



CITY OF LAKE FOREST PARK

MAYOR'S PROPOSED 2021-2022
MID-BIENNIAL BUDGET ADJUSTMENT

OCTOBER 21, 2021

Mayor
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City Council and Lake Forest Park Community:

I am pleased to present the 2021-2022 Mayor's Proposed Mid-Biennial Budget Adjustment to the City Council for consideration. The Proposed Adjustment is generally a true up of actual results to the budget and normally would not include new expenditures. However, as we know all too well, the last year and a half has been anything but normal. In addressing the uncertainties of the ongoing pandemic, many budgets were either funded extremely lean or zeroed out, and several items were placed on a Proviso list for consideration during this Mid-Biennial process. The details are described in the attached documents.

Due to the still uncertain future, only a small selection of the items identified in Proviso adopted as part of the 2021/2022 budget are recommended in this Mid-Biennial Budget Adjustment. Those are partial Line-Item budget increases for travel and training, Cost of Living Adjustments (COLA's), and seed money to begin addressing the City's Climate Change commitment. Anti-bias training has been occurring through seminars provided by the Washington City Insurance Authority, of which the City is a member. Additional support of the City's human services providers is being provided through the allocation of ARPA funds, and the administration proposes reevaluating funding for the tree canopy study and sign code update following the first quarter of 2022.

The proposed budget update is a balanced budget proposal with revenues exceeding expenditures. The six-year financial forecast updated during the 2021/2022 budget process shows that the City continues to be fiscally responsible and successfully maintaining a general fund balance well above target. Assuming a more protracted economic recovery when forecasting in the Fall of 2020, the forecast showed a concerning result in the later years. As the State began re-opening in July, the City has realized increased economic activity and revenues in several categories have exceeded projections, yet some continue to lag. The administration will continue to monitor this recovery and report to the Budget & Finance committee in the coming months and anticipates that the outer years of the forecast will improve as the economy continues its upward trend.

As we look ahead to 2022, we must continue to conservatively project additional economic recovery and as a result, limit expenditures. We will need to be diligent, with the Administration and City Council working together to identify areas of opportunity and creative solutions to continue providing the great level of service that Lake Forest Park is known for.

Through the first nine months of this biennium great work has been completed on several projects funded in this cycle. Streets have been milled and overlaid, traffic calming measures installed, parks and streetscapes maintained, culvert L60 construction was completed and design work on culverts L80 and 90 continues, the SR522 pedestrian crossing study continues as well as design of the roundabout at SR104 and 40th Place NE with construction slated for Spring of 2022 and full funding of the Lakefront Park acquisition secured.

In conclusion, I am pleased to present the Mayor's Proposed Mid-Biennial Budget Adjustment to you and look forward to dialogue about this proposal and the financial future of the City.

Sincerely,



Mayor Jeff Johnson

2021-2022 Mayor's Proposed Mid-Biennial Budget Adjustment Introduction

Executive Summary

The Adopted 2021-2022 Biennial Budget was constructed with caution due to the uncertainty of the economy as a result of the Covid19 pandemic. The City of Lake Forest Park (City) followed the State of Washington in declaring a State of Emergency. Early in the second quarter of 2020 department expenditures were cut by 15%, a hiring freeze was implemented, elective training and travel was halted, all discretionary spending was removed, and all City employees participated with furloughs. Every employee contributed to necessary cost saving measures during the pandemic. During one of the most uncertain times in our economy's history, the City created the 2021-2022 Biennial Budget. The budget was built using an abundance of caution for the revenue forecasts and expenditures. The Administration has performed the required mid-biennial budget review and is proposing a mid-biennial budget adjustment.

A proviso was created identifying priorities if the economy outperformed cautious revenue projections. Through the Mid-Biennial Budget Adjustment Process, the City will be reviewing the adopted proviso with a couple items as top priorities, re-establishing travel and training budgets, employee cost of living adjustments (cola's), budgeting the City's next steps in addressing climate change, and establishing a new special revenue fund for the American Rescue Plan Act of 2021.

