
INTRODUCTION & OVERVIEW

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Reader's Guide

The reader's guide is provided to acquaint the reader with the document's overall layout. It lists each major section of the budget in the order that it appears and provides a brief description of what you will find in that section. Please refer to the Table of Contents for specific section locations and details.

INTRODUCTION & OVERVIEW

This section begins with a profile of the City of Everett, a citywide organization chart, and a list of city officials and directors. Presented next is the Mayor's Message, a brief Budget Overview, and the Budget Priorities used to guide the development of this budget. The section concludes with a discussion of the budget process, the budget development calendar, and an overview of the department narrative structure.

FINANCIAL STRUCTURE & POLICIES

This section describes the City's fund structure. It lists all of the City's funds along with a description of each fund's purpose and discusses the budget versus accounting basis. The section also includes the City's significant budget and financial policies, including reserve fund policies and goals, ongoing budget practices, debt management policies, cash management issues, and other fiscal management topics.

FINANCIAL SUMMARIES

Here you will find summary financial information for the City as a whole. The tables include revenues presented by major revenue source and expenditures presented by fund type, fund, and function. There are analysis sections on revenue sources, uses, and fund balance. In addition, there is a General Government Five-Year Outlook subsection that provides a five-year forecast of future impacts of current decisions. In this subsection, the General Government expenditure budget is divided into eight parts: legislative, departmental support, public safety, reserves, debt service, infrastructure, community programs, and governmental operations. This type of analysis provides insights not found when assessing the budget from a traditional departmental view.

CAPITAL AND DEBT

This section describes the capital budgeting process and provides details of citywide capital expenditures and their estimated impact on future operating budgets. The section also includes data on the City's debt obligations, the impact of debt service on the annual budget, and debt limits.

PERSONNEL SUMMARY

The Personnel Summary provides detailed information on the City's staffing budget including staffing by service category, staffing by department, staffing changes, trends, and other personnel related information.

DEPARTMENT BUDGETS

The Department Budgets are presented in the budget book by fund type and in fund number order. There are six department sections: General Government Funds, Special Revenue Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, and Trust Funds. These sections depict the specific spending plans of the departments and include all operating funds of the City. As noted above, a detailed description of the department narrative layout can be found at the end of the Introduction and Overview section.

SUPPLEMENTAL INFORMATION

This section provides additional community, demographic, and economic information.

GLOSSARY AND ACRONYMS

This section includes definitions for many of the terms used in the budget document as well as a list of acronyms.

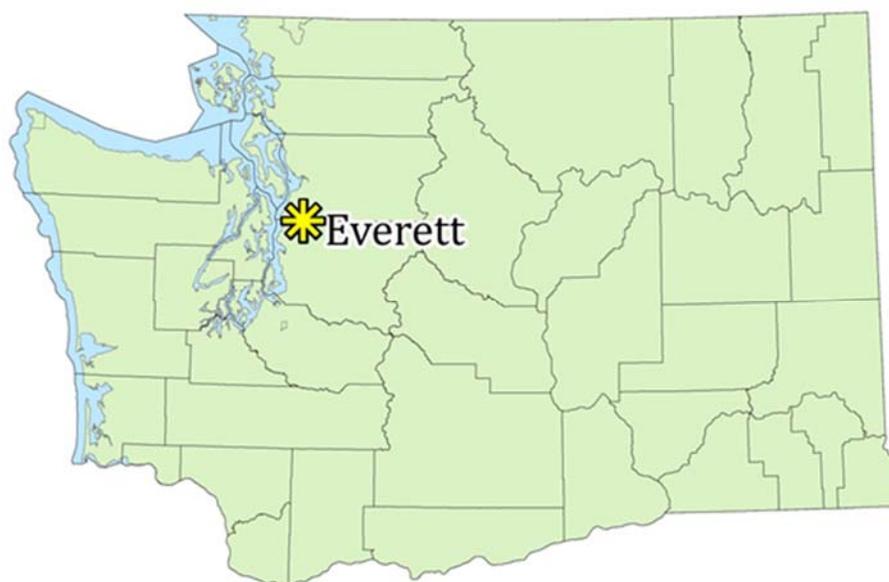
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City of Everett Profile

The City of Everett was incorporated on May 4, 1893. Located along the shores of Port Gardner Bay, Everett is about 25 miles north of Seattle and 85 miles south of the Canadian border. The City encompasses roughly 48 square miles and is bordered by 11 miles of saltwater and 10 miles of freshwater shoreline.

Everett operates under a Mayor-Council form of government. It is a general purpose governmental entity and provides the full range of municipal services allowed by statute and charter. These services include police, fire, emergency medical services, street maintenance, planning and zoning, libraries, parks and recreation, and general administrative services. In addition to its general government services, the City operates five enterprises: water and sewer utility, solid waste (recycling) utility, two golf courses, a transit system, and a parking garage.

The City of Everett is the Snohomish County seat. With a population of 111,800, it is the largest city in the county and the seventh largest in the state.



Nestled between the beautiful Cascade Mountain Range to the east, the Puget Sound with its hundreds of forested islands to the west, and with the Snohomish River and easy-to-access lakes close at hand, Everett is a splendid place to live. The area offers a high quality of life, a vital center for businesses of all types and an important deep-water port that provides access to overseas markets.

As the county seat, Everett is the center of economic development activity in Snohomish County with an expanding high-technology industrial base and health care industry, an established, world-renowned aircraft manufacturing plant and state-of-the-art naval station.

The City of Everett is home to the second largest marina on the West Coast. The area also boasts a wide range of family-centered entertainment, cultural, recreational and educational opportunities. The climate is relatively mild year-round, with seemingly endless outdoor recreational activities.

The following information is presented to give the reader an overall sense of the service demands of the City, providing a link to the allocation of resources in the operating budget.

GENERAL DATA

Population	111,800
Number of Active Voters	56,002
Number of Inactive Voters	6,955
Median Age of Residents.....	37.9 years
Assessed Valuation (2019 AV for 2020 taxes).....	18,458,610,540
Full Time Equivalent Employees	1,184.20
Unemployment Rate (Snohomish County, Dec 2019, not seasonally adjusted).....	2.4%
Per Capita Personal Income.....	58,178
Average Annual Precipitation	41.6 inches
Average Precipitation Days.....	172

LIBRARY

Branches	2
Total Number of Digital and Print Materials Circulated	830,722
Website Use (visitors and database use).....	166,564

PARKS & RECREATION

Number of Parks.....	45
Number of Playgrounds.....	18
Park Acreage	837
Municipal Golf Courses.....	2
Public Swimming Pool	1

SENIOR CENTER

Members	1,050
Meal Program Participants	12,792

ANIMAL SERVICES

Total Animal Intake	5,365
Save Rate (adoption, return to owner, transfer to rescue)	90%

NEIGHBORHOODS

Number of Organized Neighborhoods	19
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FIRE PROTECTION

Commissioned Firefighters	171
Fire Stations.....	6
Fire Apparatus (engines, aerial ladders, etc.)	16
Medic Units	8
Fire/EMS Alarms	22,260

POLICE PROTECTION

Police Stations	2
Commissioned Officers	206
Police Vehicles	181
Harbor Patrol Boats	2
Calls for Police Services	149,446

STREETS

Paved	320 miles
Sidewalks	343 miles
Alleys	45 miles
Bridges	33
Street Lights	6,870

TRANSIT

Buses/Paratransit Vehicles	40/24
Transit Stations	3
Fixed Route Passengers	1,606,899
Paratransit Passengers	125,102

UTILITIES – SEWER

Average Daily Sewage Treated (millions of gallons)	19
Lift Stations	32
Service Connections	24,116
Miles of Sanitary Sewer Pipes	344

UTILITIES – WATER

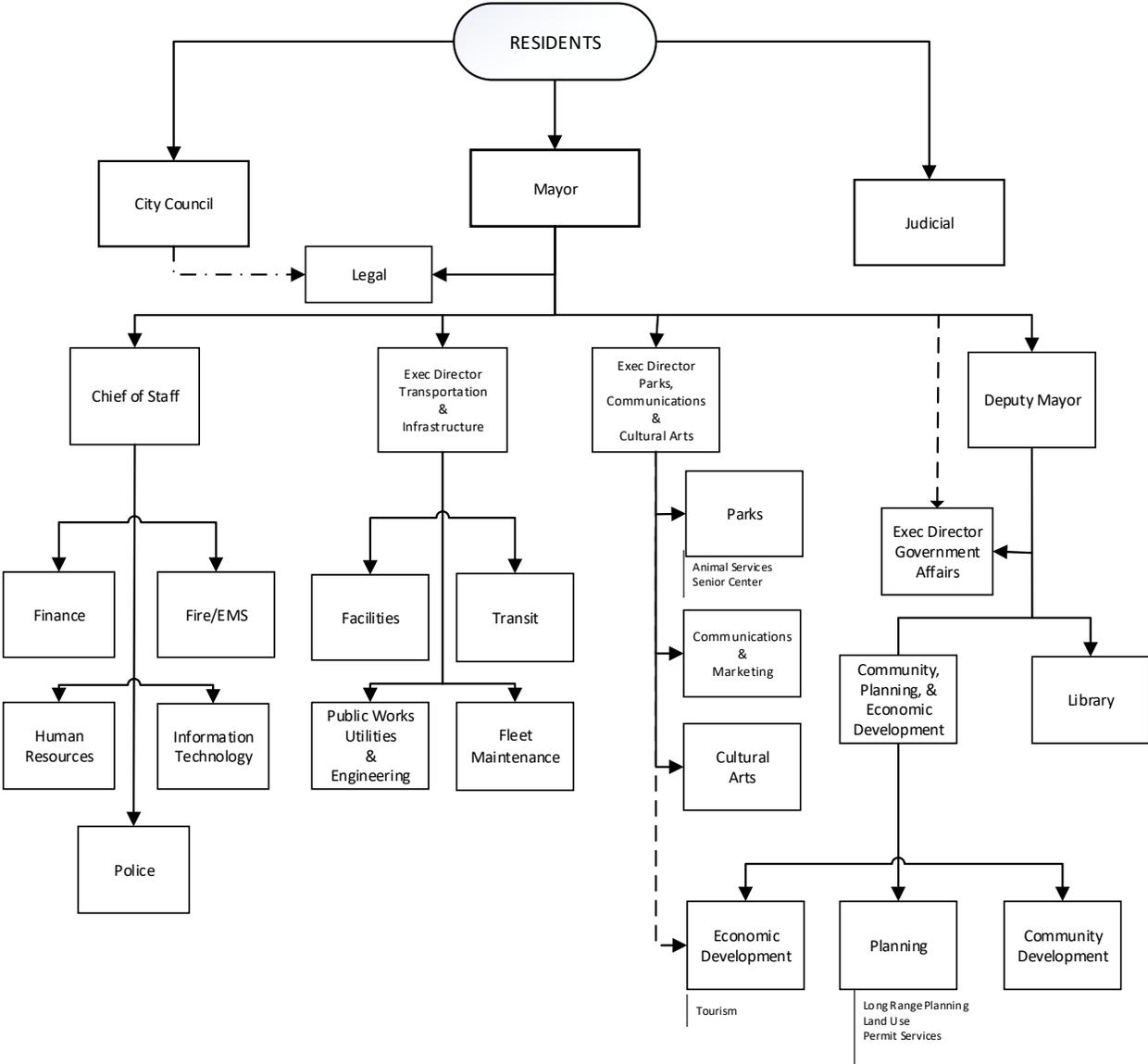
(Source of supply is the Sultan River)

