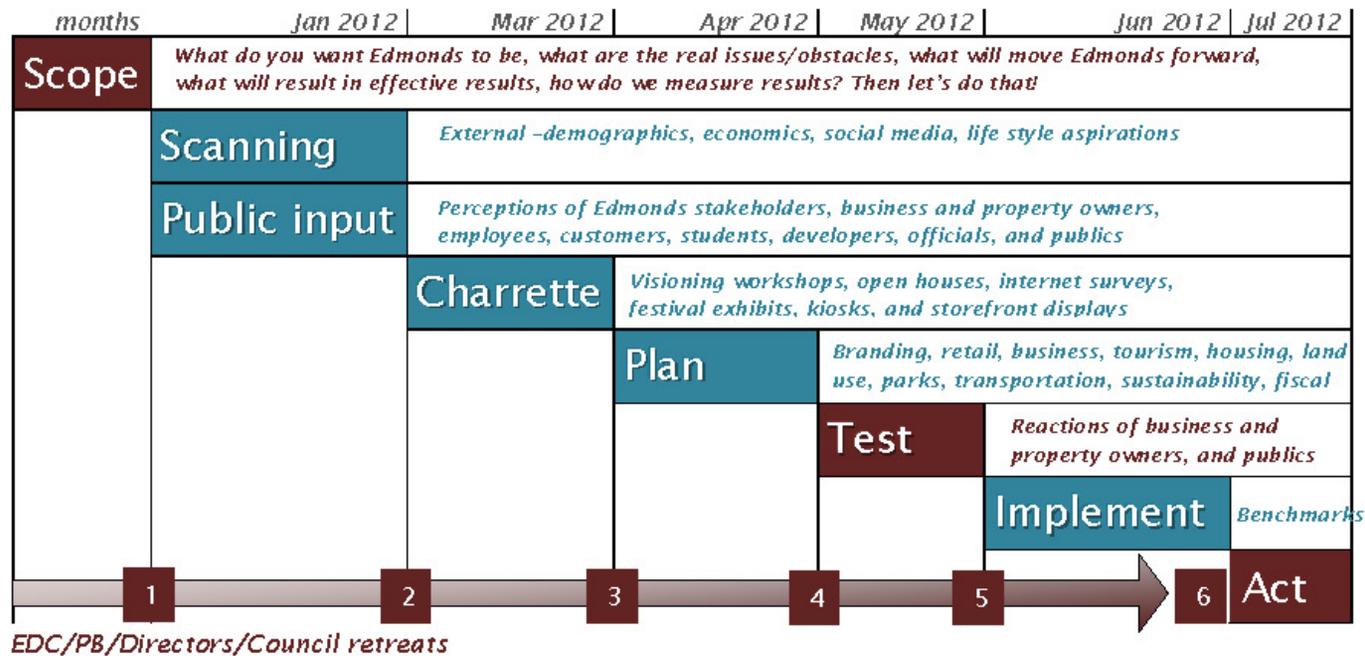


Agenda - Strategic Planning Retreat #3 6:30 pm Tuesday 28 February - Council Chambers

- 1: State of Washington Cities AWC reports 2005-2010
- 2: State of Edmonds 2001-2021
- 3: Budgeting for Outcomes (BFO)
- 4: Status report on focus group sessions and surveys
- 5: Outline of public charrette process and agenda



1: The State of Washington Cities

What services do cities provide?

Mandatory	Discretionary
▪ <u>Public safety</u> – police, fire, planning and permitting, municipal court	▪ <u>Parks</u> – creation, maintenance, and operations
▪ <u>Streets</u> – maintenance and operations	▪ <u>Recreation</u> – for youth, adults, and seniors
▪ <u>Utilities</u> – sewer, water, and storm drainage	▪ <u>Arts and culture</u> – historical, fine and performing arts, and civic activities
▪ <u>General administration</u> – of the above	▪ <u>Library</u> – typically part of a branch system

Source: AWC 2005 State of the Cities

Note: AWC conducted surveys in 2005, 2009, and 2010. The contents were most comprehensive in 2005. The 2009 and 2010 surveys updated summary issues only.

Note: The mandatory/discretionary categories were AWC classifications based on RCW definitions in 2005. The AWC 2009 survey redefined the classifications based on city input to add “Essential Services” which included parks and recreation and economic development.

How do cities measure performance?

	level of service	% budget
Public safety	Response time, patrol level, traffic control, property surveillance, animal control, officer/population ratio, 24 hour staffing	43%
Streets	Sidewalks, street lighting, traffic signals, signage, and increased maintenance	23%
Parks and Planning	Manicured lawns, paved parking, irrigation, restrooms, recreation programs, enforcement, current plans and projects	20%
Public Works	Centrally-treated water supply, sewer systems, curbside refuse collection	n/a

Source: AWC 2005 State of the Cities

What pressures are impacting cities?

▪ <u>Unfunded mandates</u> – from state and federal government	▪ <u>Downtown vitality</u> – big box and internet retail, absentee or disinterested landlords, aging and outmoded structures and land uses
▪ <u>Budget conditions</u> – lack of revenue and revenue raising options	▪ <u>Affordable housing</u> – costs beyond what critical skills (police, fire, teachers) can pay
▪ <u>Infrastructure</u> – aging and deteriorating streets, roads, utilities, and buildings	▪ <u>General economic conditions</u> – jobs and employment opportunities for all citizens of all ages and skills
▪ <u>Staff benefits</u> – cost of health insurance and pensions	

Source: AWC 2005 State of the Cities

How bad is it?

US impacts	WA city problems
<ul style="list-style-type: none">▪ Worst economic turmoil since the great Depression	<ul style="list-style-type: none">▪ Operating budget revenues are not sufficient to support level of services required to meet federal and state mandates, citizen expectations, and community priorities
<ul style="list-style-type: none">▪ Burst of a nation-wide housing bubble	<ul style="list-style-type: none">▪ Aging infrastructure systems inadequate to meet current needs of businesses and residents, or sustain and attract growth
<ul style="list-style-type: none">▪ Sky-rocketing infrastructure material costs, health insurance, and volatile energy costs	

Source: AWC 2009 State of the Cities

What have cities been doing about impacts?

Reactive

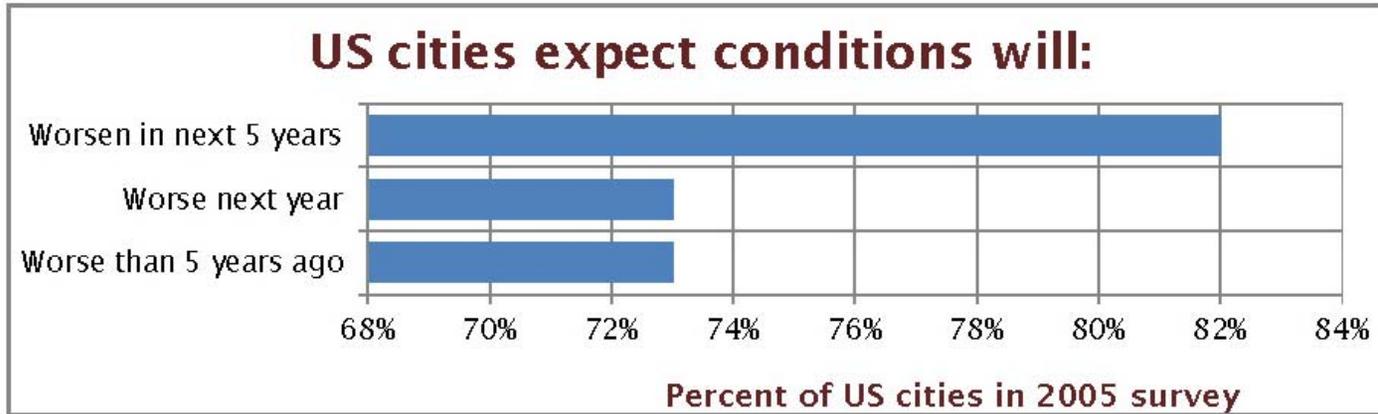
- Delaying maintenance – including cyclical or life cycle to the point of deterioration
- Delaying capital investments – including new or replacement utilities, facilities, and equipment
- Reducing programs – including recreation, library, and other services
- Cutting staff – not filling planning, parks, public works, police, fire, and other functions
- Using reserves – tapping rainy day and emergency reserve funds

Proactive

- Economic development – promoting retail, office, industrial, and other nonresidential property and sales tax bases
- Increasing user fees and charges – for utilities, recreation, permits, licenses, and other services
- Adopting new (dedicated) revenue sources – real estate excise taxes (REET), transportation benefit districts (TBD), public facility districts (PFD), business improvement districts (BID)
- Increasing taxes – resetting property tax, increasing sales tax, levy lid lifts, special maintenance and operating levies

Source: AWC 2005/2009 State of the Cities

What do US cities expect in the future?



