

CITY OF KENMORE

Finance and Administration

Financial Sustainability Plan Task Force

City Council Presentation – May 6th



Agenda



Context

Focus on current revenues' and expenses' key elements

FSP task force process and principles driving our recommendations

Recommendation breakdown and target results

Recommendation forecasted impact

Council questions

What is the FSP task force?

Who



9 Kenmore residents who applied to be part of the task force and were interviewed by City Staff leadership to assess skillsets and personal motivation

What



Provide recommendations to the city manager & finance director on how to **improve city finances by \$2.6M per year**, through either expenditure reductions, revenue opportunities or both

How

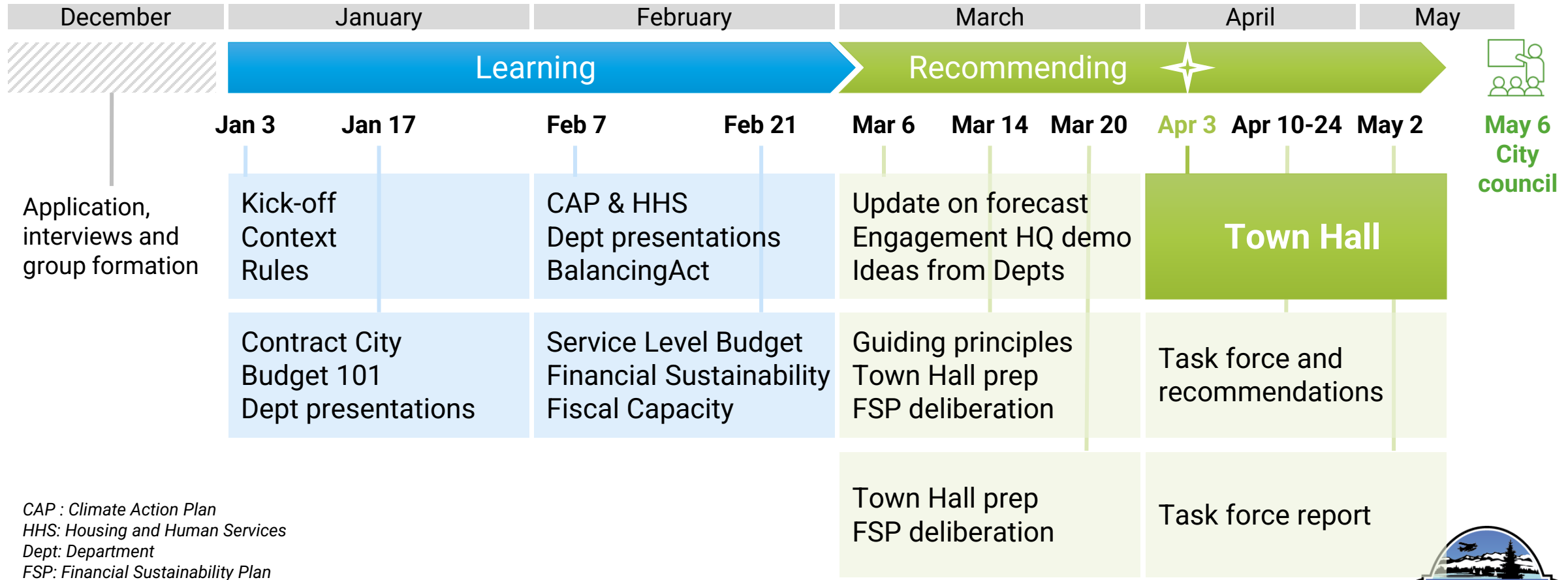


Synthesis of:

- **10 in person meetings** with City Staff
- **Town Hall** recommendations
- Outputs of **BalancingAct** tool



FSP process to date



Expenses will grow faster than revenues



1% cap on property tax growth



High inflation



Flat growth of other revenues



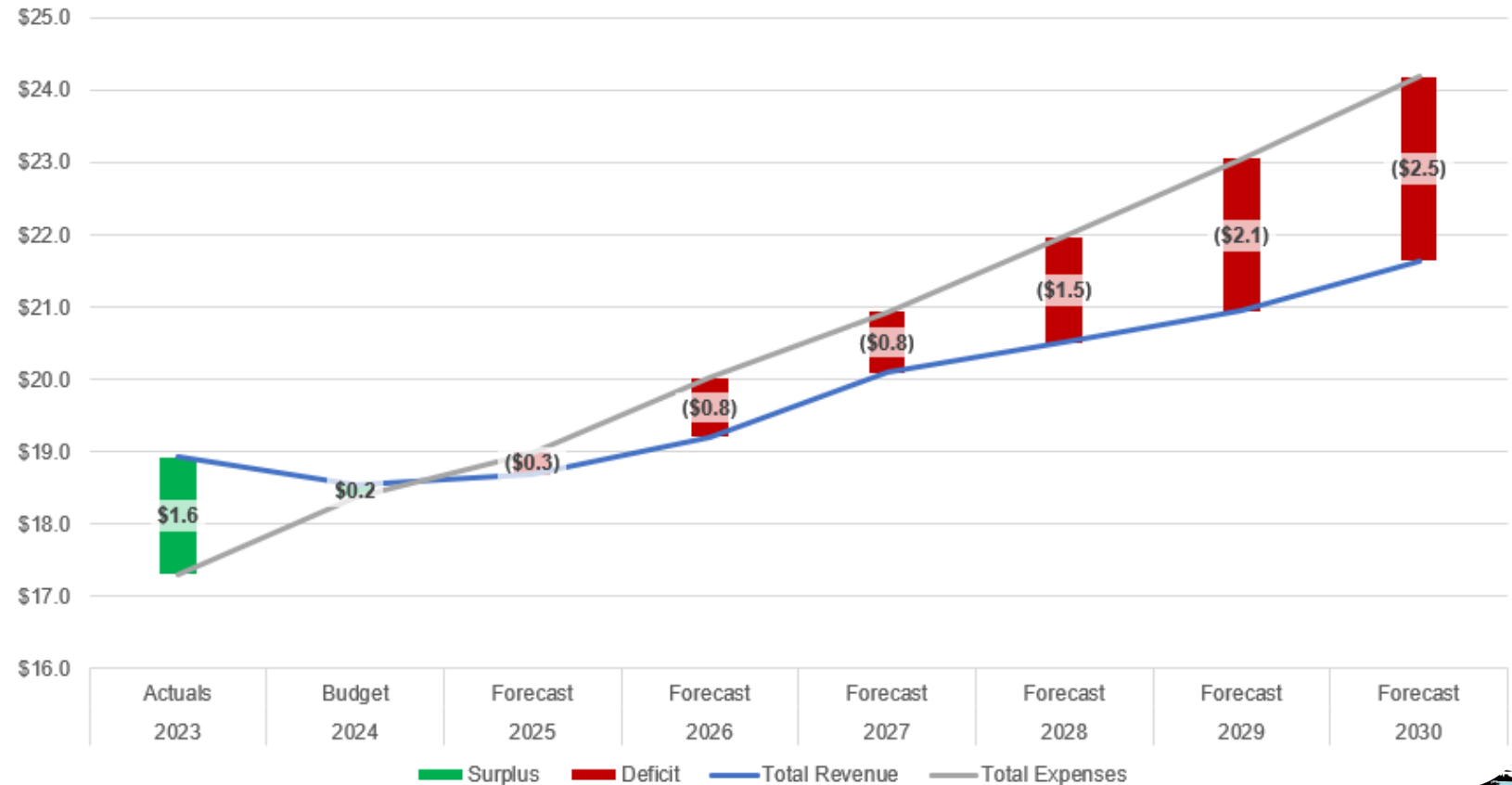
Unfunded State and Federal mandates*



Other factors
(e.g. public safety insurance raise)

