



2010 Proposed Budget

Special Council Meeting
September 29, 2009

Kent Myers, City Manager

Yvonne Ziomkowski, Finance Director

Today's Agenda

- Overview of City's Budget Message
 - Overview of City finances
 - Major goals for 2010 Budget
 - Keys in balancing 2010 Budget
 - Core City services proposed for 2010
 - 2010 City Budget process
- Summary of Proposed Budget
 - Increases or new items added to proposed Budget
 - Decreases in expenditures included in proposed Budget
 - Requested expenditures not included in proposed Budget
- Budgetary Challenges on the Horizon
- Future Steps in the 2010 Budget Process

Overview of City Finances

- Maintain adequate fund balances
- Limited use of fund balance in balancing the Budget
- Revenues are generally flat
- Conservative approach to projection of revenues
- Overall conservative approach to spending

Overview of City Finances (cont.)

- Diversity of major revenue sources in General Fund (ie. Sales, Utility, and Property Taxes)
- Lean approach to City staffing
- Capital Facilities Plan (CFP) helps project future capital needs
- Equipment Services fund used for major equipment and vehicles

Overview of City Finances (cont.)

- Major Budget reductions in 2009 helped in balancing 2010 Budget
- Additional cost reductions made in 2010 to offset projected revenue decreases
- Federal and State mandates continue to create special challenges
- Aggressive pursuit of grants
- Monitor potential changes in economy

Major Goals-2010 Proposed Budget

- Maintain high quality public safety services so the City will continue to be recognized as safe and secure
- Grow the local economy and create additional employment opportunities by expanding economic development programs
- Make sustainable enhancements so that the City is recognized as a leader in preserving its environmental assets
- Create and maintain a sustainable long-range financial plan

Maintain High Quality Public Safety Services

- Total increase of \$204K (4.68%) in Police Department Budget
- Total increase of \$88K (4.58%) in Fire Department Budget
- Total increase of \$51K (3.5%) in Medic I
- Addition of two new officers funded by new law enforcement grant (funded by \$150K grant)
- Continuation of funding for School Resource Officer \$89K (previously partially funded by School District)
- Funding of Downtown Resource Officer \$92K

Maintain High Quality Public Safety Services (cont.)

- Cost of Living Adjustment (COLA) for all personnel \$103.5K
- Acquisition of 2-3 new police vehicles and rebuilding 1 police vehicle \$115K
- Continuation of contract with Humane Society for animal control services \$54K
- New investigative equipment (\$5K STOPP Grant)
- Increased costs for wireless communications
- Increased funding for Fire Department volunteers \$11K

Expansion of Economic Development Programs

1. Partnering with other agencies to ensure success of local businesses and recruitment of new businesses
 - Economic Development Council
 - Port of Port Angeles
 - Port Angeles Downtown Association
 - Clallam County

Expansion of Economic Development Programs (cont.)

2. Creating a small business and entrepreneur friendly environment

- Business Incubator
- Entrepreneurship Institute
- Peninsula College Center of Excellence
- Skills Center

Expansion of Economic Development Programs (cont.)

3. Tourism Promotion and Expansion of Tourism Attractions

- Lodging Tax capital projects
- Chamber of Commerce contract - Marketing, promotion and special events
- Design and construction of new Downtown Promenade
- Expansion of activities at new Gateway
- Strategic Plan for attracting additional visitors from Victoria
- Increased cooperation with National Park Service

Expansion of Economic Development Programs (cont.)

4. AIA Grant Implementation

- Façade Improvement Program
- Waterfront Promenade
- Signage and Wayfinding
- Building Height Analysis and Form Based Code
- Downtown Parking
- Race Street Nodes
- East Entryway Monument

Expansion of Economic Development Programs (cont.)

5. Rayonier Redevelopment and Harbor Planning working with Department of Ecology

- Support for Harbor Works Development Authority
- Harbor Resource Management Plan
- Shoreline Master Program
- Harbor legislative and legal concerns

Expansion of Economic Development Programs (cont.)

6. Affordable Housing

- CDBG Grant for 42 new affordable housing units - \$700,000 development
- Housing Rehabilitation Fund - low income housing repair
- Increased dialogue with local affordable housing providers

Sustainable Environmental Enhancements

- New Hybrid Vehicle for Motor Pool
- Complete Design of CSO Improvements by August with Construction Starting in August, 2011
- New Water Treatment Plant Fully Operational-High Quality Water for Many Years
- Design of Septage Receiving Station at the WWTP

Sustainable Environmental Enhancements (cont.)

- Water and Sewer line replacements
- Construct Dry Creek pedestrian bridge
- Repair Olympic Discovery/Waterfront Trails (FEMA Grant)
- Increased funding for energy conservation program
- Installation of direct digital controls at City Hall to conserve energy
- Grants for replacing electrical meters providing more control over electrical usage

Sustainable Environmental Enhancements (cont.)

- Sidewalk improvements including around Stevens School on 16th and G Streets
- Cooperative efforts with Seabreeze on wind turbine program
- Provide high quality compost program for sale to the public
- Increase efforts to publicize and promote the numerous City green programs
- Continue cooperation with the Department of Ecology, Puget Sound Partnership and other agencies to improve water quality

Enhancements to City Finances

- Implement reorganizations in Accounting, Customer Service, Engineering and IT Division and consider additional opportunities for reorganization
- Maintain fund balances to cover at least 10% of budget
- Reduce labor costs in overtime, seasonal employment, unemployment and other areas
- Maintain or reduce the overall level of full-time City staffing
- Explore opportunities for additional partnerships with other agencies to share services

Enhancements to City Finances (cont.)

- Eliminated funding for City pool from General Fund
- Reduced operational hours at City Hall Customer Service counter
- Initiated park sponsorship program
- Reduced funding to outside organizations
- Continue to pursue State and Federal grants
- Reduce travel and training costs by using video conferencing

Enhancements to City Finances (cont.)

- Freeze positions when vacant to allow full analysis of need to fill position or possible reorganization
- Expand Economic Development programs that will improve property tax and customer base
- Promote opportunities to increase sales tax revenue through expansion of businesses, tourism, family wage jobs, and population growth.
- Continue cost of service studies to insure that the City fully recovers costs for providing certain services
- Make immediate adjustments throughout the year if revenues fall below projections

Keys In Balancing 2010 Budget

- Full year impact of difficult budget reductions made last year
- Continued cost reductions throughout the past year
- Departmental Budget meetings resulted in reductions to supplies, travel, contract services and other operating costs
- Reduction in seasonal employees
- PERS rate reduction

Keys In Balancing 2010 Budget (cont.)

