

## **AGENDA**

**DES MOINES CITY COUNCIL  
STUDY SESSION  
City Council Chambers  
21630 11th Avenue S, Des Moines, Washington  
Thursday, October 3, 2024 - 6:00 PM**

City Council meeting can be viewed live on the City's website, Comcast Channel 21/321 or on the City's [YouTube](#) channel.

### **CALL TO ORDER**

### **PLEDGE OF ALLEGIANCE**

### **ROLL CALL**

### **CORRESPONDENCE**

### **COMMENTS FROM THE PUBLIC**

*Comments from the public must be limited to the items of business on the Study Session Agenda. Please sign in prior to the meeting and limit your comments to three (3) minutes.*

### **DISCUSSION ITEMS**

Item 1. BUDGET UPDATE

[2025 2026 Budget Update](#)

### **EXECUTIVE SESSION**

### **NEXT MEETING DATE**

October 10, 2024 City Council Regular Meeting

### **ADJOURNMENT**

**A G E N D A   I T E M**

BUSINESS OF THE CITY COUNCIL  
City of Des Moines, WA

SUBJECT: : 2025/2026 Budget Update

FOR AGENDA OF: October 3, 2024

ATTACHMENTS:

- 1. All-Staff Budget Meeting Presentation Slides

DEPT. OF ORIGIN: Finance

DATE SUBMITTED: September 26, 2024

CLEARANCES:

- City Clerk \_\_\_\_\_
- Community Development \_\_\_\_\_
- Courts \_\_\_\_\_
- Director of Marina Redevelopment \_\_\_\_\_
- Emergency Management \_\_\_\_\_
- Finance *MH* \_\_\_\_\_
- Human Resources \_\_\_\_\_
- Legal /s/ MH \_\_\_\_\_
- Marina \_\_\_\_\_
- Police \_\_\_\_\_
- Parks, Recreation & Senior Services \_\_\_\_\_
- Public Works \_\_\_\_\_

APPROVED BY CITY MANAGER  
FOR SUBMITTAL: *[Signature]* \_\_\_\_\_

**Purpose**

The purpose of this item is to update the City Council on the budget strategies that have been employed in the proposed preliminary budget submitted on October 1, 2024. Staff is now seeking additional Council feedback on strategies contained in the preliminary budget.

**Discussion**

Last year, on September 14, 2023, the City Council was presented with a five-year financial forecast which projected the solvency of the General Fund's Fund Balance was vulnerable to decline due to the post-COVID economic impacts of inflation and rising labor costs. Revenues were growing but could not keep pace with rapidly increasing costs. Balancing the 2024 budget required the use of about \$1.3M of American Rescue Plan Act (ARPA) funds to aid in plugging the budget gap. Some expenditures, such as funding the costs of fleet replacement had also been significantly reduced in the budget.

As a result of concerns identified during last year's budget process, the Council formed a Finance Committee to review options leading up to this budget process for 2025/26. The Committee has been meeting monthly to explore options to reduce expenditures and raise revenues and has been continually updated on the City's financial status.

On September 5, 2024, Council was again presented a five-year financial forecast that projected declining fund balances for the General Fund. According to the forecast, ending fund balance would be negative in the General Fund beginning in 2025. State law requires municipalities to adopt balanced budgets – budgets whose expenditures do not exceed their revenue and fund balance.

During the September 5<sup>th</sup> presentation, staff presented various budget strategies to address the budget deficit of which Council provided feedback. Since the presentation on September 5<sup>th</sup>, staff have also sought original budget strategy ideas from Councilmembers and all City workers.

Work continues on the proposed preliminary 2025/2026 budget which will be submitted to the City Clerk on October 1<sup>st</sup>. As such, the related budget numbers are not available at the time of this writing, but will be presented to Council at the October 3<sup>rd</sup> study session.

In lieu of updated information, the most recent budget presentation slides from the all-staff budget meeting is attached to this agenda item.

