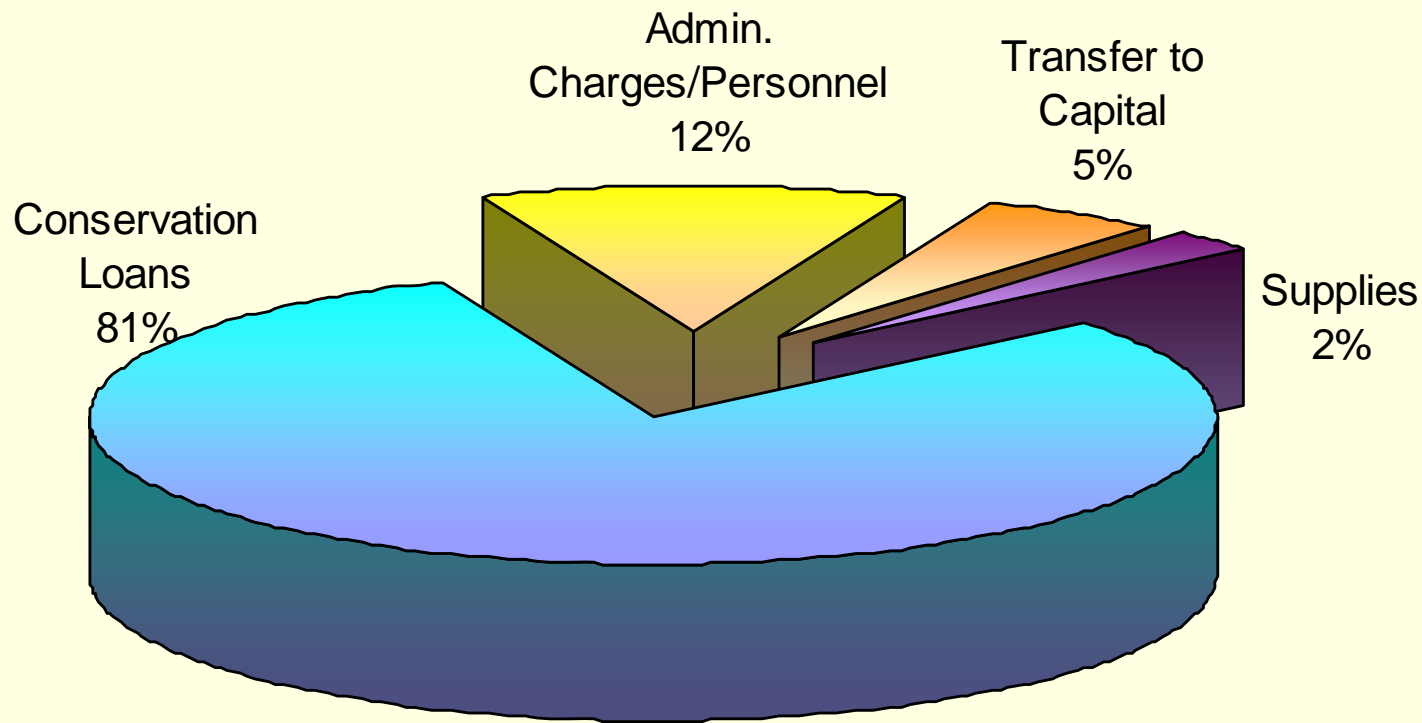
Electric Fund - \$31,551,842



\$385K budgeted for capital projects with \$160K used from reserves

Electric Conservation - \$1,308,276

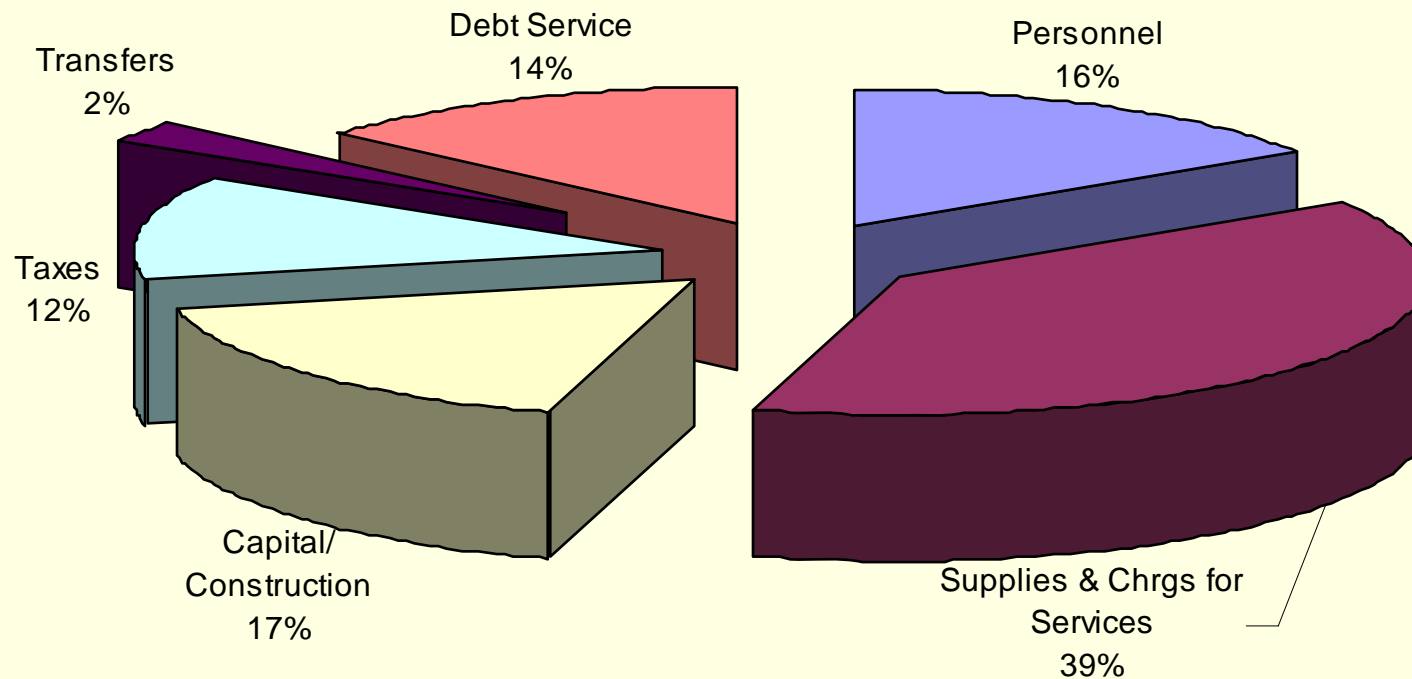
Major Expenses by Object



\$1M budgeted for conservation loans with \$960K used from reserves

Water - \$6,223,694

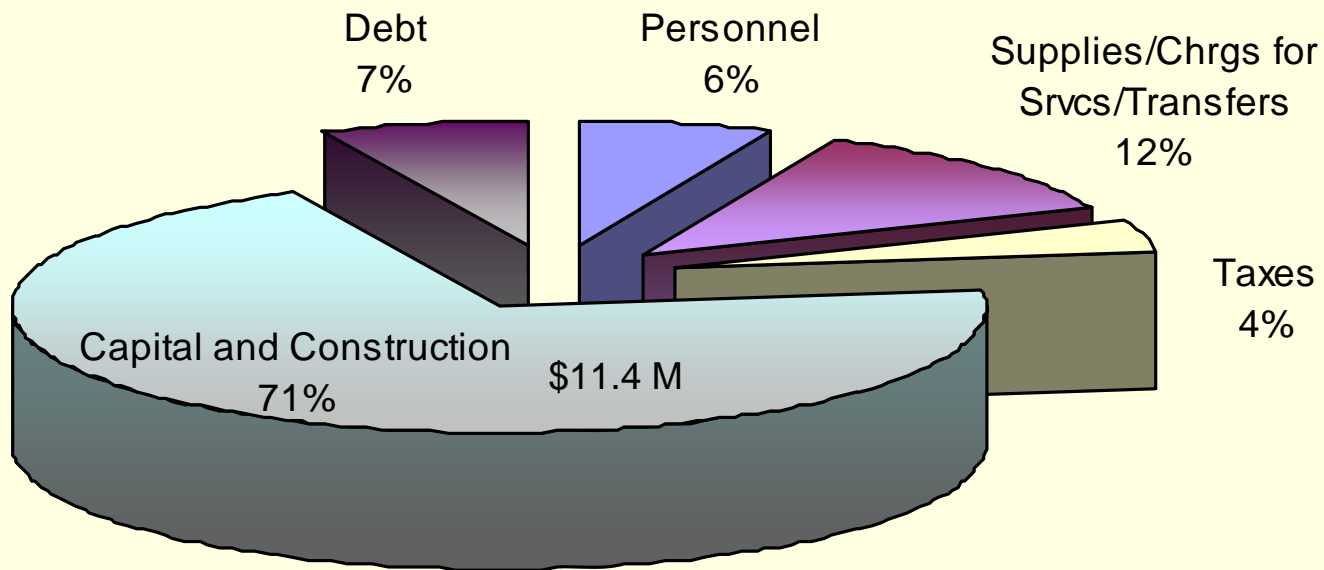
Major Expenses by Object