National trends (2005 before recession)

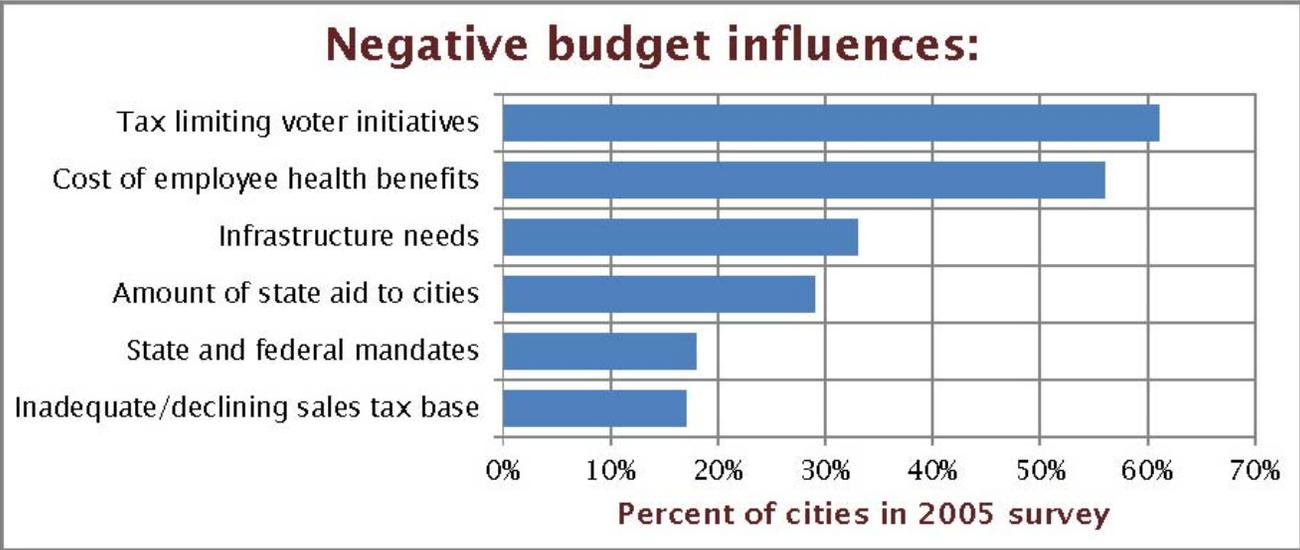
73%	Worse financial condition than 5 years ago
73%	Conditions will be worse next year
82%	Conditions will worsen in next 5 years

Factors

<ul style="list-style-type: none"> Narrowing of tax base as economy transitions to a service base 	<ul style="list-style-type: none"> Tax limiting initiatives
<ul style="list-style-type: none"> Technology shifts to internet sales and other uncollectible forms 	<ul style="list-style-type: none"> Increased service demands on cities

Source: AWC 2005 State of the Cities

What are WA cities negative budget influences?



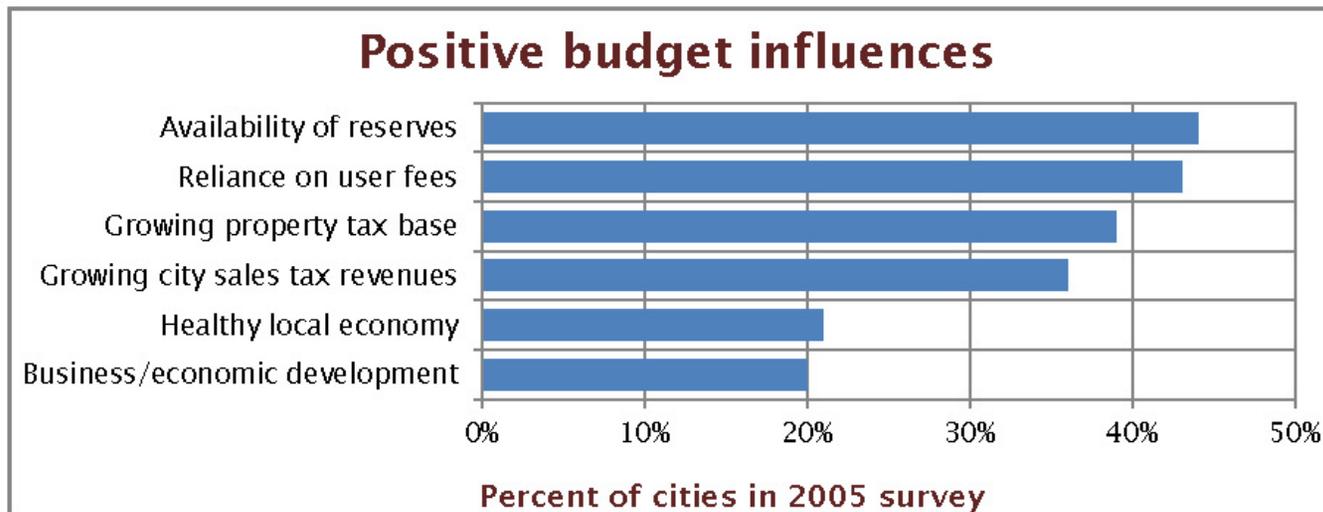
% of Washington cities citing negative budget influences (2005 before recession)

61%	Tax limiting voter initiatives (especially 695 and 747)
56%	Cost of employee health benefits
33%	Infrastructure needs
29%	Amount of state aid to city - declining
18%	State and federal unfunded mandates
17%	Inadequate/declining sales tax base

Source: AWC 2005 State of the Cities

Note - these issues influence city budgets in different proportions since 2005

What are WA cities positive budget influences?



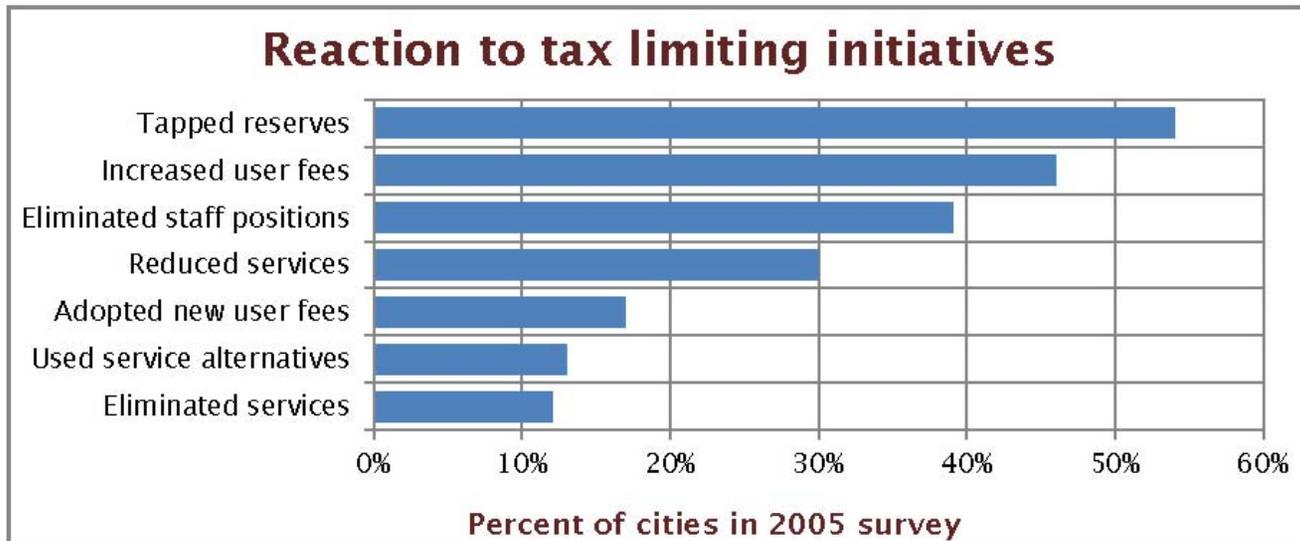
% of Washington cities citing positive budget influences (2005 before recession)

44%	Availability of reserves
43%	Reliance on user fees
39%	Growing property tax base
36%	Growing city sales tax revenues
21%	Healthy local economy
20%	Business and economic development

Source: AWC 2005 State of the Cities

Note - these issues influence city budgets in different proportions since 2005

What have WA cities done about tax limiting initiatives?

