

Response to 2017 Budget Questions #1

- 1) Page 32, 33, 36, etc.: General Budget question - New Cost Center for IT? Generally IT groups like Auditors do not have a "fund center", it appears now that the City has now decided to "fund" the IT section by setting up a cost center and charging through an inter fund rental account. Why? What other cities are doing this and really, do we need to start the elaborate process of defining which group uses more of our IT than others? (Also, see responses to questions 3 & 10 below)

Yes. The 2016 Budget for IT is found on pages 53 & 54. As part of the 2017 Budget development, we are creating a new internal service fund, Technology Rental Fund 512. The new fund implements a new IT Interfund Rental fee for IT services, software licensing, staff time and for equipment replacement. The new Technology Rental Fund can be found on pages 66 & 67.

Why? Allocating costs of IT will accomplish 3 goals:

- (1) Allocating IT costs to depts. will enable us to more accurately account for a more complete cost of the services each dept. provides,
- (2) Allocating cost of IT to depts. helps ensure all funds are paying their fair share, and
- (3) The creation of the new IT internal service fund will provide a steady source of funds to replace equipment. As an example, back in 2014, IT requested a \$320,000 budget amendment to replace old equipment that was the source of phone and email outages.

By implementing an estimated life cycle replacement plan for all the IT equipment, we also are able to charge IT customers an equipment replacement fee and avoid large budget hits like the one in 2014 and provide consistent IT services.

- 2) Page 52: While I can track most decision packages through the \$change estimates, I could not see where the GASB 73 implementation cost was located.

See page 52, Finance Cost Center, 2017 budget for Professional Services line was increased \$3,500.

- 3) Page 53 and 54 has moved to page 67 and I tried to track the numbers but with the decision packets - makes it impossible. Can you explain the Fund A and Fund B revenue services?

See page 67, Technology Rental Fund. As stated in part to Question #1, The Technology Rental Fund is new for 2017. This new fund is an internal service fund, where IT services, software license fees, staff time and an equipment replacement fee is charged as an Interfund Rental fee to depts.

- 4) Page 33 and 57: I see Council Contingency showed up at \$100k but what about our real Council Contingency Cost Center 511.6 (page 33) - Either page 33 is not accurate and/or wasn't correctly done, or where is the normal \$25K in Council Contingency the Council has (under MISC?). What does the professional Services of \$47K represent? I am very concerned about the composition of page 33 and understand that Council will/may direct funds to various other cost centers - but I would like to see our normal City Council Contingency fund for the year somewhere.

A brief history: When the 2016 Proposed Budget was developed, the Council Contingency budget was reduced by the Council President to \$10,000 and the difference was re-allocated to other Council expense lines. However, during the process of finalizing the 2016 Budget, Council added back in \$10,000 to bring the Council Contingency budget to \$20,000. This same budget amount is included in the Miscellaneous budget line on page 33 of the 2017 Proposed Budget.

The Professional Services expense line in the 2017 Proposed Budget, currently totals \$47,160. During 2016, this account was increased by \$42,160 for the Council Legislative Assistant, which included \$31,000 for salary and \$11,160 for benefits. The 2017 Proposed Budget for Professional Services should be adjusted to total \$5,000, with the difference of \$42,160 moving to salaries and benefits.

- 5) Page 57: 1). State Auditors fees decreasing by \$18K?
The 2016 Estimate should only be \$30,000, not \$48,000, to match what has been out of this account to the State Auditors.
- 6) Accrued Vacation/Sick Leave increased by \$100K (Page 57)?
The budget for Accrued Vacation/Sick Leave is unchanged for 2016 and 2017.
- 7) FD1 Contract reduced by \$614K - was it because our 2016 estimates were so large (Page 57)?
The 2016 Fire District budget included \$802,000 for the 2nd and last payment for the FD1 "Retro" bill.

