

CITY OF EDMONDS

WASHINGTON

Council Retreat

August 16, 2024

Brackett Room

Edmonds City Hall

Agenda

- 8 am Introductions – Coffee - Greetings
- 8:30 Review Events and Information to Date
- 8:45 Budget Roles and Responsibilities
- 9:30 Break
- 9:45 Potential Approaches to Fiscal Resiliency
- 11:30 Lunch
- 12:00 Prioritizing Policy Goals for the Budget
- 2:30 Priority Based Budgeting – What to Expect
- 2:45 Debrief – Council’s “take-aways” for the Budget
- 3:45 Wrap-Up / Next Steps

Review of Prior Events

- Decision to Utilize a Biennial Budget
- Declaration of Fiscal Emergency (October 2023)
- Blue Ribbon Panel Recommendations (July 2024)
- Financial Policies Review
- Mid-Year Financial Review



Budget Series @ WFOA

Based on GFOA's Distinguished Budget Award Program

1. The Budget as a Policy Tool
 - Strategic policy direction (goals); financial policies
2. Budgeting for Operations
 - Organizational structure; employees; departments / programs; performance
3. Budgets as a Financial Management Tool
 - High-level financial plan; long-term; fund balances; revenue structure
4. Communicating Your Budget and Financial Plans
 - Stakeholder engagement; clear / simple language; focused on audiences

Incorporating recent “Re-Thinking” initiatives at the GFOA



Re-Thinking Budgeting

Breaking free of traditional line-item, incremental budgeting

- Power, Politics and Budgeting
- Breaking the Law of Triviality
- Re-Thinking Public Engagement
- Re-Thinking Reserves
- Budgeting for Equity
- Budget Officer as Decision Architect



GFOA Financial Foundations Framework

1. Establish a Long-Term Vision

- Promote collaboration; Balance long-term goals with short-term needs

2. Build Trust and Open Communication

- Create open lines of communication; Cultivate trustworthy reputations

3. Use Collective Decision-Making

- Engage stakeholders; collective choice arrangements; networked enterprises

4. Create Clear Rules

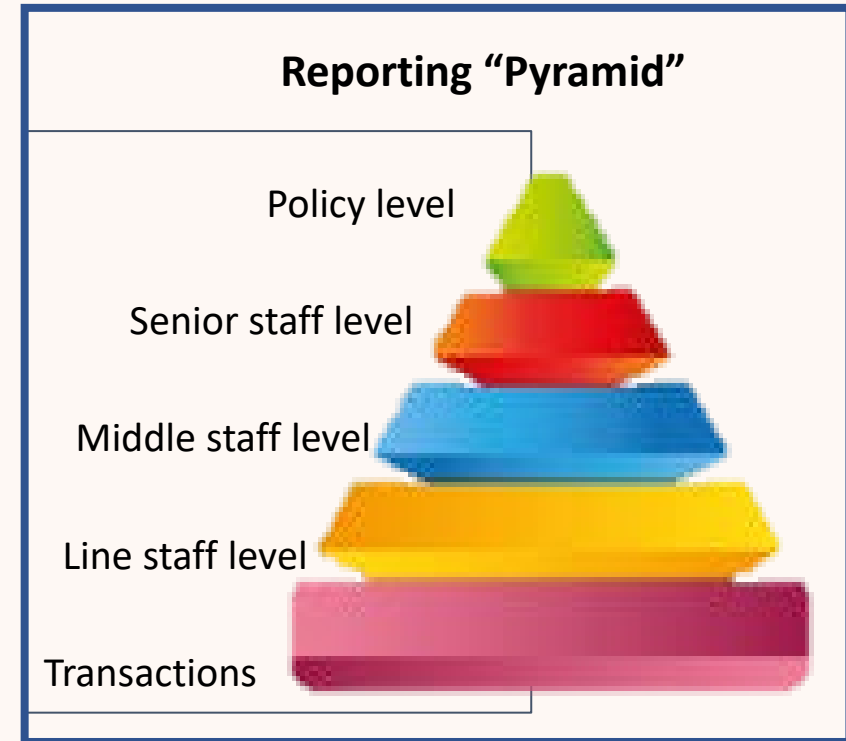
- Boundaries; Monitoring; Maintain oversight; Sanctions and rewards

