

Charles Wright Academy, Upper School Commons
7723 Chambers Creek Road West, University Place, WA 98467
“Creating a Movement: Rallying the Community Behind Council Goals”

08:00 a.m. – 08:45 a.m.	BREAKFAST/WELCOME REMARKS <ul style="list-style-type: none">• TED Talk Video (8:15 a.m.)
08:45 a.m. – 09:00 a.m.	Clean-Up/Break
09:00 a.m. – 09:15 a.m.	AGENDA REVIEW
09:15 a.m. – 10:20 a.m.	<u>2017-2018 ENDING FUND BALANCE</u> (Councilmember Belleci) <u>COUNCIL DIRECTION</u> (Mayor Figueroa)
10:20 a.m. – 10:25 a.m.	Break
10:25 a.m. – 12:30 p.m.	<u>PRIORITIZING COUNCIL GOALS</u>
12:30 p.m. – 01:15 p.m.	LUNCH <ul style="list-style-type: none">• Chambers Bay Resort Proposal led by Dan Putman
01:15 p.m. – 01:30 p.m.	Clean-Up/Break
01:30 p.m. – 03:30 p.m.	PRIORITIZING COUNCIL GOALS (Continued)
03:30 p.m. – 03:35 p.m.	Break
03:35 p.m. – 05:00 p.m.	COUNCIL DIRECTION ON PRIORITIZED GOALS
05:00 p.m. – 05:15 p.m.	CITY MANAGER/COUNCIL COMMUNICATION DISCUSSION
05:15 p.m. – 06:00 p.m.	RECEPTION <ul style="list-style-type: none">• Guest Speaker – Pierce County Executive Bruce Dammeier (A preview of Pierce County Executive’s priorities and relationship with University Place)▪ Closing Remarks

*PRELIMINARY CITY COUNCIL AGENDA

February 6, 2017
Regular Council Meeting

February 20, 2017
HOLIDAY – PRESIDENTS' DAY

February 21, 2017
Regular Council Meeting

March 6, 2017
Regular Council Meeting

Preliminary City Council Agenda subject to change without notice*
Complete Agendas will be available 24 hours prior to scheduled meeting.
To obtain Council Agendas, please visit www.cityofup.com.

American Disability Act (ADA) Accommodations Provided Upon Advance Request
Call the City Clerk at 253-566-5656

Memo

DATE: January 21, 2017
TO: City Council
FROM: Leslie Blaisdell, Finance Director
SUBJECT: Ending Fund Balance



CURRENT POLICIES

The City's current policies with regard to cash reserves and contingency funds are as follows:

Cash Reserves (includes the "Ending Fund Balance" and "Strategic Reserve"):
 The City shall attempt to maintain a cash reserve of five to fifteen percent (5-15%) of its operating budget. (Resolution 702). Please note that our operating budget is broader than the General Fund and encompasses most City operating departments, including Development Services, Police, Parks and Streets. It excludes capital expenditures and the Surface Water Management Fund.

Contingency Reserve: As a part of the City's budget, the City Council should appropriate a Contingency Reserve to provide monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual budget, or from which to provide monies for emergencies as defined by law. The goal for funding of the Contingency Reserve is to maintain a minimum available reserve of fifty thousand dollars (\$50,000). (Resolution 703) Before the Great Recession, the City had a policy of maintaining at least a 2% contingency.

The chart below illustrates our current reserve balances. As you can see, our total Cash Reserves and Contingency Reserve are approximately 28% of our operating budget.

	2017 Current Budget	Current %
Cash Reserves (Policy: between 8-15%)		
Uncommitted Ending Fund Balance	4,904,162	23.68%
Reserved Ending Fund Balance	-	0.00%
Strategic Reserve Fund	1,000,000	4.83%
Total Cash Reserves	5,904,162	28.51%
Contingency Reserve (Policy: \$50,000)		
Contingency Reserve Fund	50,000	0.24%
Total Contingency Reserve	50,000	0.24%
Total Combined	5,954,162	28.75%

COMPARISONS

As part of our review of our current policies, we reached out to other municipalities for their policies:

Burien – 20%:

- General Fund reserve policy is 20% of ongoing operating revenue.