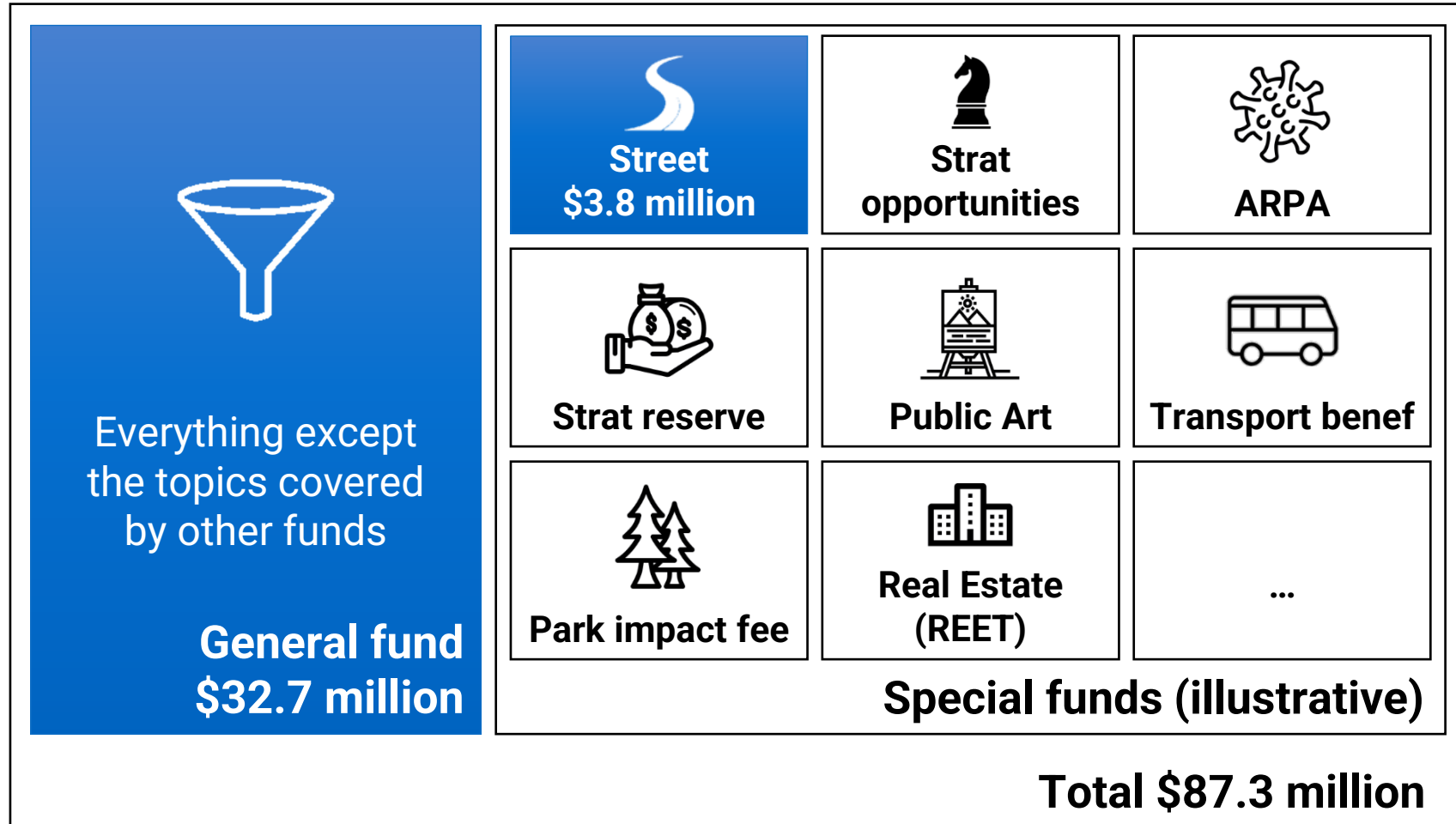


Consolidated General and Streets Revenue/Expense
2025-2030 Forecast



* For example, Comprehensive Plan updates are required every 10 years or public records requests where the City cannot recover the full costs of processing by law

General and street funds focus



- Special funds are typically self-funded and therefore not impacted by the financial situation detailed before
- The FSP task force therefore only **focused on the general and street funds**

Top general fund line items (biennium)

→ Revenues



Property taxes

\$11.5 million (37%)



Sales taxes

\$8.9 million (28%)



Utilities taxes (elec/gas/cable...)

\$3.9 million (12%)



Other revenues

\$7.0 million (23%)

\$31.3 million

→ Expenditures



Public safety

\$10 million (32%)



Public works, parks & facilities

\$3.7 million (12%)



City Manager office

\$3.6 million (12%)



Other expenditures

\$14.0 million (44%)

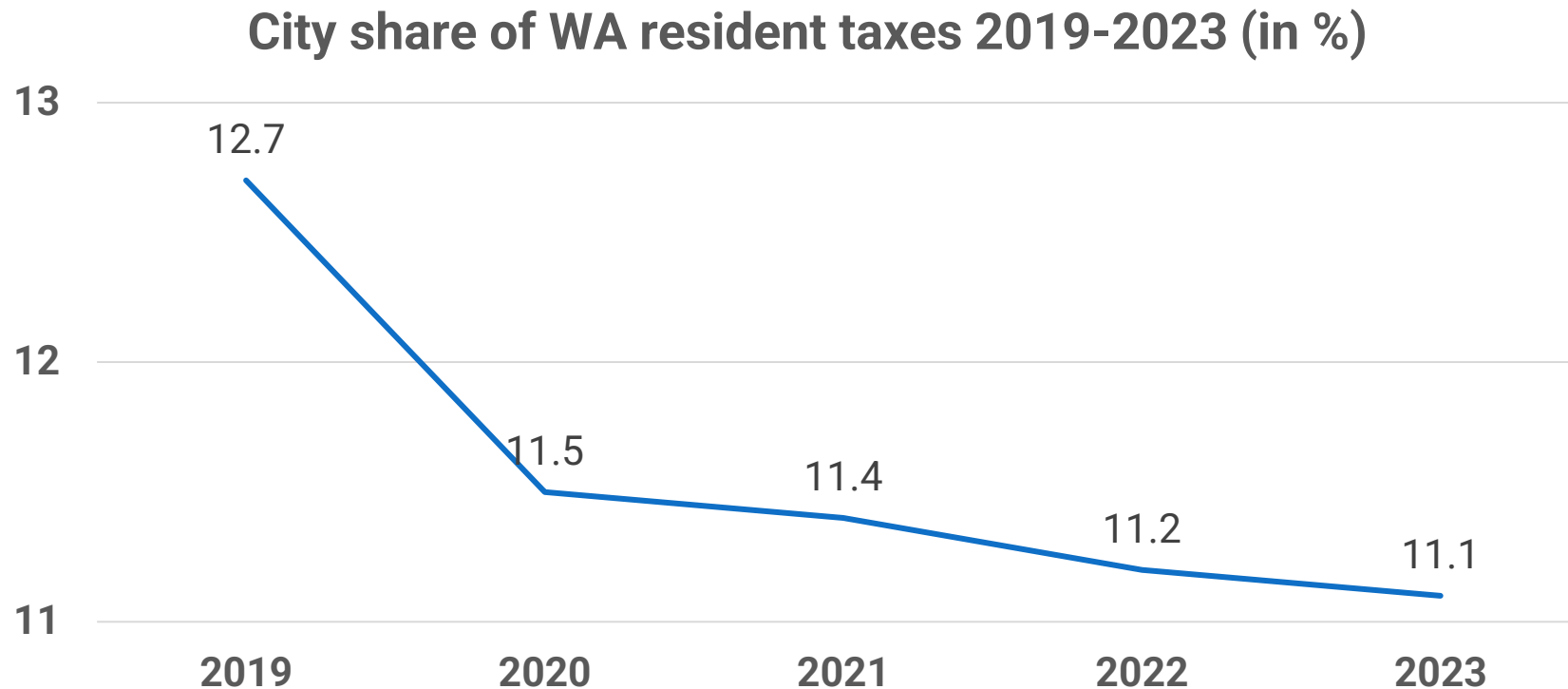
\$31.3 million



Focus on revenues

City vs. State & County taxes

Despite property taxes accounting for most of Kenmore's revenues, that is only a small and proportionally increasingly smaller fraction of our total homeowner property taxes