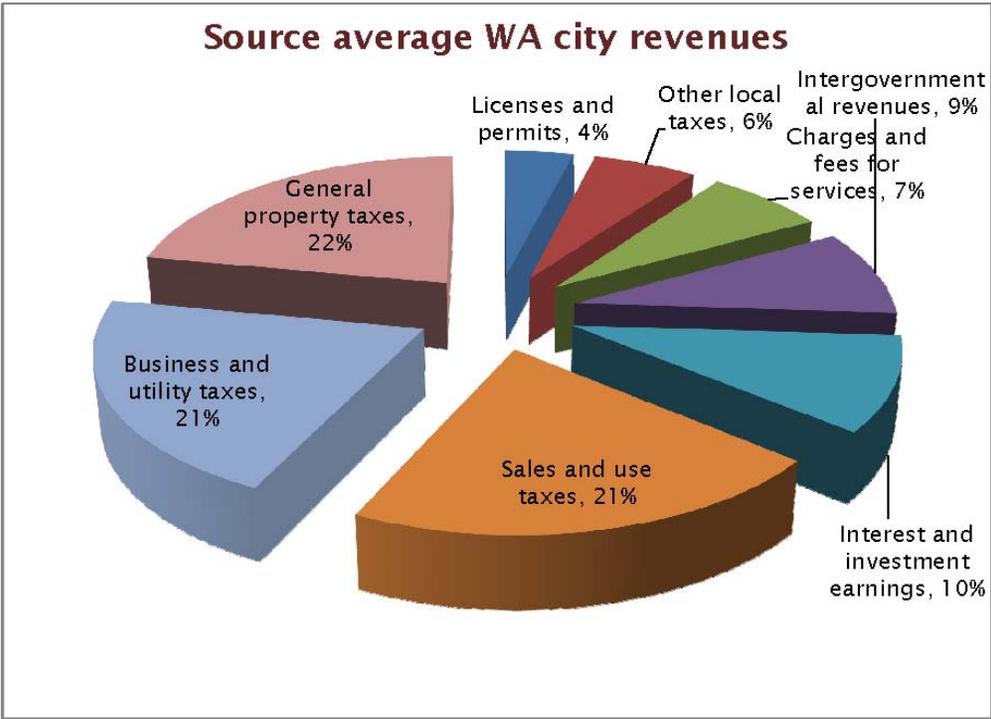


% of Washington cities responding

54%	Tapped reserves
46%	Increased user fees
39%	Eliminated staff positions
30%	Reduced services
17%	Adopted new user fees
13%	Used service alternatives
12%	Eliminated services

Source: AWC 2009 State of the Cities

What are WA cities source of revenues?



Average Washington city

22%	General property taxes	9%	Intergovernmental revenues
21%	Sales and use taxes	7%	Charge and fees for services
21%	Business and utility taxes	6%	Other local taxes
10%	Interest and investment earnings	4%	Licenses and permits

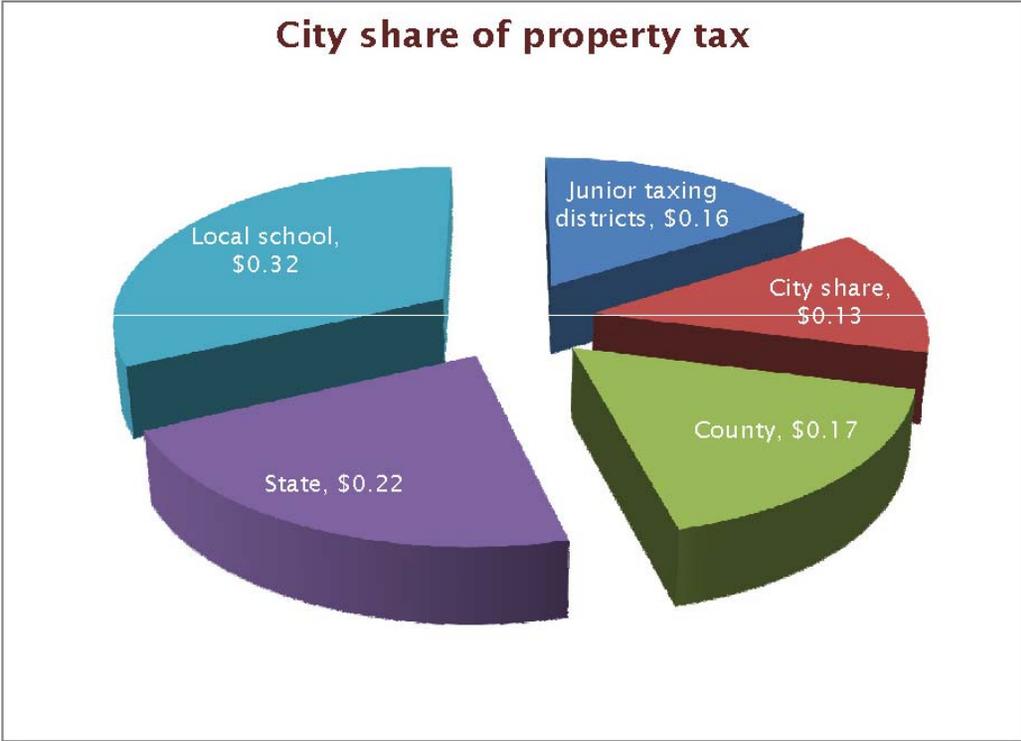
Source: AWC 2009 State of the Cities

What are WA cities revenue limitations?

Unrestricted revenues	Restricted revenues
Property taxes (I-747 1% limitation)	Gas tax
Basic and optional sales taxes	Impact fees
Business and utility taxes	Criminal justice sales tax
	Lodging taxes

Source: AWC 2009 State of the Cities

What are WA cities share of property taxes?



Average Washington city

\$0.13	City share	\$0.22	State
\$0.16	Junior taxing districts	\$0.32	Local schools
\$0.17	County		

Source: AWC 2009 State of the Cities

What are WA cities share of sales taxes?



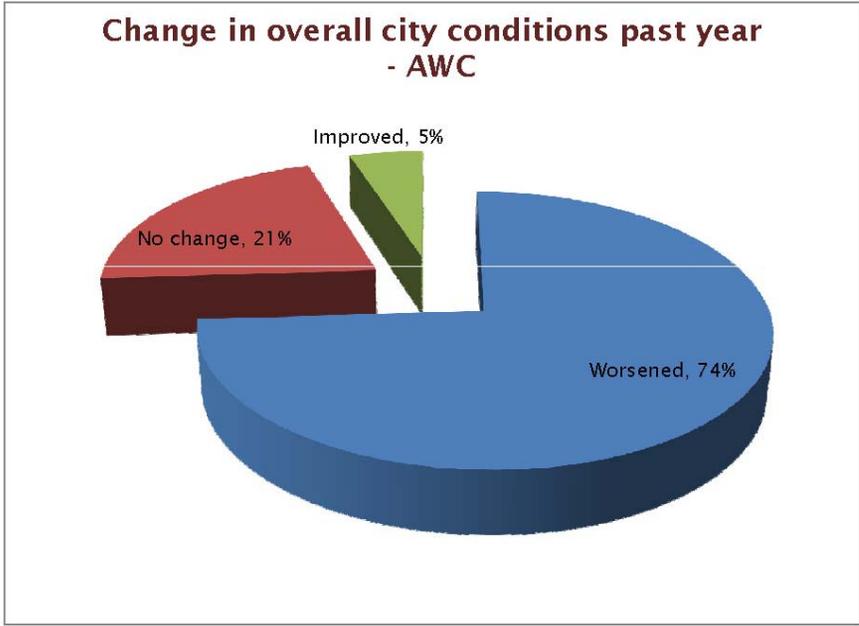
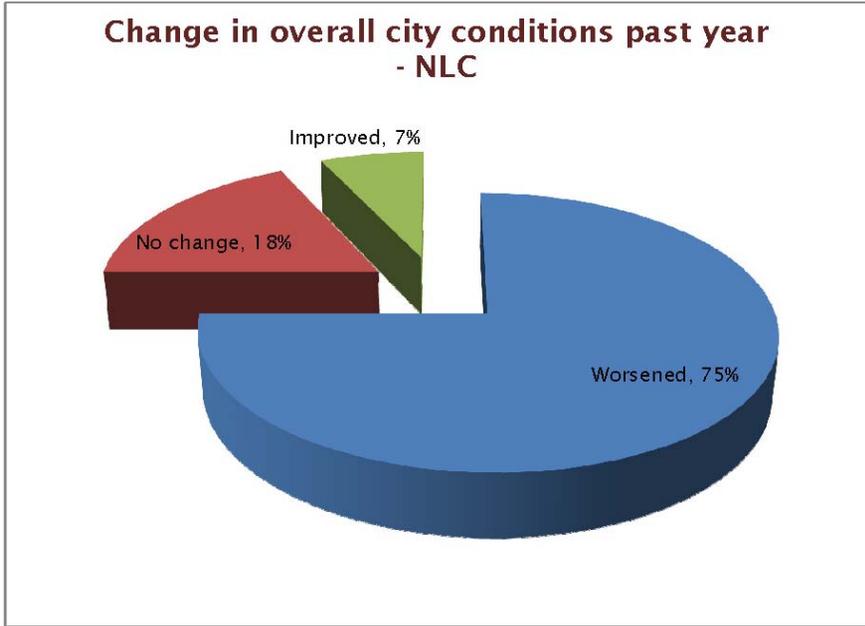
Based on city sales tax average of 8%