Background

The City adopts a biennial, or two-year, budget. Local governments choosing to adopt biennial budgets are required by State Statute to perform a detailed review of the budget at the mid-point of the budget cycle to identify any significant differences between budgeted amounts and actual biennium-to-date financial results. If significant differences are identified, then a mid-biennial budget adjustment should be considered. Mid-biennial budget adjustments are a time to 'true-up' the adopted budget to reflect actual performance more accurately. Budgets are living documents and created with the best knowledge at the time of adoption.

The City is approaching the mid-point of the 2021-2022 budget and has completed the required mid-biennial budget review (the Review). The Review revealed that while most line items of revenue and expenditure are performing as expected (consistent with budget) a few items each of revenue and expenditure differ from budgeted amounts resulting in consideration of a budget adjustment.

The Mayor is proposing a 2021-2022 mid-biennial budget adjustment (hereinafter referred to as the Mayor's Proposed Adjustment). The details of the Mayor's Proposed Adjustment are contained in the attached schedules. It should be noted that only those budgets and schedules that are adjusted in the Mayor's Proposed Adjustment are contained in this document; the entire 2021-2022 adopted budget can be found on the City's website at cityofflp.com.

2021-2022 Mayor's Proposed Mid-Biennial Budget Adjustment Introduction

The following documents are included in the Mayor's Proposed Adjustment packet; a brief description of each document is provided to orient readers to the contents of each document.

1. Narrative of Adjustments

The Narrative of Updates and Changes contains a description of the mid-biennial budget adjustment process and a description of each adjustment, the value of each adjustment in the current biennium. The narrative also includes the justification for each adjustment.

2. Schedule of Adjustments

The Schedule of Adjustments is a table of the updates and changes included in the Mayor's Proposed Mid-Biennial Budget Adjustment for both revenues and expenditures to clearly outline adjustments by fund.

3. Ordinances and Resolutions

The following Ordinances and Resolutions will be presented throughout the Mid-Biennial Budget Adjustment Process but are not included in this Mayor's Proposed Adjustment package

1. Ordinance Establishing the 2022 Sanitary Sewer Rate (Pass through from King County)
2. Ordinance Establishing the 2022 Property Tax Levy
3. Resolution Adopting the 2022 User Fee Rates
4. Ordinance Creating New Special Revenue Fund ARPA Fiscal Recovery Fund
5. Ordinance Amending the 2021-2022 Adopted Budget (including a revised Exhibit A: 2022 Budgeted Salary and Position Schedule)

Narrative of Adjustments

The following narrative describes the adjustments included in the Mayor's Proposed Adjustment. The adjustment explanations will be outlined by topic.

Ordinance 1213 Original Adopted 2021-2022 Biennial Budget: Proviso Related

Employee and City Council Travel & Training Budgets

Listed on the proviso for 2021 was the priority to reinstate travel and training beyond necessary position requirements to allow all certifications and permit requirements to remain current. The Mayor's Proposed Budget Adjustment reinstates travel and training budgets. Training and travel budgets are incredibly important because they assist employees and City Council Members in staying current with mandatory requirements of their respective position. The funds that include travel and training budget adjustments are the following: General Fund, Street Fund, Transportation Capital Fund, Sewer Utility Fund, and Surface Water Utility Fund.

Cost of Living Adjustment (COLA) for Employees

During 2021 only Teamsters employees received a cost-of-living adjustment of 2.75% due to the Teamsters having a closed contract. City Administration requested Teamsters open and negotiate due to the financial uncertainty of the Covid19 pandemic, but those requests to come to the negotiating table were declined. The Police Guild and Management Professional Employees (MPE's) did not receive a cost-of-living adjustment for 2021. As a top priority on the proviso for 2022, the Mayor has included cost of living adjustments as part of the Mayor's Proposed Adjustment.