Focus on revenues

Legal caps on tax increases



Kenmore
+1%



Property tax

1% levy limit: if a city levies their highest lawful levy, it can only increase it by 1% the next year*



Kenmore
6%



Natural gas

6% unless voters approve a higher rate



Kenmore
4%

Electric

6% unless voters approve a higher rate



Kenmore
6%



Telecom

6% unless voters approve a higher rate



Kenmore
6%

Cable

May not be "unduly discriminatory"



Kenmore
\$40

Car tabs

\$50, must wait for 24 months or Feb 2025 before next increase

* + any tax revenues generated by new construction, improvements to property, state assessed utility value increases, and wind turbines, solar, biomass, and geothermal facilities added to the tax rolls in the past year



Current Kenmore rate – "legal max" attained

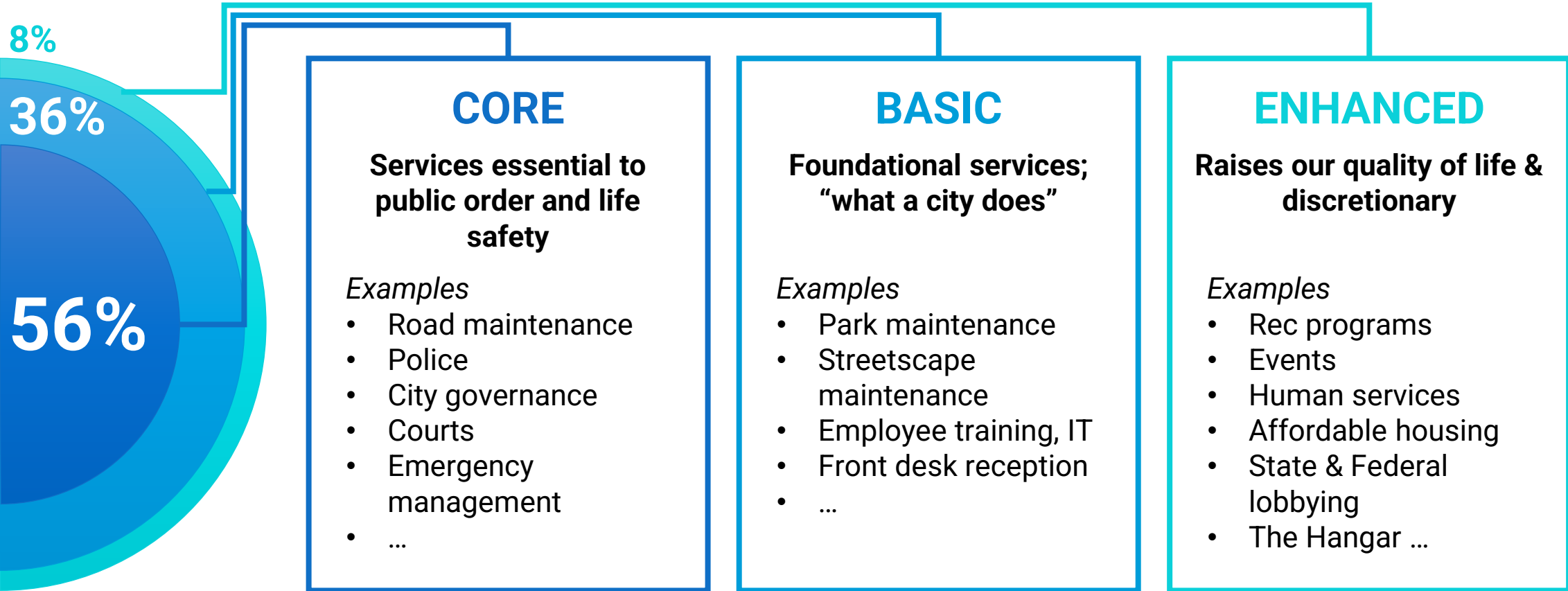


Current Kenmore rate – "legal max" not attained



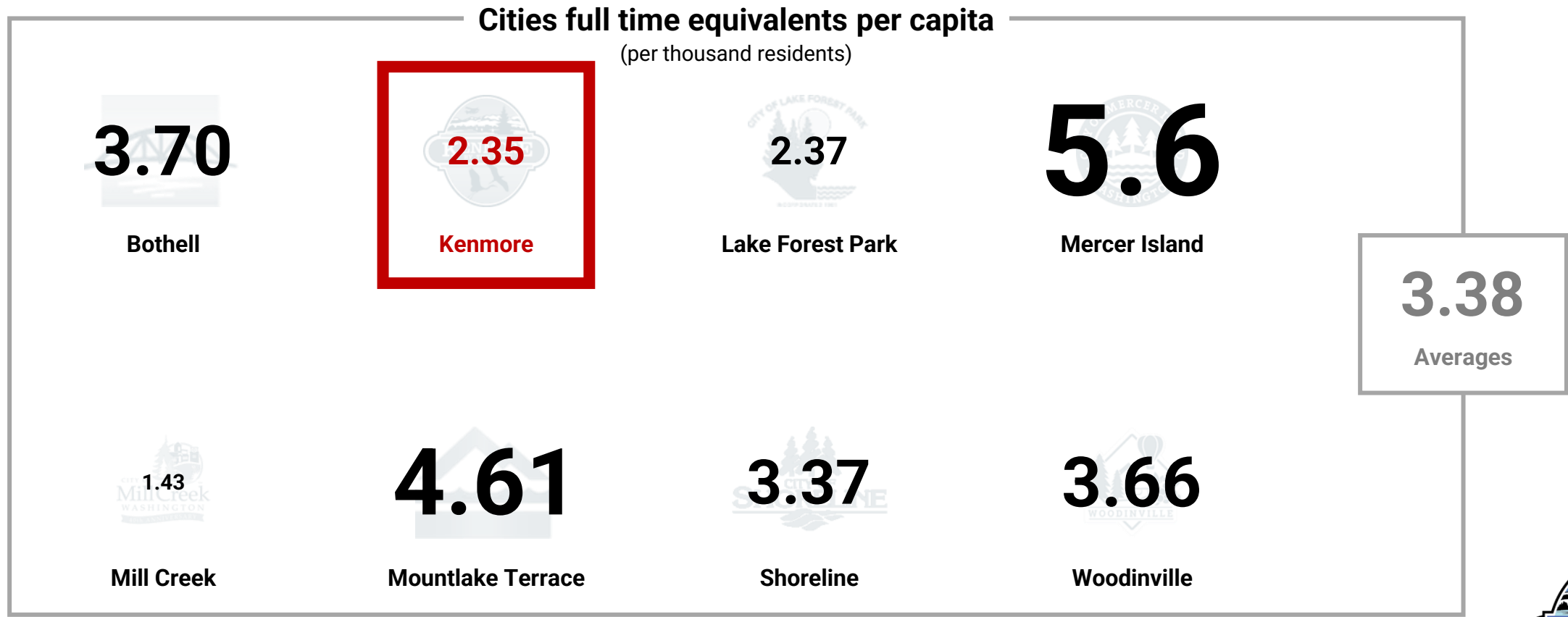
Focus on expenditures

Review of the 3 levels of service



Focus on expenditures

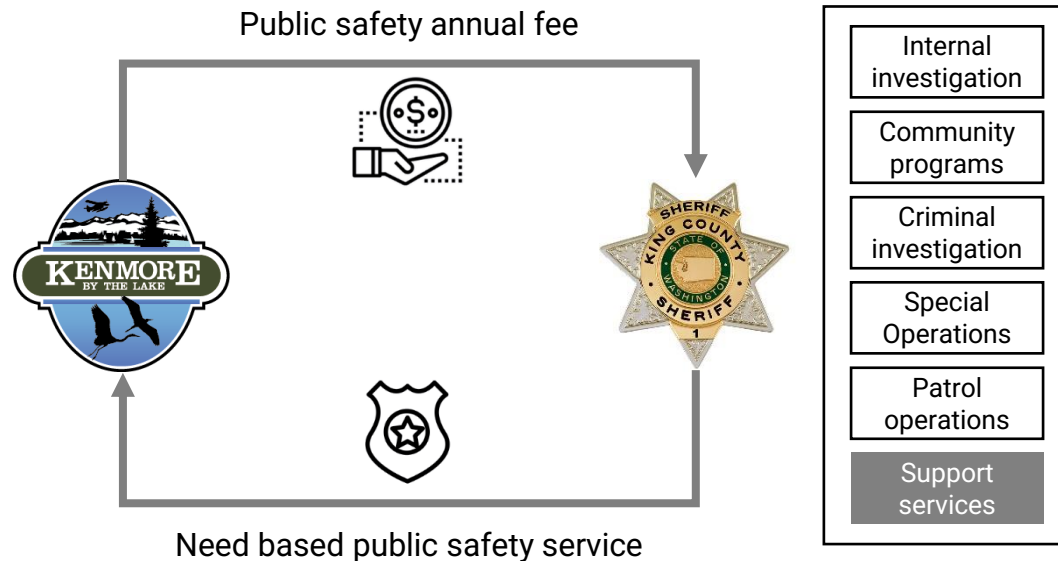
Headcount comparison with neighboring cities



Focus on expenditures

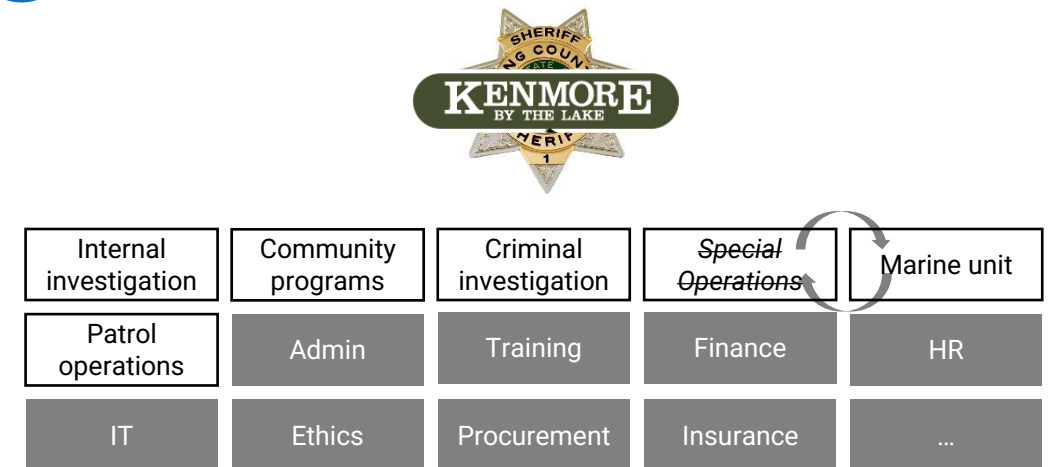
Contract city limitations

Contract



- Contracting forces Kenmore to pay a fixed fee but outsources all supporting services and risk