5. Treat Everyone Fairly

- Proportional equivalence; Conflict resolution; Recognition of Rights

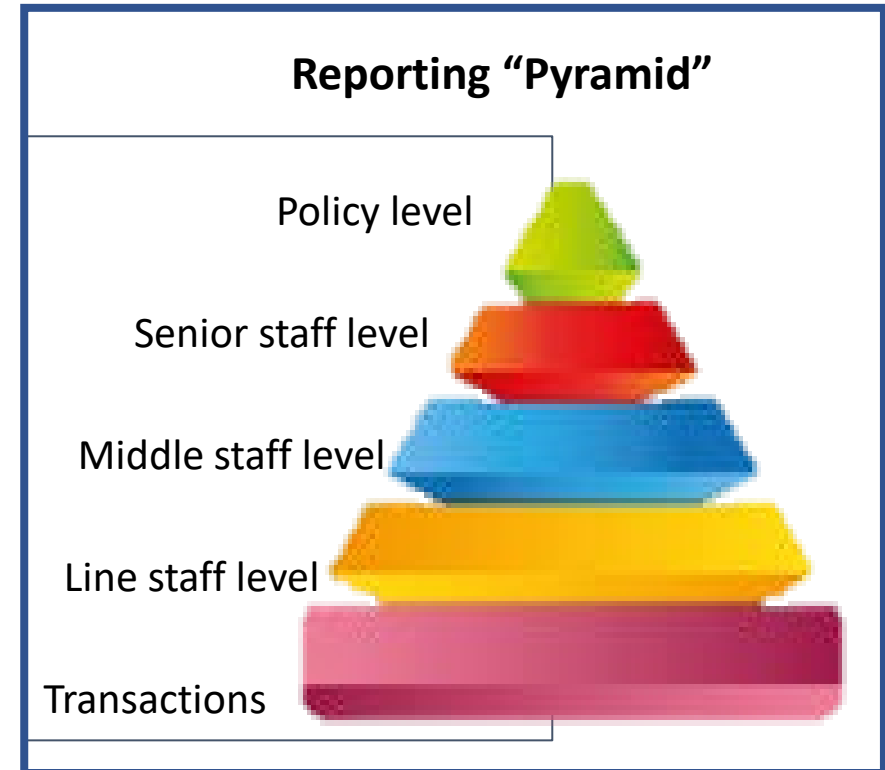
Budget Roles and Responsibilities

- Policy makers – make policy
 - Provides oversight as necessary
- Administration
 - Informs policy choices and progress
 - Revenue forecasts / options
 - Programmatic approaches to achieve policy
 - Interim financial reporting
 - Performance management information
 - Carries out the policy
 - Organizational structure / resource deployment
 - Oversees activities



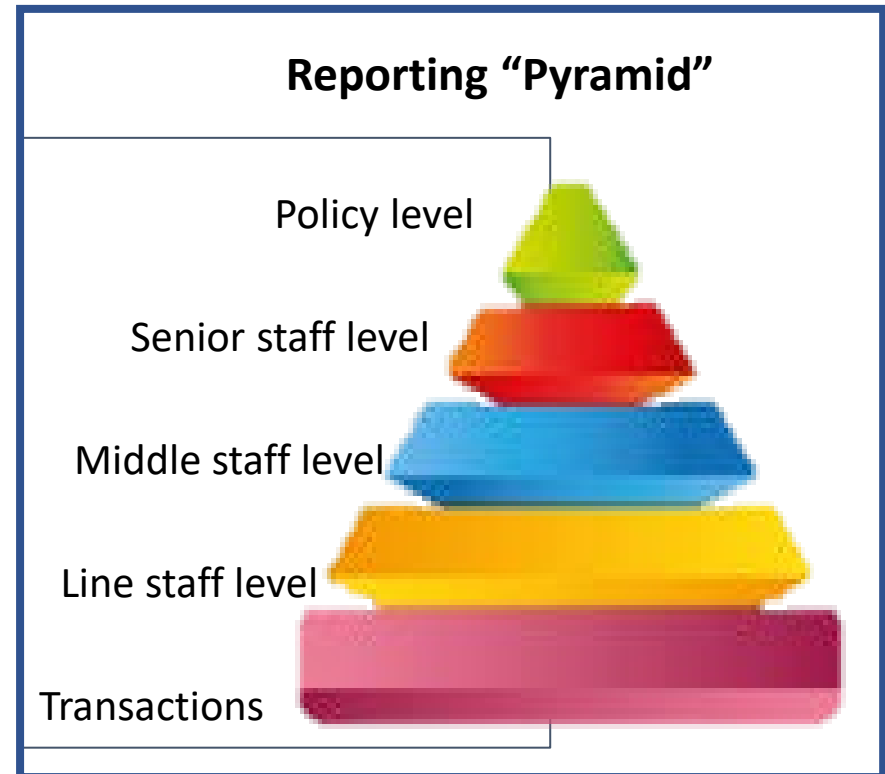
Budget Roles and Responsibilities - Policy

- Making policy
 - What does this look like?
 - Broad goals / strategic plans
 - Comprehensive Plan
 - Other plans
 - Financial policies
 - The “guardrails”
 - Budget policies & Calendar
- Provides oversight as necessary
 - Reviews reports (at policy level)
 - Interim financial reports, audits, etc.
 - Investigates issues (as necessary)
 - Updates policy direction (as necessary)



Budget Roles and Responsibilities - Administration

- Administration
 - Provides recommend budget
 - Consistent with policy direction
 - Informs policy choices and progress
 - Regular reviews of status
 - Financial status
 - Programmatic status
 - Carries out the policy
 - Day to day activity



Potential Approaches to Fiscal Resiliency

Mayor Mike Rosen

1. Some lessons from seven months (229 days) on the job
2. What I believe about the future of our city
3. Building the right budget (not just cutting this year's budget)
4. Options to build the right budget
5. My commitment to our partnership



