

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

Q1. K-9 Cost Center, on page 77, can you please explain the salary increases between 21 and 22 as narrative says no changes.

A. The salaries budget here did not increase, it decreased from 2021 to 2022. Salaries budget in 2021 was \$224,406 and in 2022 the Salaries budget is \$213,434.

Q2. Traffic Cost Center, on page 84, this 2021 budget was double the estimate of \$224,500 making the 2022 change look huge. What happened?

A. The 2022 salaries budget only increases by 3% over the 2021 budget. The estimated salaries for 2021 is much smaller than budget, due to vacancies that we have had during 2021. This explains why the 2022 budget would be significantly larger than the 2021 estimate.

Q3. Drug Enforcement Fund, the 2022 budget is up 161% over 2021 and if you look at the 2020 actual it is even more pronounced. Isn't this a share duty with other jurisdictions? Or what happened?

A. The 2021 and 2022 expenditure budgets for this fund are identical - \$45,800 each year.

Q4. The City is lowering its reserves between 21 and 22 by roughly \$2mm. Our expenses have clearly outpaced revenue with significant increase in labor/benefits and services. Can you summarize major changes impacting these numbers? Why has building maintenance 016 decreased by \$1mm?

A. Major contributors to the overall reduction in fund balance: For revenues, we are budgeting a small increase in 2022. We are fortunate that the pandemic has not had a negative effect on our revenues in most cases. Overall revenues are budgeted to increase about 1%. While the forecasts in most categories are as accurate as possible, there are a couple of areas that we budgeted conservatively, as we should. For example, if sales tax revenues continue the same way they have so far in 2021, we will likely end up about \$300,000 over our estimate for 2021, and if that trend continues, we may collect another \$500,000, or 5%, more in sales tax in 2022 than what is budgeted. Those would both contribute positively to our reserve balances.

On the expense side, the bulk of the increases come from increases to Salaries and Benefits. There are multiple reasons for this. As you recall, two labor unions have salary increases that were negotiated before the pandemic hit. While these increases exceed the 3% COLA that has been built in for non-represented employees, please note that the other two labor unions are in negotiations now, and the 2022 budget does not have a 2022 increase included for those unions. Once negotiations are settled a budget amendment will be brought forward to account for that. You'll also notice that the 2021 estimate for salaries and wages is not much higher than the actual amounts for 2020. Actual results for 2021 will be lower than would normally be expected because of hiring freezes and vacancies that were held open as a result of the pandemic. We are budgeting for 2022 to look back to normal, and this means that the percentage increase from 2021 to 2022 is higher than normal, as we are going from artificially reduced staffing levels this year to budgeting for full staffing next year. There are also several new positions being asked for in the budget. Even if all of these are approved, the actual payments for those positions will be less than what is included in the budget, because we budget for a full year's worth even though we know that the new positions will not all be filled on January 1.

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

Other increases to expenses are less complicated. "Services" makes up 40% of the general fund budget. This includes, for example, South County Fire, as well as other professional services. Our 2022 budget includes an increase to Services of only 5%, and with the Consumer Price Index currently around 4% to 5%, a 5% increase seems very reasonable and may even prove to be underbudgeted. Other increases are relative small - debt service is up about \$260,000 as a result of our 2021 bond sales. Transfers are also up a little, because we are putting a little more into street maintenance and construction than we did in 2021.

Regarding Fund 016, this is not decreasing by \$1 million. The budget for 2021 was \$210,222 and the budget for 2022 is \$980,000.

Overall we are budgeting to spend down our reserves by about \$2.1 million. But keep in mind, with a planned ending fund balance reserve of about \$12.9 million, we are still well in excess of the 20% fund balance reserve requirement that is outlined in policy.

Q5. DP #2 VEBA- is it standard to give this to unrepresented employees? Do other cities/ agencies do this for their unrepresented employees? Are we supposed to be making the represented and unrepresented align? Why or why not? Why is it there as a one time thing- won't this be an issue every year to extent it is an issue this year?