\$1M budgeted for capital projects with \$870K used from reserves

Wastewater - \$16,235,087

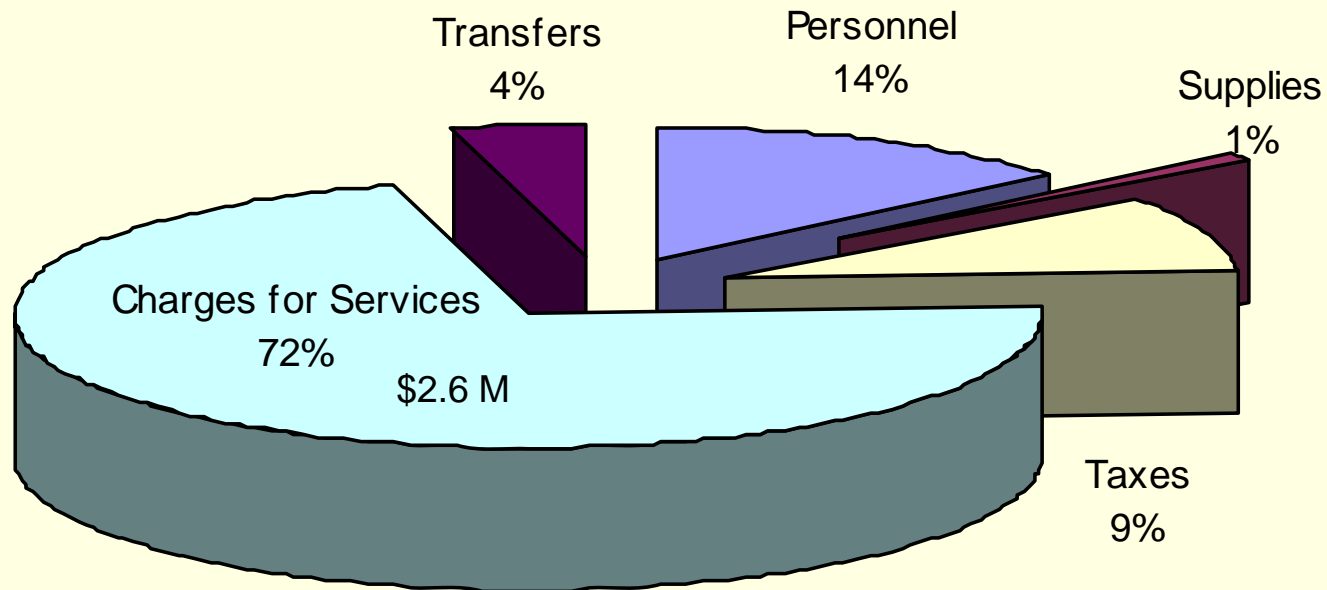
Major Expenses by Object



\$11.3M budgeted for capital projects with \$2M used from reserves

Solid Waste Collection - \$3,575,298

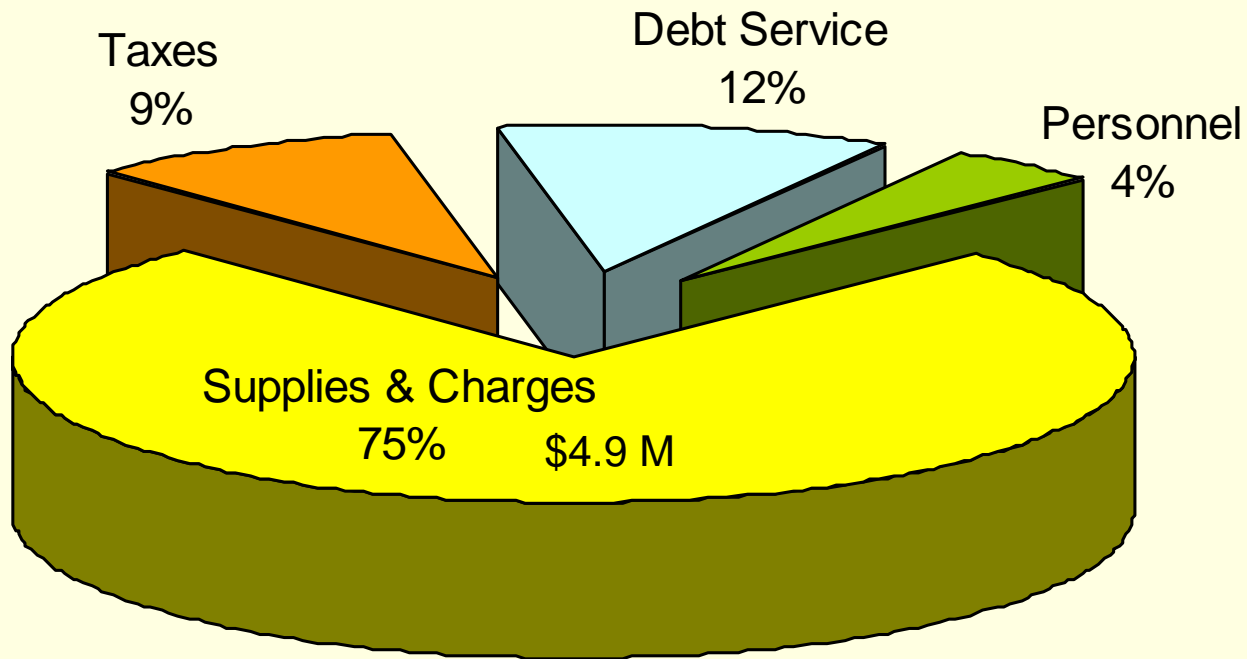
Major Expenses by Object



\$242K used from reserves for rate stabilization