2016 Budget	8,327,000
Less "Retro" Payment	(802,000)
Estimated 2016 FD1 Expense	7,525,000
Add apporx. 2.5% FD1	
Estimated Increase for 2017	188,000
Proposed 2017 Budget	7,713,000

- 8) Students Saving Salmon decreased by 50% - reason?
This :“One-time” 2016 expense was included in the 2017 Budget as \$2,500. If Council desires to increase this line item, Council can use a portion of their \$100,000 “Council Contingency” budget (page 57) to increase this amount.
- 9) Decrease in fund 016 - what fund is this and why the \$315K decrease. (Pages 57 & 165)
On page 57, you will see the budget line for the Transfer to Fund 016, the Facilities Maintenance Fund, for which the 2016 Budget is reduced by \$315,000 for 2017. Reason being, is the 2016 Budget included “One-time” funding that included \$215,000 for the Council chamber AV upgrade and \$100,000 for the ESCO IV project.
- 10) Again, the establishment of an IT cost center 512 and seed money of \$45K??? Please provide examples of what other cities are doing in regards to charging for IT?
Please see responses to questions 1 & 3 above.
Why the \$45,000 seed money? Since the Technology Rental Fund will be new for 2017 and does not have any startup funds, the \$45,000 provides the needed cushion to start up the new fund. Examples of other cities. Actually, Edmonds is late to implementing the IT overhead charge compared to many other agencies and cities across the State, including Redmond, Spokane County, Bellevue, Kirkland and many others that have IT internal service funds. Starting in 2007, the State Auditors began encouraging agencies to allocate internal service costs to depts. as a part of their response to the 2005 Washington Mandatory Performance Audits, Initiative 900 passed by voters.
- 11) Transfer to fund 112 Street Fund (page 167) - I have found inconsistencies in the PW budget numbers and again cannot trace the numbers. I will bring this up when I get to those pages and decision packets - but the numbers of the transfers do not reconcile to the interfund transfer in numbers.
Intrafund Transfers for fund 112 total \$320,730 for 2017, meaning that we are transferring \$320,730 form one program to another program within fund 112.
Additionally, we are transferring \$7,370 to fund 117 for the 1% for the arts contribution.

12) Fund 132 and page 177- are we depleting this general fund transfer into the Park Capital Projects Fund and why?

Fund 132 is our Parks construction fund. So, we reimburse this fund from fund 125 and 126, and also deposit grant funds in to create a full project budget for parks projects. Since fund 125 and 126 are restricted, we don't actually transfer these into 132

13) Page 60 - Council just approved a \$582K increase in the Contingency reserve fund - is that referenced in the \$709K total?

Yes

Response to 2017 Budget Questions #2

1) Page 92, I see you added your diversity commission consultant as a decision packet #13 and 16 whereas Shane Hope just budgeted for the Tree Board funding. Are the reasons that you anticipate spending more money?

- (1) The funding for Diversity Commission (\$6,000 for 10/hrs month for Diversity Commission Coordinator and \$3,000 for program/activity support) is the same amount as this past year. Not an increase,
- (2) If you look at the 2016 Budget, you will see that we funded the \$6,000 and the \$3,000 requests as a "One-time" cost.
- (3) The creation of the new IT internal service fund will provide a steady source of funds to replace equipment. As an example, back in 2014, IT requested a \$320,000 budget amendment to replace old equipment that was the source of phone and email outages.
By implementing an estimated life cycle replacement plan for all the IT equipment, we also are able to charge IT customers an equipment replacement fee and avoid large budget hits like the one in 2014 and provide consistent IT services.

2) Decision Package #15 - lots of money and when was the Council to be briefed on spending \$72K on a Federal Lobbyist? Lots of money for?

Staff will address this Decision Package during their October 25th presentation.

3) Decision Package #14 - Are you now wanting to make this a full time (part-time) position?

The \$30,000 for the part-time public information officer is the same as the last two years – still part-time. The change is that this has been a "one-time" position the past two years and we have had great success, so we'd like to make this an on-going funding commitment moving forward. No change in hours or rate

4) "Your numbers on this page do not track with your 2017 budget requests (some departments already add their numbers in to the 2017 budget) are you waiting for the decision from Council or where can I find the added decision packets in cost center 557.20 - as I don't see any change in 558.7.