\$0.0085	City share**	\$0.0050	Local option (cities, counties, etc)
\$0.0015	County share**	\$0.0650	State

** For sales sourced to unincorporated areas, counties receive the full 1 cent

Source: AWC 2009 State of the Cities

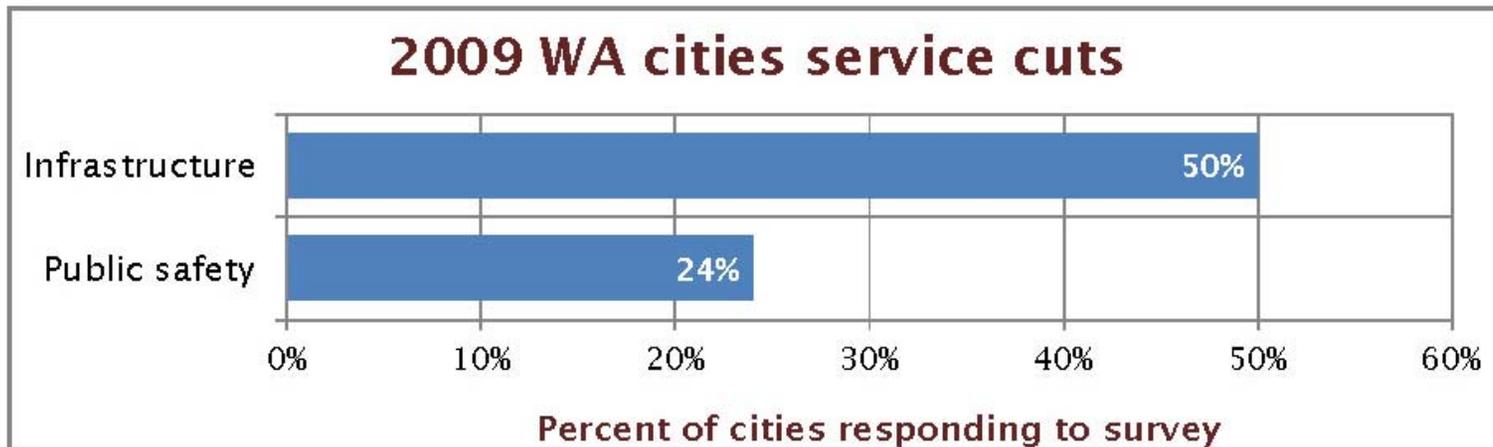
What are US & WA cities conditions in 2010?



US		WA	
7%	Improved	5%	Improved
18%	No change	21%	No change
75%	Worsened	74%	Worsened

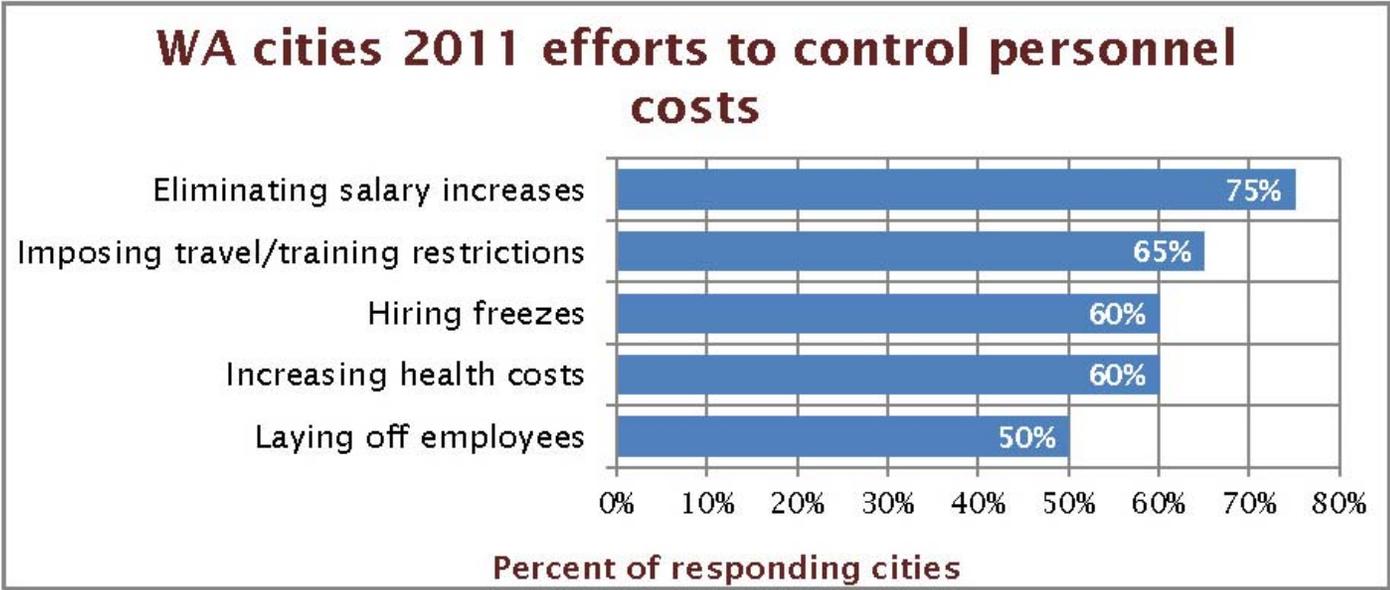
Source: AWC October 2010

What are WA cities doing in 2011 to services as a result?



Source: AWC 2010 State of the Cities

What are WA cities doing in 2010 to staff as a result?



Percent of cities responding to survey

75%	Eliminating salary increases	60%	Increasing health costs
65%	Imposing travel/training cuts	50%	Laying off employees
60%	Implementing hiring freezes		

Source: AWC 2010 State of the Cities

What are the red flags and what do you do as a result?

AWC 15 red flag checklist

5	City has limited economic development options	12	Annual expenses outpacing revenue
6	One-time revenues not sufficient to manage long term consequences	13	City has declining unrestricted fund balance
10	Growing expenses from mandatory programs with few discretionary programs left to cut	14	Limited capital for new facilities and significant deferred maintenance
11	City is heavily dependent on property taxes for basic services		