- Decrease in funding for outside organizations
- Use of surplus revenues to balance General Fund, PenCom and IT Budgets
- Receipt of new grants for law enforcement and planning
- No new full-time positions
- Implementation of Budget savings ideas

Keys In Balancing 2010 Budget (cont.)

- Reduction of indirect costs charged for IT services
- Reduction of fuel costs
- Reduction in Parks and Recreation expenses
- Reduction in capital expenses
- Reduction in retirements
- Change to PPO health insurance plan for AFSCME members

Basic Core Programs Included in Budget

Direct City Programs

- Community & Economic Development
- Police
- Fire/Medic I
- PenCom dispatching
- Electrical Utilities
- Water
- Wastewater
- Stormwater
- Solid Waste
- Parks and Recreation
- Street repairs and maintenance
- Finance/Customer Services
- Public Works Engineering

Basic Core Services Included in Budget

Indirect Support Services

- City Council
- City Manager
- Finance
- Legal/City Attorney
- Human Resources
- Facility maintenance
- Equipment maintenance
- Information Technology
- City Clerk

How Did We Approach Challenges in 2010 Budget?

1. Meetings with City Manager and Staff to discuss:
 - Essential Services vs. "Wants"
 - Revenue Sources
 - Program Reductions
2. Meetings with City Departments, Unions to discuss current financial condition
 - Asked unions for cooperation
 - Employees have already provided over 70 suggestions on cost-cutting measures

How Did We Approach Challenges in 2010 Budget? (cont.)

3. City Manager provides direction on preparing initial budget requests
4. Departments prepare budget requests
5. Finance staff compiles information in preliminary budget document
6. Series of meetings with City Manager, Finance Director and Department Heads to review requests and make necessary changes in order to balance the budget

Where are we now?

- Staff has prepared a proposed preliminary balanced budget based on available resources to present to the Council
- Next Step:
 - Analysis of changes proposed by the Council
- Final Step:
 - Adoption of the 2010 Budget in December

2010 Budget Process



2010 Proposed Budget



Proposed Citywide 2010 Budget is

\$100,133,482

\$3.2 Million
LESS THAN
2009 Budget

Proposed Citywide 2010 Budget

2010 Operating vs. Capital Expenditures <i>(in millions)</i>				
	2010 Budget	2009 Budget	<u>Variance</u>	
			2010 vs. 2009 Budget	
			\$	%
Operating Budget	87.6	85.8	1.8	2.10%
Capital Projects	12.5	17.5	(5.0)	-28.57%
Total	\$100.1	\$103.3	(\$3.2)	-3.10%

Proposed Citywide 2010 Budget

2010 Revenues & Expenditures <i>(in millions)</i>				
	2010 Budget	2009 Budget	<u>Variance</u>	
			2010 vs. 2009 Budget	
			\$	%
Revenues	95.4	96.8	(1.4)	-1.45%
Expenditures	100.1	103.3	(3.2)	-3.10%
Reserves Used	(\$4.7)	(\$6.5)	\$1.8	-27.69%

**Operations:
\$87.6 M**

**Capital:
\$12.5 M**

Today's focus

- Focus is on General Fund and other governmental funds
- Separate presentation in October on Utility funds



GF Revenue Assumptions

- Decreases in:
 - Sales Tax (down 6%)
 - Utility Taxes (down 2.3%)
- No change in:
 - Fees
- Limited Increase in:
 - Property Tax
 - Charges for Services
- Large Increase in Grants

GF Expenditure Assumptions

- Decreases in:
 - Personnel including:
 - Overtime (down 2%)
 - Retirements
 - PERS rates (from 8.12% to 5.31%)
 - Seasonals
 - Support for Human Services (10% decrease)
- Increases in:
 - Medical rates (10% increase)
 - COLA (ranging from 2% to 3.5% depending on contract)
 - Evaluated programs and services