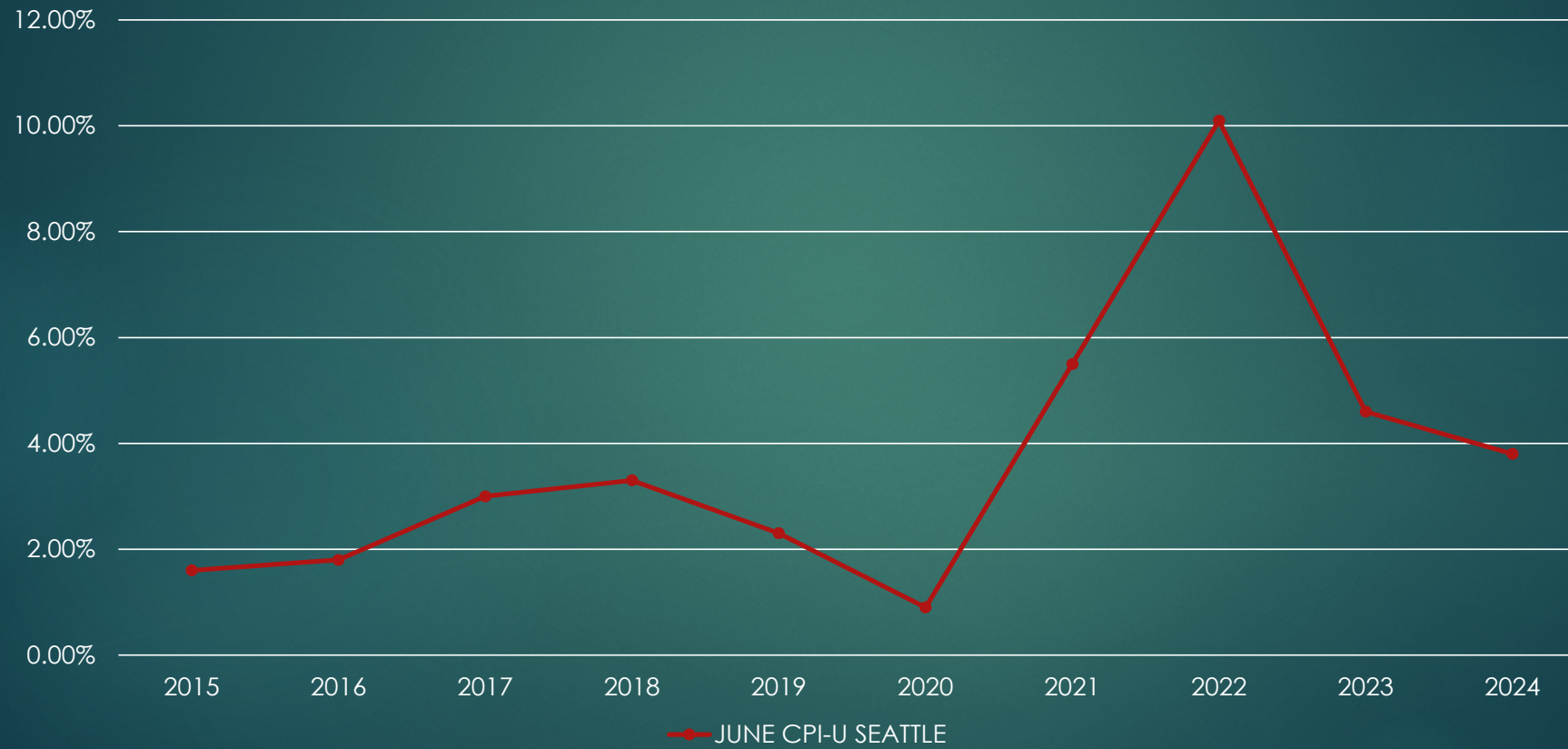
# 2025/2026 Biennial Budget

CITY OF DES MOINES, WASHINGTON

# Economic Environment

# Inflation Rates

JUNE CPI-U SEATTLE



# Inflation Rates

- ▶ 2021 – 5.5%
- ▶ 2022 – 10.1%
- ▶ 2023 – 4.6%
- ▶ 2024 – 3.8%
  
- ▶ From 2020 to 2024 costs have risen 24%
  - ▶ What cost \$1.00 in 2020 costs \$1.24 in 2024