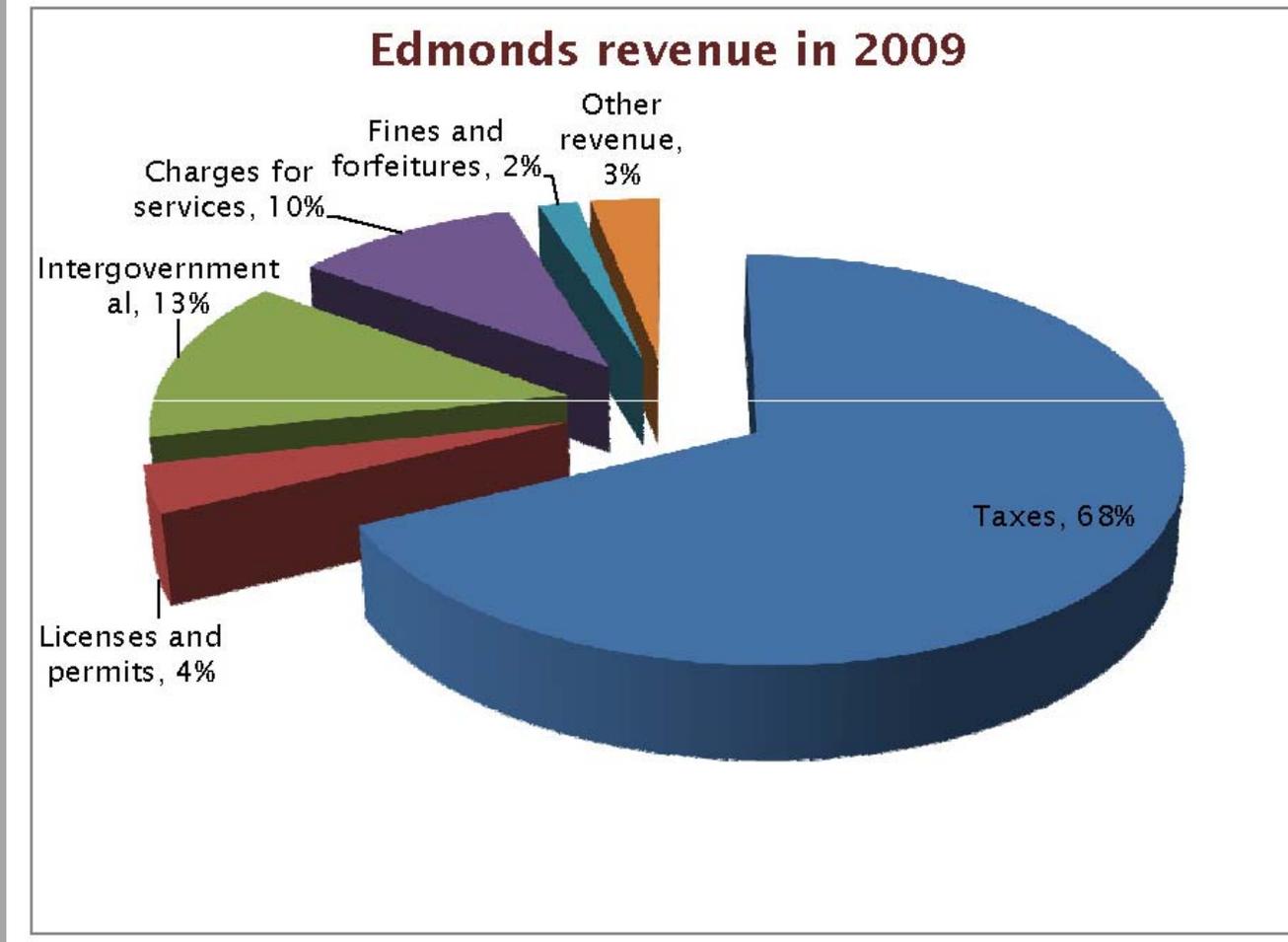
6-10 flag response

1	Need long range financial planning that includes analysis of potential impacts to service levels	3	Communicate with citizens about potential impacts on services
2	Identify new sources and potential partners		

Source: AWC 2010 State of the Cities

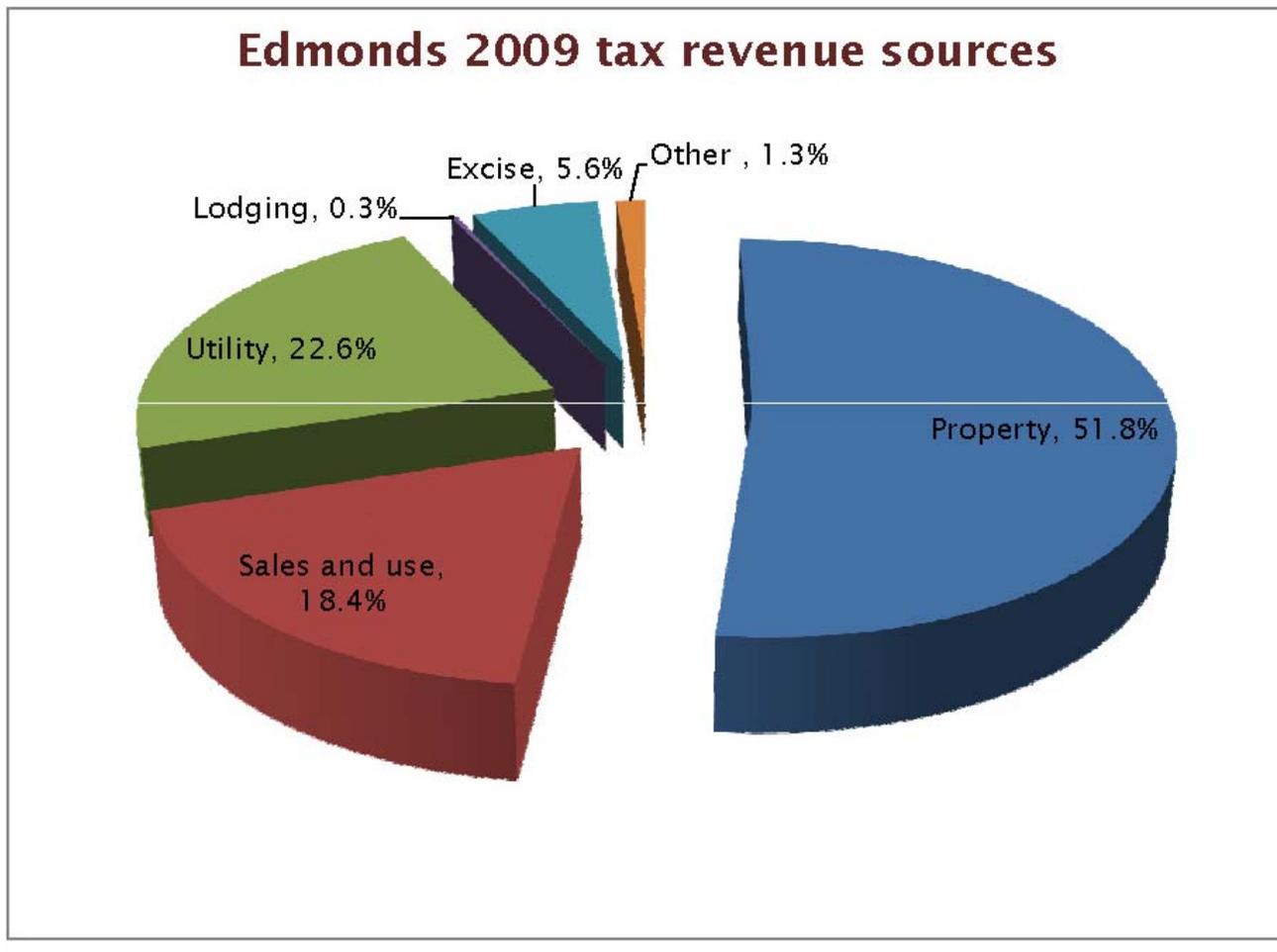
2: The State of Edmonds

Edmonds governmental revenue sources in 2009



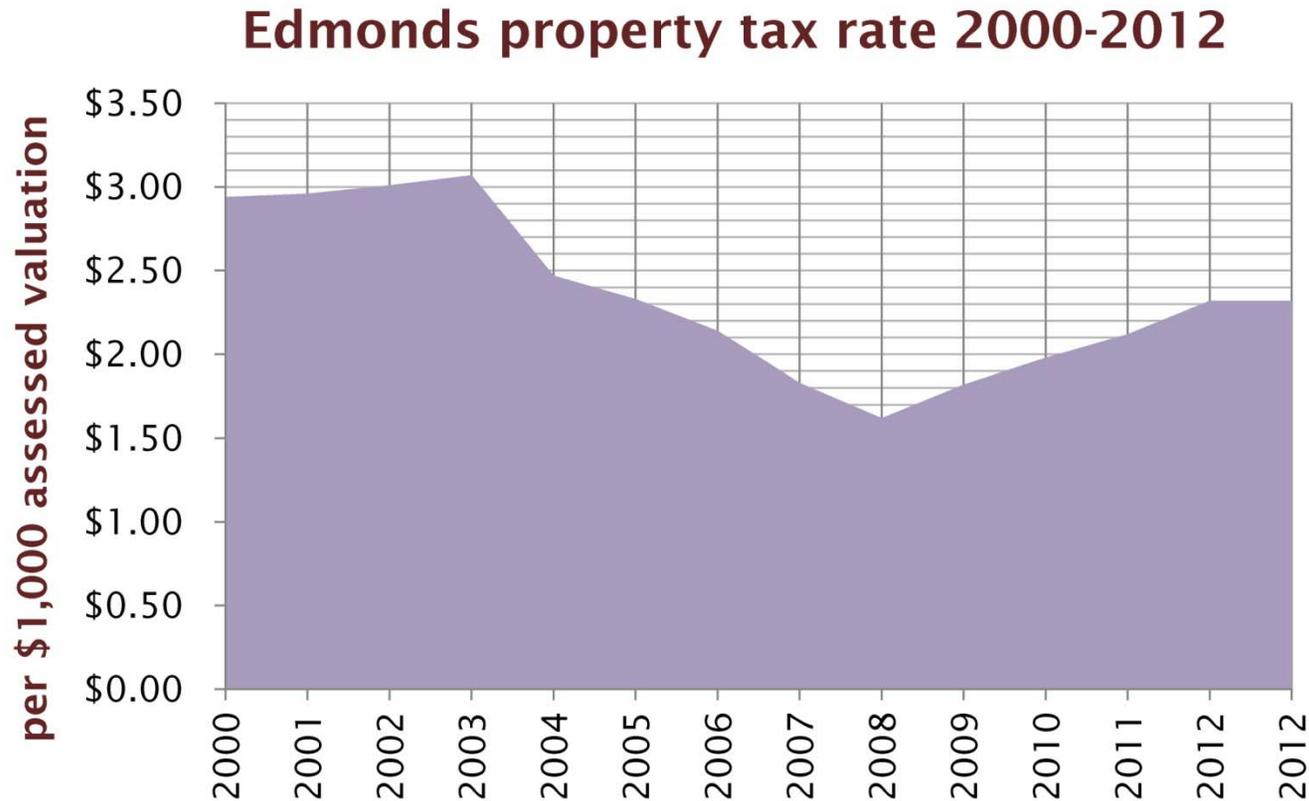
Source: Edmonds Comprehensive Annual Financial Report (CAFR) 2009