The Schedule of Adjustments, at this time, do not include increases to the salary and benefit costs due to the Administration being in the middle of negotiations. The funds that include employee salary and benefit increases are the following: General Fund, Street Fund, Transportation Capital Fund, Sewer Utility Fund, and Surface Water Utility Fund.

2021-2022 BUDGET PROVISIO
ATTACHMENT A
Expenditures to be considered
for the allocation of unbudgeted revenue

2021

- Line Item budgets (professional services, training, etc.)

2022

- Cost of Living Adjustments (COLA's)
- Planning Enhancements
 - Design Review Consultant
 - Tree Canopy Study
 - Sign Code Update
- Climate change commitment
- Anti-bias training
- Evaluate Replenishing Reserves on a percentage basis
- Additional support of human services

Narrative of Adjustments

Grants Awarded to the City of Lake Forest Park

Police Department: State Allocated Grant for Police Reform Bills (SB 5092)

The City was provided a one-time State grant to offset costs generated by law enforcement and criminal justice related legislation enacted between January 1, 2020 and June 30, 2021. The funds were allocated in SB 5092 in the State's operating budget.

The Police Chief is proposing to use the one-time State Grant on training, technology and equipment, and additional software. For any subscription costs (on-going), the City would pay for a 3-year period with these funds. Frontloading the costs for 2022, and then the next budget cycle of 2023-2024. At the end of 2024, the City will reevaluate the use of software or hardware costs as part of our normal budget process. If the evaluation does not meet standards or are not worth the costs, the program would be terminated.

Department of Ecology Equipment Grant towards Backhoe

The City was awarded a grant for \$40,000 to assist with the purchase of the Case Backhoe that the City purchased at the beginning of 2021 for the Public Works Department. Those funds were receipted into the Surface Water Capital Fund and need to be allocated to the Vehicle and Equipment Fund which is where the City paid for the Capital Equipment Purchase.

The \$40,000 Department of Ecology Grant allowed the City to redirect funds to purchase a de-icer storage tank. The goal to own a de-icer storage tank provides the City supply certainty throughout winter and in major winter weather events when de-icing supplies can be more challenging to acquire.

Creation of New Special Revenue Fund

American Rescue Plan Act of 2021 (ARPA) Fiscal Recovery Fund

The establishment of a new special revenue fund allows the City to separate out the Coronavirus Local Fiscal Recovery Funds that were allocated to the City of Lake Forest Park. The ARPA funds are federal dollars intended in the aid in the recovery from the Covid19 fiscal impacts.

Sewer Rate Increase – King County's Portion

King County Sewer Rate Increase (Pass Through)

King County adopted a sewer rate increase of 4% increasing the County's portion of the sewer rate from \$47.37 to \$49.27. The additional increase will need to be passed through to all rate payers within the City. The County has also adopted a policy to increase rates on an annual basis, where in the past these increases occurred every other year.

Narrative of Adjustments

Operational Items

Tree Account Professional Services

The City historically under allocates the tree professional services expenditure line item in the General Fund. The funds simply need to be appropriately allocated. In early 2021 there was a large invoice paid for the restoration of McAleer Creek that immediately exceeded the allocation.

Road Overlay Program

During 2020, Initiative 976 was being disputed in court challenging the local ability to collect vehicle license tab fees. Although the City was receiving the revenue funds monthly during 2020, the expenditure was held and not allocated. The amount of revenue that was collected was not allocated in addition to the 2021-2022 revenue for the vehicle license tab fees. Therefore, we need to allocate the additional \$400,000 on the expenditure side to catch up on the road overlay program that was not performed in 2020.

Public Relations Firm

The City hired a Public Relations Firm to assist the City in community relations, discussions, and providing educational information throughout the process of proposing a levy that became proposition 1 and will be on the November 2nd ballot.