# Seattle

## City Council gets its 'audit' showing inflation, wages at center of Seattle's ballooning budget

Posted on [Thursday, May 2, 2024 - 9:00 am](#) by [jseattle](#)

A review of the city's spending plan by the **City Council** reveals **Seattle City Hall** is facing the same pressures as the rest of the nation when it comes to ballooning costs. A new study reveals nearly 80% of Seattle's \$1.7 billion budget increase is due to inflation and soaring wages. New programs accounted for only 19% of the jump with the remaining two percent of spending being powered by one-time revenue injections like federal aid during the pandemic.

The review comes as Seattle faces [a looming \\$230+ million budget hole](#).



# King County



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Jim Brunner WA Legislature Seattle Election 2024 Danny Westneat

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## Legislature passes bills that may help King County's budget crisis

March 25, 2024 at 6:00 am | Updated March 25, 2024 at 6:00 am



By [David Gutman](#)  
*Seattle Times staff reporter*

Last fall, King County Executive Dow Constantine issued dire warnings about the county's budget situation: Without help from the Legislature, it would be forced to shutter all or almost all of its 10 public health clinics.

The county's general fund is fueled almost entirely by property taxes, and Olympia strictly limits how much counties can collect in those taxes. With inflation running hot the last several years, [Constantine said, the county's expenses](#) were outpacing the money it was able to bring in.

# Edmonds

## Edmonds mayor makes first pitch of plan to fill \$20.5M budget deficit

The city used \$12.5 million in one-time funds and \$8 million from reserves to balance its 2024 budget — with a deficit looming.

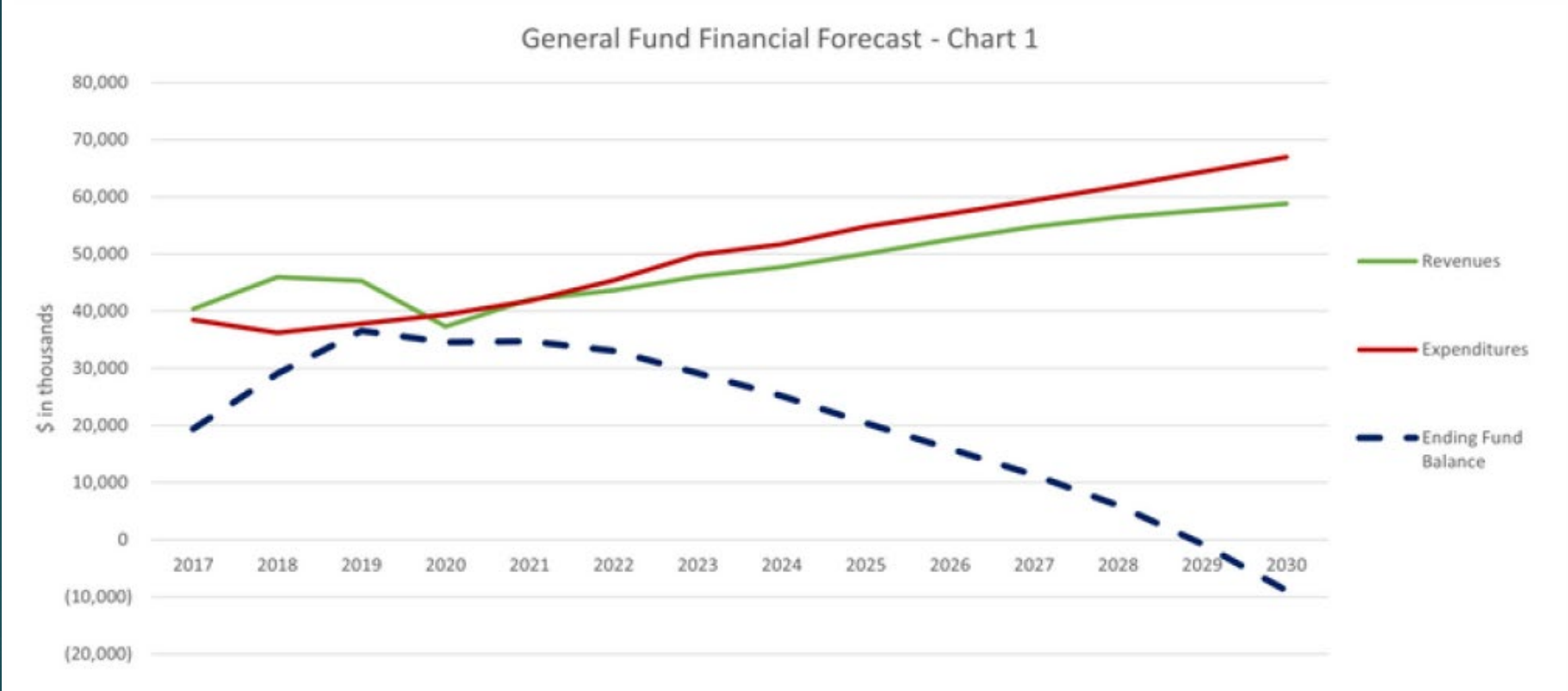
“Inflation spiked city costs by 21.7% over the past three years, but state law only allows cities to increase taxes by a maximum of 1% annually.”

