

Questions about the Edmonds Budget and Responses to those Questions

The Finance Department has been asked a series of questions about the budget and has given responses. We have received a request that these be posted for citizen reviews. Below are these questions and responses. We will update this listing periodically using the date of posting on the web at the beginning of each group of questions.

Questions are a summary of the questions are followed by Finance Department responses in italics.

Web Question Posting # 2 dated 11/22/2013

Decision Package #1. This assumes that the City Council wants to continue in a quasi judicial role. I do not, and believe that we should reconsider the time and expense as factors in moving forward in this capacity. However, This may be beyond a budget issue.

Response: I think the question is a good one, but goes well beyond budget. Budget would follow up once a policy course is set.

Decision Package #2. This appears to be a software purchase. How many applications have human resources processed on an annual basis? I would like to know if we can accomplish online application forms via the IT staff.

Response: Online application software: We receive hundreds of applications each year and this specific software will expedite the review process, reduce paper copies, and increase our customer service both internally and externally. It would be a huge workload for IT, and also not appropriate for IT to actually handle any applications because of the confidentiality of the process. Currently, we are one of the only cities (if the only one that I know of) that doesn't have this process in place yet.

Decision Package #4. I question why this new position is needed. What is involved in the new wellness program administration that requires a new half time position?

Response: This part-time position is to provide administrative support to the HR team. Over the past two years we have put many efficiency processes in place that have saved the city over \$450,000, and have added quite a bit of administrative work. Because of this we have an HR Manager and an HR analyst performing administrative duties daily and this takes away from many other initiatives that would be proactive for the city to prioritize, i.e. safety program, health benefits committee, supervisory training, wellness program, accident prevention program etc. Some of these are regulatory with our insurance agent (WCIA) and we have not been compliant because we do not have the staffing capacity. The initiatives that require more administrative work include the LEOFF 1 insurance change, worker's compensation program (to reduce L&I rates)and medical insurance change to UHC. In addition, the HR team will need to research the medical benefits again next year, and negotiate both the SEIU and Teamsters contracts.

Decision Package #5. I also question why this program is needed. How much would it cost if we were to provide 1% to employees who have been with the city for 20 years or longer?

Response: This longevity program for Non represented employees was a recommendation from our Compensation consultant two years ago. It represents both internal and external equity in the marketplace. In actuality, because the salary ranges were reduced across the board for non-represented employees, it reduced the earning potential that employees expected. This capped a

lot of the tenured employees of the city. We are nearing compression issues in many departments because all of the union represented employees receive longevity compensation. This is currently a large issue in the police department between the commissioned officers and non-represented management staff.

1% for non-represented employees that have been with the city 20 years plus would cost about \$6,500.

Decision Package #14. I question this budget item because it seems that this could be accomplished by existing staff, given sufficient lead time and planning. I would guess that an intern could collect and coordinate the documentation but that staff would ultimately have to provide the answers.

Response: The Finance department is very lean and partly because of this has not adequately documented a whole series of operational policy issues. We have promised the auditor progress. In addition, there is sufficient operating procedural documentation - both within the department and between the department and other areas that needs to be accomplished. The staff are fully tasked and I do not see the capacity to make sufficient progress.

Decision Package #22. This is actually a multi-year budget request for 2014 and 2015 for \$40,000 each year, or \$80,000 total. The next update is due in 2015.

I question whether the consultant would be working with the City to update the critical areas maps? I think this information would be desirable both for the city's open space planning and for private development applications. We could streamline the development review process with accurate and reliable maps.

Response: The "maps" were largely based on information from various remote sensing sources, and were not regulatory in nature. Site-specific studies control in terms of defining where critical areas actually are. We use the maps to indicate where critical areas are 'likely' to be, but that's the extent of it. We could spend a lot of money on updating the reconnaissance mapping, but that might not present a lot of value... it would certainly not streamline the process – the only way to do that would be to undertake the comprehensive survey of the entire city, which would be very, very expensive. It could be done, of course, but would be several orders of magnitude more expensive than the \$80,000 would allow (my guess).

Decision Package #24. This is a short term solution that has been taken for the past three years. What are the longer term options for this problem?

Response: This has been brought up to Council the past three years. The longer term solution would be to fund the Cemetery Sexton or .5FTE of the Sexton out of the general fund. This was the case 5 years ago, and the cemetery fund was balanced. The only other solution I would see is to cut the service level to balance the budget.