2017 Decision Package #'s 13, 14, and 16 are repeats from last year. When we developed the 2016 Budget, these same budget requests were funded as "One-time" requests. So you are correct, you will not see budget changes in 2017 for these 3 items as the 2017 Decision Packages amounts replace the 2016 "One-time" budgets.

5) This is the same issue I have with pages 94 and 95 - can't track the decision packet numbers to the changes?

At the time the 2017 Proposed Budget was put together, staff did not have the Hotel/Motel funding recommendations to include in the 2017 Proposed Budget. However, staff now have the funding recommendations and presented them to Council on October 25th.

☐ Hotel/Motel Tax Funding Recommendations: (which includes Decision Packages on page 94)

- \$7,500 – Printing/distribution of rack card
- \$1,500 – Promotion/support of Bird Fest
- \$6,200 – Support of Snohomish Co. Tourism Bureau
- \$30,000 – General advertising
- \$12,500 – Advertising in ECA Season Brochure
- \$4,000 – Promotion of Edmonds arts/culture events in Snohomish County Visitors Guide, CRAZE recreation guide and "Arts Access" (Snohomish Countywide)
- \$20,000 – Contracted staff support for tourism promotion/website/arts-events calendar
- \$2,500 – Edmonds Visitors Centers
- \$2,575 – Miscellaneous, including ad design work, photography, emerging issues, etc.
- \$3,425 – Contingency

TOTAL - \$90,200

The funding recommendations are \$500 higher than what is included in the 2017 Proposed Budget and will be adjusted as part of adopting the 2017 Budget.

6) Page 74 and decision packet 10: I understand the need for perhaps another clerical person, but I guess the question I have is there might be more pressing issues such as a parking person or a police liaison for Snohomish County. I didn't see that much of an increase in overtime to support a full-time clerical person and while I am not questioning that one might be needed, what are we going to do about the areas that really are lacking such as parking enforcement. I think we need a full-time parking enforcement person.

Answer: Several factors are driving our request to fill a need for an additional Police Staff Assistant. First is disclosure. YTD, we have processed over 1,600 public records requests in the Police Department alone. Those requests are typically more complicated and much more time consuming than we have encountered in the past – just one of those recent requests involved hundreds of case reports, all of which required research and detailed redaction. We have, on average, the equivalent of 1-1/2 Police Staff Assistant FTE processing public records requests. This is out of our five FTEs which, due to previous budget reductions, is two staff assistants less than we had on-board in 1998. Another factor driving this is the number of concealed pistol license applications and firearms transfer applications that we must process, requiring research and spot-on accuracy, and utilizes about ½ FTE for this work.

All of this has had a significant impact on the staff's ability to perform other more routine and necessary data entry, report processing, quality control, archiving, records destruction, front counter contacts, phones, and general customer service (both external and internal). All of these factors led up to our request for the additional FTE.

With regard to parking enforcement, we did have a lull in enforcement after retirement of long-time employee, Debbie Dawson. Around that same time, our other FTE Animal Control-Ordinance Enforcement Officer ended up working a reduced number of hours because of some personal matters, but is now back up to full hours. In addition, Debbie Dawson is back 20 hours a week to do parking enforcement on a temporary, part-time basis while we are actively recruiting to fill the open FTE position.

In my opinion, with two FTEs, we are able to adequately address both animal control and parking enforcement and that a third FTE for parking enforcement alone is not our best use of funds.

7) Page 98: is the four elimination one-time items for edification and will there be any carry-forward? Staff tried to explain why the Professional Services Budget changed. There are not carry-forwards.

Professional Services Budget Explanation:	Dollar Amounts
2016 Budget on Page 99	396,000
Less "One-time" Major Eliminations on Page 98:	
Highway 99 Plan	(175,000)
Code Update	(54,200)
Digitization	(48,000)
Less "One-time" Minor Eliminations Not Shown:	
Planning Board Video	(2,100)
Permit Receipting System Update	(2,500)
2017 Baseline	114,200
Add 2017 Decision Packages:	
#17 Move Bitco Maintenance to IT	(16,600)
#18 Housing Strategy	30,000
#19 New Permit System	125,000
#20 Digitizing & Archiving	48,000
2017 Budget	300,600

8) Is the Tree Board Budget in cost center 558.60?