Budget By Priority Community Advisory Panel

Erin Monroe, CPA



Courtney Wooten



Corbitt Loch



Marla Miller



Rebecca Perrault



Patrick Carter



Gladys Gillis



Erika Barnett



Nina Odell



Nicole Gaba



Tom Sanger, CPA



Lessons Learned

A bit about the first 6 months

- To get to the \$2.2M fund balance we needed to save at least \$3.2M.
- We built a \$4M plan.
 - Hiring Chill \$2,600,000
 - Park program closures \$100,000
 - Cancel Lease for space \$40,000
 - Prof Serv. Reductions \$165,000
 - Community Services \$50,000
 - Police non-labor reductions \$100,000
 - Use remaining ARPA for Fire Svc. \$550,000
 - Employee Parking Fund PEO \$80,000



Lessons Learned

A bit about the first 6 months

Then things changed... and changed... and changed.

- Beginning Fund Balance \$550,000 lower.
- Revenue estimate high by \$200,000.
- Separation pay outs \$267,292.
- EPOA and leadership \$1,100,000.
- Recurring Revenue is down.



Lessons Learned

We can't control everything that impacts us.

- Between 2021 and 2024 Consumer Price Index increased 21.7%.
- State 1% property tax restriction (per year).
- State mandates.



Lessons Learned

Our fare share of property tax isn't all that big.



14 Cents



Lessons Learned

Our fare share of sales tax isn't all that big.



10.5 cents
sales tax



Less than
one cent



Lessons Learned

We can control some things that impacts us.

Fund balances below policy targets because:

- Increased authorized expenditures in 2022 and 2023.
- Additional expenditures approved in budget amendments.
- Lack of identified funding sources to cover each.

Result: Expenditures exceeded revenues by nearly **\$20 million** over two years.

Revenue estimates were overstated in 2020, 2022, and 2023.

Result: **\$7.6 million** fewer dollars.

Staff underspent by \$16 million.

Result: Prevented deficit reaching **\$27.6 million**.



Examples of Foundational Changes Being Considered &/or Implemented

- Budget By Priorities
- Community input (Survey etc.)
- More conservative revenue projections.
- Increased transparency and collaboration on assumptions.
- Changing union contract end dates.
- Budgeting expenses that have not previously been budgeted (Separation Payouts).
- Finance Policies revised.
- Purchasing policies revised.
- New software.
- Utilizing technology.
- Review of Boards and Commissions.
- Financial reports and timing modified.
- Review our fee schedules.
- More accurate allocation of staff time (GF or Utility Funds).
- Identify new revenue sources.
- Incorporate future operating budget impacts into.
- Incorporate risk assesment into decision making.
- Modification of investments to increase returns without increased risk.
- Staff levels and structure to reflect priorities.