Total Treated Water Delivered (millions of gallons)	18,822
Service Connections	29,428
Water customers served by system	615,000

Please find additional community and demographic information in the Supplemental section.

<p>INFORMATION SOURCES: City of Everett web site: www.everettwa.org City of Everett Operating Budget Document Snohomish County web site: www.co.snohomish.wa.us</p>	<p>Washington State Employment Security Department Office of Financial Management, State of Washington U.S. Census Bureau</p>
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CITY OF EVERETT ORGANIZATION CHART



OFFICIALS AND DEPARTMENT DIRECTORS

The position of the Mayor is a full time position, elected to four-year terms. The Mayor is the chief executive and administrative officer of the city and is in charge of all departments and employees.

The City of Everett’s Council members are part-time officials. The Council members are the City’s legislative body who make policy decisions and enact local laws. The positions are non-partisan and are typically elected to four-year terms from the community as a whole (commonly called at-large elections). However, in November 2018, Everett voters approved moving to Council districting with five districts and two at-large positions. 2021 will be the first election by district. Candidates can run for 4-year terms in positions 1-5, representing the new districts. In 2023, there will be elections for positions 6 and 7 for 4-year, at-large terms.

Elected Officials:

Term Expires

Mayor..... 12/31/21 Cassie Franklin

City Councilmembers:

Position No. 1 12/31/21 Paul Roberts
 Position No. 2 12/31/21 Jeff Moore
 Position No. 3 12/31/21 Scott Murphy
 Position No. 4 12/31/21 Liz Vogeli
 Position No. 5 12/31/21 Scott Bader
 Position No. 6 12/31/23 Brenda Stonecipher
 Position No. 7 12/31/23 Judy Tuohy, President

Appointed Officials:

Administration:

Deputy Mayor..... Nick Harper
 Chief of Staff Lyle Ryan
 Executive Director, Parks, Communications & Cultural Arts Lori Cummings
 Executive Director, Government Affairs..... Bob Bolerjack

Department Directors:

Executive Director, Transportation & Infrastructure Paul Kaftanski
 City Attorney David Hall
 Chief of Police Dan Templeman
 Fire Chief..... Dave DeMarco
 Public Works Director..... Ryan Sass
 Planning Director Allan Giffen
 Finance Director-Treasurer Susy Haugen
 Communications Director..... Kimberley Cline
 Economic Development Director Dan Eernisse
 Human Resources Director..... Kandy Bartlett
 Community Development Director Julie Frauenholtz
 Information Technology Director Steven Hellyer
 Library Director Abigail Cooley
 Transportation Services Director..... Tom Hingson



Mayor
Cassie Franklin

Everett City Council



Paul Roberts



Jeff Moore



Scott Murphy



Liz Vogeli



Scott Bader



Brenda Stonecipher



Judy Tuohy
President



CITY OF EVERETT

2020 Budget Address

October 30, 2019

Council President Bader, City Council members, City staff and residents of Everett:

I am pleased to present you with a proposed budget for 2020 that is balanced, responsible and supports the important services the City provides to its residents and businesses.

After facing a \$13 million deficit last year and making more than \$5 million in permanent reductions, we began the year with a \$10.9 million budget gap for 2020.

By working closely with members of the City Council and especially its Budget and Finance Committee, we have shown our commitment to fiscal responsibility. We've crafted a balanced budget and reduced our ongoing deficit further, bringing total permanent reductions to \$7.6 million.

Programs across all City departments have had to tighten their belts. Since I've taken office, we've eliminated 18 positions throughout City government. Appointive staff in the Mayor's office have voluntarily elected to not receive a cost-of-living increase in 2020 and I will lead by example by donating my own commission-mandated salary increase back to the general fund.

These short-term cuts are not the long-term answer. Rather, we need to continue to make changes that are aligned with our community's priorities.

This year we have built this budget on a foundation of quality-of-life priorities, which are:

- Responsive & responsible government
- Safe community
- Economic & cultural vitality
- Transportation & infrastructure
- Engaged & informed community
- Education & workforce development
- Housing and Affordability

Each item in this budget falls under one of these priorities.

Responsive & responsible government

I'll start with responsive and responsible government, which is the foundation of our work. That means being good financial stewards and delivering essential City services efficiently and effectively.

On that note, I'm particularly proud to announce that in 2020, we'll become the first city in Snohomish County to offer a new consumer-driven health plan and City-sponsored clinic for employees.

This program will increase the quality of healthcare for our team members and their families, while saving more than \$350,000 in its first year. Those savings are expected to grow to nearly \$1 million a year by 2023.

Part of being responsive is understanding your community and its needs. My proposed budget builds on our work on equity and inclusion. This includes updating the City's recruiting processes to attract and retain a workforce that better reflects our city's diverse community.

Our work on redistricting is another important investment. Last year voters approved the creation of city council districts and the Districting Commission is beginning this critical work that changes how Everett will be governed. The first council elections under the new district format will occur in 2021.

We also must be responsible with our natural environment and right now climate change is a growing concern for our region and quality of life. Next year we will continue updating the City's Climate Action Plan in partnership with our council. The plan will identify and prioritize actions we can take locally to address this global challenge. A special thanks to Councilmember Roberts for his dedication to this issue.

Safe community

Ensuring the people of Everett are safe is our top priority. That's why over half of our proposed general fund expenditures will support investments in fire, police and other public safety programs.

Starting with Everett Fire:

Last year our voters approved an emergency services levy. This ensures that life-saving services are always available wherever and whenever needed. Part of that investment is being combined with a three-year federal grant of \$1.6 million to pay for 10 more first responders at Station 6 in South Everett, as well as an additional medical aid unit.

Moving on to Everett Police:

Everett *is* becoming safer. According to the latest data released by the FBI, violent crime in Everett decreased 25% last year and property crimes fell 8%. Since we created our gang response unit, Everett has also seen a substantial curtailment of gang-related offenses.

But we know our residents doesn't always feel safe.

So, to continue these positive trends, our proposed 2020 budget estimates a fully-staffed department. It also continues vital investments in the very successful gang response unit. The department anticipates filling a vacant additional motorcycle officer position to enhance traffic enforcement on our streets, bringing the total number of motorcycle officers to four. And, it includes funds for the police to test and evaluate the use of body-worn cameras.

My proposed 2020 budget also provides ongoing funding for programs that help address our street-level social issues.

This continues investment in our very successful Community Outreach and Enforcement Team. This program pairs social workers with police officers to help members of our community who are struggling.

This strategy is working and we are ahead of many of our peer cities.

Since launching in 2017, our embedded teams have logged nearly 9,000 interactions with people facing mental health or addiction challenges and homelessness. Many of these interactions have connected people with services that have put roofs over their heads and helped them get treatment.

To further bolster this important program, our police department recently brought on board an AmeriCorps VISTA volunteer. This volunteer is helping to grow our Safe Streets Flex Fund, which is 100% donation funded and supports our at-risk residents using no taxpayer dollars.

But this is not enough.

Early in 2020 I will release a plan to ensure that we increase our police force back to pre-recession staffing levels. That's a minimum of two officers per one thousand Everett residents.

I also plan to bring forward additional strategies very soon to provide Police with more tools to keep our streets safe and our community welcoming to all.

Economic & cultural vitality

What also makes a community welcoming is having a robust economy and a vibrant cultural scene. That's why economic and cultural vitality is one of our City priorities. Encouraging economic growth is one of the best ways to grow City revenues and we've been working hard to bring more businesses, jobs and commerce into our city.

We launched our Metro Everett initiative, as well as our Visit Everett tourism and marketing campaign. Both are attracting not only tourists who are spending money here, but also businesses that enhance our local culture, economy and quality of life. We were also thrilled to help the Everett Farmer's Market move from their waterfront location to downtown and we look forward to hosting them for years to come.

Our 2020 budget builds on this momentum and includes work to establish the City as a certified creative district. We'll also invest in a mural program to leverage the power of the arts to transform Everett through creative placemaking.

Having beautiful, safe and modern parks is also part of our vitality as a City and I am proud of Everett's robust parks system, which includes 1,400 acres spanning 45 parks. Next year we'll continue park improvements that provide best-in-class facility renovations and new park developments. This includes completing the Phil Johnson Ballfields renovation and a new, state-of-the art playground at Forest Park. We will also construct a new park adjacent to the YMCA in the Glacier View neighborhood.

Embedded within our parks program is our animal shelter, which supports the welfare of our favorite furry friends. As someone whose adopted animals outnumber the people in my household, the work of our animal shelter is near and dear to my heart. Our budget includes a new fundraising coordinator for the shelter. The new position will not only pay for itself, but will also generate new revenue to sustain shelter operations and care for the animals.

Transportation & infrastructure

Making sure people and goods are able to move easily and efficiently within and through Everett is another priority. As such, our 2020 budget continues investments in public transit, safe roadways, pedestrian safety, bridges and other vital infrastructure.