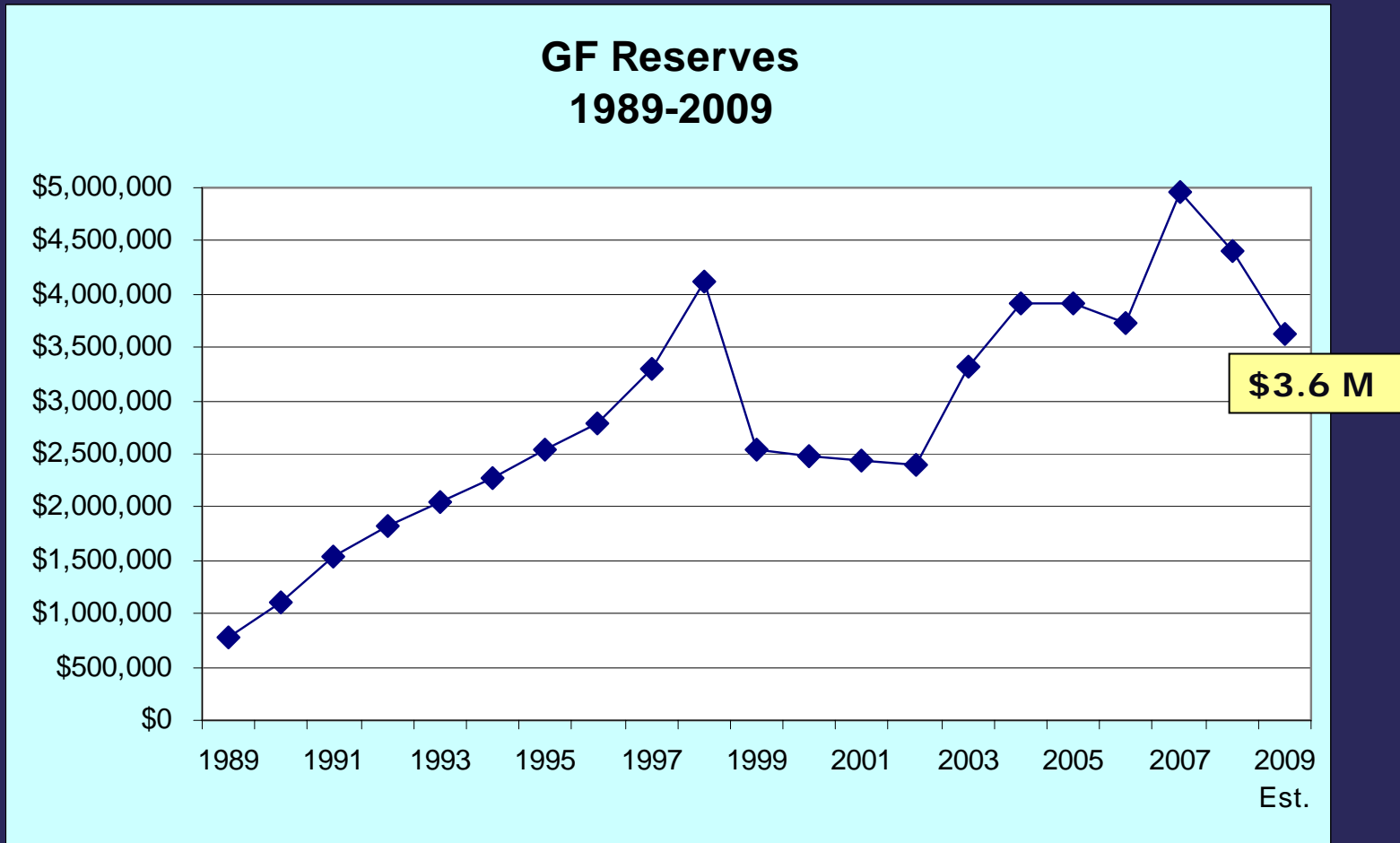
General Fund

Revenues	\$17,116,401
Expenditures	\$17,316,401

We propose using
\$200K from reserves for
capital projects

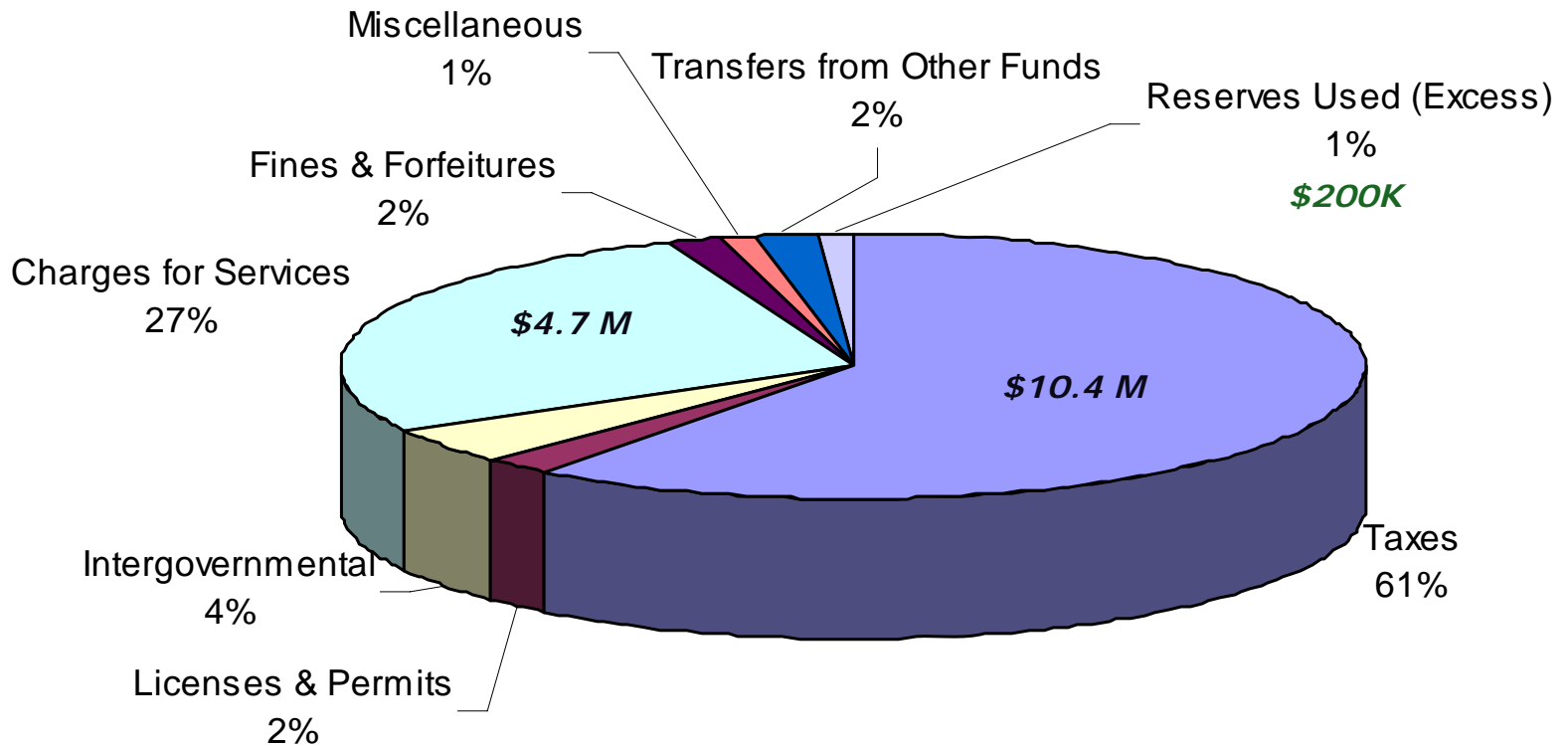
Estimated Reserves at end of 2010: \$3.6 M

General Fund Reserves



General Fund Revenues

2010 General Fund Revenues by Source
\$17,316,401



2010 GF Revenues

o Decreases from 2009:

• Sales Tax	(\$176 K)
• Utility Tax	(\$ 82 K)
• Other Taxes	(\$ 6 K)
• Pool Closure*	(\$ 49 K)
• Licenses & Permits	(\$ 21 K)
• School Resource Officer support	(\$ 23 K)
• Fines & Forfeitures	(\$ 23 K)
• Investment Interest	(\$146 K)
• Intergovernmental	(\$ 5 K)
TOTAL REDUCTIONS:	(\$531K)

*Pool was only budgeted for 1st quarter in 2009


2010 GF Revenues (cont.)

o Increases from 2009:

● Property Tax	\$ 3 K
● Leasehold Taxes	\$ 20 K
● Telephone Taxes	\$ 30 K
● Other Taxes	\$ 10 K
● Liquor Board Profits	\$ 17 K
● Grants	\$304 K
● Other Intergovernmental	\$ 20 K
● Charges for Services	\$ 5 K
● Miscellaneous Revenue	<u>\$ 15 K</u>
TOTAL INCREASES:	\$424 K