Edmonds tax composition in 2009



Source: Edmonds Comprehensive Annual Financial Report (CAFR) 2009

Edmonds property tax rates 2000-2009

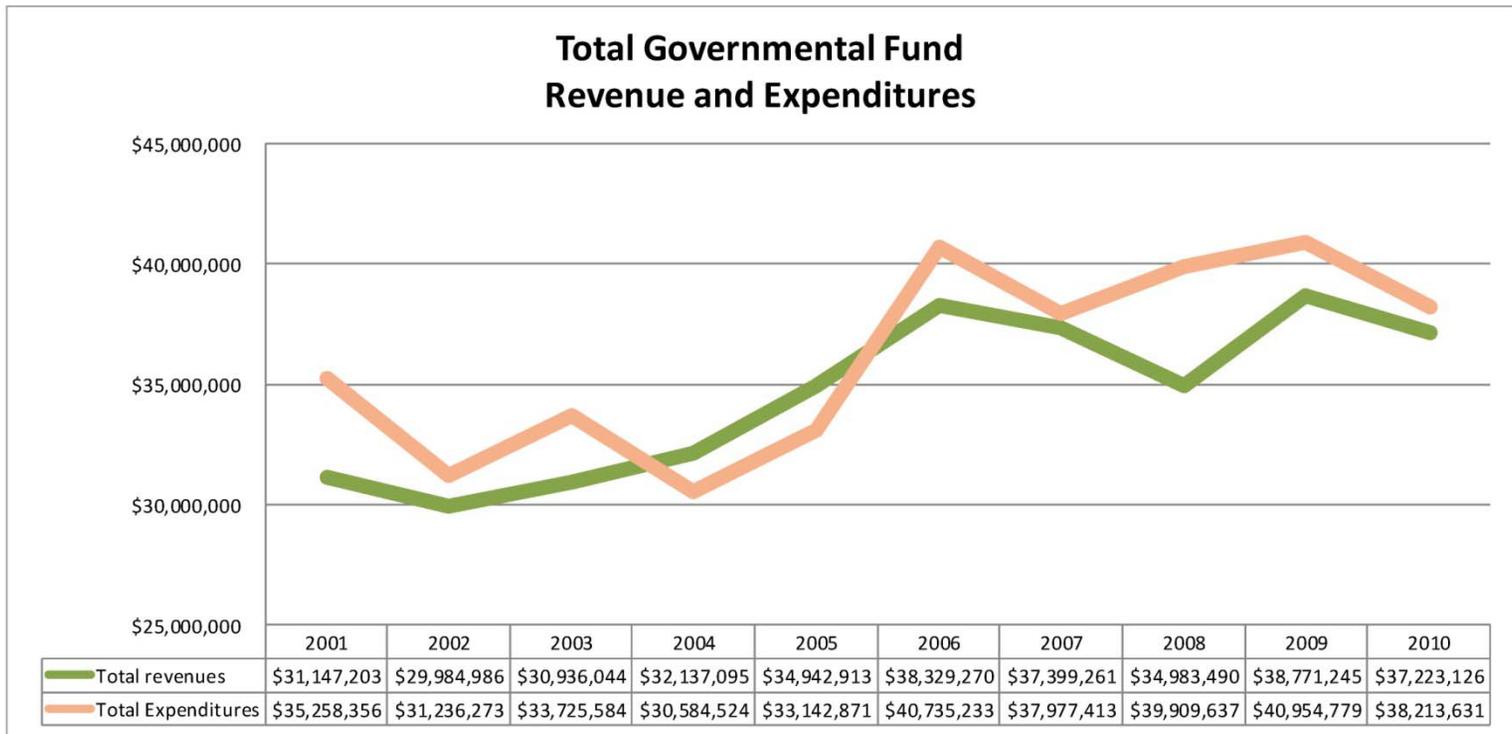


- Property tax rate includes bonds, EMS, and regular property.

- The rate is going up as a result of EMS passage and to retain 1% revenue growth as assessed value declined.

Source: Edmonds Comprehensive Annual Financial Report (CAFR) 2009

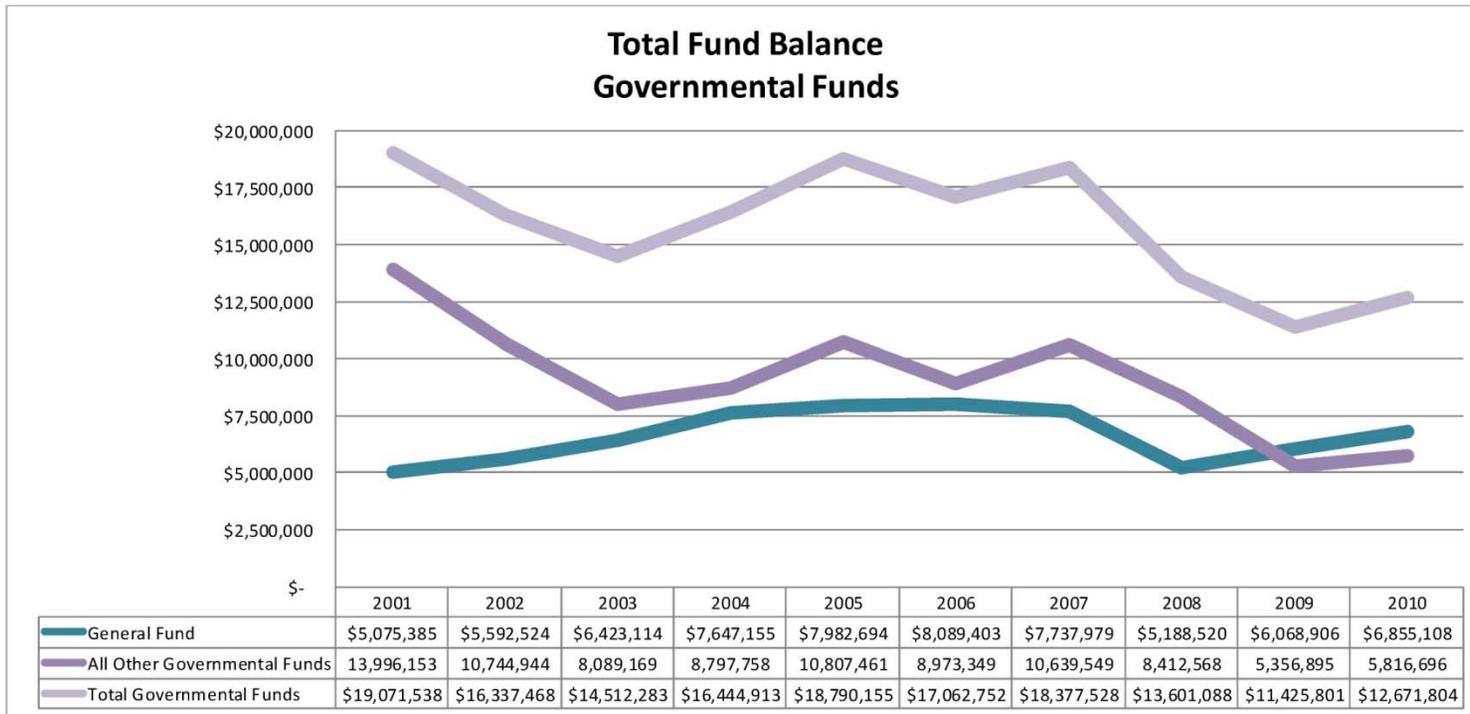
Revenue and expenditures 2001-2010



- Governmental funds include General Fund, special revenue funds, debt service funds, and capital project funds.
- Capital projects have been funded by special revenue funds – which will be difficult to increase to finance capital needs only from these sources.