DuPont – 30%:

- The City maintains an ending fund balance of at least 15% of General Fund operating expenditures.
- The City has a goal of maintaining a Cumulative Reserve Fund (also known as Revenue Stabilization Fund) of 10% of the General Fund operating expenditures.
- The City has a goal of maintaining a Contingency Reserve Fund balance of 5% of the General Funds operating expenditures.

Gig Harbor – 10%:

- The City maintains General Fund and Street Operating Fund undesignated balances of at least 10% of the total budgeted operating revenue.

Lakewood – 12%:

- 2% General Fund Contingency Reserves: The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. The City Council will determine how the Contingency Reserves are spent.
- 5% General Fund Ending Fund Balance Reserves: The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.
- 5% Strategic Reserves: The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events.

Puyallup – 8% to 15%:

- The City targets an ending General Fund cash balance of 8 to 15% to provide for operational cash flow needs and a cushion for economic downturns. Funds in excess of 15% are transferred into a Budget Stability Reserves Fund for Tier 3 capital projects or to pay off outstanding liabilities. During economic downturns, the Council may decide to use a portion of the fund balance to help preserve levels of service.

SeaTac – 33%:

- The City retains four months (33%) of General Fund expenditures in a strategic reserve for unforeseen circumstances.

The cities of Bonney Lake, Bothell, Sumner and Tacoma did not respond to our request.

As you can see, there is no standard among the Cities that responded. To calculate their percentages, some use operating revenue and some use operating expenditures. Total percentages range from the 8% to 33%.

STAFF RECOMMENDATION

Staff considered a number of factors in developing a recommendation. While many of the above cities may be considered to be similar to University Place based on population and staff size, we weighed more heavily our current financial position, including items such as sales tax base, revenues per capita and, most critically, outstanding debt. Additionally, we have concerns with regard to the State's reliance on State-Shared Revenues in balancing its budget, as reflected in previous reductions in a very important City revenue – liquor revenue. The City receives \$420,000 annually in liquor revenue.

As a result, after review and discussion, staff recommends the following:

Cash Reserves (includes the “Ending Fund Balance” and “Strategic Reserve”):

- Retain the City's current policy of maintaining a cash reserve of five to fifteen percent (5-15%) of its operating budget.
- Administratively set aside \$4 million in a Reserved Ending Fund Balance, which is equal to our average annual debt service payment plus one year of State Shared liquor revenues.
- Maintain the Strategic Reserve Fund at \$1.0 million.

Contingency Reserve:

- Increase our Contingency Reserve from \$50,000 (.24%) to \$420,000 (2%) of the General Fund and Street Fund Operating Expenditures.

The chart below illustrates that this recommendation will result in a total Cash Reserve of at least 25% of operating expenditures through the forecast period.

	2017 Current Budget	Current %	Change	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	2025 %	2026 %
Cash Reserves (Policy: between 8-15%)													
Uncommitted Ending Fund Balance	4,904,162	23.68%	-	-	-	-	-	-	-	-	-	-	-
Reserved Ending Fund Balance	-	0.00%	4,000,000	19.82%	24.95%	24.04%	23.25%	22.62%	21.93%	21.29%	20.60%	19.93%	19.28%
Strategic Reserve Fund	1,000,000	4.83%	1,000,000	4.83%	6.24%	6.01%	5.81%	5.66%	5.48%	5.32%	5.15%	4.98%	4.82%
Total Cash Reserves	5,904,162	28.51%	5,000,000	24.65%	31.19%	30.05%	29.06%	28.28%	27.41%	26.62%	25.75%	24.92%	24.10%
Contingency Reserve (Policy: \$50,000)													
Contingency Reserve Fund	50,000	0.24%	420,000	2.03%	2.62%	2.52%	2.44%	2.38%	2.30%	2.24%	2.16%	2.09%	2.02%
Total Contingency Reserve	50,000	0.24%	420,000	2.03%	2.62%	2.52%	2.44%	2.38%	2.30%	2.24%	2.16%	2.09%	2.02%
Total Combined	5,954,162	28.75%	5,420,000	26.68%	33.81%	32.57%	31.50%	30.66%	29.71%	28.85%	27.91%	27.01%	26.13%