General Fund Revenues

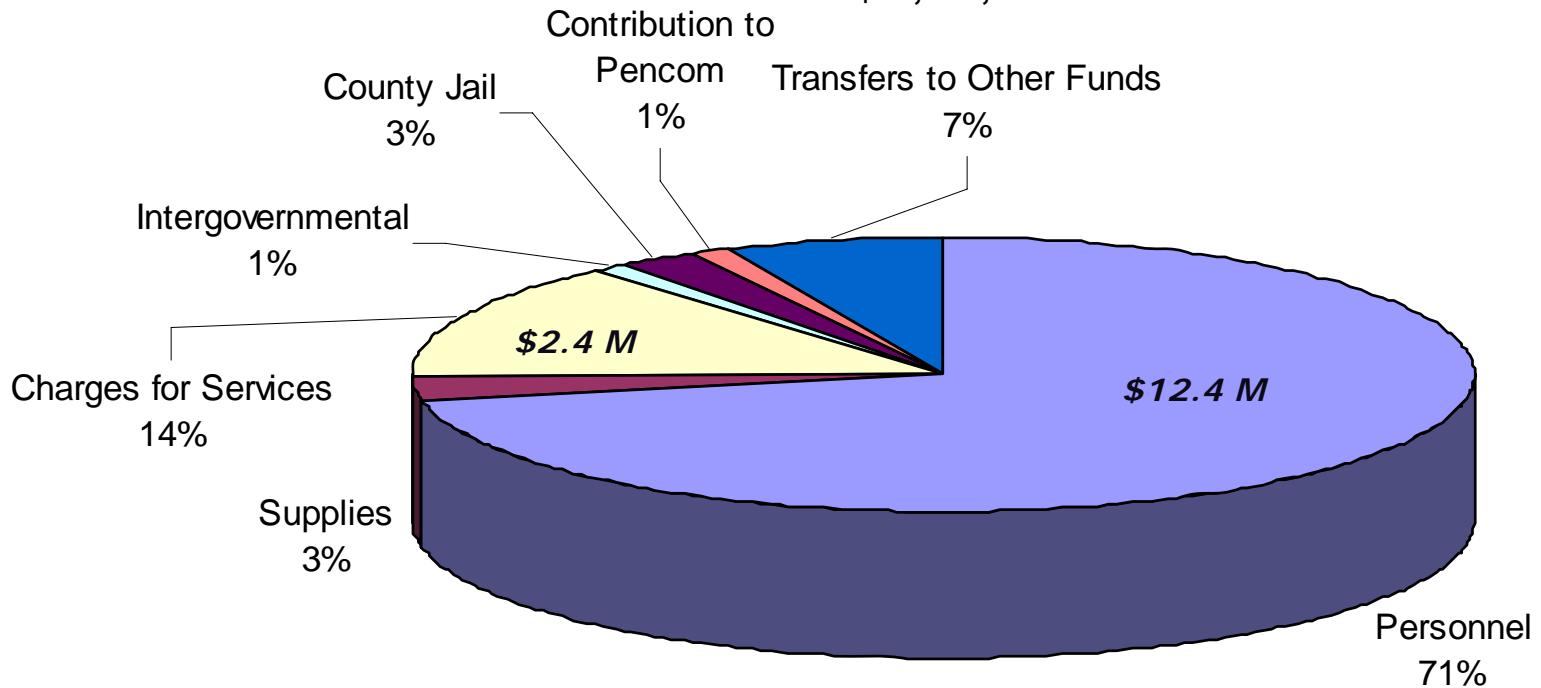
2009 Budget	\$17.2 M
Increases	\$424 K
Decreases	<u>(\$531 K)</u>
2010 Budget	\$17.1 M



Revenues
are \$107K
LOWER
than 2009

General Fund Expenditures

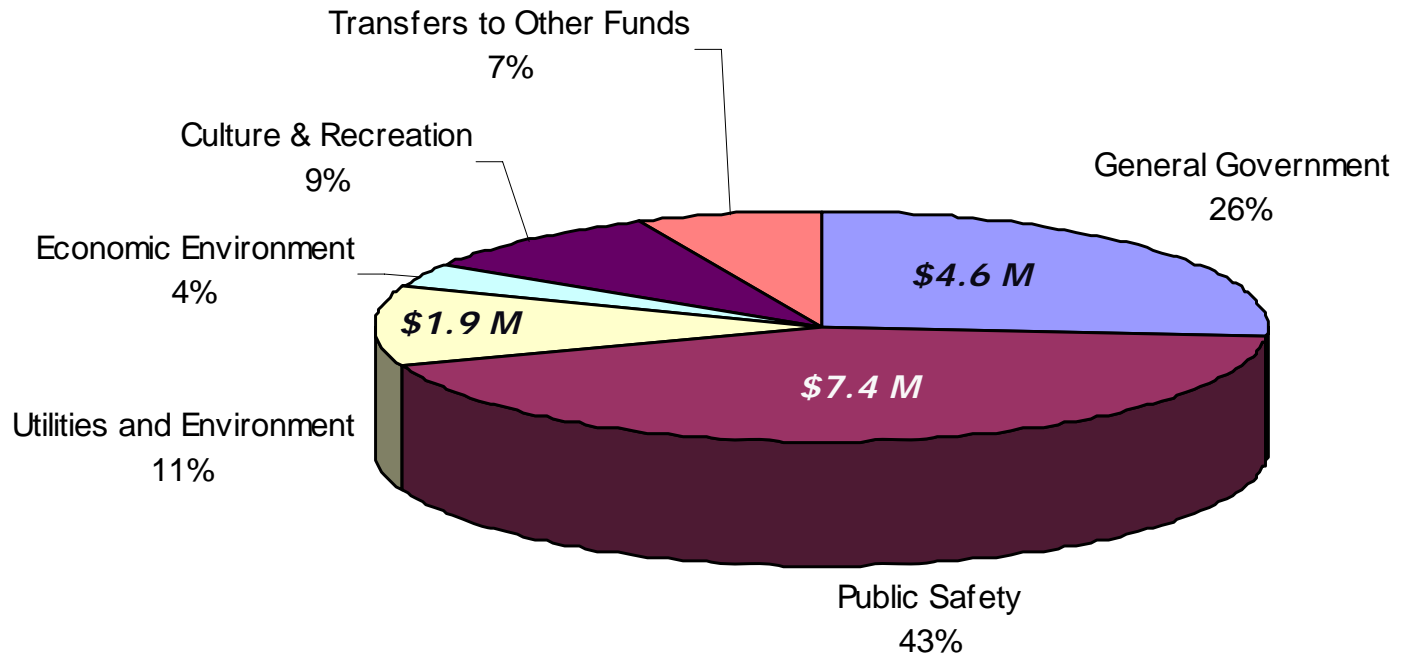
2010 General Fund Expenditures by Object
\$17,316,401