I'm proud to say that Everett Transit continues to be a regional leader in the adoption of zero-emission electric buses. Two more electric buses will join the fleet in 2020, bringing our total to nine. These new buses are being purchased with federal funds. Matching funds were provided as part of the Volkswagen settlement, which brings our cost for these buses to zero!

Improvements to our stormwater system continue, building on the significant strides we've made in recent years to reduce impacts when intense rainfalls overwhelm our system. In 2020 I look forward to celebrating the completion of the Grand Avenue Park Bridge. This project replaces deteriorated underground pipes with new stormwater and sewer pipelines and will provide easy pedestrian access from Grand Avenue Park to our growing waterfront.

Drivers and cyclists in Everett currently enjoy some of the most pothole-free streets in the region. Our proposed budget continues to fund a healthy street overlay program to keep our roadways in top condition. This comes with a cautionary note. If state voters approve Initiative 976, more than half of that funding will be lost. Everett Transit will also lose \$750,000 dollars a year for paratransit services that help disabled and senior residents meet their basic transportation needs.

Education & workforce development

Our next priority is education and workforce development. It's important that people who *live* in Everett can also *work* in Everett and that young people have a wide variety of career paths available to them.

My 2020 budget includes continued support for the Everett Career Link internship program. I was proud to debut this program this year in partnership with Everett Public Schools. This links local businesses with emerging, local talent for a 90-hour summer internship where students earn high school credit.

I had the pleasure of hosting my own intern this summer. Jamie started with us in the Mayor's Office after her junior year of high school. It's been a rewarding opportunity for my entire team. She did such a great job we decided to extend her internship through the school year.

The interns in this program demonstrated professionalism and enthusiasm, and we're currently working with new Superintendent Saltzman to expand. I hope to make it available to Mukilteo School District so that all Everett students have an opportunity to participate.

We will continue to support higher education through our advocacy efforts in Olympia, whether it's for expanding Washington State University's footprint in Everett or new programs at Everett Community College. These schools play a key role in growing our regional workforce and providing quality education for our residents.

Engaged & informed community

To support our priority of an engaged and informed community, I'm excited to report that in spring 2020 we'll be bringing back the very popular Everett Essentials civic academy.

We'll also continue to invest in our libraries, which serve as information hubs and places for people to gather. Our Evergreen Branch expansion will be completed in December, adding an additional 5,600 square feet and creating a state-of-the-art facility in south Everett. I thank our residents for their patience during the renovation; you'll soon see that it was worth the wait! New this year, we began offering passport services at our main branch; we hope to expand those services to the Evergreen

Branch next year. We will also expand the Great Stories Club program for at-risk/underserved teens to Cascade, Sequoia, Denney Juvenile Justice and Cocoon House.

To ensure everyone in our community can see how well City departments are performing, from Police to Fire to Public Works, we'll continue to add new data to the open data portal we launched this year. It offers an unprecedented amount of public information, easily accessible on our City website.

Housing and affordability

Our final priority is housing. Our goal in Everett is to have a wide range of quality housing available at all price points.

By creating a more livable city, we're laying the groundwork for investments in new housing. Those investments are paying off in the growth all around us. Projects to develop over 1,200 new units are either under construction or in the City's permitting pipeline. This includes 266 new apartments in the Port of Everett's Waterfront Central development, which will break ground this afternoon! There are also new apartments and townhomes in the works in Twin Creeks, Beverly Lake, Silver Lake and Westmont. And, we're excited for the first phase of a new Riverfront Development, which will bring 295 residential units, as well as a theater, grocery store, restaurants and more!

Keeping housing affordable for all of our residents is important, and a key strategy for dealing with the challenge of homelessness. Thanks to a measure adopted by the State earlier this year, Everett now has additional resources to help fund affordable housing. In addition to these new funds, we will continue our investments in grants for organizations addressing housing and homelessness.

This includes our effective Community Housing Improvement Program known as CHIP. CHIP has provided housing repair assistance to over 1,400 single-family households since 1977. One of our recent clients is a long-term Everett resident and disabled veteran, who found himself unable to maintain his home. Not knowing where to turn, and with no financial resources to make the repairs on his own, his home literally began to fall apart around him. He applied and was accepted into the CHIP program, and soon CHIP staff helped him get a new roof, upgrade electrical and plumbing systems, and make other repairs to allow him to remain in his home, safe and secure. It's programs like this that really do make a difference – one home at a time.

Everett is also engaged in Snohomish County's Housing Affordability Regional Taskforce (HART). One thing HART has made clear is that Everett has led on housing affordability in this county. I'm proud of the work our city council has led in this arena. However, *all* communities throughout Snohomish County need to work together with nonprofits, developers and social service agencies to address this challenge. I look forward to collaborating with partner jurisdictions to ensure their investment in affordable housing moving forward.

In closing, achieving a balanced budget that addresses the key priorities of our City is no easy task.

It takes a team to accomplish it. A team that is willing to collaborate and compromise. I'd like to once again thank our amazing City staff for their tireless dedication to serving our residents.

I also want to again thank our Budget and Finance Committee Chair, Councilmember Scott Murphy, along with Councilmembers Brenda Stonecipher and Jeff Moore, and the entire Council for their leadership and significant involvement in what has been a very deliberate, transparent process.

When I ran for mayor, I promised to provide our residents the best services possible while stewarding our resources and planning for the future. I know we have accomplished this. Good government is a commodity that we must not take for granted, and I am committed to ensuring that we continue to improve.

Our budget is built on a strong foundation of City priorities that I believe will serve us well for years to come. Working together toward common goals, there are few limits to what we can accomplish. These priorities will provide a platform to help us measure results and ensure we're doing the most we can for our residents with the resources we have. After all, that's what public service is about.

Thank you.

A handwritten signature in blue ink, appearing to read 'Cassie Franklin', with a long horizontal flourish extending to the right.

Cassie Franklin, Everett Mayor

2020 Budget Overview

This section is preceded by the Mayor's Message, which is delivered to City Council at the first budget hearing. The Mayor's Message is intended to be read in concert with this overview. The 2020 Budget Priorities, which follow this section, should also be read in conjunction with this overview.

2020 FINANCIAL OVERVIEW

CITYWIDE

The City's Operating Budget is comprised of 56 separate funds, each with a unique purpose. The operating budget funds day-to-day expenditures for a variety of services. Among these are police and fire protection, water and sewer services, transit, street maintenance, parks and the library, debt service, and support services. These basic services are funded by user fees, taxes, permits, grants, state-shared revenues and other charges. The budget can vary greatly from year to year depending on construction projects and equipment replacement schedules. As summarized below, the total City expenditure budget, excluding ending fund balance, increased by \$9.3 million between 2019 and 2020.

<u>Expenditure Budget</u>	<u>Adopted 2019</u>	<u>Adopted 2020</u>	<u>% Increase (Decrease)</u>
General Government	\$ 138,369,767	\$ 148,739,995	7.5%
Special Revenue Funds	39,973,129	38,104,245	-4.7%
Debt Service	3,305,537	3,746,803	13.3%
Enterprise Funds	193,965,490	191,228,223	-1.4%
Internal Service Funds	41,306,717	44,268,764	7.2%
Police & Fire Pension Funds	<u>4,119,000</u>	<u>4,298,000</u>	<u>4.3%</u>
Total Expenditure Budget	\$ 421,039,640	\$ 430,386,030	2.2%

The total City revenue budget increased \$12.6 million, excluding beginning fund balances, from \$406.4 million in 2019 to \$419 million in 2020. The City's ending fund balance is budgeted to increase by \$21.7 million from the original 2019 budget of \$197.9 million to \$219.6 million in 2020.

Details of the revenue, expenditure, and fund balance changes for various funds can be found in the Financial Summary section of the budget.

GENERAL GOVERNMENT

The General Government is a subset of the total City budget that consists of Funds 001 through 120. For a description of the public services provided by these funds, please see the General Government Funds section of this document.

The City's Five-Year Forecast model functions as a key tool in the general government budget development process. As the General Government budget develops, all changes are processed through the model to forecast the five-year impact. At the beginning of the budget process, the model projected a \$10.9 million operating deficit for 2020. Subsequent revisions to the revenue forecast and expenditure budget, along with using the 2018 budget variance to fund a portion of reserve commitments, eliminated the projected deficit.

Primary guidelines for the 2020 budget development were: adhere to sound financial management practices; maintain, to the extent possible, the current level of public services; review department processes and develop ways to improve efficiencies and/or provide services in new manner.

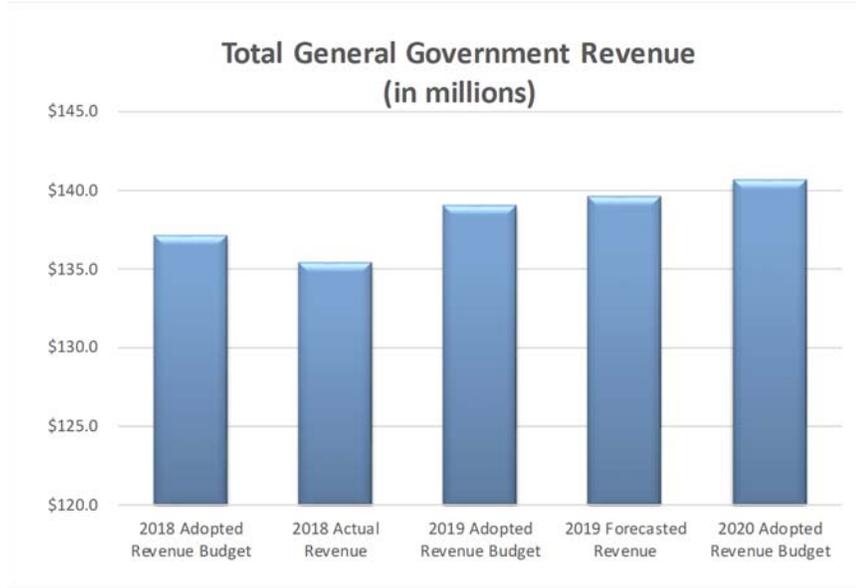
Key challenges facing the City for the budget year 2020 included:

- Property tax growth limited to 1% of base, plus adjustments for new construction and annexations
- Rising labor costs associated with regional competition for public safety employees and new state laws related to minimum wage and sick leave
- Increasing jail costs
- Limited funding for much-needed capital projects, many of which were deferred during the recession

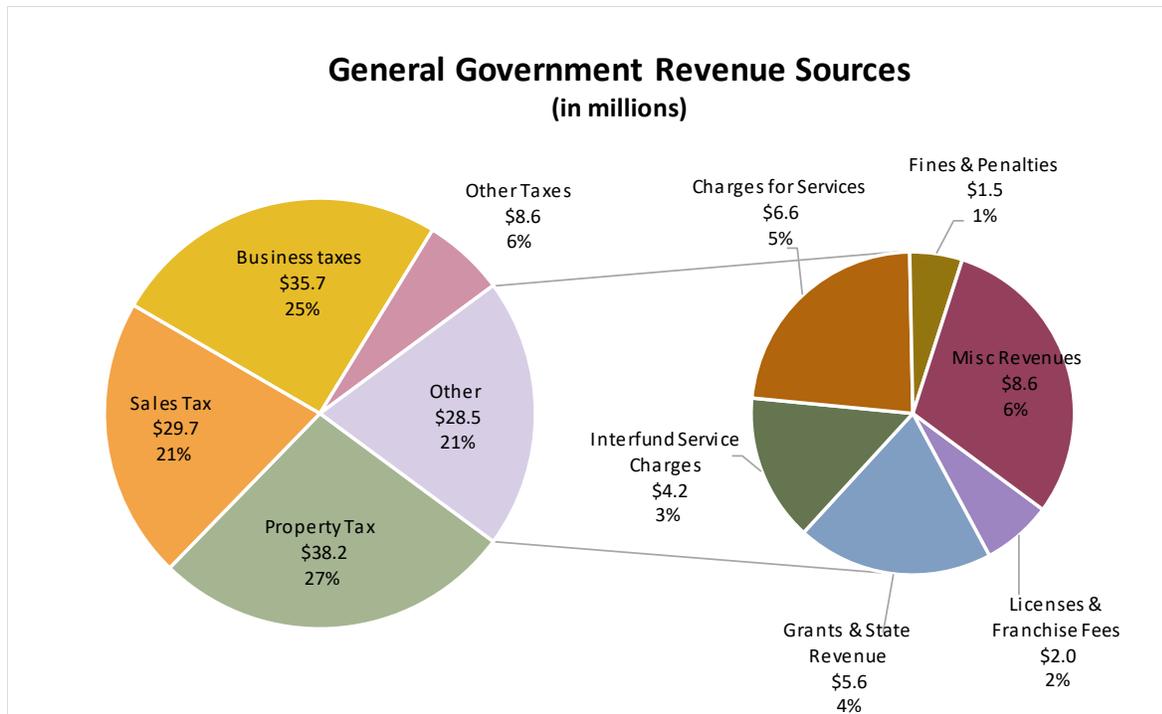
Major changes to eliminate the 2020 General Government budget deficit and bring the budget into balance are listed below.

2020 estimated deficit as of 12/13/18	\$ (10,875,532)
2018 revenues under budget	(279,900)
2018 expenditures under budget	8,429,900
Increase Fund Balance to meet 20% requirement	(131,575)
Revenue adjustments (new and eliminated revenues, forecast changes)	
Eliminate police alarm registration fee	(101,000)
Eliminate off duty police officer administrative fee	(137,360)
Increase sales tax forecast	580,869
Adjust B&O tax assumption	(349,069)
Reduce telephone utility tax assumption	(550,755)
Reduce other utility tax estimates (natural gas, electric, cable, garbage)	(249,472)
Increase construction permit forecasts (building, electrical, etc.)	306,512
Increase charges for services estimates (recreation, engineering, planning, etc.)	655,169
Decrease cable franchise fee forecast	(255,580)
Decrease fines, traffic infractions, and non-traffic infractions	(130,775)
All other revenue adjustments	67,701
Labor adjustments:	
Voluntary Separation Program savings	1,352,000
Staffing changes (department re-organizations, position reclasses, etc.)	875,112
Increase COLA, steps, longevity, overtime, and seasonal assumptions	(164,060)
Reduce benefit cost assumptions (medical, dental, vision, retirement)	564,660
Increase slow roll assumption	265,800
All other labor adjustments	41,351
Expenditure adjustments other than labor:	
Increase Property Management Fund 146 contribution	(376,940)
Increase jail budget	(273,316)
Increase and extend lateral police officer hiring incentive program	(105,000)
Eliminate Rainy Day fund contribution	145,000
Eliminate across the board 2% M&O increase	166,598
Decrease self-insurance reserve contribution	172,212
Sno911/SERS assessment reduction	260,943
All other expenditure adjustments	96,507
Revised Annual Balance - 11/13/2019	<u>\$ -</u>

The 2020 general government revenue budget, excluding beginning fund balance, is \$140.7 million - a 1.22% increase over the 2019 original budget. As presented in the balancing list on the previous page, two fees were eliminated for 2020; a police alarm registration fee and an off-duty police officer administration fee. Sales tax, construction permit revenue, and charges for services are budgeted to increase in 2020 while B&O tax, utility taxes, and cable franchise fees are budgeted to decrease. Additional information on major revenue categories can be found in the Financial Summary section of this document.



Everett strives to maintain a diverse and stable revenue base to shelter public services from short-term fluctuations in any one revenue source. Current economic development activities are helping to move the City toward a more balanced revenue base. The graph below depicts the composition of the general government’s 2020 budgeted revenue sources.



SPECIAL REVENUE FUNDS

The City has 18 Special Revenue Funds, which account for revenue sources that are restricted for specific expenditure purposes. These funds are related to General Government operations. Budget details can be found in the Special Revenue section of this document. Items of note include:

- Hotel/motel tax fund revenues are budgeted to increase \$95,000 or 14.6% over the 2019 budget due to increased overnight stays and a new hotel coming online. The fund will provide \$900,000 in grants and allocations in 2020 to support and promote tourism within the City.
- The Real Property fund was split into two subfunds to better account for street and alley vacation proceeds. These revenues are restricted for the acquisition, improvement, development and related maintenance of public open spaces or transportation capital projects. Projects planned for 2020 include constructing pedestrian improvements on Pecks Drive near Madison Elementary School, constructing sidewalks at 16th Street, and providing local grant match funds for the Forest Park sport court renovations.
- A new fund, General Government Special Projects Fund 155, was created mid-year 2019. The purpose of the fund is to account for transactions related to General Government special projects that don't fit into one of the other general government funds. Currently, the only activity in this fund is related to capital projects associated with Everett Channel. These projects are funded by monies accumulated from the assessment of the Public, Education, and Government (PEG) fee, which was discontinued in 2011.
- The Criminal Justice fund will increase its support of police officers in the General Fund from 16 to 19 positions in 2020. This fund will also provide support for a body worn camera pilot program. Both of these allocations were made possible after voters approved a 0.1% sales tax increase to support the county-wide emergency radio system. The Criminal Justice fund had been accumulating resources to pay for the City's radio replacements as well as the City's share of the county-wide emergency radio system infrastructure.

ENTERPRISE FUNDS

The City has seven enterprise funds that are mainly self-supporting and expected to operate like private businesses. Item of note include:

Utilities (Water, Sewer, and Surface Water Management)

The Utilities Department strives to preserve essential services for its customer and maintain regulatory compliance, while minimizing the cost of service.

Overall, 2020 service revenues are projected to increase by 2.4% over the 2019 budget. City Council approved a four-year utilities rate ordinance in February 2017. The 2020 revenue growth reflects the effect of those authorized rate changes.

Utilities estimates that expenses will increase by \$3.0 million in 2020. This increase includes a \$1.1 million increase in labor and benefits, a \$3.7 million increase in capital outlay, a net decrease of \$1.5 million in outside services, and a decrease of \$150,000 in debt service. The 2020 budget includes the transfer of a Utility Laborer from the Streets Fund 120 to the Utilities Water work group resulting in an FTE increase of 1.0 for Utilities.

Transit

Everett Transit continues to operate with a narrow revenue-to-expense margin. The service and fare changes implemented in 2019 will help stabilize the fund for a few more years but there are insufficient funds for critical capital investments, such as fleet replacement and base expansion. Through 2020, Transit staff and elected officials will continue to investigate the feasibility of an integrated bus system or an increase in local sales tax to maintain and enhance the existing city-operated system.

The 90-stall park and ride expansion at Everett Station will be completed in 2020. This project is funded by a \$500,000 state grant, \$670,000 from Sound Transit, and the balance from Transit’s capital reserve fund. Everett Transit will also continue to improve its fleet of fixed route and paratransit vehicles. Eighteen new para-transit vans will be delivered in 2020 and two all-electric buses will be ordered to replace vehicles more than 20 years old. The vehicle purchases are funded with federal grants, supplementary grants from the Volkswagen clean air settlement, and local revenues.

Transit coordinates services with sister agencies to facilitate regional travel for the residents of its service area, including support of the bus rapid transit (SWIFT) service along Evergreen Way within the City limits as well as the seamless fare service provided by One Regional Card for All (ORCA). Within the ORCA system, special pricing plans are available to employers, schools, and social service agencies to encourage commute trip reduction and improve the environmental footprint of the City.

Golf

A primary indicator of golf course financial performance is the difference between total revenue per round of golf and total expense per round of golf. Since 2008, the first full year of operations by Premier (a third-party contractor), revenue per round has increased from \$28.45 to a budgeted \$41.04 for 2020—an increase of 44.25%. The 2020 budget projects 111,079 total rounds and approximately \$4.56 million in revenue. The expense per round has increased from \$30.92 in 2008 to a budgeted \$41.73 in 2020—an increase of 34.96%. Total expense is budgeted at approximately \$4.64 million for 2020.