- HeraldNet

“That’s pretty much a recipe for a slow death if your costs are going up by that kind of pace and you can’t increase your revenue by anywhere near that”

- Edmonds Mayor Mike Rosen

# SeaTac



# Ballot Measures

## PASSED

- ▶ **City of Covington** – Sales and Use Tax for Transportation - .2% increase
- ▶ **City of Snoqualmie** – Sales and Use Tax for Public Safety - .1% increase
- ▶ **City of Maple Valley** – Public Safety Property Tax Levy Lid Lift - \$.45 increase (November 2023)
- ▶ **City of Buckley** – EMS Services Property Tax Levy Lid Lift - \$.20 increase
- ▶ **City of Gig Harbor** – Public Safety Sales Tax - .1% increase

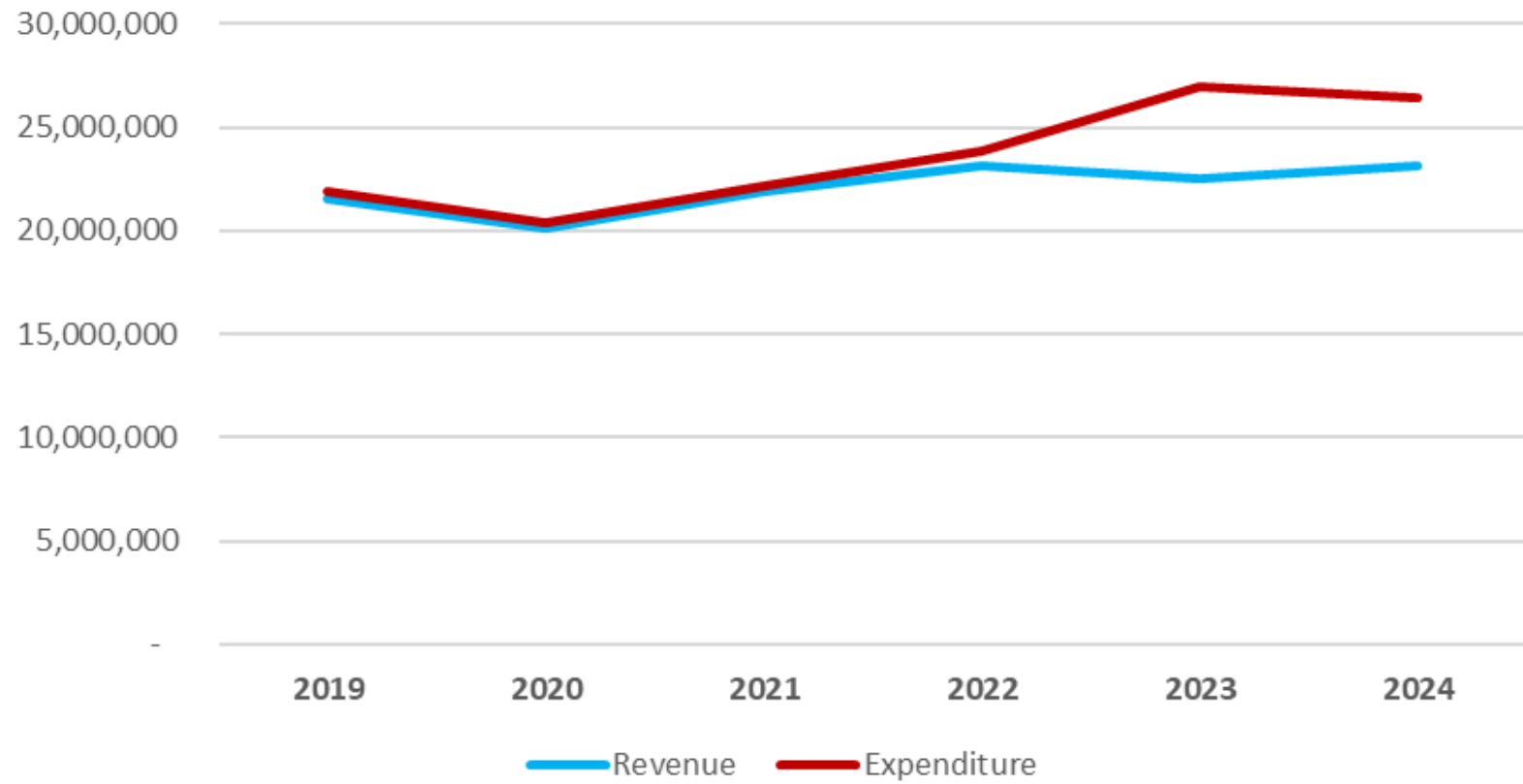
## FAILED

- ▶ **City of Des Moines** – Public Safety Property Tax Levy Lid Lift - \$.50 increase
- ▶ **City of Everett** – Public Safety Property Tax Levy Lid Lift - \$.67 increase
- ▶ **City of Gig Harbor** – Public Safety Property Tax Levy Lid Lift - \$.40 increase (April 2024)