Schedule of Adjustments

GENERAL FUND				
Title	Revenue(R)/Expend.(E)	<u>2021-2022</u>		<u>Total</u>
		<u>Adjustment</u>	<u>Total Revenue</u>	<u>Expenditure</u>
		<u>Amount</u>		
General Fund Revenue **	R	\$ 105,200	\$ 105,200	
Lost Revenue - General Fund	R	\$ -	\$ -	
Police SB 5092 Appropriation	R	\$ 52,802	\$ 52,802	
General Fund Revenue Adjustment Total		\$ 158,002	\$ 158,002	
Management Professional Employees (MPE's) Salaries	E	\$ -		\$ -
Management Professional Employees (MPE's) Benefits	E	\$ -		\$ -
Executive Professional Services - Levy Public Relations Firm	E	\$ 43,000		\$ 43,000
Police Department Salaries	E	\$ -		\$ -
Police Department Benefits	E	\$ -		\$ -
Police Department Training & Travel	E	\$ 4,000		\$ 4,000
Police Department Training & Travel - SB 5092 Appropriation	E	\$ 14,802		\$ 14,802
Police Department Technology -SB 5092 Appropriation	E	\$ 30,000		\$ 30,000
Police Department Software -SB 5092 Appropriation	E	\$ 8,000		\$ 8,000
Teamsters Employee Salaries	E	\$ -		\$ -
Teamsters Employee Benefits	E	\$ -		\$ -
City Council Training & Travel	E	\$ 6,000		\$ 6,000
Executive Department Training & Travel	E	\$ 10,000		\$ 10,000
Municipal Services Department Training & Travel	E	\$ 6,000		\$ 6,000
Finance & Info. Technology Department Training & Travel	E	\$ 7,000		\$ 7,000
Municipal Court Department Training & Travel	E	\$ 2,000		\$ 2,000
Community Programs Training & Travel	E	\$ 800		\$ 800
Planning Department Training & Travel	E	\$ 5,500		\$ 5,500
Building Department Training & Travel	E	\$ 1,500		\$ 1,500
Parks Operations & Maintenance Department Training & Travel	E	\$ 1,000		\$ 1,000
Facilities Department Training & Travel	E	\$ 400		\$ 400
Tree Account Operating Supplies	E	\$ 18,000		\$ 18,000
General Fund Expenditure Adjustment Total		\$ 158,002		\$ 158,002
Total Net Change to the General Fund		\$ -		

STREET FUND				
Title		<u>2021-2022</u>		<u>Total</u>
		<u>Budget Amount</u>	<u>Total Revenue</u>	<u>Expenditure</u>
Employee Salaries	E	\$ -		\$ -
Employee Benefits	E	\$ -		\$ -
Employee Training & Travel	E	\$ 2,000		\$ 2,000
Street Fund Expenditure Adjustment Total		\$ 2,000		\$ 2,000

TRANSPORTATION BENEFIT DISTRICT FUND				
Title		<u>2021-2022</u>		<u>Total</u>
		<u>Budget Amount</u>	<u>Total Revenue</u>	<u>Expenditure</u>
*Revenue in Ending Fund Balance from 2020 due to I-976	R	\$ 400,000		
Transfer Out to Transp. Capital Fund for Road Overlay Program (2020)	E	\$ 400,000		\$ 400,000
Transportation Benefit District Expenditure Total		\$ 400,000		\$ 400,000

ARPA FISCAL RECOVERY FUND - PROPOSING NEW SPECIAL REVNUUE FUND				
Title		<u>2021-2022</u>		<u>Total</u>
		<u>Budget Amount</u>	<u>Total Revenue</u>	<u>Expenditure</u>
American Rescue Plan Act of 2021 Revenue	R	\$ 1,884,807	\$ 1,884,807	
Lost Revenue	E	\$ 186,612		\$ 186,612
In the Process of Developing	E			
			\$ 1,884,807	\$ 186,612