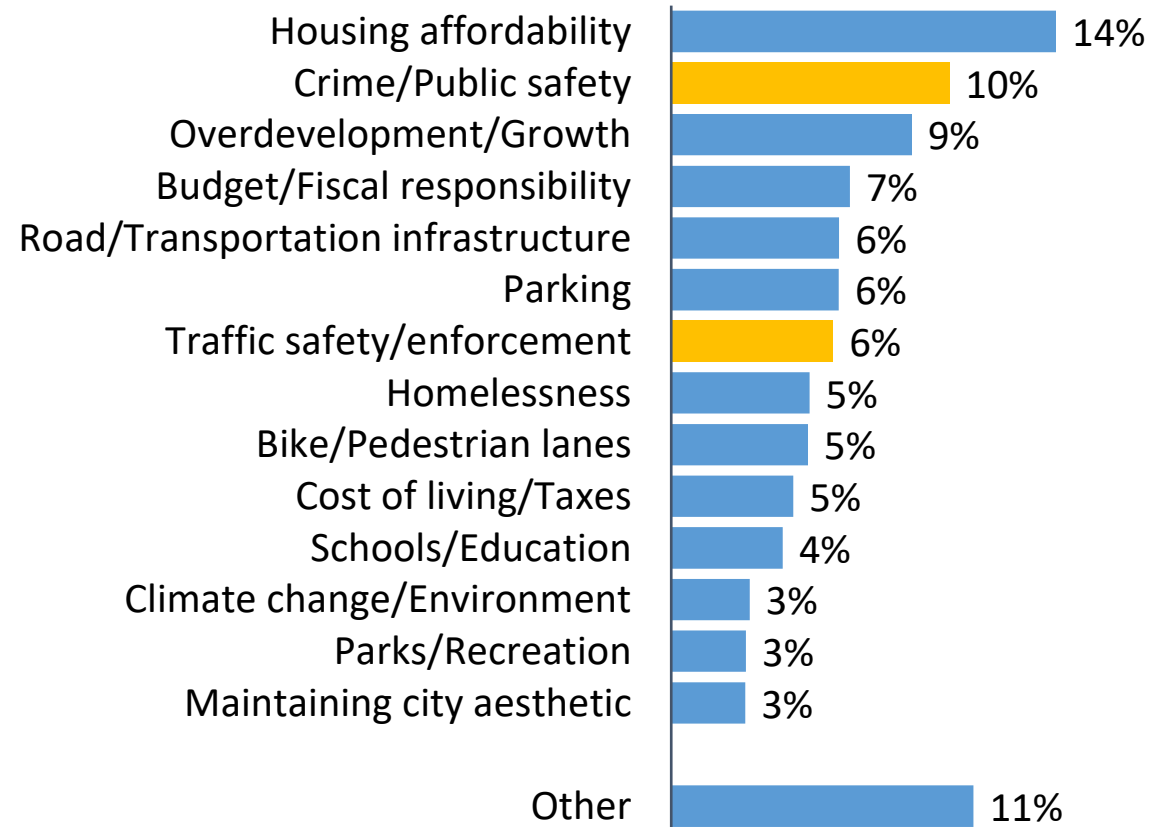


Top Priorities for Edmonds – Open Ended

Housing affordability is a top-of-mind concern to residents, as is public safety. Overdevelopment concerns are also cited.

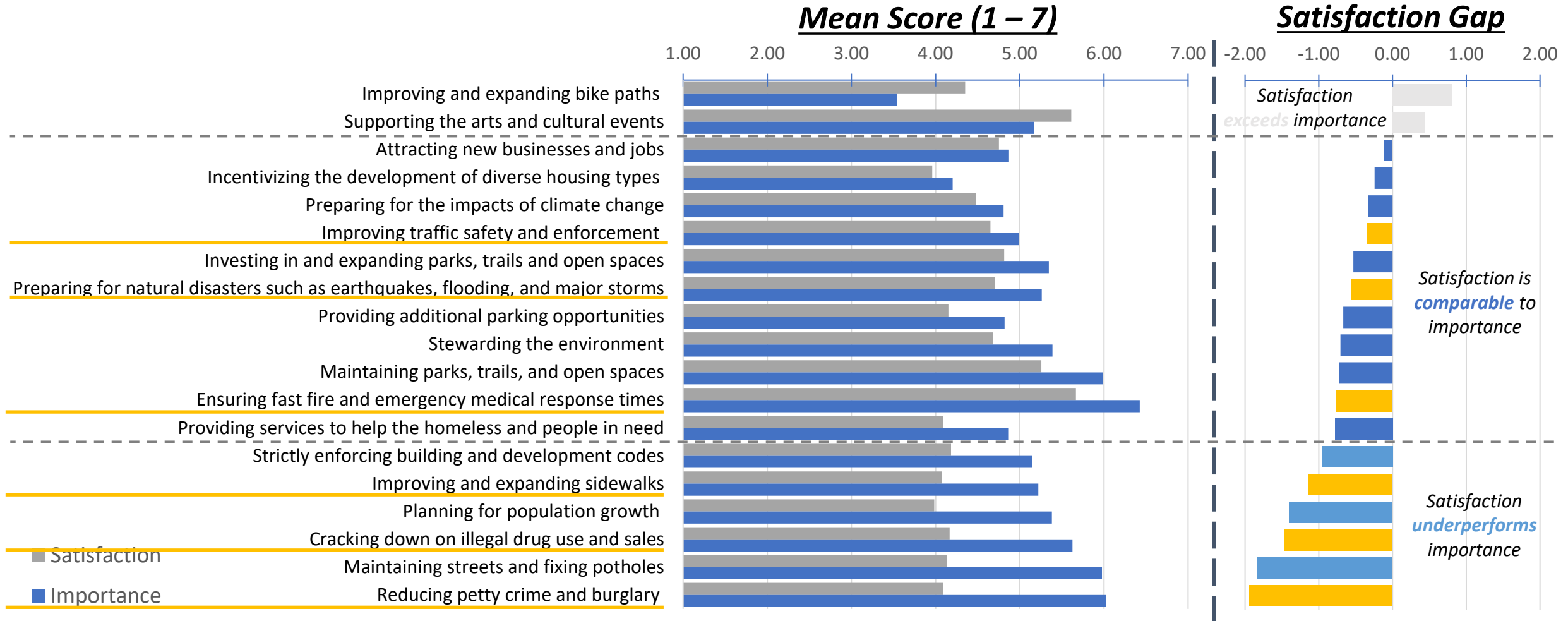
If you could only pick one issue, what do you think should be the top priority for the City of Edmonds government to address over the next two years?

(Open-ended question; Verbatim responses coded into categories below)



Gap Analysis: Satisfaction Vs. Importance

While most satisfaction ratings fall relatively close to the perceived importance of each service, residents believe the city is underperforming on reducing petty crime and drug usage, fixing potholes and sidewalks, and planning for growth/coding.





SAFETY

Police
Sidewalks & ADA Ramps
Emergency Operations

UNDERFUNDED NEEDS

Streets
Facility Maintenance

RESERVES

Replenish the reserve funds



We have one more officer than we did in 2009.