The Tree Board budget remains in the cost center 524.10 Development Services Administration budget on page 99: \$6 K for professional services and \$3K for goods and supplies.

Response to 2017 Budget Questions #3

11/9/2016

Below are the questions and proposed responses to Councilmember Buckshnis' questions.

Hello Phil,

I am having reconciliation issues on some of your numbers and how they appear in the budget:

Your first 5 questions relate to the Facilities budget. Thank you for catching several inconsistencies. At the Director level I did not provide enough support to our new Facilities Manager on budget protocols to make that transition as seamless as it should have been. The result was some scrivener's errors in places where new funding was placed into the base budget while a similar amount was added as a decision package. The intent, of course, was to have it entered just once. The bottom line is that the list of decision packages on page 142 in the budget book is correct but not all of them were entered into the budget spreadsheets correctly.

1) Decision Packet #32 (pg 142) shows an increase of professional services of \$6,000 but when you go over to the fund 518.30 for that decision packet, the amount for the 2017 budget shows \$12,000 (pg 143). **See above – the 2017 budget number should be lowered from \$12,000 to \$6,000. This will be corrected.**

2) Decision packet #33 indicates an additional budget amount of \$1000 for travel and yet on the travel increase shows \$3K for travel under 2017. Also the explanation is not comprehensive for travel - to where and why the increase. **This resulted from placing the amount initially requested by the Division Manager (\$3,000) into the budget rather than the amount that was finally approved to be in the draft 2017 Budget presented to Council (\$1,000).**

3) Decision packet #34 indicates adding \$5K for additional rental/lease and yet again on page 143 it shows \$10K for that particular 2017 increase. **See the general explanation above. The amount should be reduced from \$10,000 to \$5,000.**

4) Decision packet #35 for additional vehicles to be rented for \$5,600 and yet, there is no increase in page 143 for \$5.6K

The \$5,600 requested in this Decision Package is part of the total \$7,330 increase in the draft 2017 budget for Facilities Division Interfund Rental. The difference in the two numbers is merely the smaller increases in O&M costs for the existing vehicles in the Facilities Division budget. The \$5,600 covers O&M costs only (no replacement costs) for the two fully depreciated vehicles added in 2017.

5) Decision packet #37 shows an increase in miscellaneous of \$5K and yet, the 2017 shows \$13K increase or an actual change between years of \$8K.

The miscellaneous line item is used by the Facilities Division for staff training costs. The 2016 budget was \$2,100 but the year-end estimate for 2016 is now \$5,000. We requested an additional \$5,000 be added to the base budget to make the total \$7,100 for 2017. What was approved was a total of \$5,000 instead of \$7,100. Again, I believe both numbers were somehow added together to give the result in the draft budget. It will be corrected to read a total of \$5,000 for that line item rather than \$13,000.

6) Page 144 decision packet \$150K for the at-grade crossing. Where does that appear in cost center 532.20 that is on page 145.

The \$150k is in the professional services line (\$155k total amount) on page 145.

7) page 144 Decision packet \$2k - where does it appear on 532.20

The \$2k is in the miscellaneous line (\$23k total) on page 145.

8) page 146 Decision packet 46 - how was this amount of \$8K be determined and where does it appear in your cost center 542.

Decision package #46 increases funding for tree maintenance and removal. The \$8,000 is in 111.000.68.542.71.48.00. This budget code is the Repair/Maintenance code for vegetation in the City's Right-of-Way. The existing base budget of \$7,000 in this line item is 96% spent as of today with two more expensive trees already scheduled to be taken down and another two historically expensive months to go. Our costs have gone up as the emphasis on tree management has increased over the last few years.