A.

- Non-reps received one, \$500 contribution in 2019. Future contributions must be approved by council.
- AFSCME receives \$250 per year (ongoing). Has received \$1,750 (2018-2021).
- Teamsters is in negotiations, but they have received \$1,500 (2018-2021)
- Law Support have received 1,100 (2020-2021) and is due to receive \$300 in Jan 2022.
- Police have received 1,100 (2020-2021) and is due to receive \$300 in Jan 2022 and 2023.

I have not done a survey of other Cities/agencies regarding their provision of a VEBA to employees. I do know from discussions with other HR professionals and my own experience, that the VEBA has become a fairly standard benefit that is provided to employees. How often and what amount does vary greatly though. We are not necessarily trying to completely align the non-reps with the represented but we are trying to create some equity between those two employee groups. There are multiple reasons for this. One being that you do not want to create a work environment where one employee group is treated as less than another employee group. Due to bargaining, we are not always able to completely align benefits but where possible, we should seek to do so. For non-reps it is a one time benefit due to the fact that Council needs to approve this as part of the budget. Contributions for represented are approved as part of the collective bargaining agreement. I do anticipate evaluating the contributions represented employees receive on an ongoing basis and making recommendations as appropriate to Council for the non-represented employees. Council could also choose to make it an ongoing contribution for non-reps but I would not recommend that at this time.

I would also like to share that we recently negotiated a new fee arrangement with our third party administrator of the VEBA. The new cost structure will save the City approximately \$10,000 next year. This savings will offset almost 50% of the cost of contributions to the non-reps.

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

#3 why are there benefits for a 4 hour a week employee? Aren't employees who work on such a part time basis denied benefits?

There are basic payroll costs associated with every position. These are things such as FICA and premiums for Paid Family and Medical Leave. Finance uses a 21% adjustment for those positions that are not benefit eligible. Payroll costs for this position probably run closer to 10%.

#4 do you anticipate that more candidates will be screened out for medical reasons and not hired as a result of these more thorough medical pre-employment exams? I am trying to see how this additional expense is leading to any cost savings/ is cost effective.

I have asked AACOP McClure to provide a response to this. He had submitted this request to me in my role as Civil Service Secretary/Chief Examiner earlier this year. I agreed with his analysis and felt it placed the City in a more defensible position should we have to decline a hire based on medical issues. I have provided his response below.

From AACOP McClure:

I do not see it as a means to have more candidates screened out. I've learned that it puts the city in a better position for success if needed to defend a hiring decision that is based on information obtained during the medical screening. It also allows us to identify issues, such as hearing, vision, heart, or lungs, that may need to have an evaluation for accommodation. Using L.E. standards from the American College of Occupational and Environmental Medicine is the baseline for these exams.

I learned during a medical exam for an applicant this year that the "family" provider we had been using was not sufficient nor was it industry standard by our HR/law enforcement partners in the region. Concentra provides Occupational Medicine evaluations that put the city in a much better position when we are in the conditional offer phase of candidate evaluations. These evaluations are more comprehensive in their evaluation of major systems and functions and provide much better information for a hiring decision. Everett, Lynnwood, and King County are examples of nearby agencies that use this occupational medicine provider. I also learned that our city already uses Concentra for our other employees. I had inherited the process of using the family medicine provider from my predecessor and the previous administration.

While the cost is more, we are getting more for the evaluation. Previously, I had had to find specialists after the original screening if an issue came up, which added on to the cost.

Our current staffing shortages make this appear more significant than it will be long term. We can go 6-8 months without needing any evaluations when at or near full staffing. Our current situation requires some additional costs based on vacancies that we are actively trying to fill with nine candidates in the early stages of background. Hiring will continue as a priority into 2022 for most of the year.