Expense growth increases in the last 10 years have reflected three primary cost drivers. They have been (and continue to be) the repayment of debt principal for loans secured 20 years ago to remodel Legion Memorial Golf Course, a ramping up of funds devoted to the replacement of capital equipment to maintain the courses, and continued escalation in labor costs associated with wage and benefit growth. The growth in expenses has offset revenue increases generated from higher green fees. Compounding this situation has been the national and local decline of golf as a participant sport. The three-year moving average of total rounds played at Everett’s courses peaked in the 2008-2010 time period, when approximately 129,000 rounds were played. For the latest three-year period available (2016-2018), the average number of rounds was 101,124, a decline of 21.61%. Rounds for 2018 and 2019 were significantly impacted by the Stormwater Detention Pond Project at Legion Golf Course. This Project was completed in August of 2019 and rounds have since rebounded to pre-construction levels.

The adopted 2020 budget spends about \$77,500 of reserves. With forecasted expenses through 2022 exceeding forecasted revenue, staff will undertake a review of revenue growth and continue to seek additional cost containment strategies with the goal of becoming a sustainable financial operation. Some of these strategies could begin to be incorporated during the 2020 budget year. Others may be required to be deferred until 2021 or beyond.

CAPITAL EXPENDITURES

The total budgeted capital expenditures by major category for 2020 are listed below. Further details can be found in the Capital Improvement Program section of this document.

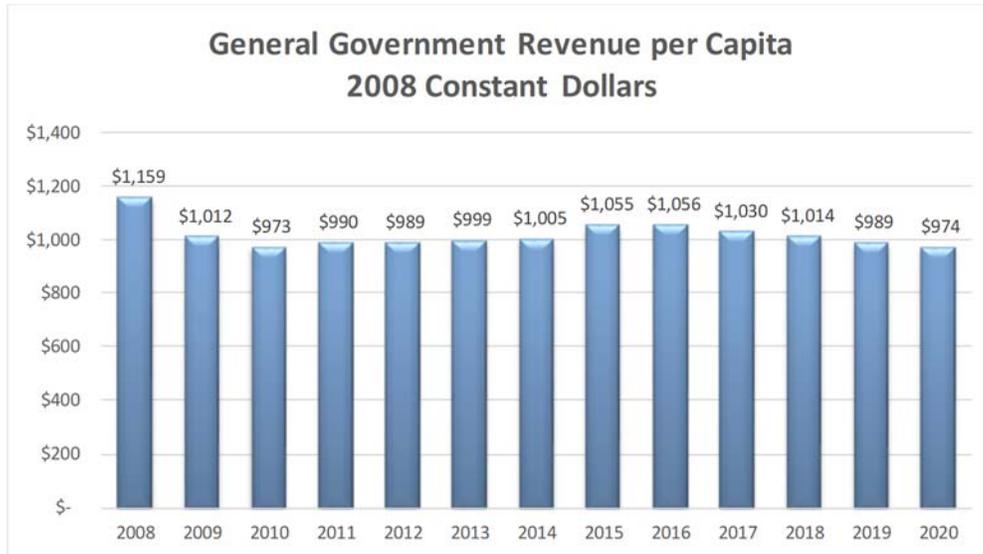
2020 Budgeted Capital Expenditures

Category	Included in	Included in	Total	Percent of Total
	Operating Budget	Capital Budget		
General Government	\$ 4,334,615	\$ 3,498,692	\$ 7,833,307	8.7%
Transit	3,114,037	789,750	3,903,787	4.3%
Parks & Recreation	883,673	5,380,837	6,264,510	6.9%
Transportation	4,482,607	20,422,769	24,905,376	27.6%
Utilities	6,509,000	40,738,049	47,247,049	52.4%
TOTAL	\$ 19,323,932	\$ 70,830,097	\$ 90,154,029	

ECONOMIC ENVIRONMENT

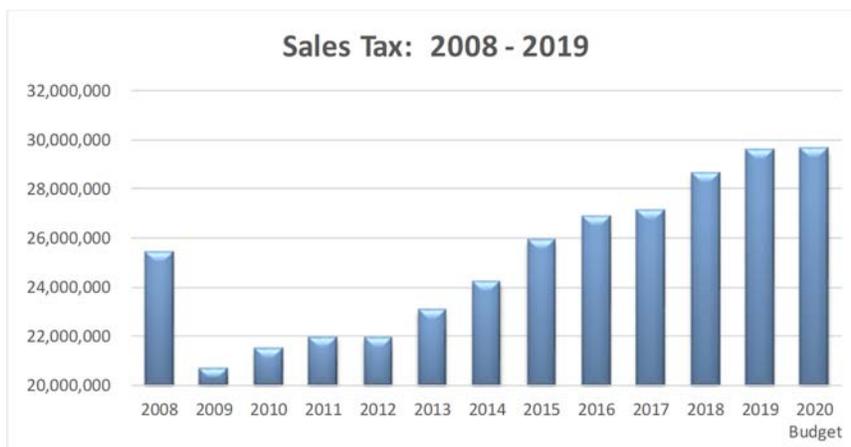
Over the past few years, Everett has benefited from growth in construction and aerospace activity. The Recession hit Everett’s economy hard, and it was not until 2015 that the City’s income, at least on a nominal basis, finally exceeded pre-recession levels.

While the recent improvement in general government revenue is encouraging, if we translate the revenues to constant dollars so that the impact of inflation is removed and present the results in a per capita format (see table below), the result shows that we still have substantially fewer resources available to serve our growing community. Adjusted for inflation and population growth, we see that, excluding 2008, real general government revenues peaked in 2016 and have been on a decline through the forecast for 2020.



The City’s three largest sources of tax revenue are property tax, sales tax, and business & occupation tax. Property taxes are limited to 1% annual growth in Washington State, plus adjustments for new construction and annexations.

Sales tax income is based on the City’s underlying taxable activity and is subject to economic cycles. The City began to see noticeable declines in sales tax in mid-2008, followed by a severe drop in 2009. The trend began to turn around in April 2010, and then, after a slight pullback in 2012, continued to increase every year through 2019. Sales tax revenues are expected to grow by just 0.20% in 2020 over the 2019 year-end estimate and continue at an average 1.15% growth over the next four years.



Looking at sales tax by sector, we see that most categories saw positive growth in 2019. The first table below breaks sales tax out into major industry sectors and presents the percent change in activity between 2018 and 2019. The largest gain, both in terms of percent growth and dollars was the Construction category. Manufacturing saw the largest decline.

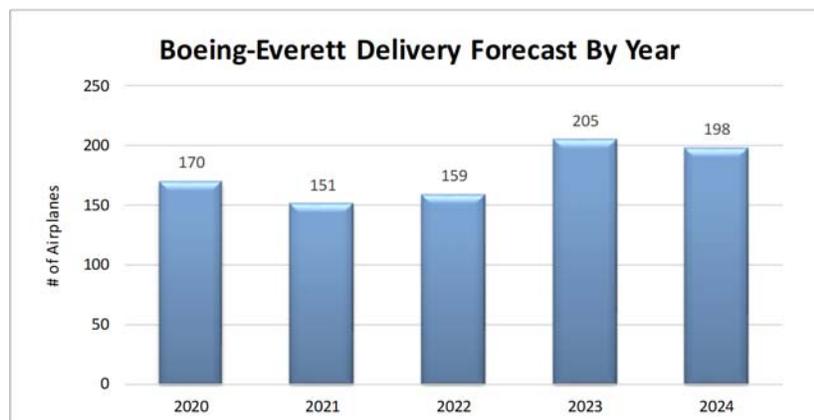
The Retail category is the City’s largest sales tax subset. The second table breaks out the Retail category into subcategories. New businesses and the Marketplace Fairness Act drove gains in the Furniture & Home Furnishings, Miscellaneous Retailers, and Health/Personal Care subcategories. While the majority of retail categories saw positive year over year growth, our largest retail subcategory, Motor Vehicles, posted a \$220,000 or 5.1% decline. This is the third consecutive year of weakening in the Motor Vehicle subcategory.

Total Sales Tax Revenue		
Category:	Category as % of Total Receipts	% Change 2018-2019
Retail	42.3%	2.3%
Construction	14.1%	21.4%
Food Services/Accomod.	9.8%	5.8%
Manufacturing	7.4%	-9.3%
Wholesale	6.5%	6.1%
Information	4.1%	-6.4%
All Other Categories	15.8%	5.0%
Total Sales Tax	100.0%	4.2%

Retail Sales Only		
Category:	Category as % of Total Receipts	% Change 2018-2019
Areas of Strength		
Furniture & Home Furnishings	3.4%	23.4%
Misc Retailers	10.2%	21.9%
Health/Personal Care	4.9%	19.6%
Clothing & Accessories	4.7%	5.3%
Electronics & Appliances	5.5%	4.1%
Food & Beverage Stores	5.3%	4.1%
General Merchandise	19.7%	2.2%
Gas Stations	2.4%	0.7%
Areas of Weakness		
Nonstore Retailers	2.7%	-7.6%
Motor Vehicles	32.7%	-5.1%
Building/Garden	5.4%	-2.5%
Sporting Goods	3.1%	-1.3%
Total Retail Sales Tax		2.3%

The City’s 2019 business and occupation (B&O) tax, which is based on gross business receipts, came in 1.22% below 2018 receipts. This was the fourth year of declining receipts. Looking forward, B&O tax is expected to decrease again in 2020 by about 0.55%. We anticipate an estimated growth rate of 0.75% in 2021, 1.65% in 2021, a spike of 8% in 2023 based primarily on the aerospace industry, followed by a leveling off of the growth rate to about 2.3%.

In 2013, Boeing initiated a nation-wide competition to select a site to build the new 777x. In response, the legislature voted in a tax incentive package and the Machinists Union approved an eight-year contract to position Washington as the preferred location. Based on those actions, Boeing selected the Puget Sound as the preferred site for the 777x as well as its new composite wing facility. We anticipate the 777x will be placed into service in 2021.