General Fund Expenditures

2010 General Fund Expenditures by Function

\$17,316,401



2010 GF Expenditures

o Decreases from 2009:

- PERS (from 8.12% to 5.31%) (\$113 K)
- Part-time/OT/Employee Awards (\$ 94 K)
- Benefits (excluding PERS/Medical) (\$ 20 K)
- Supplies (\$ 49 K)
- Capital Outlay (\$ 22 K)
- Transfers to Other Funds:
 - Fine Arts Center (\$ 3 K)
 - Medic I (\$ 28 K)
 - CIP* (\$195 K)
 - I.T. (\$ 8 K)
 - Street (\$ 19 K)
 - Rec. Activities (\$ 20 K)

TOTAL DECREASES (\$571K)

* Does not include Capital Improvements from Street capital funds or funding for utility projects. Funding is \$380K.

2010 GF Expenditures (cont.)

○ Increases from 2009:

- COLA \$193 K
- Medical \$139 K
- Other personnel \$184 K
- Charges for Services \$ 73 K
- County charges for:
 - District Court \$ 35 K
 - Jail \$ 40 K

TOTAL INCREASES \$664 K

General Fund Expenditures

2009 Budget \$17.2 M
Increases \$664 K
Decreases (\$571 K)
2010 Budget \$17.3 M

Using \$200K
from Reserves

Expenditures
are \$93K
HIGHER
than 2009

Can General Fund support Other Funds?

Citywide
Expenses
\$100,000,000

GF Revenues
(excluding
program)
\$10,600,000

Public Safety
Costs
\$7,000,000

This amount
funds every
program and
service of the
City except
utilities

This is only 3.6% of the
City's total expenditures

Available for
Other programs
\$3,600,000



Other Governmental Funds

- Special Revenue Funds
- Debt Service Funds
- Governmental Capital Projects Funds
- Permanent Funds

Special Revenue Funds

17 Funds

Total 2010 Budget

Expenditures = \$7.4 M

Revenues = \$6.0 M

Lodging Tax Revenues \$427,904

Lodging
Tax
Revenue
down over
13%

Revenues

Taxes
Interest on Investments
Total Revenues

2009		2010 Budget	Variance 2010 vs. 2009 Budget	
Budget	Amended		Amount	Percent
484,205	426,000	420,000	(64,205)	(13.26)
9,000	10,354	7,904	(1,096)	(12.18)
493,205	436,354	427,904	(65,301)	(13.24)

Lodging Tax Expenditures

\$635,651

Use of
Reserves:
\$208K

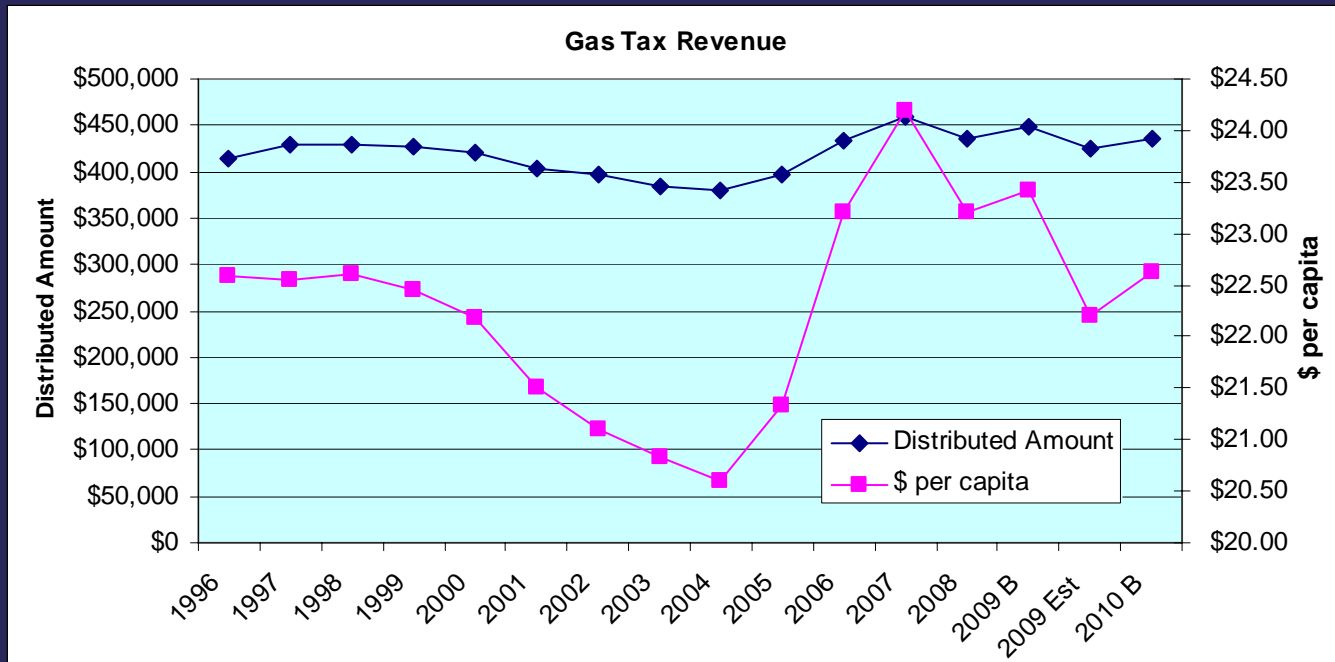
- Proposed Capital Projects funding \$170K
- Support to Other Funds \$81K (same level as 2009)
 - Recreational Activities \$40K
 - Park Facilities \$20K
 - Debt service on sidewalk loan \$21K
- Marketing Program \$385K (same as 2009)

Estimated Reserves at end of 2010: \$17K

Street Revenues \$1,662,625

Overall Revenues down \$21K from 2009

- Property Taxes \$482K (Same as 2009)
- Other fund support:
 - GF \$180K, SW \$150K, Stormwater \$372K