Q6. Regarding the Dive Team - Thanks for your comments but that is not how it is described in DP 14 which states to establish a five member dive team? So, it seems you are going to use existing FTEs but train and again, it might be helpful to understand how the Fire and Marine boat are part of this process as well as how many times it has been necessary to utilize this equipment. We can buy all new equipment but what if it is not utilized as it hasn't been before? I need more details on the inter-

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

relationship the city has with the other jurisdictions and then why a five member team and not two? Or how many times has the PD been contacted to help on in progress rescues?

This may be an ignorant question, but at what point offshore does rescue and medical become coastguard instead of City? Is the Dive Park a City Park or County or even federal? I am asking as water some amount offshore is under federal jurisdiction (I know this from oil drilling and whether State or Federal makes the money on the oil drilled). And I am also asking because I thought I had heard once that the dive park was county.

A. Here's some general historical information. More specific details may be available but not at this late moment prior to your council meeting.

- FTE or Ancillary - The dive team is staffed as an ancillary duty (such as firearms instructors, etc.).
 - The primary associated costs are for equipment, training, medical exams and any OT/CT.
- # Personnel – Historically, the dive team consisted of 5-6 members to account for availability, levels of training etc.
 - For safety, 2 personnel minimum (diver/safety tender) however 3 may be required depending on incident response such as with vessel or recovery operation (2 divers, 1 safety tender).
 - There may be incidents where only 1 dive member needed such as medical event/death in which person is brought to shore and transported to hospital. No need for dive operation but need to secure/preserve evidence at scene (dive gear) and collect statements.
- Dive Park Jurisdiction – The Edmonds Underwater Park is owned and maintained by the COE
- Coast Guard vs EPD Jurisdiction – Both.
 - The Puget Sound is considered navigable waters and subject to federal/USCG jurisdiction (as is the Columbia River all the way upstream).
 - Response times for USCG vessels can be hours, if available to respond to local emergency. Typically, service response times to local emergencies is tiered, City generally faster than county, faster than USCG.
 - EPD has jurisdiction out to mid channel and is able to enforce State and local laws to include fishing/vessel safety regulations and conduct or aid with local investigations (death, boating collisions, evidence recovery, etc.).
- EPD vs FD – Both work together depending on the nature of the call, similar to calls for service on shore. Marine 16 is currently owned by FD1 with an MOU to allow for PD access. There have been vessel distress calls in the past that FD1 declined due to policy but EPD responded to assist.
 - There are additional LE specific programs such as Homeland Security's Domestic Nuclear Detection Office (DNDO) that EPD members are still active members of. We are part of a larger set of regional assets (including other LE, USCG and WA National Guard CST-Civil Support Team) for possible maritime terrorist response.
 - Additionally, options for FD response may be limited due to unsecure scenes / safety considerations (staging).

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

- Dive Team Usage – Anecdotally, during the teams existence, they responded to an average of 1 death investigation per year however that did not include evidence recoveries or assisting other agencies (such as EV recovery on MLTPD Lake Ballinger homicide). This could also vary depending on a dive team with or without a vessel for responses or other operations (vessel safety program).
 - There had been some years where the dive team had more activations in a year than the SWAT team.

For the plane incident noted below, EPD did send patrol officers but there was no attempt to conduct dive operations as we haven't had an official (or trained) dive team and all equipment is in a non-maintenance status (has not been serviced).

One point of clarity in his last few sentences, I did send the dive team out the next day to attach a buoy to the plane, and it was then they told me they were unable to do so after looking at the dive equipment.

Q7. I have a couple of questions about the sidewalk crew. Is this crew funded through the general fund or some other source? Is this crew deployed doing the ADA updates or are they also doing the sidewalk shimming/grinding? Is this item in the budget book, if so, where can I find it?

A. At this point it is baked into our Street Maintenance Budget (Fund 111). It was approved as an on-going Decision Package in the 2019 General Fund budget. The amount was about \$323k if I recall correctly with about \$75k being one time start-up, equipment, and vehicle costs. The balance is labor (2 staff), benefits, and on-going supplies, mostly concrete.