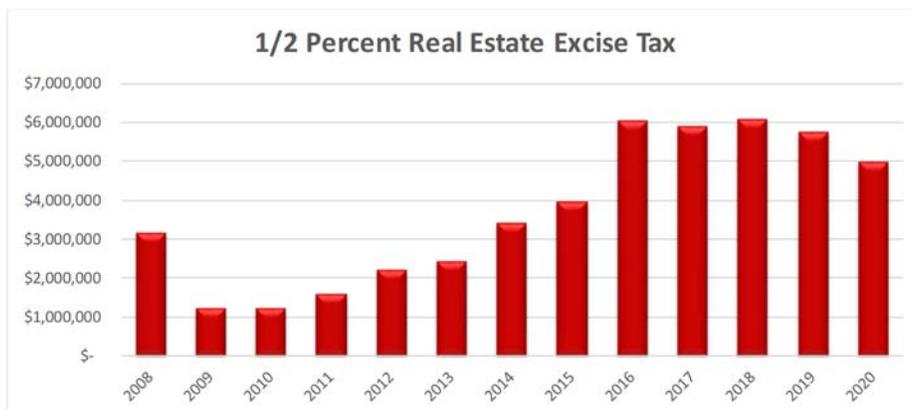
As presented in the table below, the number of permits issued in 2019 decreased in all categories except for multi-family permits, which saw a dramatic increase of 521%. This robust activity was due to an increase in developer interest across the city based on population growth in the region. Single family permits were down only one permit, but valuation was up 29.5%. We expect to see overall permits continue to soften in the near future as the economy slows.

City of Everett Local Housing Industry Indicators			
	<u>2018</u>	<u>2019</u>	<u>Change</u>
City of Everett Construction:			
Single Family Permits	113	112	-0.9%
Single Family Valuation	\$ 24,208,466	\$ 31,345,999	29.5%
Duplex Permits (Units)	22	18	-18.2%
Duplex Valuations	\$ 3,504,244	\$ 4,239,582	21.0%
Multi-Family Permits (Units)	118	733	521.2%
Multi-Family Valuations	\$ 11,241,008	\$ 89,467,979	695.9%
Commercial Permits	16	12	-25.0%
Commercial Valuations	\$ 61,760,041	\$ 16,759,968	-72.9%
Residential Alterations	331	274	-17.2%
Residential Alterations Valuation	\$ 9,928,559	\$ 8,403,814	-15.4%
Commercial Alterations	292	254	-13.0%
Commercial Alterations Valuation	\$ 88,113,091	\$ 84,683,068	-3.9%

Sources: City of Everett Engineering Department

Monthly real estate excise tax (REET) receipts (0.5% of the value of real estate transactions) represent a vital funding source for park and road projects and debt service payments on the Everett Events Center. The chart below illustrates the impact of the Great Recession on REET revenues. Everett experienced a precipitous drop in 2008 that was followed by an additional large decline in 2009.

Collections began improving in 2011 and continued strong through 2018. In 2019, however, we began to see a softening in the housing market with REET receipts declining by 6.2%. We expect this trend to continue into 2020 with collections budgeted to drop by nearly 15% from the total received in 2019.



PRINCIPAL ISSUES FACING THE CITY

There are a number of issues facing the City of Everett that present significant challenges or opportunities as we look to future years. These include legislative changes, regulatory changes, world events, and economic factors. Examples include:

Property Tax 1% limit

Initiative 747, which limits growth in property tax revenue to 1% per year, presents an ongoing budgetary challenge. Property tax is the largest single source of general government revenue—accounting for about one third. With growth in this key component held to a rate lower than the cost of service delivery, the City must increasingly rely on other more volatile sources of income to maintain service levels. As a result, the structural deficit will persist and service levels will continue to be negatively impacted until alternate funding mechanisms can be developed.

B&O Tax Credit

In March 2010, the City amended the Business and Occupation tax ordinance by adding a tax credit for business employment base expansions that create 50 or more new jobs within four quarters. The taxpayer may claim a credit of one thousand dollars per new position, subject to a lifetime cap of \$500,000 per taxpayer. The added positions must remain filled for at least three years.

Public Disclosure

The volume of records requests and associated cost of compliance with the State of Washington's Open Public Records Act continues to place an enormous strain on City resources. Responding to records requests and managing associated legal issues has required the City to increase staffing levels and reallocate resources from other essential public services.

State of Washington/U.S. Government

The City receives various state-shared revenues, including Criminal Justice Assistance, Liquor Revolving Account, Liquor Excise Tax Account, and Motor Vehicle Fuel Tax; and various public safety operating program and capital grants. The state's budget constraints have resulted in reduced revenue sharing and fewer available grants for 2020.

The U.S government also provides grant funding for City programs, primarily in the areas of road construction, transit, and Community Housing Improvement Program (CHIP) funding. Like the state, the federal government has also cut back the number and size of grants it makes available to local jurisdictions.

Together, the reduction in state shared revenues and state and federal grants will force the City to rely more heavily on already strained local revenues to support operations and capital investments.

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2020 Budget Priorities

Seven key priorities shaped the development of the 2020 Budget. The graphic below outlines the overall concept, beginning with a Responsive & Responsible Government as the foundation and adding six additional priorities which come together as a unified group to positively impact the quality of life in Everett.



The fundamental belief associated with this concept is that no single priority on its own can provide our residents and businesses the entirety of what they need to prosper. Everything we do as a City, whether in public safety, community engagement, economic development or delivering basic services, supports our goal of ensuring the best quality of life possible for our community. Vision statements for each priority are provided on page 1-33.

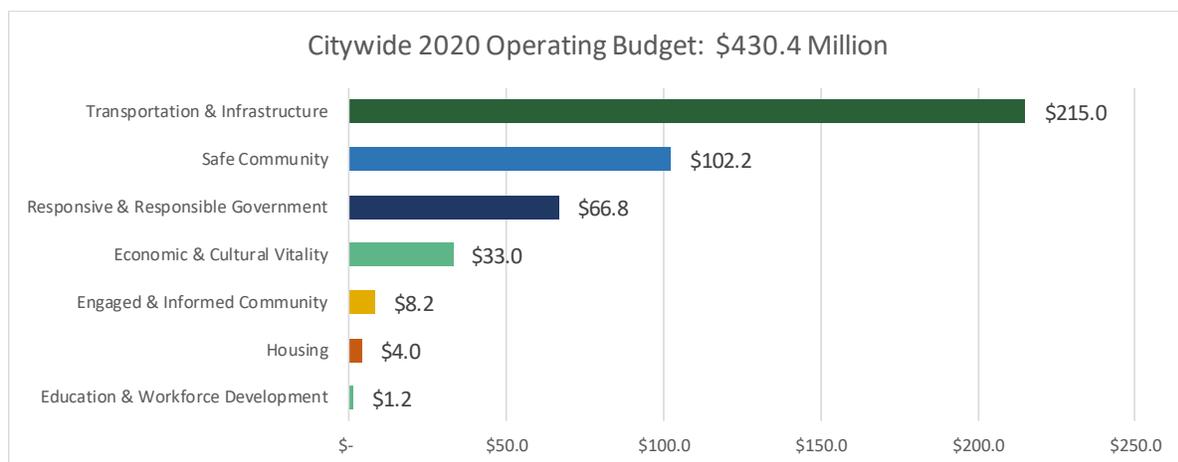
The budget document has been designed to serve as a communication tool for the public. The intent is to improve transparency and accountability in how and why tax dollars are allocated. To that end, although we still present information by department, we purposefully shifted the focus from departments as silos of activity, to how the work they do supports one or more of these priorities.

The icons below are incorporated throughout the fund narratives as a quick reference to associate services with City priorities.



Results or process performance measures are also provided for each activity in the fund narratives. Performance measures are important because they help City leaders make informed budget decisions regarding allocation of resources, and they create accountability to taxpayers for their investment in public services.

The chart below and the one on the following page illustrate the budget distribution among the priorities – both from a citywide and a general government perspective.



Beginning with the citywide chart, the largest allocation goes to **Transportation & Infrastructure**, at \$215 million or 50% of the total budget. The reason why this priority makes up such a large share is because this is where the regional water & sewer utility is allocated. The Utility, with a proposed 2020 budget of \$152.4 million, represents 72% of the Transportation and Infrastructure priority and 35% of the budget overall. The fact that the cost of operating the utility dwarfs the cost of other services makes sense when you look at it in terms of scale. The utility serves a population that is more than 5 times the population of the City of Everett.

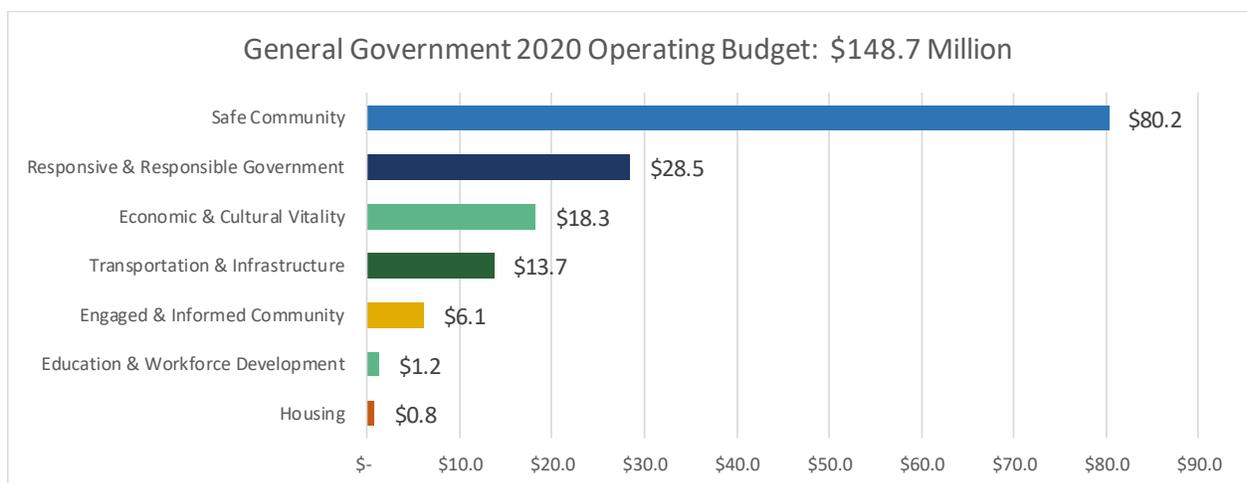
The next priority in order of magnitude is **Safe Community** at \$102 million or 24% of the citywide budget. Police, fire, and EMS activities support this priority--together they make up over \$73 million or 72% of it.