Solid Waste Transfer Station - \$6,542,463

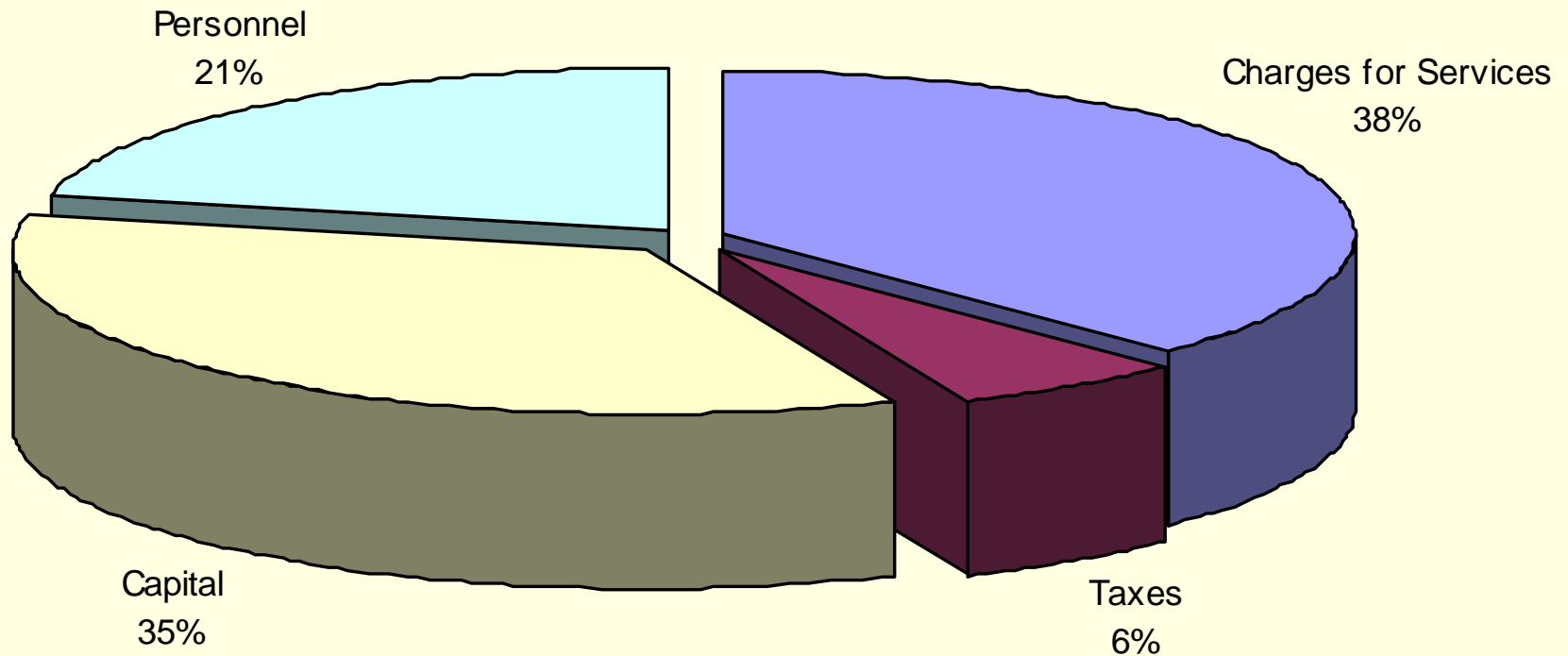
Major Expenses by Object



\$865K used from reserves for debt service and rate stabilization

Stormwater - \$1,093,553

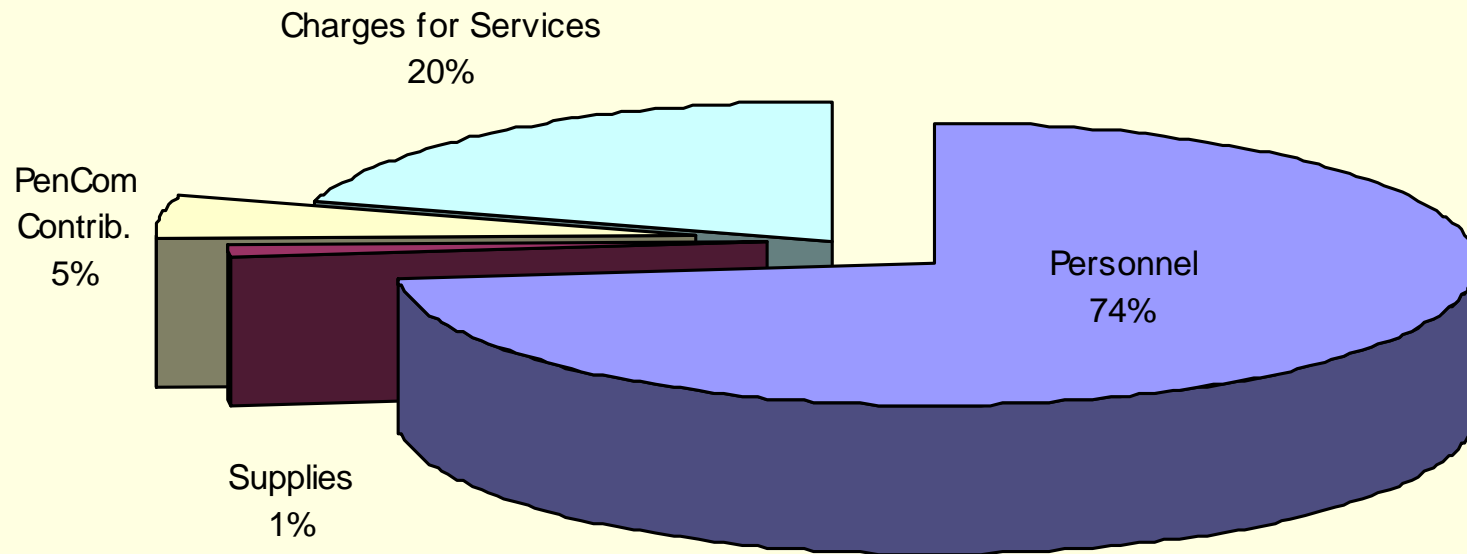
Major Expenses by Object



\$385K budgeted for capital projects with \$375K used from reserves

Medic 1 - \$1,473,493

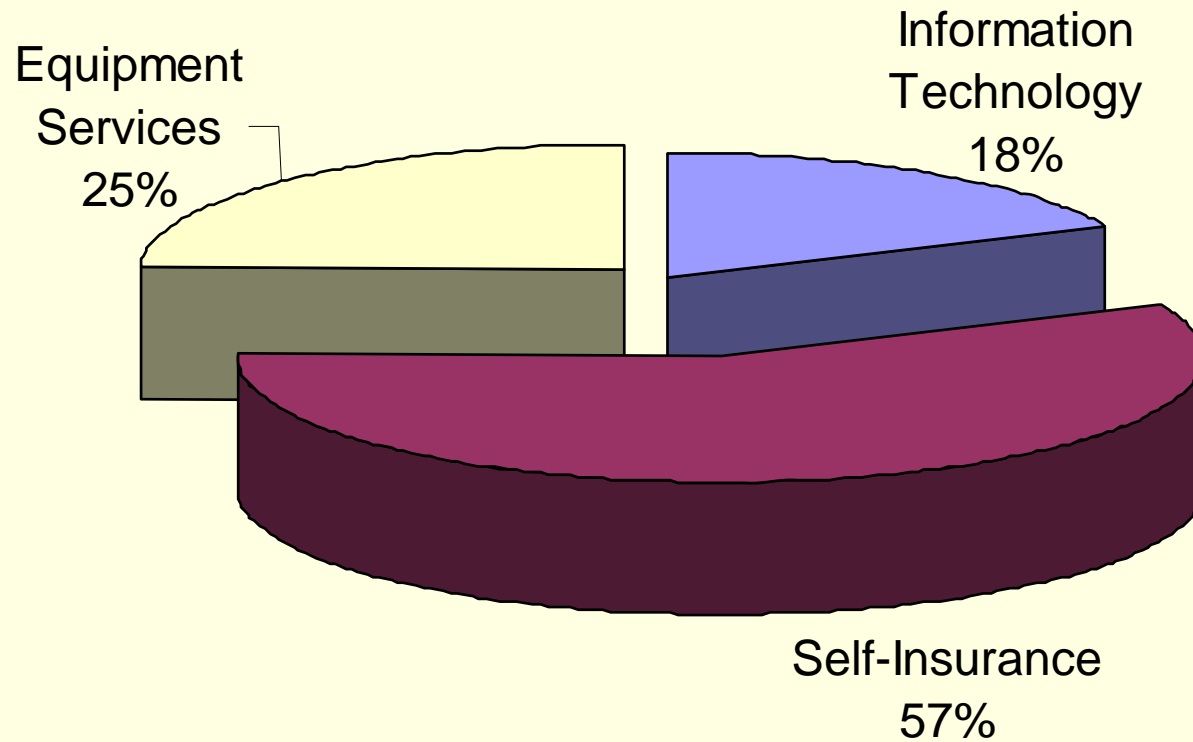