Source: Edmonds Finance Department January 2012

Total fund balance – governmental funds 2001-2010

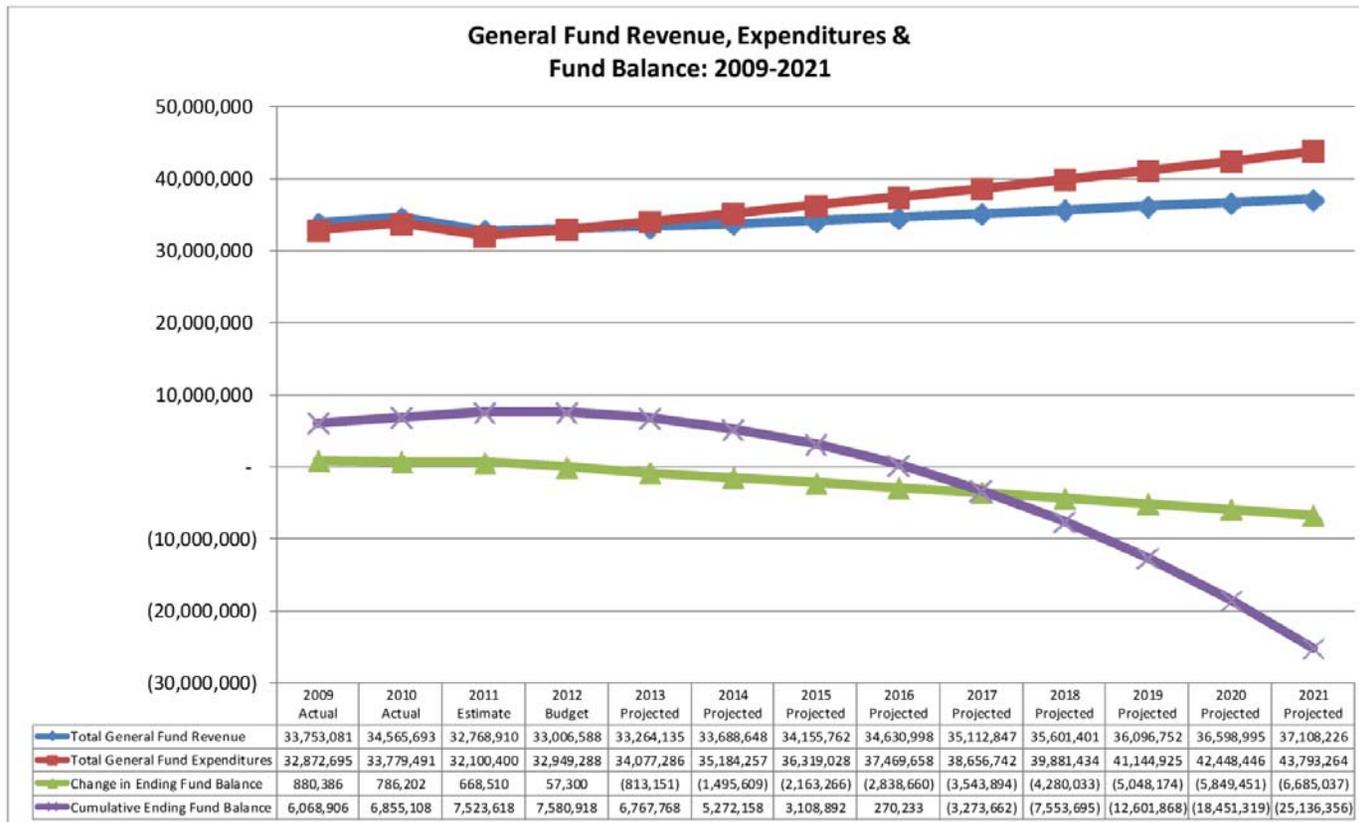


- While total revenues have increased over past 10 years, expenditures are growing faster than revenues.

- Total fund balances have been kept stable by issuing debt and transferring in monies from other funds – one-time actions that are not sustainable.

Source: Edmonds Finance Department January 2012

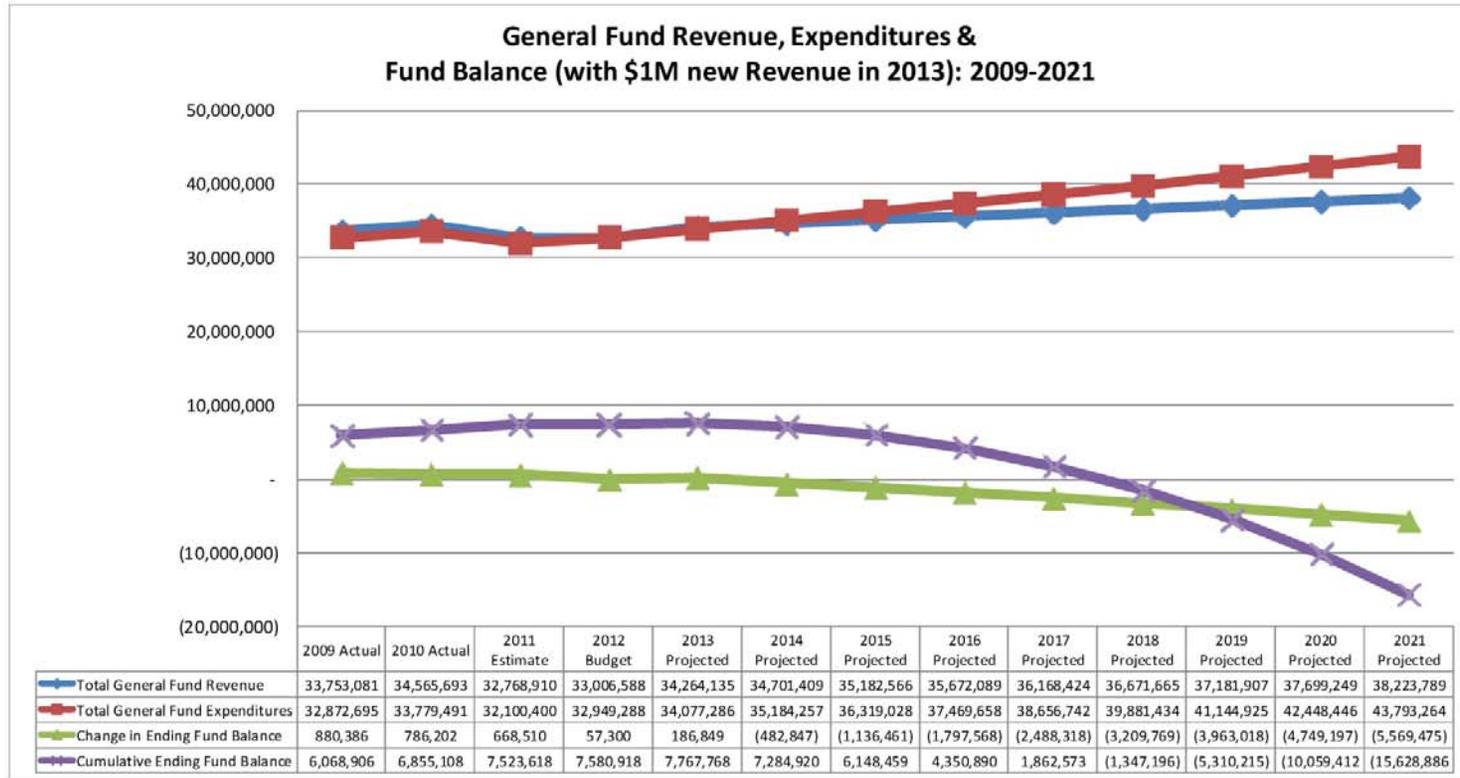
Total fund balance - 2009-2021



- Revenue will grow 1.4% per year and expenditures 3.2% resulting in deficit of \$6,685,037 by year 2021.
- General Fund will be depleted. Changing growth rates will only change the timing of when depletion occurs.