We would need 33 additional commissioned officers to be at the national average of officers per 1,000 residents.

Snohomish County has seen an almost 200% increase in drug related deaths.

We are the 9th worst state for Domestic Violence.

Population is being planned to increase 13K.

PRR is a growing burden. Social worker is funded for 6 months.

No marine or dive capabilities. No dedicated emergency management staff. No adequate Emergency Operations Center.



Police

Sidewalks & Ramps

Sidewalks

1 side of 1 block about \$600,000

ADA ramp about \$6K each
(We have about 1,700 to do)



Sidewalks &
ADA Ramps

Planning and management of an Emergency Management Program to mobilize resources that will increase preparedness, response, recovery, and mitigation of human and natural-caused emergencies.



Emergency Operations

Facilities Maintenance

...From the McKinstry Report

2023 30 Year deferred capital backlog \$44,162,802.

Frances Anderson Center

Significant end-of-life equipment necessitating upgrade.

Fire Stations & Public Safety Bldg. have

238 critical systems needing replacement w/i next 10 yrs.

\$3.4M in 2023 dollars.

Capital funding levels merit annual funding of \$1.8-2M.

Increase annual maintenance repair budget for facilities to \$300-400k/yr.

Increase Maintenance staffing level to meet International Facility Management Association recommendations

9 FTE (vs 4 FTE)



In 2018 the recommended annual investment was **\$2.5M**.

Actual annual investment (average over five years) is **\$1.5M**.

Our roads are in worse condition today than in 2018.



Streets

10 Years

Replenish
Reserves

Financial Implications

\$18,000,000 Police Budget Rounded

\$2,000,000 Sidewalks

\$500,000 Emergency Operations

\$4,000,000 Underfunded needs (facilities, streets, etc.)

\$600,000 Reserve Replenishment 10yr payback



Financial Implications

Safety Levy	
\$18,000,000	Police Budget Rounded
\$2,000,000	Sidewalks
\$500,000	Emergency Operations
\$20,500,000	Sub Total
\$4,000,000	Underfunded needs (facilities, streets, etc.)
\$600,000	Reserve Replenishment 10yr payback
\$1,830,000	Sustainability investment to keep pace with inflation
\$6,430,000	Sub Total
\$26,930,000	Total for these six Items
\$15,800,000	Total current property tax
(\$6,300,000)	Lost revenue to RFA
(\$4,400,000)	EMS levy lost to RFA
\$5,100,000	Remaining Property Tax
(\$21,830,000)	Gap to fund these six items



Do fewer things – but do them well.

Get out of the hole.

Provide services the public wants.

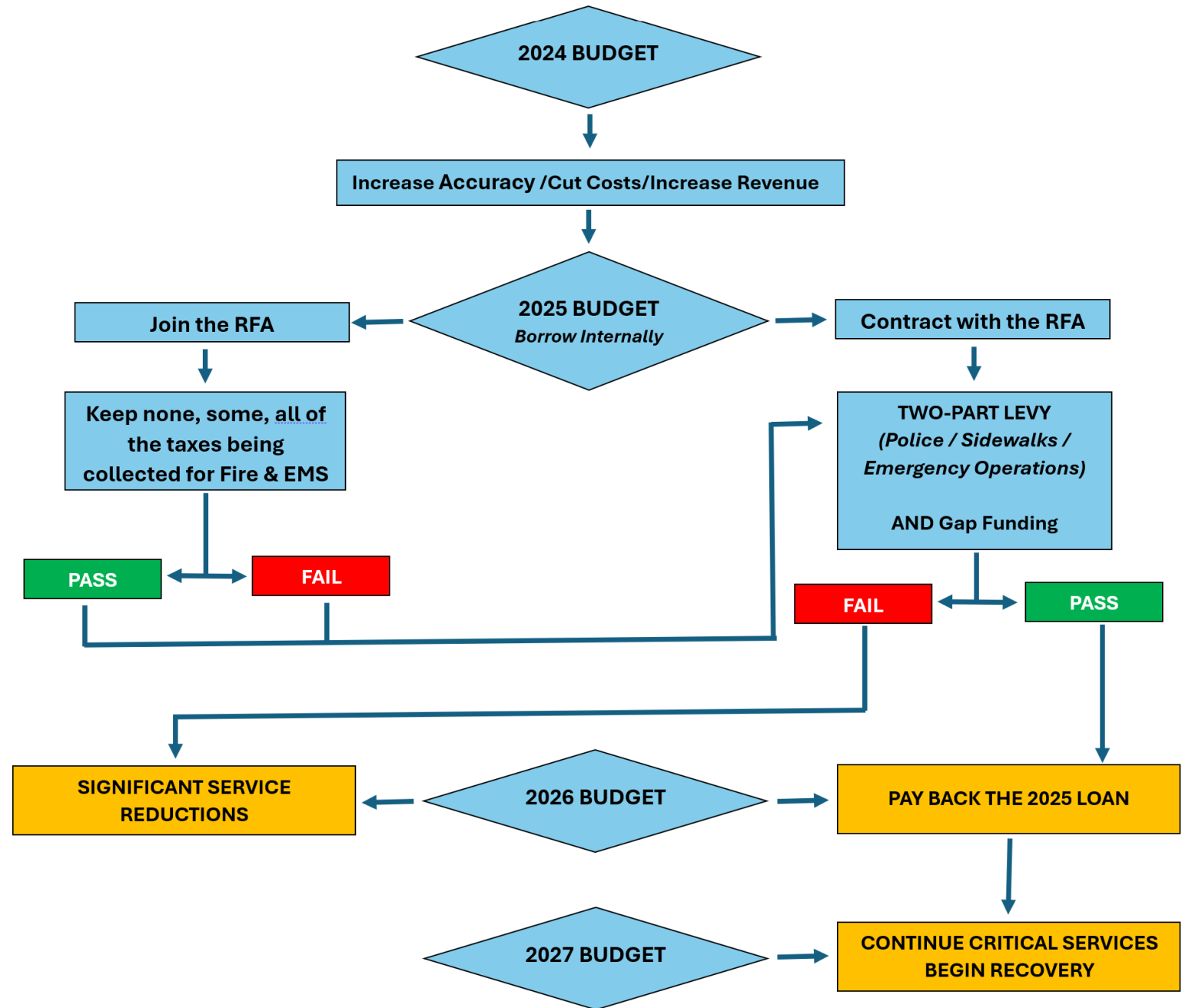
Be real about real costs.