We do all transportation related concrete flat work including some ADA ramps, missing sidewalk sections, replacement and re-working of existing sidewalks, curb bulb-outs, etc. The primary focus is the sidewalk work, either repairs, replacements, or brand new sidewalk.

The funding for this is all general governmental dollars. The 111 Fund is approx. \$2.2M/yr. The two primary sources are gas tax (approx. \$750k) and the TBD (approx. \$700k). The General Fund of the City contributes approx. \$400k. The remainder usually comes from investment earnings and Ending Fund Balance. Since Gas Tax and TBD revenues are not controllable by the City, the General Fund ends up being the back stop as needed.

So, am I safe to assume that the sidewalk repairs are scheduled based on need and are rolled up with other sidewalk work? It sounds like the "sidewalk crew" is now a part of a broader team that does repairs, safety work (like bulb-outs - yay!) and building new sidewalks? Yes.

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

Q8. First of all, can we get confirmation of how much was allotted for professional services for REDI work in the 2021 budget? It was Decision Package #1 last year as well, proposed by the Mayor as 50K and (if memory serves me) increased by 25K through the amendment process by CM L Johnson and passed by council majority. A. There was \$75K allocated for doing equity work in 2021. \$50K was proposed as part of the HR budget and Council did add another \$25K.

Also, is this same amount that was allotted in the 2021 budget for REDI services under last year's DP#1 in the 2022 and subsequent budgets as well? I think so/it should be because the decision package had identified it as an ongoing item....

If this year's decision package for a full time REDI program manager gets supported, shouldn't the previously budgeted item for REDI professional services be deleted as these services would be getting done by this full time employee? In order for the REDI position to function effectively, they will need to have access to funds for items such as training, community outreach programs, and specialized consultants as needed. The full-time person does reduce the amount of professional services funds that are needed which is why it was reduced from \$75K to \$50K. It may be possible that this amount could further reduce over time as we establish the baseline for our REDI program.

That is all regarding Decision Package #1 as proposed. Other questions for consideration:

1) As more staff and electeds get trained on issues of REDI, won't we be needing less and less input from a REDI Program Manager over time? Won't we, in the regular course of doing our work (code updates and the like), notice and bring forward changes that need to be made to improve our policies and code in these ways? I can already think of an example of this happening in the recent past, with my REDI training and exposure to date, no REDI expert involved.

REDI initiatives in the workplace often fail or run the risk of tapering out unproductively due to not having a dedicated person (or persons) to oversee that work on an ongoing. For REDI efforts to be fruitful, organizations have to back up their good intentions with resources, putting time, energy, and money into ensuring diversity and awareness-raising work is an integral part of the organizational culture, recruitment, and overall organizational priorities. Alignment of the organization with those priorities is hard to achieve overall and doesn't happen by accident. It has to be fostered deliberately from top to bottom with constant leadership support. A tangible race, equity, diversity, and inclusion strategy is a great step toward making the workplace reflects those ideals and the City has been in the process of establishing an equity road-map to establish this. But hiring a leader whose job is to give constant attention the City's REDI efforts can legitimize the City's REDI undertaking and ensure it doesn't fall by the wayside overtime.

2) To the point of the budget reflecting our priorities, can I suggest that our priorities be broader... to include compliance with not only REDI standards but all worthwhile ideals and laws? While it may perhaps cost more money to hire someone with expertise in more areas, it would have great value to have someone working with all of our departments on all areas of compliance. REDI/civil rights, legal requirements like open public meetings, holding hearings for things that require hearings and with adequate notice, making sure our contracts are renewed before they lapse, making sure that there is due process in the programs we institute, etc.. Maybe even compliance with Code of Ethics and Code of Conduct?