Following safe community, we have **Responsive & Responsible Government** at \$66.8 million or 15%. Council, Administration, non-departmental costs, and support departments, such as Legal, Human Resources, Information Technology, Finance, and Facilities support this priority.

Next is **Economic & Cultural Vitality** at \$33 million or 8%. Parks, Economic Development, Events Center debt support, Municipal Arts, the Everett Performing Arts Center and Permit Services all support this priority.

Engaged & Informed Community follows at \$8.2 million or 2%. Community Development, Communications, and Library activities support the engaged and informed community priority. **Housing** is at \$4 million, or 1%, and includes the CHIP and CDBG programs and a portion of Community Development. Completing the list is **Education & Workforce Development**, which is supported by Library activities and the Employee Tuition Aid Program.

The next chart drills down to the General Government expenditure budget. With the business-type services, such as Transit and the Water & Sewer Utility removed, the **Safe Community** priority rises to the top with \$80.2 million or 54% of the total General Government budget. **Responsive & Responsible Government** comes in second with \$28.5 million, followed by **Economic & Cultural Vitality** in third place with \$18.3 million. **Transportation & Infrastructure** holds fourth place with \$13.7 million, next is **Engaged & Informed Community** with \$6.1 million, then **Education & Workforce Development** at \$1.2 million, and **Housing** at \$800k.



BUDGET PRIORITIES DISTRIBUTION DETAIL

GENERAL GOVERNMENT FUNDS

FUND ACTIVITY		 Responsive & responsible government	 Safe community	 Economic & cultural vitality	 Housing	 Transportation & infrastructure	 Education & workforce development	 Engaged & informed community
1	Council							
	City Council	681,535						
3	Legal							
	Civil	1,271,761						
	Risk Management	168,342						
	Criminal		1,469,322					
	Indigent Defense		1,700,000					
4	Administration							
	Administration	1,240,651						
	Legislative Advocacy	128,846						
	Intergovernmental Relations	128,845						
	Commute Trip Reduction Program					32,211		
	Climate and Sustainability	32,211						
5	Municipal Court							
	Municipal Court		1,776,044					
	Probation and Other Court Programs		484,226					
7	Labor Svc/Personnel							
	Recruitment and Employment Dev.	362,265						
	Emp. Benefits & Leave Administration	281,989						
	Compensation and Classification	489,413						
	Labor and Employee Relations	408,644						
	Employee Safety	79,696						
9	General Gov't. Non-Departmental							
	Safe Community		12,209,045					
	Economic & Cultural Vitality			1,888,991				
	Housing				663,925			
	Transportation & Infrastructure					2,650,895		
	Education & Workforce Dev.						56,000	
	Engaged & Informed Community							193,500
	Responsive & Responsible Govt.	12,418,717						
10	Finance							
	Finance & Budget Administration	499,989						
	City Clerk	911,576						
	Accounting	979,794						
	Purchasing	469,349						
15	Information Technology							
	Admin & Project Management	600,104						
	Help Desk & Desktop Support	442,826						
	Networks & Connectivity	627,277						
	Software & Business Applications	885,005						
	Cybersecurity	150,461						
18	Communications							
	Communications							650,284

GENERAL GOVERNMENT FUNDS - CONTINUED

		 Responsive & responsible government	 Safe community	 Economic & cultural vitality	 Housing	 Transportation & infrastructure	 Education & workforce development	 Engaged & informed community
FUND ACTIVITY								
21	Community, Planning & Econ. Dev.							
	Office of Neighborhoods							209,469
	Community Engagement							95,799
	Safe Streets		78,345					
	Housing & Community Services				99,355			
	Planning Administration	357,295						
	Long Range Planning	698,520						
	Land Use Planning	784,425						
	Economic Development			300,190				
	Tourism and Placemaking			231,902				
24	Engineering & Public Services							
	Administrative Services					743,616		
	Engineering Design and Project Mgmt.					1,001,204		
	Permit Services			3,042,146				
	Traffic Operations					1,755,561		
	Traffic Analysis					319,559		
26	Animal Services							
	Animal Services Administration		322,711					
	Shelter Operations		1,074,126					
	Animal Control & Pet Licensing		319,580					
27	Senior Center							
	Senior Center							646,035
31	Police							
	Administration		2,017,425					
	Administrative Services		5,546,176					
	Investigations		6,592,186					
	Operations		24,616,885					
32	Fire							
	Administration		1,798,644					
	Suppression		16,702,402					
	Prevention		1,104,210					
	Training		1,420,565					
	Emergency Management		496,024					
	Administrative Services		497,636					
38	Facilities							
	Facilities Maintenance	2,224,060						
	Facilities Project Management	848,393						
	Real Property Management	310,214						
101	Parks & Community Services							
	Admin. and Support Services			1,365,333				
	Projects & Planning			524,848				
	Maintenance			4,588,076				
	Recreation			3,276,104				

GENERAL GOVERNMENT FUNDS - CONTINUED

								
FUND ACTIVITY		Responsive & responsible government	Safe community	Economic & cultural vitality	Housing	Transportation & infrastructure	Education & workforce development	Engaged & informed community
110	Library							
	Administration							579,763
	Adult Services						1,189,681	
	Evergreen Branch							1,018,599
	Main Library Circulation							835,436
	Youth services							463,017
	Technical Services							1,384,981
112	Everett Performing Arts							
	Cultural Arts			551,776				
	Everett Performing Arts Center			177,800				
	1% for the Arts Program			3,300				
114	Conference Center							
	Conference Center			2,338,092				
119	Street Improvements							
	Street Improvements					3,882,607		
120	Streets							
	Streets Administration					149,265		
	Asphalt Services					667,143		
	Concrete Services					1,677,534		
	General Maintenance					778,245		
	Subtotal General Government	\$ 28,482,203	\$ 80,225,552	\$ 18,288,558	\$ 763,280	\$ 13,657,840	\$ 1,245,681	\$ 6,076,883

NON-GENERAL GOVERNMENT FUNDS

								
FUND ACTIVITY		Responsive & responsible government	Safe community	Economic & cultural vitality	Housing	Transportation & infrastructure	Education & workforce development	Engaged & informed community
126	Motor Vehicle & Equip. Replacement							
	Vehicle/Equip. Repl. - Police & Fire		1,235,000					
	Vehicle/Equip. Repl. - Parks			520,000				
	Vehicle/Equip. Repl. - Eng. & Streets					364,000		
	Vehicle/Equip. Repl. - General	150,000						
138	Hotel/Motel Tax Fund							
	Hotel/Motel Tax			900,000				
145	Real Property Reserve							
	Real Property Acquisition	150,000						
	Street & Alley Vacation Funds					600,000		
146	Property Management							
	Property Management	1,901,248						

NON-GENERAL GOVERNMENT FUNDS - CONTINUED

FUND ACTIVITY		 Responsive & responsible government	 Safe community	 Economic & cultural vitality	 Housing	 Transportation & infrastructure	 Education & workforce development	 Engaged & informed community
148	Parks Reserve							
	Maintenance Reserve			101,000				
	Park Impact Fees			-				
	Deckman/Madison Morgan Property			23,000				
	CEMEX Property			500,000				
	Other Reserves for Parks			-				
149	Sr. Center Reserve							
	Coffee Bar, Gaming, and Donations							13,500
151	Fund for Animals							
	Vet. Care & Animal Benefit Funding		173,860					
152	Library Reserve							
	Cumulative Reserve							74,393
153	Emergency Medical Services							
	Administration and Training		1,749,028					
	Operations		10,716,165					
154	Real Estate Excise Tax - CIP 3							
	Parks Projects							
	Street Projects					469,067		
155	General Govt. Special Projects							
	PEG Fees							200,000
156	Criminal Justice							
	Law Enforcement Staff Support		2,163,004					
	Law Enforcement Special Projects		886,186					
	Criminal Justice/City Prosecutor		389,356					
	Muni. Court Probation & Court Prog.		351,406					
157	Traffic Mitigation							
	Traffic Mitigation					5,444,847		
159	Transportation Benefit District							
	Transportation Benefit District					1,550,000		
160	Rainy Day Fund							
	Rainy Day Fund		-					
162	Capital Improvement Reserve 1, 2, and 4							
	CIPs			4,272,655				
197	Community Housing Improvement Prog.							
	CHIP, Housing and Comm. Dev. Proj.					1,687,831		
198	Community Development Block Grants							
	Community Dev. Block Grant Prog.					1,518,699		
210	Bond Redemption							
	2012 LTGO and Refunding Bonds			2,271,090				
	2014 LTGO and Refunding Bonds			1,447,600				
243	LID Guaranty							
	LID Guaranty					12,700		

NON-GENERAL GOVERNMENT FUNDS - CONTINUED

								
FUND ACTIVITY		Responsive & responsible government	Safe community	Economic & cultural vitality	Housing	Transportation & infrastructure	Education & workforce development	Engaged & informed community
299	LID Debt Service							
	LID Debt Service					15,413		
401	Public Works - Utilities							
	Resource Management					8,210,240		
	Maintenance					20,860,840		
	Operations					27,464,683		
	Finance					93,949,935		
	Community Involvement & Support							1,876,590
402	Solid Waste							
	Solid Waste Utility Administration					2,686,182		
425	Transit							
	Everett Station					1,730,983		
	Fixed Route Services					16,940,672		
	Paratransit Services					5,391,375		
	Transit Administration					2,025,588		
	Projects					4,393,439		
430	Everpark Garage							
	Everpark Garage					1,043,963		
440	Golf							
	Golf			4,635,733				
450	Snohomish River Regional Water Authority							
	Resource Management					18,000		
501	Motor Vehicle Department Operations							
	Motor Vehicle Operations					8,185,242		
503	Self Insurance							
	Workers' Compensation	3,075,510						
	Tort Liability	1,850,000						
	Property/Casualty Insurance Prem.	3,360,000						
	Unemployment Compensation	160,000						
	George Culmback Dam	-						
505	Information Technology Reserve							
	Information Technology Reserve	2,648,238						
507	Telecommunications							
	Telecommunications	1,343,777						
508	Employee Health Benefits							
	Health Benefits	23,645,997						
637	Police Pension							
	Police LEOFF 1 Pension and OPEB*		1,679,000					
638	Fire Pension							
	Fire LEOFF 1 Pension and OPEB		2,619,000					
	Subtotal Non-General Government	\$ 38,284,770	\$ 21,962,005	\$ 14,671,078	\$ 3,206,530	\$ 201,357,169	\$ -	\$ 2,164,483
	Grand Total	\$ 66,766,973	\$ 102,187,557	\$ 32,959,636	\$ 3,969,810	\$ 215,015,009	\$ 1,245,681	\$ 8,241,366
		15.51%	23.74%	7.66%	0.92%	49.96%	0.29%	1.91%

BUDGET PRIORITIES VISION STATEMENTS

Quality of life

Everything we do as a City, whether in public safety, community engagement, economic development or delivering services, supports our ultimate vision and goal of ensuring the best quality of life possible for our residents, businesses and visitors.