In-house

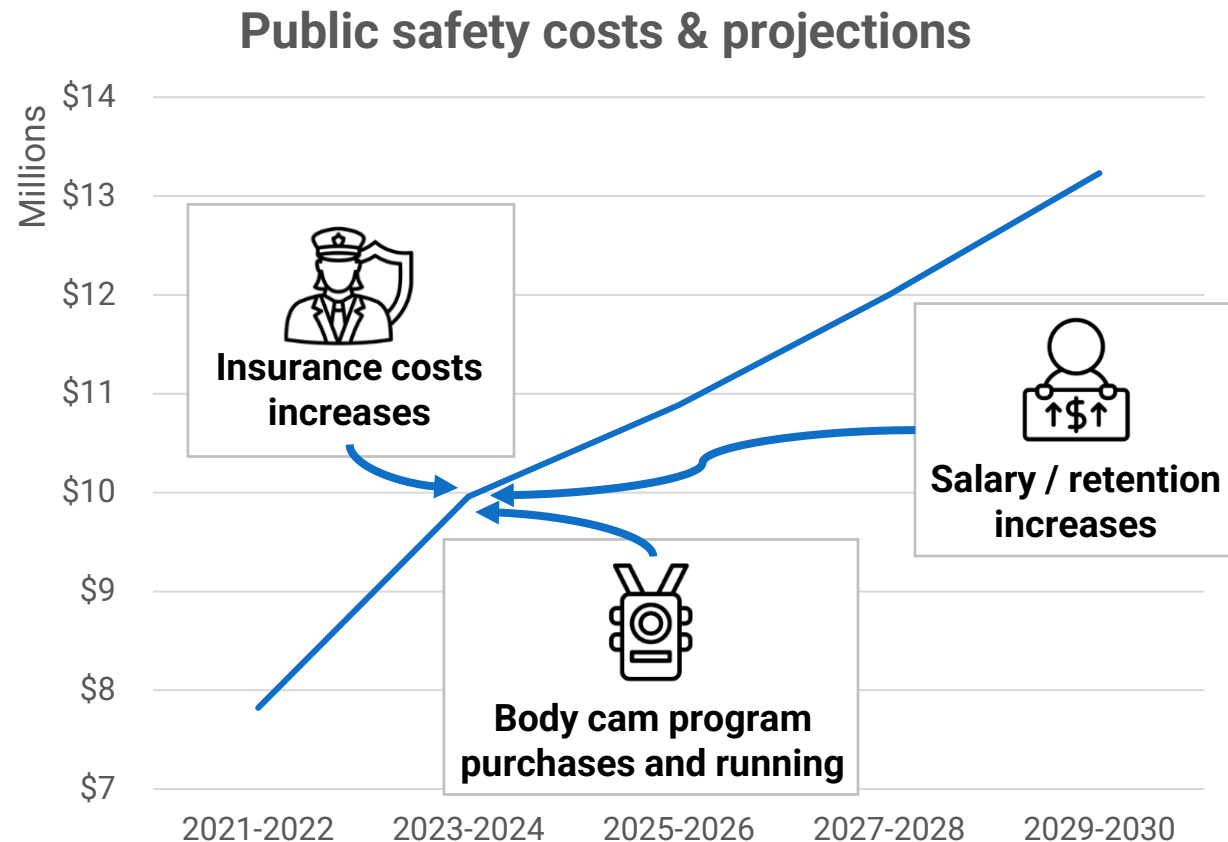


- An internal police force could be much more expensive due to our limited needs



Focus on expenditures

Public safety cost increases



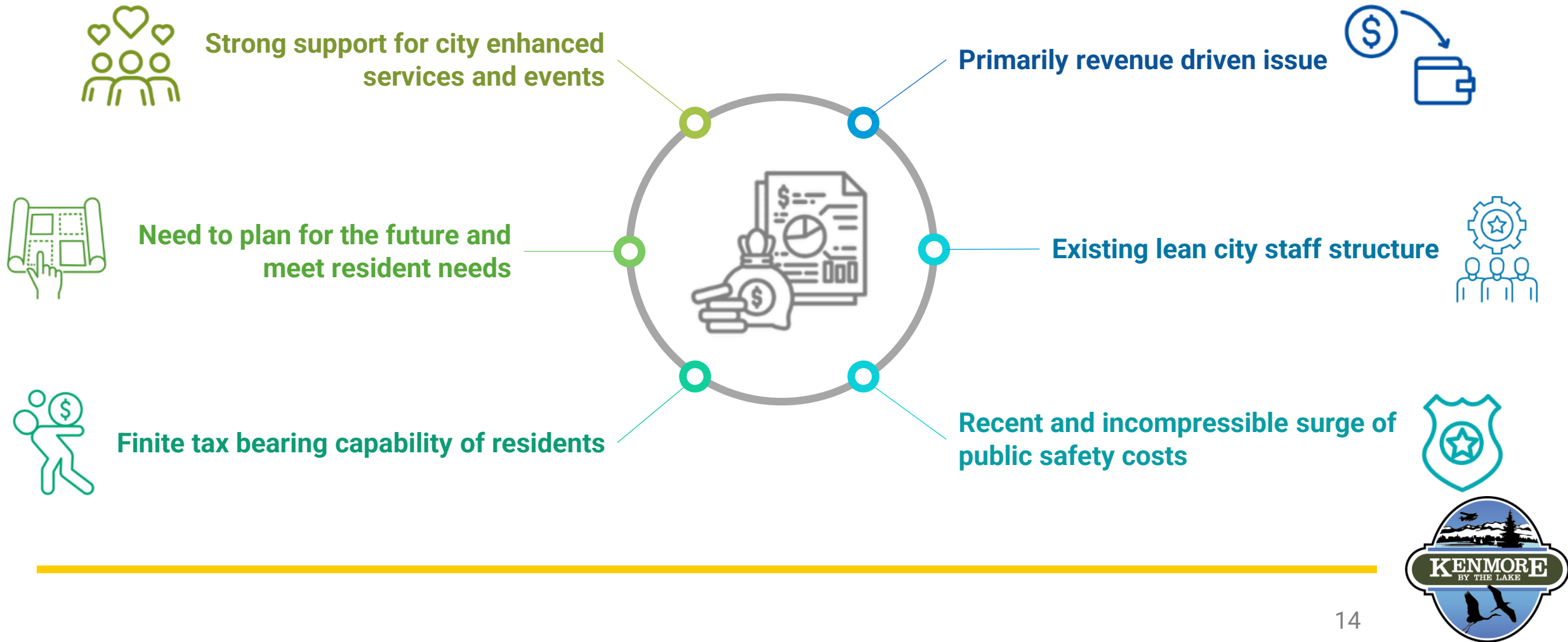
Public safety always accounted for a significant amount of the city's expenditures, **currently at almost a third of the general fund's total budget**

However, this line item grew significantly this biennium due to **increases in police insurance, purchasing and running of the State mandated bodycam program and salary increases**. Both are not specific to Kenmore and cities across the County are experiencing similar cost hikes

The recent spike is a **key reason for the city's future budget issues**



City high level situation and constraints



How to know what is best for Kenmore?



City staff input



Resident input

City finance education



Departments' suggestions



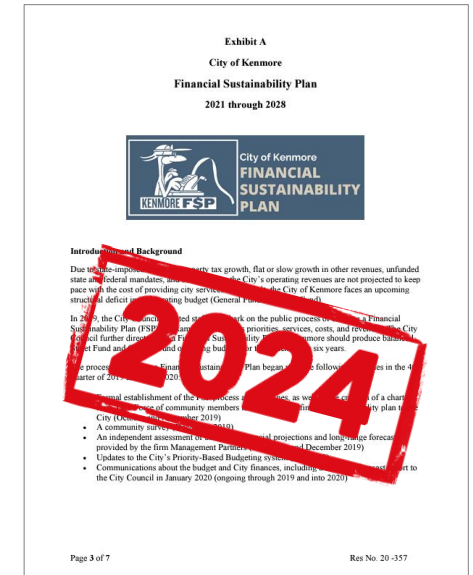
Resident strategic suggestions (Town Hall)