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

The other benefit of structuring this way is that the focus of this program manager can ebb and flow with the (hopefully) temporary shortcomings of our City. Perhaps the focus is more on REDI issues up front if we did not make good headway with the services budgeted for and used for this purpose in 2021; but over time, the other issues may be more the focus as we do better in that area. It would be great if over time we do all of this important stuff well.

3) What is the appropriate organizational chart for something compliance-oriented like this? Should it be under direction of the Mayor as shown in the decision package narrative or should it be detached from the organization as an independent entity? If the latter, this may be better structured as a contract such as the City Attorney that beyond getting paid by Council budgeting authority and the hire and fire decision of the Council majority, does not answer to any one person on staff. In my opinion it is better for this position to sit with the Mayor's structure and directly under it as proposed. I also sought input from our current equity consultant and it was felt that this was the appropriate and most effective placement of this position.

Thanks for the answers. So did I miss the decision package that reduces the 75 k to 50 K? And is it appropriate to do it that way from a budgeting standpoint and from council approval standpoint since the 75 was professional services and the 50 to remain is miscellaneous? The \$75K was a one time expenditure so it did not need to have a decision package reducing it. The request for the \$50K is an ongoing one so it is a new request. The miscellaneous is due to the fact that the REDI Program manager would potentially be spending that money on more than professional services. It could be things such as community outreach events, surveys, and communication materials.

Q9. As I have continued to think about who else is a stakeholder/ beneficiary of the dive equipment and dive team (and thus a potential funding partner), the Port of Edmonds and the Washington State Ferries come to mind.

Port Commissioner David Preston actually brought it up at the Port meeting last night before I did. He threw out the sum of \$10K. The Port is open to conversation about the program and their possible contribution to it. They have questions like where the equipment will be stored and who will make sure it is maintained in any of the ways required and so on.

One third of the 70K would be 23K; this is possibly a fair expectation for their share? Perhaps asking for 10K annually after the initial to keep the program supported; in the years we do not have the upfront equipment purchases this may be reasonable.

A. Cost sharing might be a good model in the future, especially if at some point we can move to a more fully functioning Marine Unit.

Q10. Several related to fund balances and bonds. What is our anticipated under budget projections for 2021? For the General Fund, we added a 5% or \$2.4 million under expenditure projection. Will the spending of our reserves impact any future bond rating? No, in fact during the recent bond rating process Standard & Poors stated that our reserve management was very good. What was our bond rating for these new issuances? We received a AAA rating, the highest they give. Will you fold those bond proceeds into the budget in a budget amendment like we anticipated - but missed that Council approval

QUESTIONS AND ANSWERS, FOR THE WEEK ENDED OCTOBER 29

because of agenda planning? No, the bond proceeds will be received this year, in 2021. No need for a 2022 budget amendment to record those. *What is the anticipated timing of those issuance and sale?* *Maybe you can add the bond updates to our finance meetings?* The bond sale is scheduled for November 10. *I'm extremely concerned that we are tapping into reserves for some of these decision packets which has a lot of new employees. I guess my issue is that we do have an abundance of cash because of the fact you have to put those ARPA fund somewhere and are you actually utilizing those as part of your equations?* No, the majority of the ARPA funds are in Fund 142. They have not been commingled into the General Fund. *Fund 016 did decrease but look at the delta between 2019-20 and now* Granted, Fund 016 looks unusual. In governmental accounting, we have to recognize revenue from a bond sale in the period of the sale – in this case, 2021. So for Fund 016 in 2021 we will see \$4.4 million of revenue but no expenses. Conversely for 2022 we will show close to \$1 million in expenses, but no revenue, because the revenue came in the previous year (2021). This is one example of why it can be confusing to just pay attention to fund balance. Along the same lines, we received \$5.9 million of ARPA funds in 2021, which all goes to Revenue, with little expense. We will get another \$5.9 million in 2022. Then in 2023 and 2024 we will be spending that money, and since there will be no corresponding revenue, people may think we are foolishly spending down our fund balance, when that is not the case. In this case it is just a matter of timing.