9) Decision packet #63 - is this part of the Herrera \$222K contract - I think Rob already answered this - but didn't we do a budget amendment for it?

The previous answer we provided in October is shown below. A budget amendment was approved in October to fund the estimated expenditures in 2016. The \$50k decision package (#63) would fund the \$43,236 referenced in the second paragraph. Please note we are estimating expenditures and a carryforward may be needed in early 2017, depending on what the final costs are in 2016.

Original Response last month:

"The original Herrera Contract for \$97,932 was executed in May, 2015. Herrera performed \$40,564 in services in 2015, which leaves a balance of \$57,368 to be spent in 2016. The services provided by Herrera in the Supplement Contract (\$123,236) will be spent in both 2016 and 2017. Staff estimates that \$80,000 of the supplement contract will be spent in 2016. The total 2016 estimated expenditure for Herrera is \$57,368 (original contract) plus \$80,000 (supplement) which equals \$137,368. The current available budget in 2016 for Herrera is \$91,000. Staff is requesting an additional \$46,400 (from stormwater utility funds) for this year to cover the estimated \$137,368 expenditure.

The remaining balance of \$43,236 (\$123,236 - \$80,000) in Herrera's supplement contract is budgeted in the 2017 budget. The supplement includes an \$11,000 management reserve, so the actual cost may be less than \$43,236, if the management reserve isn't authorized by staff."

10) Decision packet 48 was this audible signals on our CFP/CIP and where are these located.

Yes, the project is in Fund 125 in the CIP (under Public Works Projects on page 13).

11) Decision Packet #49, I believe I heard you said this money was coming from REET money? How did you determine the \$100K and is this REET II?

Yes, this is being funded by REET 2 revenue (Fund 125). We had \$50,000 in the 2016 budget. We are asking for \$100,000 in 2017 to be able to increase our level of effort in addressing the list of missing sidewalk sections listed in the 2015 Transportation Comprehensive Plan approved by Council.

12) Decision packet #140 - is this also from REET. Sorry, the way this was presented, it was difficult to keep up?

There is no Decision Package #140 and insufficient additional information exists in your question to allow us to provide you an answer. Can you be more specific?

13) Please explain decision packet the \$165K - we approved a \$1MM in 2016 and now is this just merely a carry-forward of that amount that was not used?

Yes, the \$165k is the estimated carryforward of unspent funds from the 2016 preservation program. We will now be waiting until next year to pave Railroad Avenue which will be done with City utility funds. This will require an additional carryforward in utility funding. That amount is still being developed at this time and will be part of the overall year-end budget amendment brought to Council for approval.

14) Decision Packet #50 looks like a bit of hodgepodge of how you get to the \$1.135K?

Decision package #50 provides for \$1.135M in REET funding for the 2017 pavement preservation program. The 125 Fund (REET 2) is providing \$140k and Fund 126 (REET 1) is funding \$995k for a total budget of \$1.135k. The requested carryforward in question 13 (above) makes the total preservation program funding \$1.3M in 2017.

Response to 2017 Budget Questions #4

1) Page 32 & 33: Council Budget is missing the Council Contingency budget of \$25,000

Response: for the 2017 Proposed Budget, \$20,000 for the Council Contingency was included in the Miscellaneous line item. During the 2016 Budget development, \$5,000 of the Council Contingency was reallocated to other lines. Also, the 2016 Decision Package #3 was approved as a “one-time” expense. This Decision Package was removed from the 2017 Proposed Budget. The table below offers additional details.

Description	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Supplies	2,000	2,000	2,000	2,000
Communications	3,000	3,000	3,000	3,000
Travel	2,500	2,500	6,700	6,700
Repair/Maintenance	1,500	1,500	500	500
Miscellaneous ¹	2,268	2,250	7,000	-
Council Contingency	25,000	25,000	20,000	20,000
	36,268	36,250	39,200	32,200
¹ 2016 Decision Package #3 was a "one-time" request for Councilmember registration fees and Retreat Consultants The \$7,000 amount was removed from the 2017 Proposed Budget				