Source: Edmonds Finance Department January 2012

Total fund balance – 2009-2021 - \$1,000,000 scenario



▪ Were \$1,000,000 in new revenue added in 2013 the ending fund balance will be depleted in 2017 rather than 2016.

▪ Balanced approach required involving revenue enhancements, cost reductions, and temporary use of fund balance.

Source: Edmonds Finance Department January 2012

3: Budgeting for Outcomes (BFO)

How is BFO different?

Budget begins with	Last year's budget	Community priorities
Focuses on	Cost of services	Value of services
Is organized by	Department	Priority
Encourages	Low risk "same as before" approach	New ideas, innovation, cooperation, and improvement
Motivation	Be fair to all, avoid pain	Get the best results that match priorities

BFO is also called Priority-Driven Budgeting (PDB) or Budgeting by Priority (BP) or Performance Based Budgeting (PBB)

How do budget roles change with BFO?

	Traditional budgeting	Budgeting for Outcomes
Departments	Build up costs, make cuts difficult	Link expenditures to results and priorities
Analysts	Find unnecessary costs	Improve links between results and services. Facilitate department cooperation. Identify efficiencies.
Elected officials	Cut costs or raise taxes	Choose services that provide results citizens are willing to pay for.
Citizens	Rally behind special interests	Help determine priorities
Motivation	Be fair to all, avoid pain	Get the best results that match priorities

BFO has been implemented by Washington State, Snohomish County, Redmond, and Bellevue, and is being considered in Lynnwood, among others.

What are the tasks involved in BFO?

	Task	Result
1	Identify available resources	A common understanding about the <u>maximum</u> amount of resources available to fund operations, one-time initiatives, and capital expenditures
2	Identify priorities	A set of priorities that are expressed in measurable results that are of value to the public and are widely agreed to be legitimate
3	Define priority results	Reveal Edmonds identity and the objective meaning of what is relevant
4	Evaluate services against priority results	Inventory current and proposed programs compared to the priority results
5	Score proposals against priority results	Evaluate proposed programs and projects for their ability to achieve priority results
6	Compare scores	Rank order proposals based on their results
7	Allocate resources*	Fund proposals according to rank order to the extent allowable with maximum amount of resources

***BFO allocations subject to final City Council resolution and action**

What BFO tasks will completed in this Strategic Plan?

	BFO task	Strategic Plan task
1	Identify available resources	Internal scan - retreat #2 Jan/Feb 2012
2	Identify priorities	Surveys - retreat #3 February 2012 Charrette - retreat #4 March 2012 Survey voter households - retreat #6 May 2012
3	Define priority results	City Council 2014 Budget process
4	Evaluate services against priority results	City Council 2014 Budget process
5	Score proposals against priority results	City Council 2014 Budget process
6	Compare scores	City Council 2014 Budget process
7	Allocate resources*	City Council 2014 Budget process

***BFO allocations subject to final City Council resolution and action**

How will the Strategic Plan define priorities?

	Example priorities	Example statements
1	Clean and green environment	I want to live, learn, work, and play in a clean and green environment!
2	Arts and culture	I want a community that develops and showcases art and culture!
3	Parks and recreation	I want access to quality open spaces, parks, and recreational facilities and programs!
4	Economic development	I want a diverse and vibrant range of jobs, businesses, and services!
5	Community	I want an urban environment with a sense of community and connections with others!
6	Infrastructure	I want a well-maintained city whose transportation and other infrastructure keeps pace with growth!
7	Safety	I want to be safe where I live, work, and play!
8	Responsible government	I want a city government that is responsible and responsive to its residents and businesses!

Examples above are from Bellevue and Redmond. Edmonds will be identified from the focus group sessions, surveys of employees, customers, and students, and charrette.

How will the Strategic Plan define results?

Example priority	Example results when Edmonds:
Green environment	Plans and designs the city's growth to minimize emissions, energy usage, and other environmental impacts!
	Promotes and supports resource conservation through leadership, regulation, education, and incentives!
	Minimizes use of natural resources through reuse and recycling!
	Manages factors, facilities, and programs that mitigate the city's environmental impact on air, land, and water quality!
	Promotes new technology and business solutions to environmental challenges!

Charrette question - "We achieve a clean and green environment when _____ (fill in the blank with any of the result definitions)."

How will the Strategic Plan measure progress?

Priorities	Example benchmarks
Green environment	Percent of city with overhead tree canopy
	Percent of streams with a Benthic Index of Biotic Integrity (B-BI) of 35 or better
	Tonnage of garbage per capita going to landfill
Economic development	Number and percent of businesses by category
	Number of businesses with city license over 7 years
	Percent of community satisfied with the range of businesses and services available in city
Safety	Crime index for crimes against persons and property per 1,000 persons
	Police response time to critical emergencies
	Percent of residents who indicate city is a safe community

4: Status report of focus groups and surveys

Participation in outreach events

Outreach	Participation
Focus groups	18 subject/interest group sessions involving 80 participants
Adult residents	590 adult residents thus far
Business owners	214 business owners thus far
Employees	70 employee surveys thus far
Retail customers	312 customers thus far
Young adults	32 young adults thus far
Chamber survey	82 members participated in Oct 2011 survey

Adult, business owner, employee, retail customer, and young adult surveys are still active and receiving responses at www.EdmondsWa.gov

Emerging priorities and issues

Priorities	Key issues
1 Environment	Sustainability, low to no impact, native habitat, community gardens, food production
2 Economic Development	Employment, Highway 99, Antique Mall, Westgate, fiber optics, approval process, business recruitment
3 Community Development	Mixed use requirements, waterfront/downtown linkage, diversity of age, income, housing, jobs
4 Arts & Culture	Marketing arts and culture, economic impacts and relationships, wayfinding and gateways, 4th Ave corridor, ECA strategic plan, fine arts gallery
5 Parks & Recreation	Yost Pool, Civic Field, Senior Center, aging facilities, public restrooms, underused shoreline, follow-through, trail linkages
6 Transportation	Pavement conditions, transit services – bus and rail, non-motorized roadways, trails, funding
7 Safety	Coal train impacts
8 Governance	Fiscal strategy, transparency, integrating districts-neighborhoods with basin, entrenched positions, utilizing nongovernmental entities

5: Public charrette process and agenda

Charrette workshops

Date	Time	Where
Wednesday 14 March	6:30-8:30 pm	Edmonds Community College Conference Center
Monday 19 March	6:30-8:30 pm	Plaza Room, Edmonds Library

Each facility has a maximum seating capacity, therefore, participants must sign up in advance to participate on www.EdmondsWa.gov to reserve a space and receive agenda materials.

Charrette workshop process

Sequence	Purpose
Introduction	Review purpose, advance materials, outline process, disperse into small groups (12-20) to work with facilitators.
Like/dislike exercise	Each group will identify characteristics they like and dislike (need improvement) then rank order the needs improvement issues.
Brainstorm mandatory 4 topics	Each group will identify the desired <u>end state or result</u> they would like to see for the mandatory topic; then define <u>required actions</u> to realize the result <u>including responsible parties</u> ; then define <u>performance measures or benchmarks</u> by which to measure progress.
Brainstorm optional topic	Each group can continue brainstorming working on highest ranked improvement issue from the like/dislike exercise.
Rank order all priorities at public open house	Charrette workshop participants and anyone else interested will reconvene on Wednesday 2 May in the Plaza Room to critique and rank order a composite list of priority end results, required actions, responsible parties, and performance measures.

Staff and consultant will follow the same process for all identified priority topics that cannot be brainstormed in a time-limited public session for a public review and critique at the May Open House.

An example brainstorming topic

Elements	Illustrative example for typical parks priority
Desired end state or result	<u>Access</u> to quality open spaces, parks, and trails!
Required actions	<u>An action plan</u> that integrates and plans public, school, nonprofit, and private resources into a unified, cohesive, and publicly accessible park and trails network.
Responsible parties	City, county, state, port, school district, college, hospital, community organizations, homeowners associations, ...
Performance measure or benchmark	Every neighborhood has access to a park and trail <u>within a 0.5 mile radius</u> .

If the strategic plan is to be representative - it must define the desired end state through performance measures or benchmarks for every priority identified from the public outreach events.

If the Strategic Plan is to be effective - it must rank order the resulting priorities with the public and elected officials in the subsequent open house, internet, and voter registration surveys.