# City of Des Moines

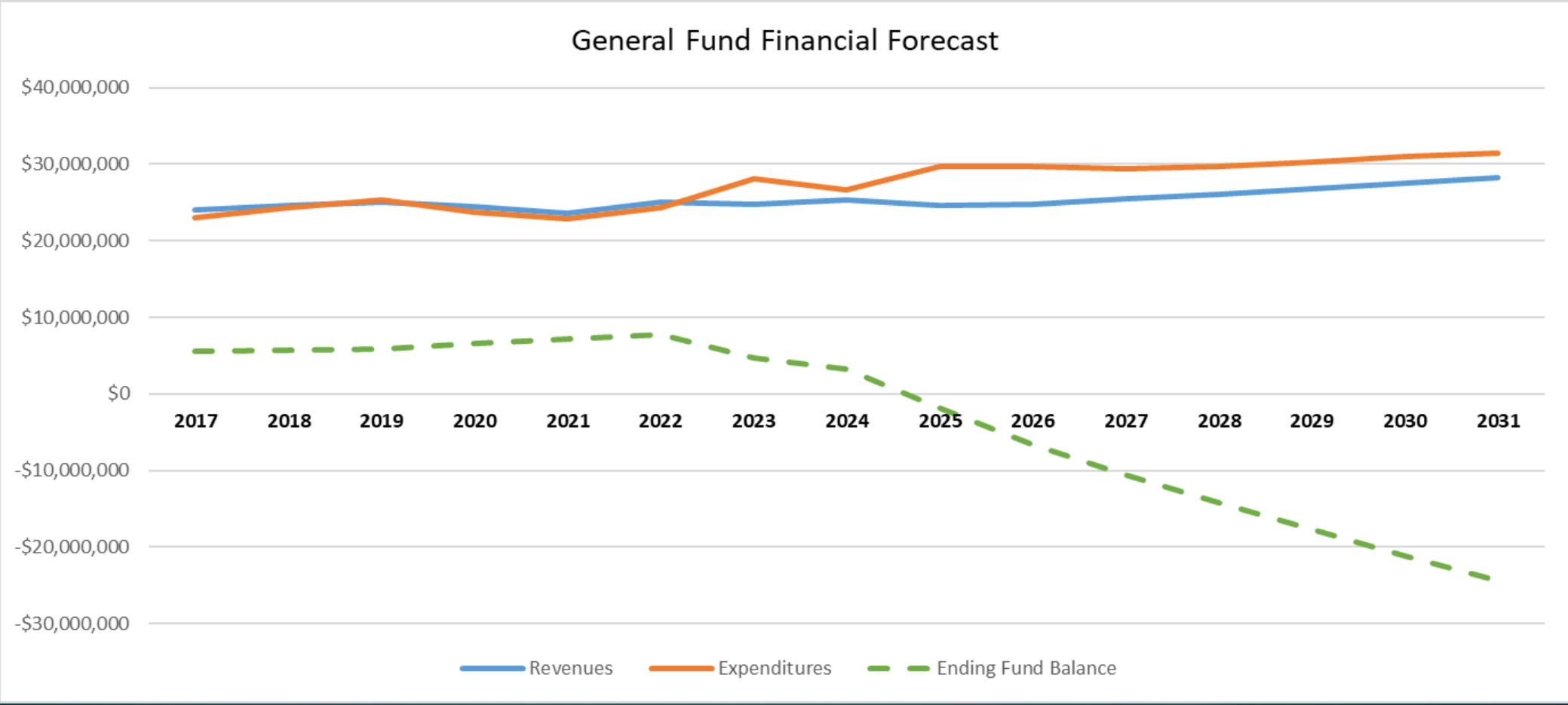
2025-2031 GENERAL FUND									
	REVISED ANNUAL BUDGET	PROJECTED ACTUALS	BUDGET		FORECAST				
	2024	2024	2025	2026	2027	2028	2029	2030	2031
<b>BEGINNING FUND BALANCE</b>	\$ 5,210,847	\$ 4,671,467	\$ 3,879,031	\$ (710,890)	\$ (5,044,813)	\$ (9,353,840)	\$ (13,380,941)	\$ (17,386,238)	\$ (21,393,155)
<b>Operating Revenues</b>									
Taxes	18,623,676	17,890,602	19,026,759	19,288,776	19,735,814	20,214,805	20,831,414	21,481,822	22,168,323
Licenses and Permits	315,000	315,000	325,500	341,500	346,250	356,250	356,250	361,250	361,250
Intergovernmental	1,043,304	1,037,472	859,397	837,201	1,005,500	1,041,463	1,079,223	1,118,872	1,160,503
Fees/Charges/Fines	2,390,594	1,857,850	1,826,350	1,861,990	1,825,300	1,825,300	1,775,300	1,775,300	1,775,300
Other	2,131,561	2,046,411	2,284,558	2,356,623	2,363,197	2,415,992	2,474,342	2,528,259	2,557,755
	<u>24,504,135</u>	<u>23,147,335</u>	<u>24,322,564</u>	<u>24,686,090</u>	<u>25,276,061</u>	<u>25,853,810</u>	<u>26,516,529</u>	<u>27,265,503</u>	<u>28,023,131</u>
<b>Operating Expenditures</b>									
Policy and Support Services	6,962,913	6,709,697	7,754,909	7,815,402	8,256,643	8,105,416	8,265,701	8,751,644	8,627,281
Public Safety Services	14,929,580	14,627,620	16,184,314	16,073,304	16,296,418	16,651,265	17,020,181	17,189,142	17,559,964
Community Services	5,068,843	4,331,471	4,626,530	4,649,267	4,605,627	4,697,830	4,809,544	4,905,233	5,022,565
Other	277,600	226,600	346,732	482,041	426,400	426,400	426,400	426,400	426,400
	<u>27,238,936</u>	<u>25,895,388</u>	<u>28,912,485</u>	<u>29,020,014</u>	<u>29,585,088</u>	<u>29,880,911</u>	<u>30,521,826</u>	<u>31,272,420</u>	<u>31,636,210</u>