Street Expenditures \$1,805,212

**Use of Reserves:
\$143K**

Street Projects

Expenditure by Object

Personnel
Supplies
Charges for Services
Transfer to CIP Fund
Total Expenditures

2009		2010 Budget	Variance 2010 vs. 2009 Budget	
Budget	Amended		Amount	Percent
996,618	888,150	994,127	(2,491)	(0.25)
267,213	227,213	219,950	(47,263)	(17.69)
420,177	452,959	441,135	20,958	4.99
-	-	150,000	150,000	N/A
1,684,008	1,568,322	1,805,212	121,204	7.20

Estimated Reserves at end of 2010: \$498K

Economic Development Revenues

\$253,114

- Revenues down \$154K
 - Interest Revenue \$128K
 - Down \$134K
 - Support from Electric Fund \$40K
 - Down \$20K
 - Support from other funds
 - Water \$30K
 - Wastewater \$30K

Economic Development Expenditures \$862,493

Use of Reserves:
\$609K

- Program funding includes:
 - CBI \$45K
 - EDC \$15K
 - Rayonier Property Development & Harbor Planning \$500K
 - PADA \$20K
 - Economic Development Projects \$40K
 - Façade Improvement Program \$82K
 - CIP (Waterfront Promenade) \$75K

**Estimated Reserves at end of 2010: \$5.4 M
(Almost \$4.9M designated by settlement)**

Cultural Resources Revenues

\$286,895

- Revenues down \$291K
 - Revenues were received from State in 2009 to cover 2010
 - Final payment from State will occur in 2011
 - Interest Revenue \$7K
 - Down nearly \$11K

Cultural Resources Expenditures

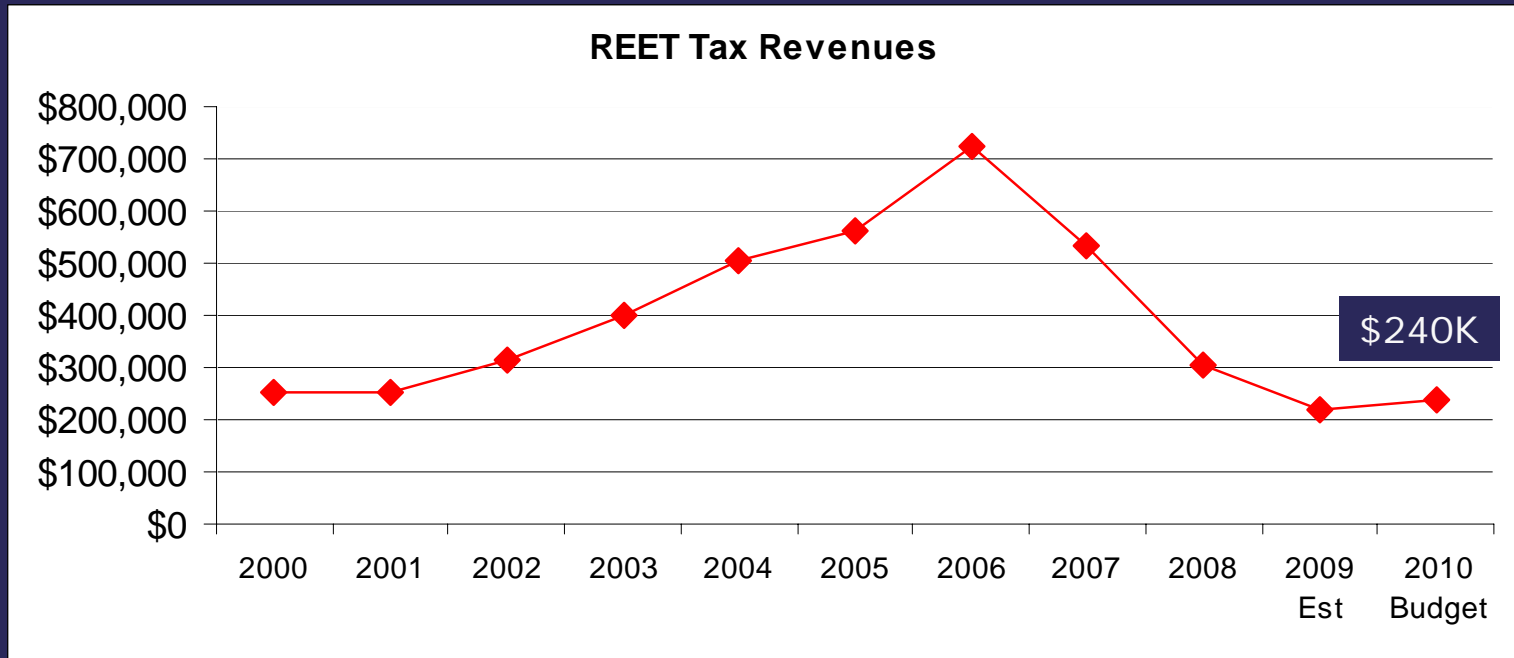
\$338,464

Use of
Reserves:
\$52K

- Expenditures down \$4K
 - Personnel \$105K
 - Up nearly \$6K
 - Capital Outlay \$14.5K
 - New software in 2010
 - Charges for Services/Supplies \$232K
 - Down \$24K

Estimated Reserves at end of 2010: \$106K

REET 1 & 2 Revenues \$254,695



REET revenues are restricted for the construction of street related capital assets listed in the CFP

REET 1 & 2 Expenditures \$151,812

No transfer to CIP for Street Projects in 2010

Expenditures by Object

Transfer to CIP Fund	400,000	400,000	-	(400,000)	(100.00)
Transfer to Water Fund (Sidewalk loan)	18,779	18,779	18,691	(88)	(0.47)
Debt Service - Principal	121,921	121,921	121,921	-	-
Debt Service - Interest	12,789	12,789	11,200	(1,589)	(12.42)
Total Expenditures	553,489	553,489	151,812	(401,677)	(72.57)

2009		2010 Budget	Variance 2010 vs. 2009 Budget	
Budget	Amended		Amount	Percent
400,000	400,000	-	(400,000)	(100.00)
18,779	18,779	18,691	(88)	(0.47)
121,921	121,921	121,921	-	-
12,789	12,789	11,200	(1,589)	(12.42)
553,489	553,489	151,812	(401,677)	(72.57)

•Debt Service includes:

- 8th Street Reconstruction
- Marine Drive Reconstruction
- 8th & Peabody Culvert Reconstruction

Estimated Reserves at end of 2010: \$674 K

PenCom Revenues \$1,888,960

No increase
in user fees.