UNALLOCATED ENDING FUND BALANCE

If Council agrees with the above recommendation, the Council would have approximately \$3.0 million available for discretionary appropriation over the 10 year forecast period. This amount varies by year, growing over time until inflationary increases in expenditures exceed revenue projections. This amount could be used for any purpose (i.e. council goals, capital projects, grant matches, operating gaps, etc.). This amount includes the \$150,000 Council budgeted in 2017 for council goals.

		One-time Cost	Ongoing Cost	Notes
Goal #1: A SAFER, MORE LIVABLE COMMUNITY				
A. Effective community services with emphasis on police services, public safety, transportation infrastructure, and parks.				
1	Maintain funding in the University Place Police Department budget to allow for current or better staffing levels for the biennium.	-	165,000	Annual cost per deputy or investigator is \$165,000. Add'l overtime est. \$60k a year.
2	Continue to identify and apply for transportation and other infrastructure grants where a local match is available or reasonably anticipated to be available.	-	-	
3	Identify funding to construct Paradise Pond Parking and Trails, and consider any necessary implementing legislation.	-	-	Estimated expenses were budgeted in 2016 and are sufficient for project completion.
4	Identify funding to construct additional gateway signs and Curran Apple Orchard restroom, and consider any necessary implementing legislation.			
	Gateway Signs	30,000	-	Need \$30,000 to complete installation.
	Curran Orchard Restroom	150,000	-	50% funded by impact fees. Seeking grant for \$75K.
5	Maintain funding for the City's beautification program at current or better levels for the biennium.	48,500	14,500	Current budget is \$29,500. Est. includes BP - 19th to 27th; 27th - BP to Mildred; Mildred - 27th to 19th; BP - Chambers Lane to Cirque.
B. More physical and visual connections to Puget Sound and Chambers Bay from public areas in the City.				
1	Participate fully with Pierce County, and Lakewood in the Chambers Creek Properties Master Site Plan Update, seeking to include such connections, including facilities that allow public access to the waters of Chambers Bay, with priority on facilities for the launching and docking of watercraft.	-	-	Mostly administrative or a Pierce County expense.
2	Identify funding to construct Leach Creek Trail from 40th to Kobayashi, and consider any necessary implementing legislation.	15,000 - \$2M	-	Need \$15k in add'l one-time planning costs, and \$1M-\$2M in construction costs.
3	Continue to work with Pierce County and Lakewood on the Chambers Creek Canyon Trail, and consider any necessary legislation.	50,000 - 1,070,000	-	Need \$50k in add'l one-time costs for Phase 1 implementation. Est. add'l phases \$1.07m.
4	Consider amending the Shoreline Master Program and Comprehensive Plan to include the above outcome.	-	-	Not needed.
C. Effective communications between the City Council and other local, state and federal elected officials.				
1	Study and consider legislation adopting updated City Council intergovernmental legislative priorities for the new biennium.	-	-	
2	Review, identify and consider any necessary legislation to implement a City Council intergovernmental legislative outreach program.	-	-	
3	Consider additions to the Council Rules to establish a timely, and effective intergovernmental legislative agenda, and improved inter, and intra-governmental communications in support of the adopted legislative agenda.	-	-	
4	Approve a City intergovernmental legislative agenda by the 2 nd City Council meeting in September of each year.	-	-	