<b>** Net Activity ("Operating revenues over (under) )</b>	<b>(2,734,801)</b>	<b>(2,748,053)</b>	<b>(4,589,921)</b>	<b>(4,333,924)</b>	<b>(4,309,027)</b>	<b>(4,027,101)</b>	<b>(4,005,297)</b>	<b>(4,006,916)</b>	<b>(3,613,079)</b>
<b>ONE-TIME ACTIVITIES</b>									
<b>Revenues</b>									
Sound Transit		212,944	154,868	19,359	-	-	-	-	-
American Rescue Plan Funding	1,850,617	1,850,617			-	-	-	-	-
One-Time Sales & B&O Tax Revenues	265,000	105,000			-	-	-	-	-
<b>Total One-Time Revenues</b>	<b>2,115,617</b>	<b>2,168,561</b>	<b>154,868</b>	<b>19,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>One-time Expenditures</b>									
Transfer Out - One-Time Sales & B&O Tax	-	-			-	-	-	-	-
ARPA Expenditures		-			-	-	-	-	-
Sound Transit related expenditures		(212,944)	(154,868)	(19,359)	-	-	-	-	-
<b>Total One-Time Expenditures</b>	<b>-</b>	<b>(212,944)</b>	<b>(154,868)</b>	<b>(19,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balance</b>	<b>(619,184)</b>	<b>(792,436)</b>	<b>(4,589,921)</b>	<b>(4,333,924)</b>	<b>(4,309,027)</b>	<b>(4,027,101)</b>	<b>(4,005,297)</b>	<b>(4,006,916)</b>	<b>(3,613,079)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,591,663</b>	<b>\$ 3,879,031</b>	<b>\$ (710,890)</b>	<b>\$ (5,044,813)</b>	<b>\$ (9,353,840)</b>	<b>\$ (13,380,941)</b>	<b>\$ (17,386,238)</b>	<b>\$ (21,393,155)</b>	<b>\$ (25,006,234)</b>
GFOA Target of 60 days (approx. 16.67%)	<u>4,540,731</u>	<u>4,316,761</u>	<u>4,819,711</u>	<u>4,837,636</u>	<u>4,931,834</u>	<u>4,981,148</u>	<u>5,087,988</u>	<u>5,213,112</u>	<u>5,273,756</u>
Reserve (shortfall) surplus to GFOA Target	<u>50,933</u>	<u>(437,730)</u>	<u>(5,530,601)</u>	<u>(9,882,450)</u>	<u>(14,285,674)</u>	<u>(18,362,089)</u>	<u>(22,474,227)</u>	<u>(26,606,267)</u>	<u>(30,279,990)</u>
Ending Reserve - % Total Operating Expenditures	16.86%	14.98%	-2.46%	-17.38%	-31.62%	-44.78%	-56.96%	-68.41%	-79.04%