Schedule of Adjustments

TRANSPORTATION CAPITAL FUND			
<u>Title</u>		<u>2021-2022</u> <u>Budget Amount</u>	<u>Total</u> <u>Revenue</u> <u>Expenditure</u>
<i>*Previous Budg. Amendment Real Estate Excise Tax 2 Allocation</i>	R		
Transfer In from Transp. Benefit District Fund for Road Overlays (2020)	R	\$ 400,000	\$ 400,000
Transportation Capital Fund Adjustment Total		<u>\$ 400,000</u>	<u>\$ 400,000</u>
Salaries	E	\$ -	\$ -
Benefits	E	\$ -	\$ -
Training	E	\$ 2,000	\$ 2,000
Roadway Overlay from Transportation Benefit District Fund		\$ 400,000	\$ 400,000
Transportation Capital Fund Revenue Adjustment Total		<u>\$ 402,000</u>	<u>\$ 402,000</u>

SEWER UTILITY FUND			
<u>Title</u>		<u>2021-2022</u> <u>Budget Amount</u>	<u>Total</u> <u>Revenue</u> <u>Expenditure</u>
Sewer Utility Revenue - Pass Through from King County	R	\$ 101,000.00	\$ 101,000.00
Sewer Utility Revenue (City's portion increased in 2021 for 2022-23)	R	\$ -	\$ -
Sewer Utility Fund Revenue Adjustment Total		<u>\$ 101,000.00</u>	<u>\$ 101,000.00</u>
Employee Salaries	E	\$ -	\$ -
Employee Benefits	E	\$ -	\$ -
King County METRO	E	\$ 101,000	\$ 101,000
Employee Training	E	\$ 2,000	\$ 2,000
Sewer Utility Fund Expenditure Adjustment Total		<u>\$ 103,000</u>	<u>\$ 103,000</u>

SURFACE WATER UTILITY FUND			
<u>Title</u>		<u>2021-2022</u> <u>Budget Amount</u>	<u>Total</u> <u>Revenue</u> <u>Expenditure</u>
Employee Salaries	E	\$ -	\$ -
Employee Benefits	E	\$ -	\$ -
Employee Training & Travel	E	\$ 2,500	\$ 2,500
Surface Water Utility Fund Revenue Adjustment Total		<u>\$ 2,500</u>	<u>\$ 2,500</u>

SURFACE WATER CAPITAL FUND			
<u>Title</u>		<u>2021-2022</u> <u>Budget Amount</u>	<u>Total</u> <u>Revenue</u> <u>Expenditure</u>
Dept of Ecology Equipment Grant Awarded for Purchased Backhoe	R	\$ 40,000	\$ 40,000
Surface Water Capital Revenue Adjustment Total		<u>\$ 40,000</u>	<u>\$ 40,000</u>
Transfer Out to Vehicle & Equipment Repair and Replacement Fund	E	\$ 40,000	\$ 40,000
Surface Water Capital Fund Expenditure Adjustment Total		<u>\$ 40,000</u>	<u>\$ 40,000</u>

VEHICLE & EQUIPMENT REPLACEMENT FUND			
<u>Title</u>		<u>2021-2022</u> <u>Budget Amount</u>	<u>Total</u> <u>Revenue</u> <u>Expenditure</u>
Transfer In from Surface Water Capital Fund (SW Grant for Backhoe)	R	\$ 40,000	\$ 40,000
Vehicle and Equipment Revenue Adjustment Total		<u>\$ 40,000</u>	<u>\$ 40,000</u>
Public Works Equipment Replacment (expand by DOE Grant Award)	E	\$ 40,000	\$ 40,000
Public Works Contract Fund Expenditure Adjustment Total		<u>\$ 40,000</u>	<u>\$ 40,000</u>

Total 2021-2022 Mid-Biennial Budget Adjustment Request			
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**Italics - Informational Purposes Only*
**Will be adjusted in future