Responsive & responsible government
Vision: As a government agency, we are responsive, transparent and accountable. We are good stewards of our resources and we deliver essential services efficiently. We establish priorities and make decisions that honor our obligation to our community.



Safe community
Vision: People are safe anytime, anywhere in Everett. Our community is inclusive and welcoming to people of all backgrounds and beliefs.



Economic & cultural vitality
Vision: Businesses of all sizes feel supported and connected to City government. Our community is the location of choice for entrepreneurs and new businesses. Everett is a leader in regional economic development efforts. Our parks, events, and arts and music scene help attract new residents and establish Everett as a tourism destination.



Housing
Vision: We have a wide range of quality housing available at all price points. People who work in Everett also have the opportunity to live in Everett. Our policies and resources are aligned with our housing vision. People experiencing homelessness have a variety of temporary and permanent housing options available.



Transportation & infrastructure
Vision: People and goods are able to move easily and efficiently within and through Everett and have access to many modes of transportation. Transportation networks are sustainable, regionally connected and able to adapt to a growing population. Our infrastructure is well-maintained and supports economic development.



Education & workforce development
Vision: People who live in Everett can also work in Everett. We have well-established pipelines into our major industries and the trained workforce our businesses need to be successful. Students in Everett have a wide variety of career paths available to them.



Engaged & informed community
Vision: Community members are connected to each other and actively involved in civic life. The City uses technology and rich community networks to share information, solicit feedback and make it easy to utilize City services.

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Budget Process

BUDGET DEVELOPMENT

The budget process is a planning effort directly related to the delivery of City services. The process of developing the budget uses traditional planning concepts of understanding the priorities, developing goals consistent with the priorities, updating policies which guide the process, proposing specific plans to accomplish the goals, and balancing those plans against available resources. The budget is a year-round effort with the preparation of the next year's budget starting in April of the current year. The steps and timing involved in preparing the operating budget are described below.

PREPARING THE BUDGET

The budget process begins in March with the development of the budget calendar for the year. Budget priorities, goals and policies, established by the Mayor and City Council, are reviewed and developed in April.

In May, the Finance Department and City Administration together create a list of parameters for departments to follow when preparing base budgets. These parameters include items such as permitted growth in M & O and growth of the labor base unrelated to contract increases and benefit costs. A budget instruction packet is created with these guidelines and distributed to the budget contacts in each department.

Departments present individual budget requests for each new function or service request in June. Currently, existing services compete directly with new program requests during the budget evaluation process. The General Government departments also submit revenue estimates specific to their activities in June.

The Finance Department begins preparing revenue projections at the end of June for each revenue source based on the information provided by the departments, an analysis of past revenue trends and current economic conditions, as well as information about changing demographic, industrial, and commercial activities in the community.

Expenditure analysis includes adjustments for inflation, workload increases/decreases, and other factors that cause changes in expenditures. The Finance Department budgets for all non-departmental expenditures separately based on the unique requirements of each program, and updates general government revenue and expenditure projections annually for a five-year planning time frame.

Beginning in July and through mid-August, the Finance Department organizes the revenue, expenditure, and new budget request information into summaries for Administration's review. Discussions are held with department staff regarding services provided and resources needed. Throughout this time, budget briefings are also provided to the City Council Budget & Finance Committee to keep the Council informed of the status of the budget and provide opportunities for input.

In mid-August, once the budget is balanced, Finance and Administration develop target budgets for the departments. Departments use the targets to develop their line item budgets. The proposed budget document is completed by mid-October. A hard copy is delivered to the Council Members, and the budget is also made available to the public by posting to the City's website and providing a printed copy for review in the City Clerk's office.

The Mayor's budget message is typically delivered the same day as the first public budget hearing. The first hearing is usually held at the end of October with two additional public hearings held each of the following weeks. The public hearings are advertised for two consecutive weeks prior to the first hearing. The public is encouraged to attend and provide input on the budget plan.

ADOPTING THE BUDGET

The City of Everett budget is adopted by Ordinance in accordance with the requirements and time limitations as mandated in Revised Code of Washington (RCW) 35.33. The budget must be adopted as a balanced budget and must be in effect prior to the expenditure of any City funds.

MONITORING THE BUDGET

The Finance Department prepares monthly reports comparing actual to budgeted revenues and expenditures. These reports are provided to the Mayor and Council.

AMENDING THE BUDGET

The City of Everett budget is program-based, but is adopted by fund. The Mayor has authority to transfer budgeted amounts between programs within any fund; however, City Council must approve any revisions that alter the total expenditures of a fund. When Council determines that it is in the City's best interest to increase or decrease the appropriation for a particular fund, they may do so by Ordinance, after presentation of a budget advisory, which explains the reasons and discloses the impact of the amendment.

BUDGET CALENDAR

OPERATING BUDGET CYCLE	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Plan and develop budget calendar for budget year													
Review and develop policies and budget goals													
Create and distribute Budget Instruction Packet													
Departments submit requests for new programs and return first round of budget documents													
Update current and budget year revenue projections													
Update current and budget year expenditure forecasts													
Budget office notifies each department of their budget target and detail labor information													
Departments submit second round of budget documents - finalized line items, narratives													
Council Budget Briefings - status updates, revenue forecasts, assumptions, etc.													
Budget balanced													
Council Revenue and Expense Workshop/Public Hearing													
Prepare proposed budget document													
Mayor's message and proposed budget presented to Council													
Adopt Annual Property Tax Ordinance (three readings are required to adopt an ordinance)													
Conduct three public hearings on budget plan (appropriate public notice is provided)													
Adopt Budget													
Implement budget plan													
Prepare and publish final adopted budget													

The Budget Calendar conforms to the scheduling requirements in Revised Code of Washington 35.33.

MAJOR BUDGET DOCUMENTS

The City of Everett budget process includes the production of four key documents.

BUDGET INSTRUCTION PACKET - MAY

The Budget Instruction Packet is updated and completed in May and made available online to fund managers and staff with budgetary responsibility. This document serves as an overall guide. It includes sections on annual budget highlights, specific budget development instructions, appendices with format examples, and supplemental forms.

PROPOSED BUDGET - OCTOBER

The Proposed Budget represents a coordination of Administration's management direction and City Council's policy direction in the form of a comprehensive financial plan for funding City services. Pursuant to state law, the Proposed Budget must be submitted to City Council at least sixty (60) days before the end of the year.

ORIGINAL ADOPTED BUDGET - LATE FEBRUARY/EARLY MARCH

The Original Adopted Budget represents a modified version of the Proposed Budget after public hearings and City Council review in October and November. The Original Adopted Budget reflects any changes to funding levels or revenue projections that City Council deems necessary. Revisions may also be made to reflect new budget information. (This budget is also commonly referred to as the *Adopted Budget* or the *Original Budget*.)

FIVE-YEAR OUTLOOK - YEAR-ROUND EFFORT

The General Government Five-Year Outlook is a summary document that projects the probable trends in resources and expenditures for five years into the future. The City tests and evaluates all major budget decisions regarding new or modified program and service levels in this environment prior to implementation so that the decision to move forward can be accompanied by foresight of the long-term financial implications.

DEPARTMENT BUDGET NARRATIVES

Fund/department section narratives describe the operation of each fund. Fund narratives may include:

FUND OVERVIEW: A broad, brief description of the function of the department as a whole.

ORGANIZATIONAL CHART: Organizational charts depict the fund operation by major function.

ACTIVITIES: Each fund may be divided into separate activities (services). This is to enable the reader to better understand the activities of each department, the cost of each activity, and the goals and workplan for each activity. Each activity may include the following components:

- **Activity Budget Summary** - This box lists the labor and M&O cost of the activity, any offsetting-revenues that are dependent on that activity's existence, the net cost, and the FTEs related to the activity. Revenue offsets exclude non-voted, unrestricted taxes.
- **Primary City Priority** - This is the City priority the activity most closely supports. Many activities support more than one priority; however, departments were required to select just one primary priority per activity.
- **Description** - Describes the services the activity provides and should relate to how it supports its primary City priority.
- **Accomplishments** - Describes the major accomplishments of the last year. Departments were limited to three accomplishments per activity.
- **Goals & Work Plan** - Each activity may have up to two goals with up to three workplan steps per goal. The goals are relatively broad and should relate to a City priority. The goal's priority may or may not be the same as the Activities' primary City priority.
- **Performance Measures** - Each activity should have at least one Process or Results measure with a maximum of two per activity. Each activity is also allowed up to three Workload measures.
 - **Process measures** - Describe aspects of the business process, such as completion rate, processing time, error rates, etc.
 - **Results (outcome) measures** - Measure the ultimate benefit associated with a program or service.
 - **Workload measures** - Input indicators measure resources that the organization consumes. Output indicators measure activities the organization undertakes or accomplishes.
- **Position Summary** - Lists the position titles and number of FTEs that support the activity.

REVENUE DESCRIPTION: The revenue description outlines the sources of revenue for the fund and may describe significant changes in expected revenue collections (new fees, fee increases, reduction or elimination of fees, etc.).

THREE-YEAR PERSONNEL COMPARISON: This section includes budgeted positions listed by job classification and title for the past year, the current year, and the proposed budget year.

BUDGET CHANGES: This section identifies significant changes in funding levels and organizational alignment, and details new programs and items proposed for funding.

BUDGETED EXPENDITURES: A numerical table detailing the actual expenditures for the previous year, the original and amended budget for the current year, and the budget for the coming year.

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