Decision Package #25. This part-time position was eliminated in the last budget cycle.

Response: There were two things that were cut last year from the arts programs: a .5FTE and the \$15,000 general fund transfer into the Arts fund to support the arts programs. Since those cuts, we have experienced a huge impact from this, namely support for the arts commission and programs. This package seeks to restore some of the previous cuts to maintain the service level.

Decision Package #27. How is this package different from the P,R & Cs departmental budgets for travel and miscellaneous?

Response: The departmental budgets for training and travel have been cut significantly over the past 6-7 years. We have minimal budgets for over 20 FTE's to keep up with best practices and

professional growth opportunities. This package will bring some of this back in order to leverage training within the department.

Decision Package #28. Can we continue a water conservation approach for watering our ball fields? What did we learn from last summer?

Response: We had a very hot summer last year, and when we minimized the ballfield watering, we did experience near closures. Council restored the irrigation budget in July, and that prevented the closures. It all depends on the summer weather.

Decision Package #30. I think that the BID can fund this item for downtown.

Response: We can certainly approach the BID about this, however, it looked like from the other night that they have a full workplan and obligated budget this next year. This is a one time expense that will help to increase the aesthetics downtown.

Decision Package #33. This is an expensive ongoing cost for a seasonal recreation feature. I would appreciate more information regarding usage. How does this compare to the wading pool that was demolished? Do we need to reconsider this project in light of the ongoing cost?

Response: This is actually very minimal for a water spray park, because we are building in a water reuse system. Normally, water spray parks can go through 100-150,000 per year for water usage. In addition, if a water recirculation system is used, the chemicals and maintenance costs can be more than \$40,000 per year. The water reuse system is designed to use and contain 22 gpm (gallons per minute) for 10 hours per day, 7 days per week, 90 day per season. We will use most of this for irrigation, and are looking at the possibility of adding the restroom flushing and fill station for the flower program. So, we will save money on the back end as well. It could likely be a net zero, but we do not know this yet. We will need a season of experience to be able to accurately project this.

Seasonal spray parks offer the opportunity for active, fun, engaging, community connections. We have learned from our counterparts that once a spray park is introduced it will triple and sometimes quadruple the usage for these parks. This has been part of the City Park Master plan since 1992, and in the CIP since 2000. We have leveraged over \$850,000 to both replace the play equipment and add the spray park. If you look at the \$25,000 compared to what we expend for Yost, it is also very minimal. Council has authorized us to move forward with this project, and if we were to reconsider this, it would impact all of our grants, and work thus far. This is a good project and will be an incredible asset in our parks system.

Web Question Posting # 2 dated 11/18/2013

Explain why the 2015 budgetary projection for expenditures is 4.3% less than the 2014 requested budget.

While we did have reductions as a result of one-time services going away, the biggest areas of reductions year to year are in the Transfers area. Large elements of this are:

1. \$245k less for LEOFF Reserves (going to actuary's recommended levels)

2. \$522K less for GF Contingency Reserve (going to 16% level).
3. \$129k less for Fireman's Pension Fund (going to actuary's level).
4. \$604K less for Risk Management Fund (reestablish reserves).
5. \$533K less for Building Maintenance (Projects)

Web Question Posting # 1 dated 11/8/2013

What was the dollar amount and the percentage under-expenditure for 2012?

In 2012, the City under-expended our General Fund budget by 5.9%. According to our audited financial statements (page 31 of the annual financial report), the General Fund final expenditure budget was \$33,787,352 and the Actual Expenditure was \$31,779,368 for an under-expenditure of 2,007,984.

What specific fees revenues have increased, or are projected to increase next year?

If this is stated in the budget, please refer to the page #s.

On page 16, Licenses, Permits, Franchises revenue line item and the Construction Permits line item increase together by \$218,382. The driving element in this increase is the increase of fees in decision package Decision Package # 20 of \$183,185. This is detailed on the page marked 20a.

Reimbursement for two engineering positions: Will this reimbursement continue yearly as long as the positions are in place?

Also, since it seems that this is reimbursement from one fund to another, how is this revenue? *The reimbursement will continue as long as the positions are in place. This is a purchased service by the Utility, Roads and Parks funds from the General Fund in the revenue account #001.349.18.000 – Interfund Reimbursement. The Utility, Roads and Parks funds can also purchase services from contractors, but my understanding is that the charges are higher if purchased from a vendor. I have cc'd Phil to ask him to clarify this.*

Emergency Medical Services property tax: Please explain this revenue item. Are you referring to reimbursement from citizens private insurance on 911 calls?