		One-time Cost	Ongoing Cost	Notes
Goal #2: INCREASED ECONOMIC VITALITY				
A.	Position the City for redevelopment of commercial areas such as Narrows Plaza, and consider means and methods to promote the City to potential investors such as significant employers, lodging, leisure and other businesses.			
1	Consider legislation making additional revisions to development regulations to improve conditions for development and redevelopment, including review of permitting processes and timelines.	10,000	-	Permitting process is internal. \$10k for add'l subarea or commercial area planning consulting.
2	Consider legislation adopting and implementing a completed Regional Growth Center Subarea Plan.	-	-	Most current planning has been budgeted. Total implementation costs on 20yr plan unknown.
3	Consider legislation updating the Economic Development Strategic Action Plan to 2019.	20,000	25,000	\$20k for development of the plan. \$25k per year to support implementation of all initiatives.
4	Consider budgeting for promotion of the City to potential investors, such as significant employers, lodging, leisure and other businesses through new identified means and methods.	-	25,000	Increase support of ED Board add'l \$5k, plus \$20k market analysis, travel, materials, etc.
5	Study the usefulness of a video to promote the City.	30,000	-	Video costs
6	Consider funding a study of the economic impact of changing the name of the City to Chambers Bay.	30,000	-	Estimated consulting costs
7	Consider funding for next steps in implementing the Regional Growth Center Subarea Plan.	-	-	Implementation costs unknown at this time.

Goal #3: STRONGER FINANCIAL CONDITIONS

A.	Complete an assessment of the sustainability of City revenues, including all fees and taxes, and consider revenue options to fund police services, public safety, streets, and events.			
1	Review fees and taxes, and other revenue options to fund police services, public safety, streets, and events, and upon completion of study, determine to conclude the topic, or consider legislation achieving the outcome.	-	-	
B.	Maintain a balanced budget and enhance our reserve goals to allow for future financial stability and flexibility.			
1	Consider legislation to increase strategic reserves to 7% of the adopted biennial general fund budget.	-	-	This was reviewed in 2016, and Council increased the strategic reserve to \$1 million.
2	Study options to reduce City debt, and consider any necessary implementing legislation.	-	-	This was reviewed in 2016, and Council elected not to proceed.
3	Review current City assets that are surplus to the City's needs and consider legislation disposing of those assets.	-	-	
4	Study the feasibility of re-capitalizing the fleet and equipment funds.	-	-	This was reviewed in 2016, and funds were identified for the 10-year forecasted period.
5	Study potential annexations.	-	-	This work can be done by staff.

		One-time Cost	Ongoing Cost	Notes
Goal #4: GREATER CITIZEN TRUST AND CONFIDENCE				
A.	Maintain and improve community engagement to build public trust in City government, to value U.P.'s history and heritage, to maintain community pride and the sense of U.P. as a safe and special place, and to encourage volunteers.			
1	Consider identifying the scoping of a new professionally conducted community survey, and budgeting the cost of such a survey.	-	25,000	
2	Consider identifying new or enhanced community engagement events, and budgeting the cost of those events.	-	40,000	Must be combined with item #7 below, for a total of \$80k.
3	Consider funding the development and staffing of a University Place City Government Facebook page embracing all aspects of City government. (Current City Facebook pages are Rec, and event-specific).	-	-	This can be implemented without cost. This is a policy decision.
4	Study the feasibility of establishing a UP City 4 th of July celebration at Chambers Bay.	-	40,000-500,000	Costs depend on location and scale.
5	Review the purpose and operations of the City Council's Legislative Advisory Commissions.	-	-	Council is working on this item currently. No anticipated costs.
6	Study potential City roles in recording, securing and affording public access to City historical resources and artifacts.	-	-	Council discretion on contributing to U.P. Historical Society.
7	Consider funding the development and staffing of a part-time U.P. volunteer and event coordinator position.	-	40,000	Depending on scope of work, could be combined with item #2 above, for a total of \$80k.
B.	Maintain and improve the quality of information provided to the public about U.P. government operations, and our focus on integrity and transparency in government, helpful and timely customer service, and remaining within the proper role of government.			
1	Consider funding increased production of City informational videos for broadcast on UPTV, and to be available on the City's website and social media forums.	-	40,000	Requires add'l staff or contract dollars, in addition to PCTV contract dollars if on TV.
2	Consider funding the production of additional reporting content for the City pages within the U.P. Press.	-	-	Could be done in connection with staffing for #1.
3	Consider cost-effective online and/or other information technology based surveys to engage citizens and obtain their feedback.	-	-	This can be done administratively.