Detailed budget suggestions through BalancingAct

BalancingAct



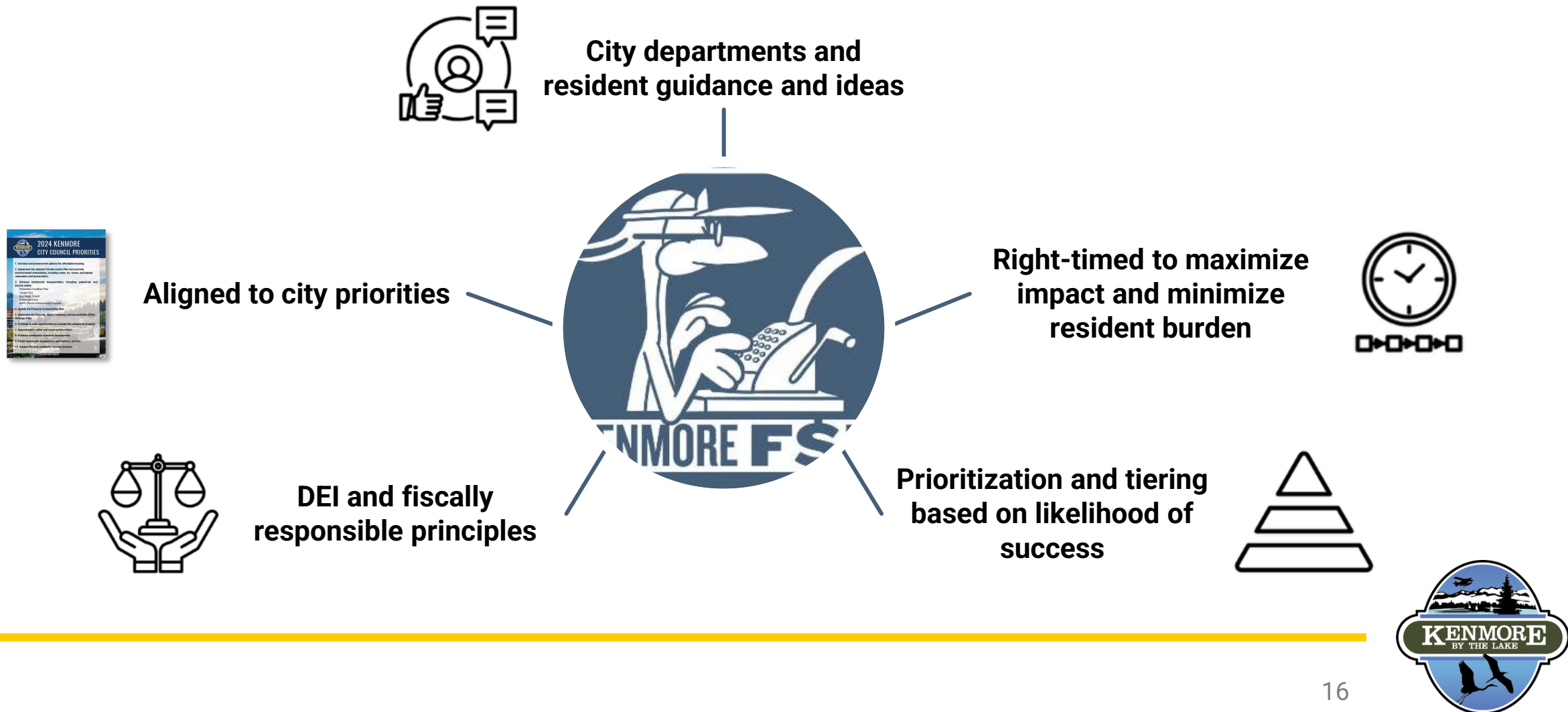
Synthesis



2024 FSP recommendations and report



Ensuring sustainable & actionable items



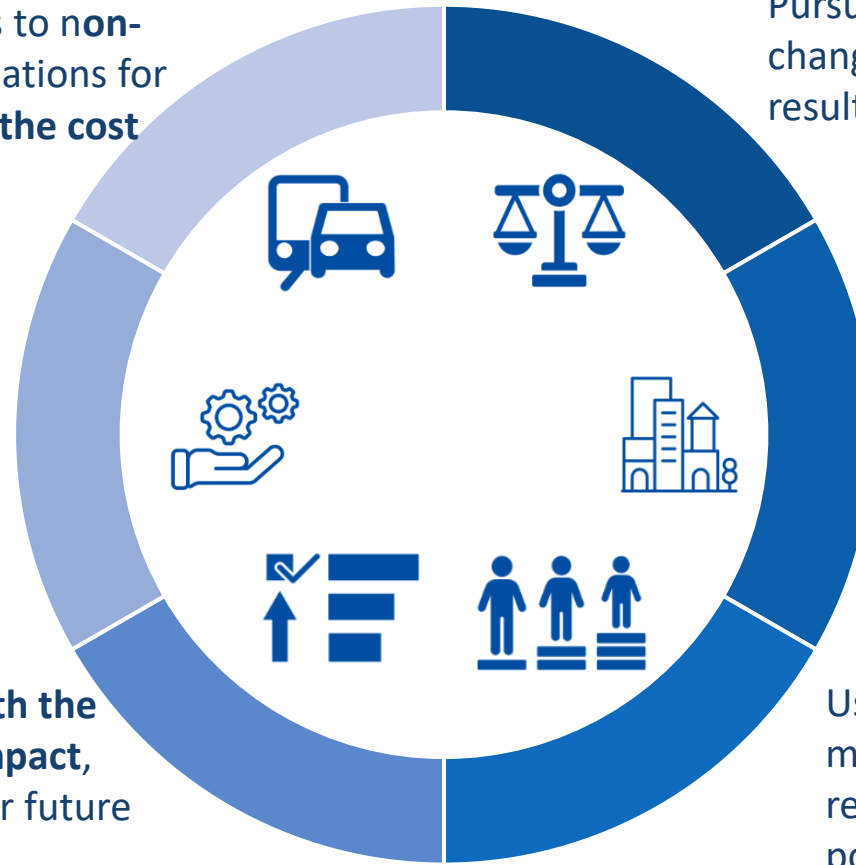
Guiding principles*

Pointing the task force in the right direction

Identify the benefits of city services to **non-residents** and consider recommendations for revenue increases that **fairly share the cost burden with them.**

Preserve ongoing funding for necessary levels of service, maintenance and upgrades when recommending budget reductions. Keep realistic levels of service in mind when recommending revenue increases.

Seek efficient, effective solutions with the greatest importance and financial impact, including those with high potential for future cost savings and revenue increases.



Pursue a **balanced approach** that complies with changes in State regulations, and that utilizes the results of the **Service Level Budgeting.**

Include **all levels of the city** when looking at challenges and opportunities: neighborhoods, businesses, communities, schools, city operations and governance

Use the **Equity Framework Tool**, striving to minimize disproportionate impacts on residents with fewer resources where possible

* Full wording of guiding principles available on the city's FSP webpage

Task force key recommendations

Address our public safety costs



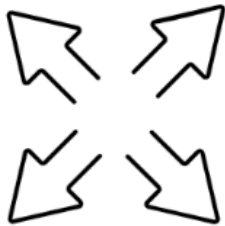
Ensure sustainability for our parks



Improve city efficiency and cost reductions



Strategically expand the city's capabilities



Ensure fairness of tax burden



Task force key recommendations

Address our public safety costs



Outside of inflation related expense increases, **public safety costs saw the highest growth** recently due to police insurance increases and the mandated roll-out and support of body cameras

As one of the main reasons for the city's financial situation, the task force recommends **addressing this specifically through additional dedicated direct and indirect revenues**

Targeted levy lid lift to fund public safety



+\$1.12M (\$0.16/
\$1k of ass. value)



2028

Secure the public safety sales tax before King County takes it



+\$460k (+0.1% to
sales taxes)



<2029

Expand traffic camera program (KAPE) by 4 additional cameras



+\$900k (est.
\$225k / camera)



2026 → 2028

Increase KAPE 1st tier ticket cost to \$136 for 2 cameras



+\$180k



2026



Task force key recommendations

Ensure sustainability for our parks



To **maintain our parks' quality and maintenance** and address their associated costs, the FSP task force recommends the **creation of a Metropolitan Park District** funded by its associated levy

Furthermore, the task force and Kenmore residents broadly (per EMC survey results) show strong support for the city to take an **active role in developing the Lake Pointe** property and these have been included in our models

Metropolitan Park District levy



+\$350k (\$0.05/
\$1k of ass. value)



2026

Implement picnic shelter rental fees



+\$17k



2025

Expected Lake Pointe study preliminary costs



-\$500k (assuming
acquisition grant is
funded)



2025 & 2026
(one time costs)



Task force key recommendations

Improve city efficiency and cost reductions



Despite the City of Kenmore having already one of the **leanest staffing models** across neighboring cities, the task force wanted to ensure that possible **cost cutting measures** were part of a balanced and sustainable financial plan

Strategic **reallocation of headcount** as well as **more efficient use of resources** will allow the city to limit future expenses

Reallocation of key staff to other funds*



+\$240k



2026

Commit to further improved operational efficiency



+\$100k



2026

Temporary staffing reduction



+\$100k



2026

Convert all streetlights to LED



+\$69k



2028

* Current model plans for the reallocation of civil engineers and capital project managers entirely to transportation and the reallocation of 1500 hours of parks project manager time to the capital fund



Task force key recommendations

Strategically expand the city's capabilities



We also wished to **ensure that unmet needs are planned** to support the city's expansion and residents' wellbeing

We recommend the city invests in strategic & econ. development to **drive the economic growth of our downtown**. In addition, the city needs to **support its residents in need** with case worker capabilities to help them access and navigate existing rebate programs and affordable options

**Hire a Strategic and
Economic Development
manager**



-\$180k



2025

**Hire a human services
case worker / program
navigator**



-\$225k



2026



Task force key recommendations

Ensure fairness of tax burden



As a primarily revenue driven issue, the **city's financial situation can only be mainly addressed** through specific **targeted tax levy measures**

Recognizing the possible tax burden caused, the task force advocates for **setting up a utility tax rebate program**. In addition, we recommend eliminating the admissions tax which only targets a very limited number of businesses

Set up a utility tax rebate program



-\$225k



2027

Eliminate the Admissions Tax



-\$130k



2026



Key recommendations overview

Expected budget impact of proposed measures



Address our public safety costs



+\$2.6M



-



Ensure sustainability for our parks



+\$367k



+\$500k



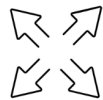
Improve city efficiency and cost reductions