Create a sustainable funding model.

Levy every five to six years.

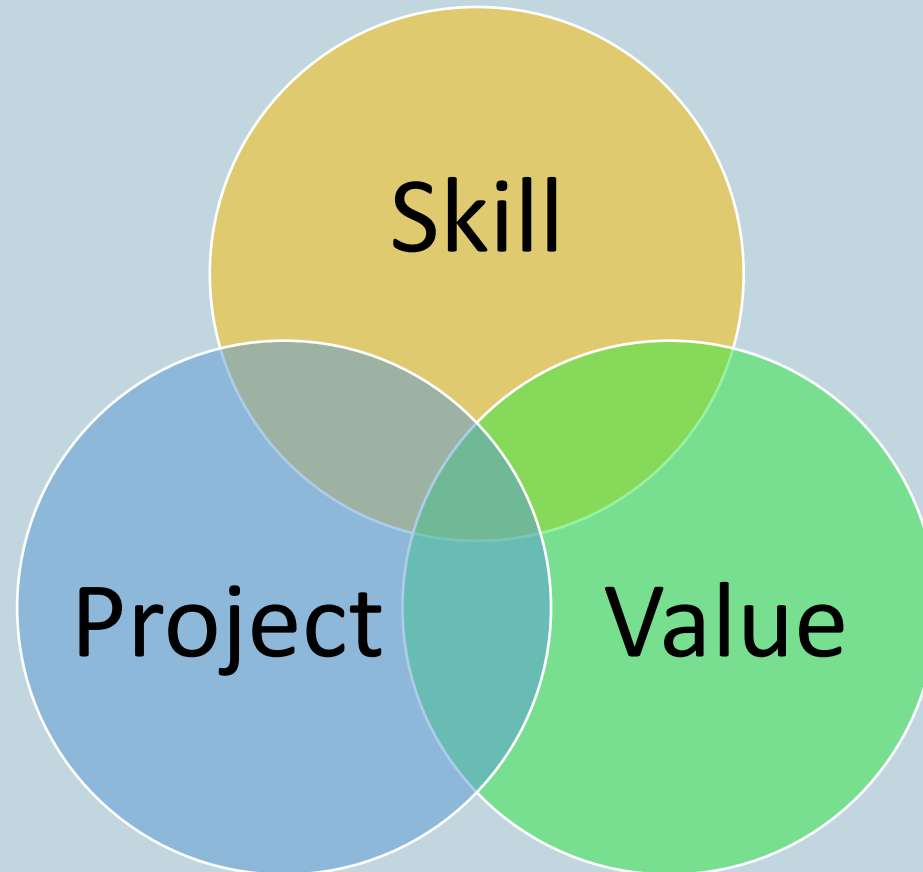


DECISIONS

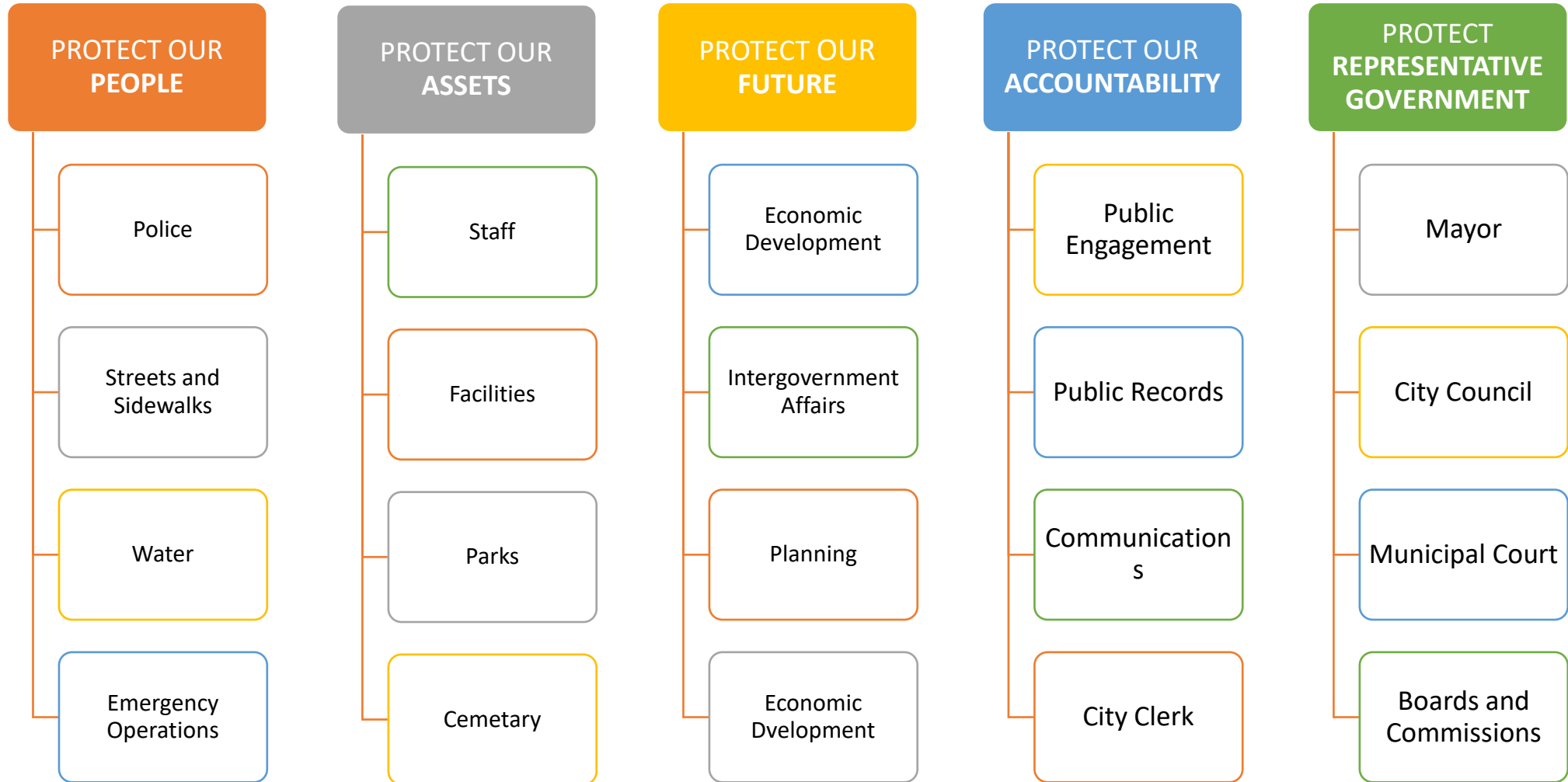


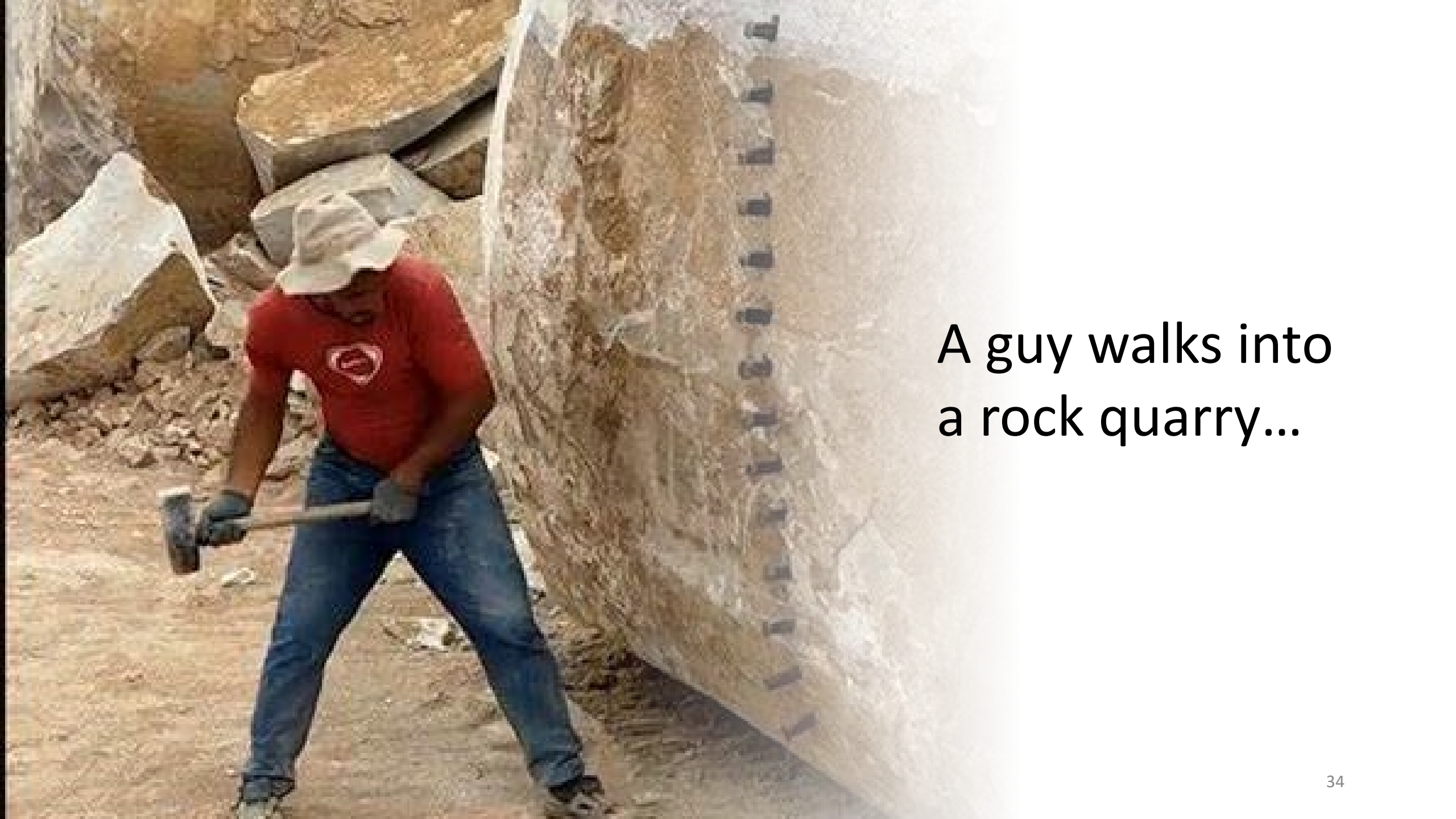
Form Follows Function

Organizational Chart in Three Dimensions



PRIORITY-BASED ORGANIZATION STRUCTURE





A guy walks into
a rock quarry...

- After Lunch -
What We Need to Help Inform Our Draft Budget

Consensus

- Priorities
- Potential Reductions



The Council & Mayor must work in partnership for our City. Neither can resolve our challenges – or realize our city’s potential – without the other

My commitment to our partnership

“I commit to working proactively with the you, our community and our staff to realize Edmond’s potential.”

Mike Rosen
Edmonds Mayor





Lunch

Council Budget Policy Goals

- Identify 3 things you'd like Edmonds to be known for over the next 3-7 years
 - At a policy level (not projects or tasks – and especially not decision packages)
 - Broad Goals (from GFOA best practice – NACSLB¹)
- Example (from City of Everett in late 90's)
 - Improve the sense of safety (and actually improve safety) in the downtown