Major Expenses by Object



Expenses increased nearly 11% over 2008 levels

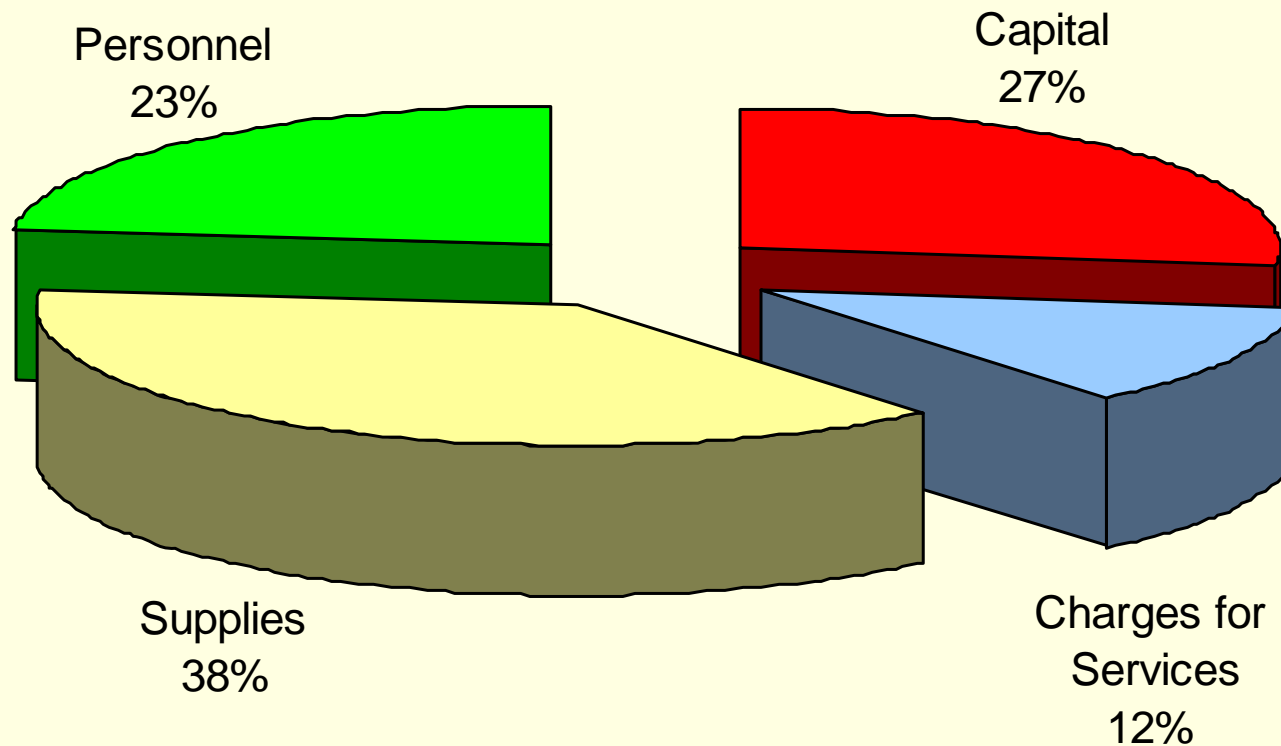
Internal Service Funds - \$7,831,689

Internal Service Funds



Equipment Services - \$1,927,817

Major Expenses by Object



Over \$527K will be spent on vehicle replacements in 2009

Information Technology - \$1,406,435

- Capital Outlay \$466K
 - Data/Voice LAN Equipment \$350K
 - Standby Generator \$50K
 - I Series Data Archive \$30K
 - Software Purchases \$36K

- Software & Hardware Maintenance \$270K
 - Increase of \$72K due to AS/400, phone system and security camera maintenance agreements

Self-Insurance - \$4,497,437

- AWC and Teamsters Medical Insurance – 10% increase
- Workers' Compensation Claims – 15% increase
- Workers' Compensation program – 3% increase
- Liability Insurance – 2% increase

Other Funds

- Firemen's Pension Fund \$101,844
- Esther Webster Trust Fund \$223,658
 - Used \$36K from reserves

Esther Webster Trust Fund (Fine Arts Center)
is still under review



Here it is...



The Citywide Preliminary
Budget...

2009 Budget Process



Now you know how we got here...

2009 Budget Conclusion

- Preliminary Budget is balanced
- Any additions to 2009 Preliminary Budget need to be made by motion or by Council consensus, along with a corresponding reduction within the same fund

Next Steps

- Tonight
 - Continue Public Hearing on Budget from November 4
 - 1st reading of Parking Tax Ordinance
 - Continue Public Hearing to December 2
- December 2
 - Consider adoption of 2009 Budget
 - Consider adoption of Parking Tax Ordinance



QUESTIONS?