Revenues

Sales Tax
Intergovernmental:
 *Other Agencies
Enhanced 911 Program
911 Revenue
Capital funding from Reserves
Interfund Charges
Interest on Investments
Other Revenues
Total Revenues

2009		2010 Budget	Variance 2010 vs. 2009 Budget	
Budget	Amended		Amount	Percent
750,000	700,000	700,000	(50,000)	(6.67)
445,967	445,967	445,967	-	-
-	10,428	-	-	N/A
500,000	475,000	475,000	(25,000)	(5.00)
354,776	354,776	-	(354,776)	(100.00)
252,476	252,476	252,476	-	-
21,836	19,934	15,217	(6,619)	(30.31)
3,500	300	300	(3,200)	(91.43)
2,328,555	2,258,881	1,888,960	(439,595)	(18.88)

PenCom Expenditures

\$2,187,779

Use of
Reserves:
\$299K

Expenditures by Object	2009		2010 Budget	Variance 2010 vs. 2009 Budget	
	Budget	Amended		Amount	Percent
	Personnel	1,727,625	1,739,751		
Retirement Costs	13,526	-	-	(13,526)	(100.00)
Supplies	15,964	20,892	17,739	1,775	11.12
Charges for Services	363,166	368,290	365,707	2,541	0.70
Intergovernmental-Clallam County	28,500	28,500	30,000	1,500	5.26
Capital Outlay	354,776	354,776	-	(354,776)	(100.00)
Total Expenditures	2,503,557	2,512,209	2,187,779	(315,778)	(12.61)

Estimated Reserves at end of 2010: \$356K

PA Housing Rehab

○ Revenues \$522K

- CDBG Grant \$450K

○ Expenditures \$730K

- To Habitat for Humanity for housing project \$700K
 - CDBG Grant \$450K
 - Additional City Grant Match \$250K
- Housing rehab projects \$30K

**Use of
Reserves:
\$209K**

Estimated Reserves at end of 2010: \$118K

Recreational Activities Revenues

\$390,932

- Revenues down \$14K
 - GF Support \$170K
 - Sports Program \$65K
 - Special Events \$54K
 - Youth Programs \$59K
 - Lodging Tax support \$40K

Recreational Activities Expenditures

\$394,276

- Expenditures down \$11K
 - Elimination of Family Fun Day in Youth Programs
 - Reduction in part-time personnel

**Use of
Reserves:
\$3K
(from 2009)**

Estimated Reserves at end of 2010: \$104K

Other Special Revenue Funds

- Criminal Justice Fund \$235K **Reserves \$351K**
 - Transfers to Police (\$200K) and Legal (\$35K)

- Electric Utility Rural Econ. Dev. \$50K **Reserves \$239K**
 - Peninsula College Center of Excellence \$10K
 - Economic Development projects \$15K

- Firearms Range \$4K **Reserves \$29K**

- Drug Task Force \$5K **Reserves \$18K**

Other Special Revenue Funds

○ No expenditures included in Budget:

- K-9 Program

Reserves \$12K

- Senior Center Maintenance

Reserves \$62K

- Waterfront Trail

Reserves \$37K

- Contingency Fund

Reserves \$250K

Debt Service Funds

4 Funds
Total 2010 Budget = \$1 M

- Special (voted) Levies
 - Senior Center/Fire Hall \$385,704
 - Library \$284,904
- Councilmanic Levies
 - WUGA \$249,769
 - Property Acquisition \$86,889

Governmental Capital Projects Funds

3 Funds
Total 2010 Budget = \$2.9 M

- CIP Fund
- Property Management
- Park Improvement

Capital Improvement Revenues

\$2,923,500

o Funding Sources:

- Federal FEMA Grants \$1,933,500
- State \$ 90,000
- Contributions (outside) \$ 50,000
- City* \$ 850,000

*** City funding includes \$426K
from 2008 savings**

**Current
cash
balance
is \$2.2M**

Capital Improvement \$2,865,000

o Projects in 2010 (already approved)

- Olympic Discovery Trail repair * \$860K
- Waterfront Trail Rip Rap repair * 500K
- Retaining Wall repair * 350K
- Ediz Hook Harbor Erosion repair * 250K
- Ediz Hook Boat Dock repair * 250K
- City Pier Fire Suppression 150K

Sub-Total **\$2.36M**

*** Projects
Supported by
FEMA Grants**

Capital Improvement \$2,865,000

o Projects in 2010 (pending approval based on funding availability):

● Monument Entryway (other funds)	\$100K
● Waterfront Promenade (Econ. Dev.)	75K
● NICE Program (3 utilities)	75K
● Transportation Comp. Plan (grant)	60K
● Fine Arts Center entrance (donations)	50K
● First/Front Street nodes (other funds)	50K
● Public Safety Wireless Mobile Data/Voice (grant)	45K
● Landscaping at Francis Street Park (Parks GF)	30K
● Downtown Signage (other funds)	<u>20K</u>
Sub-Total	<u>\$505K</u>

Capital Improvement \$2,865,000

Additional Funding in CIP:

- \$350K from GF
- \$150K from Street

Not designated

CIP Unallocated Cash: \$180,000

Other Capital Projects Funds

- Property Management \$24K **Reserves \$77K**
- Park Improvement Fund **Reserves \$162K**
 - No expenditures budgeted

Permanent Funds

Use of
Reserves:
\$145K

Esther Webster Trust

- Revenues \$79K
 - Contributions \$50K (same as 2009)
 - Transfer from GF \$25K (down 10% from 2009)
- Expenditures \$224K (same as 2009)

Estimated Reserves at end of 2010: \$505K
NOTE: required reserves per Trust Agreement: \$672K

Reserve shortfall = \$167K

Permanent Funds

Cemetery Endowment

- Revenues \$6K
 - Interest on Investments
- No expenditures budgeted for 2010

Estimated Reserves at end of 2010: \$371K

Utility Funds Operating Expenditures

\$54,529,329

○ Electric	\$31,478,438
○ Electric Conservation	\$ 1,250,148
○ Water	\$ 5,098,070
○ Water Treatment Plant	\$ 0
○ Wastewater	\$ 5,193,550
○ SW Collections	\$ 3,471,546
○ SW Transfer Station	\$ 5,841,504
○ Stormwater	\$ 697,379
○ Medic I	\$ 1,498,694

We will have a separate presentation on utilities in October

Utility Funds Capital Expenditures

\$9,161,500

○ Electric	\$3,852,000
○ Water	\$2,493,000
○ Wastewater	\$2,358,500
○ Stormwater	\$ 458,000