-



-\$509k



Strategically expand the city's capabilities



-



+\$405k



Ensure fairness of tax burden



-\$355k

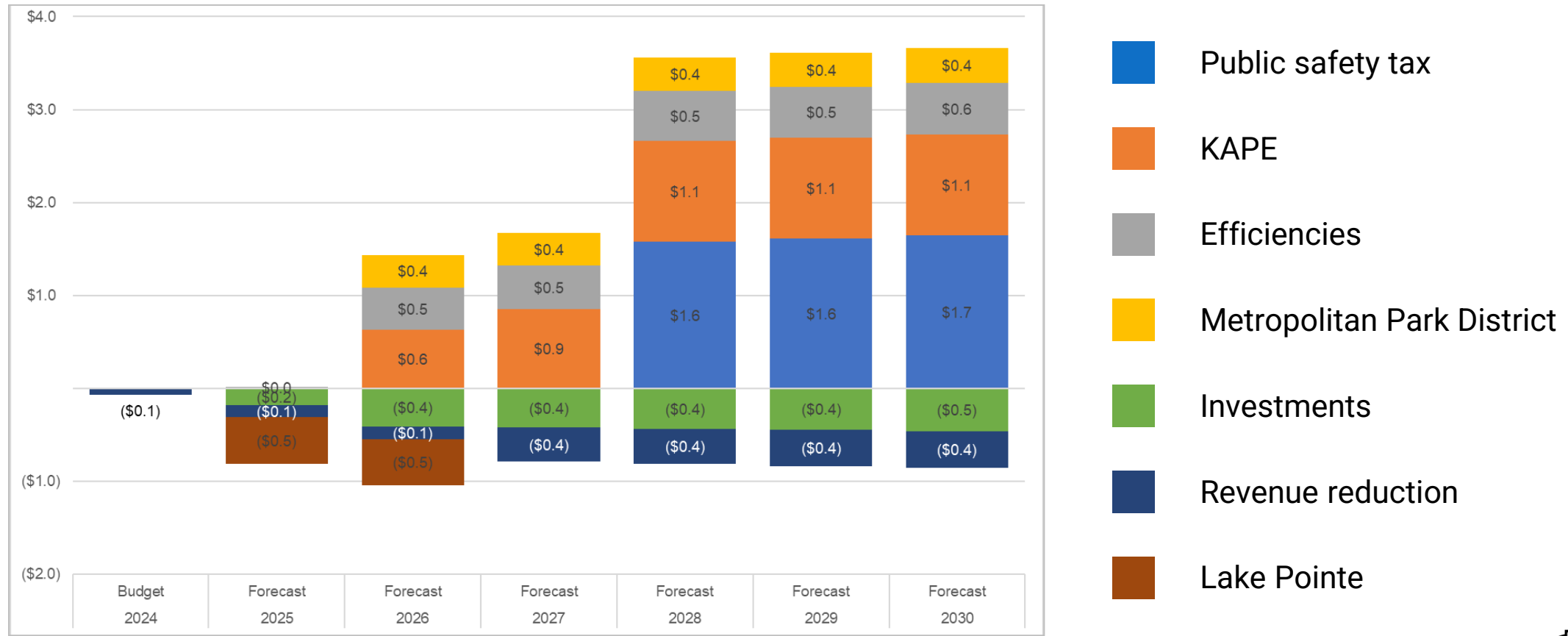


-



Key recommendations overview

Budget strategies impact summary over time



Additional considerations

Matching recommendations to future realities

The FSP task force full recommendations also allows City leadership and the council to further fine-tune suggested measures to react to potential future unexpected changes to Kenmore's financial context



Prioritization

Every option considered by the task force was voted upon and given a **score based on impact, ability to implement and relevance**

The city can and should restrict or expand the **prioritized list** to better address the city's financial needs over time in case unexpected events happen



Timing

The task force tried to maximize the impact and minimize resident burden by **spreading suggested measures over time**

City leadership might wish to **adjust those timelines** further in the future in case the efficiency / burden balance could be improved further



Approval modalities

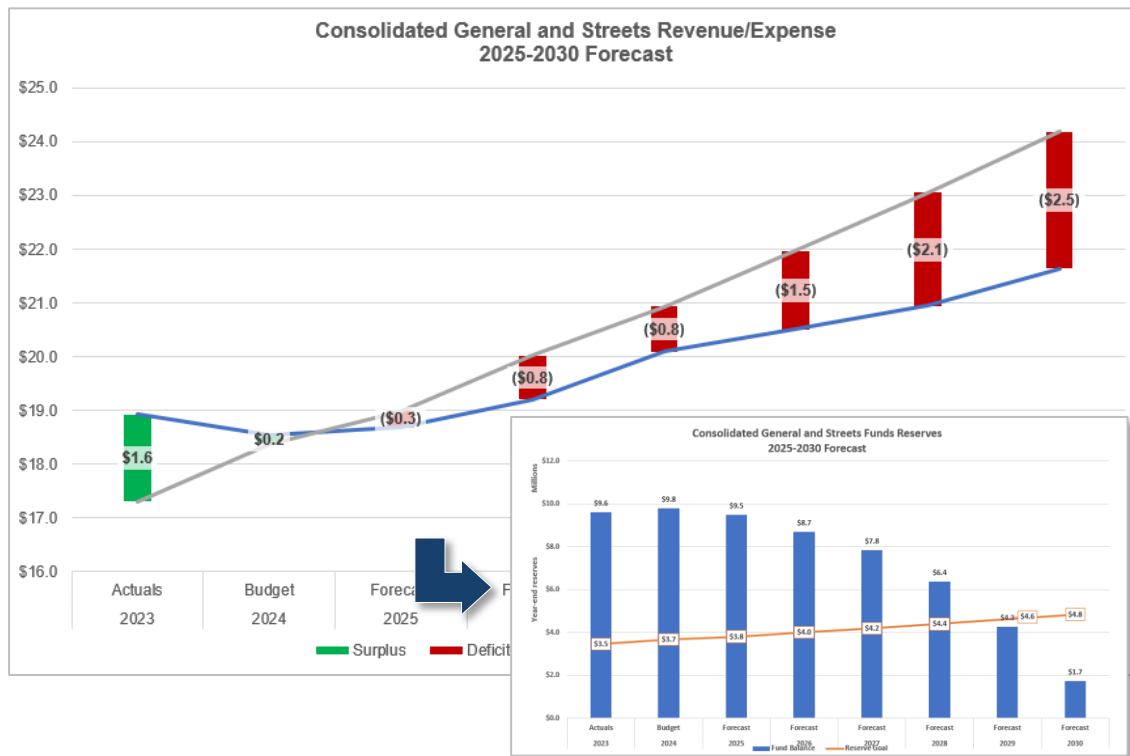
The **need to go to the voters or the ability to pass measures councilmanically** is indicated for each of the recommended measures

Measures suggested beyond 2025 can therefore be further refined depending on the **practicality and / or costs associated with putting specific measures on the ballot**