The City has a property tax revenue directly related to Emergency Medical Services. It is different from other property tax revenues in that the level of revenue increases or decreases directly as a result of home valuation. As I indicated in my comments, it is still significantly lower than it was in the middle of the last decade.

What other fees/taxes that Council has not yet voted upon have been built into the budget?

On pages 31 and 32 of decision packages, several packages have 2014 revenue. Items 7, 15, 20 and 44 include new revenues due to increased fees. Information about the specific nature of those fee increases is included in the actual decision packages which are included with your budget.

Please advise what other cities utilize this type of reserve policy and tell me again why you feel the \$725K in under-expenditure is anticipated and in what areas?

The policy of fund balance reserve level and anticipating under-expenditures are connected only in the sense that a projection that assumes 100% expenditure of budget will understate future

fund balances. Mechanisms that can be used for anticipating under-expenditures include discounting individual line items, an across the board anticipated under-expenditure, and not anticipating the under-expenditure and letting it flow into fund balance. I have not researched what other cities or counties do in more than a decade, so at this point I do not have the information.

Of course when we have surplus each year, we recognize it and yes, it goes into the general fund (last year I believe it was \$300K); I am uncertain why you want to recognize this as revenue. It would seem to me you are counting this money twice?

Last year, the City's under-expenditure was \$2 million, not \$300 thousand.

The reason that the anticipated under-expenditure is treated as revenue rather than as an expense is because of accounting requirements. The County used to treat it as a negative expenditure in non-departmental and our accounting folks made us change it to meet Accounting Standards. The concept is that the surplus created by an not expending an appropriated amount is projected to flow into future fund balance. Thus, it will be available to be used as a resource, much the same as appropriation of an existing fund balance. I realize that this is complex, but it is the required mechanism for this approach.

The questions about the following numbers refer to decision packages which are numbered.

Decision Package # 8, Why is the city storing credit card information? I am curious what this means?

A decision was made prior to Brian being hired to process certain credit transactions through our web-site and system. As a result, data within our system conflicted with required PCI compliance.

Two of The City's legacy information systems stored credit cards locally. That was their design at the time of installation.

- 1. Tyler – Provides HR, accounting and Utility Billing, but the credit cards are processed through another network.*
- 2. CLASS – Parks and Recreation scheduling and pools application is currently being addressed. The cost for the change is requested in package Decision Package # 8.*

These systems have been operational for several years. Our insurers, WCIA have increased their focus on technology security in response to recent regional security breaches. The Annual WCIA audit highlighted these vulnerabilities along with vulnerabilities in Edmonds network design. To remediate these vulnerabilities Edmonds has moved to the Tyler hosted payment system. Transactions in Tyler are no longer on Edmonds systems. We are working with CLASS to migrate to their hosted payment platform. At this time we are working through pricing, banking and logistics. The transition to CLASS hosted payment processing is expected to be completed by the end of the year.

Decision Package # 16, I would rather see an additional policeman rather than another Assistant Chief. Under the former Chief Stern, there was only one Assistance Chief.

The nature of the challenge relates to the fact that the force is a 24/7 operation. With only two individuals, you run into a situation where there is either lack of coverage or those two individuals are stretched too thin. In addition, in the past (including under Chief Stern) there were two Assistant Chiefs. At one point (up to 1979), there was only one assistant chief but there was also a captain. The captain's position changed into the second assistant chief in 1980 and was more a change in title than pay.

Decision Package # 23, Why such a small request, can't this fit under the respective budget item? You are already saying we will be 725K under expenses?

The nature of under-expenditures (which will be discussed in a later response), is that they are somewhat predictable in aggregate, but as you get more specific on a department by department basis, they are less predictable. The department would probably be able to absorb it, but if there are not vacancies elsewhere during the year, the possibility of over-expenditures exists.

Decision Package # 24, In finance last year, I thought we were trying to achieve break-even for the cemetery?

Decision Package # 43, What has changed since last year when we were trying to be revenue neutral for the cemetery?

The cemetery fund had a fund surplus which the strategy agreed upon was to spend down. The fund balance has been spent down. Revenues have declined and salaries have trended up. In addition, a seasonal worker is included in decision package 43.

Decision Package # 25, Is this for professional services or staffing? The narrative seems to suggest staffing but the budget shows professional services. Is this just replacing what we took away in the cuts in the 2013 budget.