Total proposed budget for utilities \$64M

Internal Service Funds

3 Funds
Total 2010 Budget = \$7.5 M

- Equipment Services
- Information Technology
- Self-Insurance

Equipment Services \$1,727,362

○ Expenditures

- Vehicle Replacements \$475K
- Fuel Costs \$332K
 - Down 9% from 2009

**Use of
Reserves:
\$38K**

Estimated Cash Balance at end of 2010: \$6.1 M

Information Technology \$920,196

○ Expenditures

- Reorganization – savings of \$30K
- No major capital expenditures
 - One software purchase \$15K

**Use of
Reserves:
\$58K**

Estimated Cash Balance at end of 2010: \$1.1 M

Self-Insurance \$4,815,927

- Revenues slightly higher than expenditures – no use of reserves
- Expenditures
 - Medical Cost \$3.8 M
 - Liability Insurance \$559K
 - Workers Compensation \$283K
 - Time Loss \$115K

Estimated Cash Balance at end of 2010: \$1.3 M

2010 Budget Process



New Expenses or Increased Costs

- Planning Contract Services funded by \$195K grant
- Jail Cost \$440K (\$40K increase)
- District Court Cost \$160K (\$35K increase)
- Increase in Fire Department Part-time/Volunteer Costs \$11K
- Cost of Living increase to maintain high quality of services \$388
- Hydro Seeder for Street Division \$14K
- Landscaping for Francis Street/Estuary Park \$30K
- New Hybrid Pool Car \$26K
- CMMS for Stormwater Fund (\$30K) and Water Fund (\$38K)
- New Message Board for Street Division \$20K
- Increased Health Insurance Rates (10% increase)

Cost Reductions Included in 2010 Budget

- Human Services Funding reduced by 10% (\$6K)
- Engineering and IT Division reorganization (\$70K)
- IT Charges for all City Departments (\$207K)
- Unemployment costs (\$60K)
- PERS costs (\$320K)
- Seasonal/Part-time Labor (\$221K)
- Funding for City Pool (\$100K for one Qtr)
- Employee Awards (\$2K)
- Personnel costs in City Clerk and Human Resources (\$10K)
- Election costs (\$25K)
- Travel and Training costs (\$56K)
- Copier Leases (\$4K)
- Police Officer positions funded by grant (\$163K)
- GF transfer to Medic I, Street, Recreational Activities (\$68K)

Total Reductions: Over \$1.3M

Requested Items Not Included in 2010 Budget

- Hearings Examiner \$72K
- Part-time Employees for Senior Center \$10K
- Police Station Carpet Replacement \$23K
- Web Based CMMS for Utilities \$38K
- Additional Overtime for Engineering Support for Capital Projects \$20K
- Additional Street Capital Funding from Real Estate Tax \$200K
- Seasonal Positions for New Water Treatment Plant \$35K

2010 Proposed Preliminary Budget

- We were able to address the needs of the City while continuing to invest in:
 - Labor/Personnel
 - Maintenance
 - Capital Improvements
 - Street Improvements



Challenges on the Horizon

Initiative 1033

- What is I-1033?
 - Limits growth in all General Fund revenues
 - Total revenue growth will be limited by inflation (IPD) and population growth
 - Any revenue collected above the cap would be used to reduce property taxes

Initiative 1033

I-1033 would directly impact funding for core City services, such as police, fire and parks

- A Recent AWC survey reports that 2/3 of cities plan to decrease budgeted expenditures by year-end due to a reduction in revenues. Of those cities:
 - 60% are decreasing infrastructure investments
 - 46% are reducing spending on public safety
 - 49% are reducing their scope of services

Possible impact of I-1033

- o Based on assumptions from AWC, Port Angeles may experience the following impact from I-1033:

Year	IPD	Population Growth Estimate	GF Revenue w/out Limit	GF Revenue w/ Limit	Amount Over/Under Revenue Limit	Transfer to "Lower City Property Taxes Account"
2009	-0.85%	0.80%	17,425,527	17,425,527		
2010	0.50%	0.50%	17,116,401	17,415,629	-299,228	0
2011	1.00%	0.30%	17,715,475	17,287,993	427,482	0
2012	1.50%	0.30%	18,406,995	17,513,255	893,739	427,482
2013	1.75%	0.40%	19,195,091	17,829,282	1,365,809	893,739
2014	2.00%	0.40%	20,086,555	18,213,860	1,872,696	1,365,809
2015	2.00%	0.50%	20,997,248	18,652,450	2,344,799	1,872,696

This is our projected annual loss in GF revenue

What if I-1033 was adopted in 2003?

	IPD	Population Growth Estimate	GF Actual w/out I-1033	Actual Growth in GF Revenues	GF Revenue w/out Limit	GF Revenue w/ Limit	Amount Over/Under Revenue Limit	Transfer to "Lower City Property Taxes Account"
2003	1.84%	0.10%	13,220,800	1.00%	13,220,800	13,220,800		
2004	2.39%	0.20%	14,200,143	7.41%	14,200,143	13,477,527	722,616	0
2005	2.54%	0.30%	14,963,938	5.38%	14,963,938	13,826,834	1,137,104	722,616
2006	3.42%	0.60%	15,853,915	5.95%	15,853,915	14,220,708	1,633,207	1,137,104
2007	2.08%	0.20%	17,127,924	8.04%	17,127,924	14,795,156	2,332,768	1,633,207
2008	4.53%	1.50%	17,612,892	2.83%	17,612,892	15,133,694	2,479,198	2,332,768
2009	-0.85%	0.20%	17,425,527	-1.06%	17,425,527	16,056,078	1,369,449	2,479,198

The City would have lost over \$8.3 M in General Fund revenue from 2005-2009

Future Steps in the 2010 Budget Process

1. Discussion by Council on 9/29
2. Future Budget Meetings
3. Cost of Service Studies for Utilities
4. Public Hearings
5. Adoption of the 2010 Budget

Budget Calendar

- Sept. 29 Special Council meeting to review preliminary 2010 budget
- October Financial updates and additional workshops
- October 27 Special Council meeting on 2010 budget
- Nov. 2 Preliminary 2010 budget filed with Clerk and posted on website
- Nov. 4 Public Hearing on revenue sources and property taxes
- Nov. 17 Continue public hearing on revenue sources
First public hearing on proposed 2010 budget
- Dec. 1 Second public hearing on proposed budget
Adopt 2010 budget