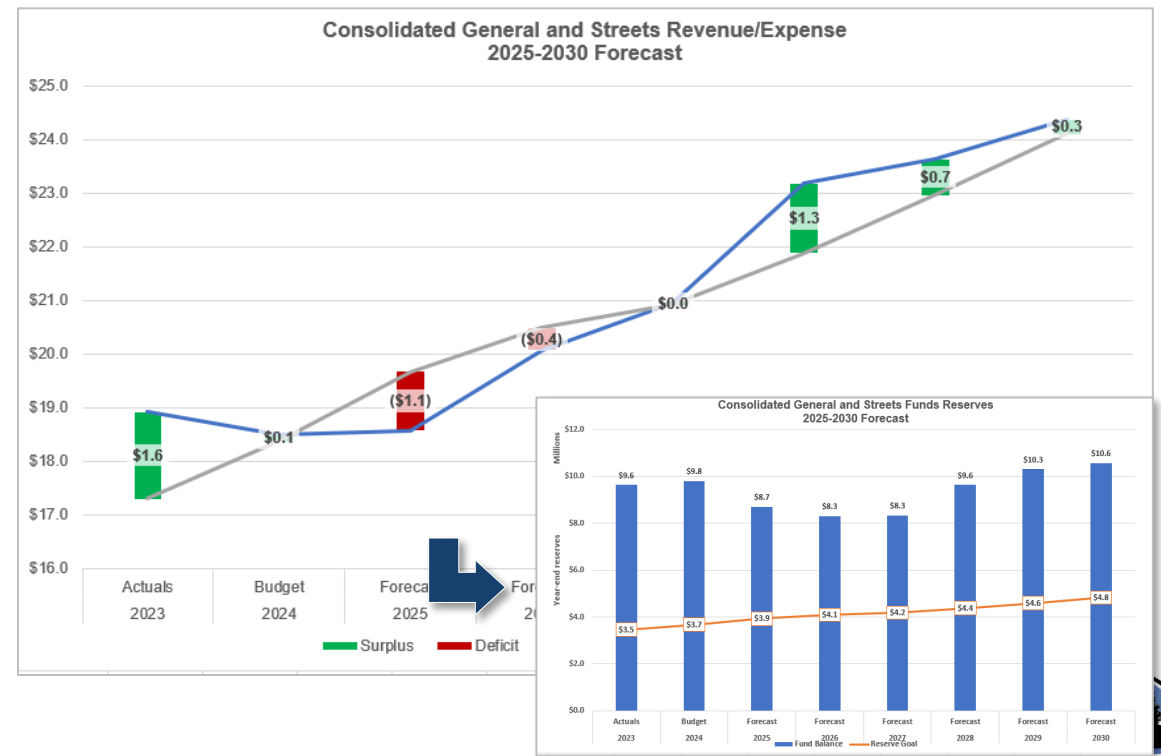
FSP task force recommendations

Expected impacts to projected city finances

From a structurally unsustainable budget...



...to a healthy forecast that allows for strategic reserves



Special thanks

To Rob, Melinda and Carla for your constant guidance and availability

To all the department heads for your presentations and efficiency / cost cutting suggestions

To City Council for your time, consideration and questions today

And **especially** to all the residents who shared virtually or in person their ideas, comments, concerns, suggestions, budget models and active participation during the FSP town hall!!!



Questions

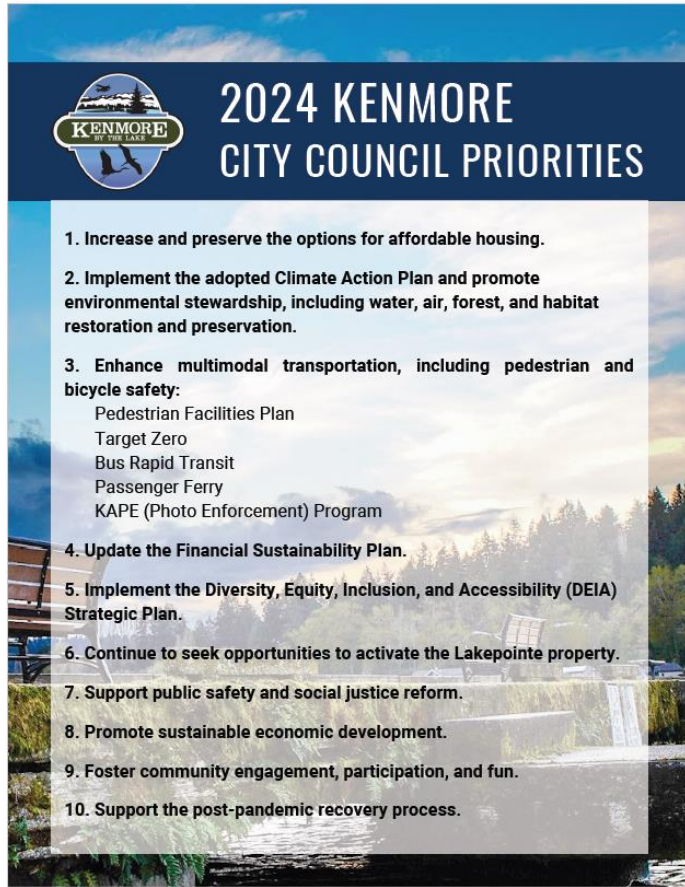


Appendix



City priorities

Aligning with city council's vision for Kenmore

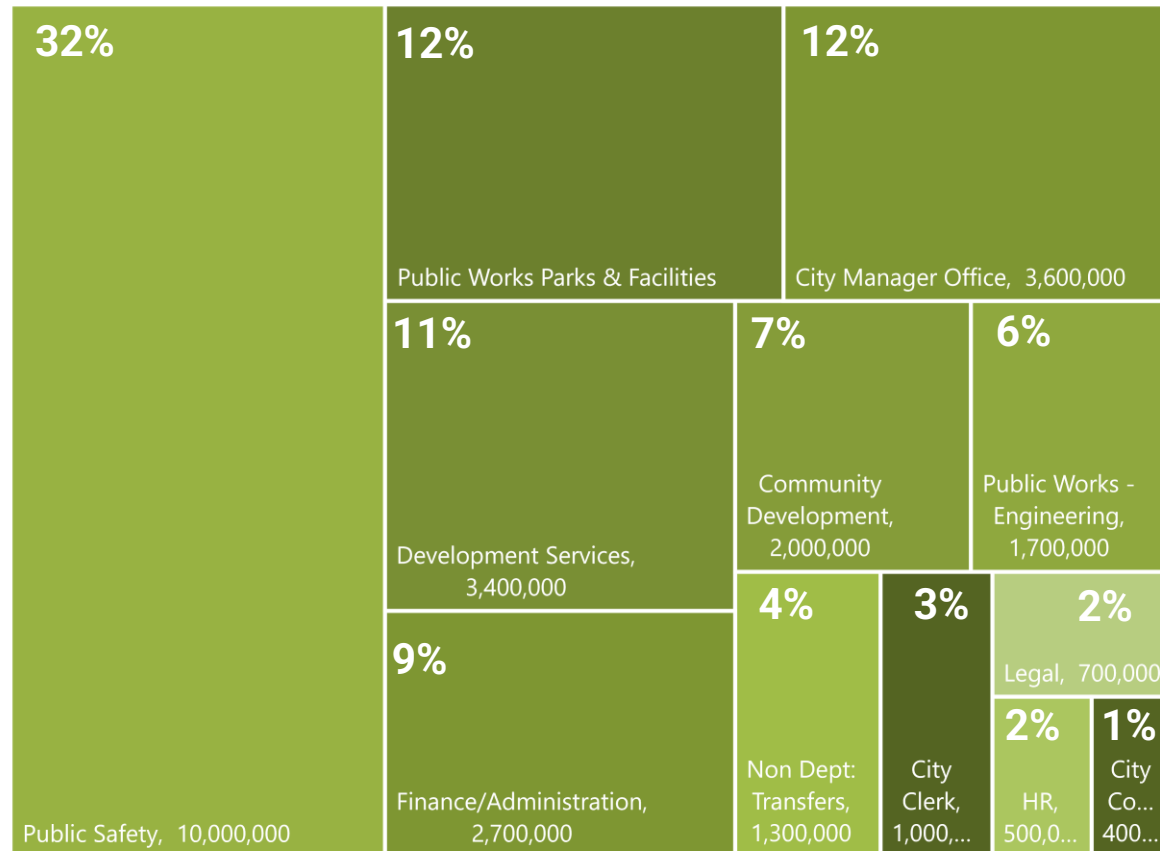


1. Increase and preserve the options for **affordable housing**.
2. Implement the adopted **Climate Action Plan** and promote **environmental stewardship**, including water, air, forest, and habitat restoration and preservation.
3. Enhance **multimodal transportation**, including **pedestrian and bicycle safety**:
 - Pedestrian Facilities Plan
 - Target Zero
 - Bus Rapid Transit
 - Passenger Ferry
 - KAPE (Photo Enforcement) Program
4. Update the **Financial Sustainability Plan**.
5. Implement the **Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan**.
6. Continue to seek opportunities to activate the **Lakepointe** property.
7. Support **public safety and social justice reform**.
8. Promote sustainable **economic development**.
9. Foster **community engagement, participation, and fun**
10. Support the **post-pandemic recovery** process.



General fund breakdown (biennium)

→ Expenditures



→ Revenues