 - So that additional mixed-use development occurs
 - Based on the notion (well founded) that developers were reluctant to invest in a space that may have been considered “unsafe” and therefore less attractive than alternatives
 - It informed many sub-goals that led to a transformation of downtown Everett

¹ NACSLB – National Advisory Council on State and Local Budgeting

Policy Goals another example City of Valdez, AK

Priority and Plan Valdez Goal		Long-term Objective	2023 Action Plan
HIGH	2.3 Promote, Protect, and Build Quality Housing	Increase Available Dwelling Units	<ul style="list-style-type: none"> ✓ Implement Housing-Directed Incentive Programs ✓ Adopt Title 17 Code Revisions
HIGH	3.1 Build Upon Valdez's Core Economy	Expand Valdez's Core Industries	<ul style="list-style-type: none"> ✓ Small Boat Harbor H-K Dock Replacement
	1.2 Improve Communication Between City and Its Residents	Articulation, implementation and monitoring of goals	<ul style="list-style-type: none"> ✓ Implementation of regular review of adopted master plans
	2.1 Plan for Responsible Growth	Assess development potential for City-owned land	<ul style="list-style-type: none"> ✓ Continuation of the sewer force main replacement project
	3.2 Pursue a Diverse and Self-Reliant Economy	Optimization of the Permanent Fund	<ul style="list-style-type: none"> ✓ Monitor legislative action and litigation efforts related to oil and gas taxation
	5.1 Provide Community Services	Maintain current city service levels while accounting for inflation	<ul style="list-style-type: none"> ✓ Hospital expansion design ✓ Continue to support full funding of Valdez City Schools

What could we do less of

- What are one or two things that the City could reduce or eliminate
Could be:
 - A low priority
 - A duplication with other service providers
 - Not a core competency
 - A nice to have – but we don't have the money

Priority Based Budgeting

What to Expect

- General Fund and Streets Fund only
- Other funds will look like previous years
- Utility fund budgets will be based on assumptions used in rate studies

Priority Based Budgets

- No decision packages



Debrief of the Day

Council's "take-aways"

Wrap Up / Next Steps

- Affirm budget priorities