The intent of the Parks Department is to contract out for these services.

Decision Package # 26, Why not just promote and not make this a decision package? Is this because it is interim?

This temporary upgrade would require a new classification (promotion) and as such is not listed in the budget. Thus, in order to create that position, we need Council authorization. In addition, Council has had to approve increases to "acting" pay in the past.

Decision Package # 34 is confusing? I thought the time is billed in the respective department regardless of where the position is budgeted. It seems that the Project Manager will now be paid from the General Fund which means that when things are not billable, we charge the General Fund.

The issue here is that for 2013's budget, the position was created in the Utility Funds. Public Works had requested the position and funding be placed in the General Fund. For 2014, Public Works is asking that this be corrected. That would mean that funding that exists in the Utility Funds to pay for this individual would be paid as reimbursement to the General Fund (a cash neutral impact then for all funds). This package achieves what Public Works had intended in 2013's budget.

Decision Package # 36 and Decision Package # 37, While I truly support this plan, do we have a back-up plan if the projections for the General Fund don't pan out?

A back up plan might include reviewing and adjusting allocations in REET I and REET II (as well as the General Fund). If REET revenues increase as anticipated, some additional capacity already exists. If not, it becomes a prioritization exercise.

Decision Package # 38, I thought Mr. Williams indicated that this project was fully funded by another revenue source, but I can't recall off the top of my head.

Originally, there was discussion about bond funding this expenditure. Since we do not have other immediate General Government bond plans, funding this relatively small amount has been recommended to be on a cash basis from the General Fund.

Decision Package # 45, With millions of fund balance in the equipment replacement fund, why are we asking for budget authority for new equipment of less than \$10,000? Why not just buy it? *The approach taken here has been the past practice and expectation in Edmonds for some time, i.e. if we are adding a new piece of equipment that is not a regular replacement of existing equipment we put it into a decision package. Most of the money in the 511 Fund is accounted for on a vehicle by vehicle basis. These monies are accrued to replace a specific vehicle or other piece of equipment. If we were to take funding from some other vehicle's account it would interfere with the replacement schedule for that other vehicle.*

Decision Package # 46, Again, if this is a Council driven decision, these funds should be removed from non-departmental and into the Council Contingency.

The reason that it was not put into the Council Contingency is that if we had done this, there would have been a significant increase in the Council budget which could have been misunderstood by citizens or Council members. Now that that we are in the Council phase, Council can choose to move these amounts into their budget if they choose.

Decision Package # 47, How about just cutting the budget by \$725K and reducing taxes and fees for residents rather than finding a way to spend that money?

Those are options.

What are the fiber optic plans?

The budget was not changed from 2013 budgeted levels with the exception that no new equipment is included for 2014. Stephen Clifton, Economic Development, and Brian Tuley, Information Services, will be coming to Council in the next months to speak about a specific fiber strategy that is being considered.

Also I was looking for the 511B transfer this year.

We believe that all of the elements of Fleet charges are included in the budget.

Clarification of decision package number 34:

Decision Package number 34 relates to an existing authorized position. The position was approved by the Council last year, but somehow it was placed in the Utilities funds rather than in the General Fund. Because the position works on all three utility funds and on roads, putting it in the General Fund allows the costs to be distributed as incurred by other funds.

This package just moves the position to meet the original intent last year. It will not increase costs to the General Fund or other funds on a net basis.

Decision Package number 47 takes dollars that would ordinarily flow into fund balance at year end and reprograms them for current year expenditures. Every year, departments under-expend their budgets. Some by just a few dollars. Some by multiple percentage points. In 2012, we under-expended our budget by more than 5%. In 2011, we had a 3.2% under-expenditure. In 2010, it was 2.8%. I anticipate that 2012 will be approximately 3%. The assumption of 2.0% is modest, but without that assumption our annual budget and our projection will understate future fund balance.

Clarification of two decision package number 47:

Different organizations use different approaches to addresses this need for anticipating these under-expenditures.

- If an organization's fund balance is lower than wished, ignoring this under-expenditure will cause fund balance to grow.*
- Some organizations under budget salary. This accomplishes the same objective, but on a department specific basis. In that case, some departments end up having a budget issue and may over-expend.*
- The approach outlined here uses a City-wide assumption for under-expenditures. I have applied it to our strategic plan.*
- The reason it is put in a decision package is that it is a change in practice and as such, represents a policy issue.*