## General Fund Structural Revenue and Expenditures



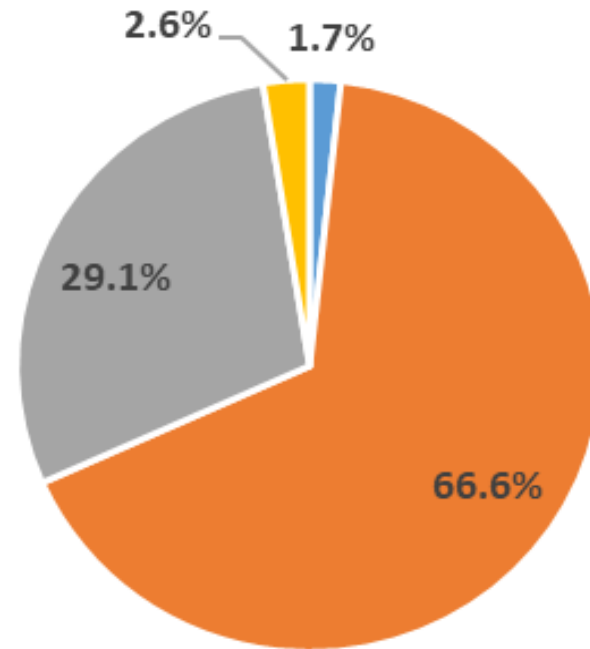


### General Fund Financial Forecast



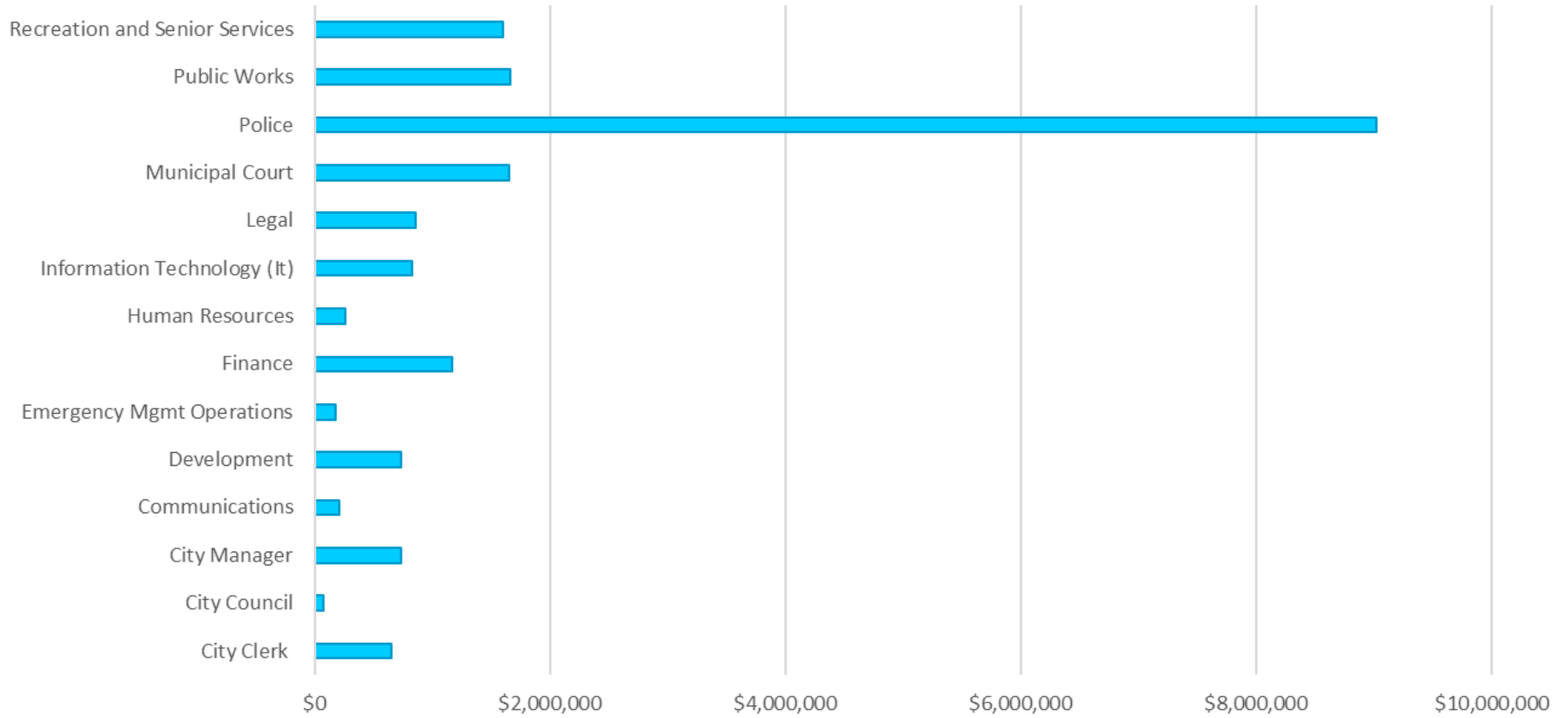


## 2025 General Fund Budget

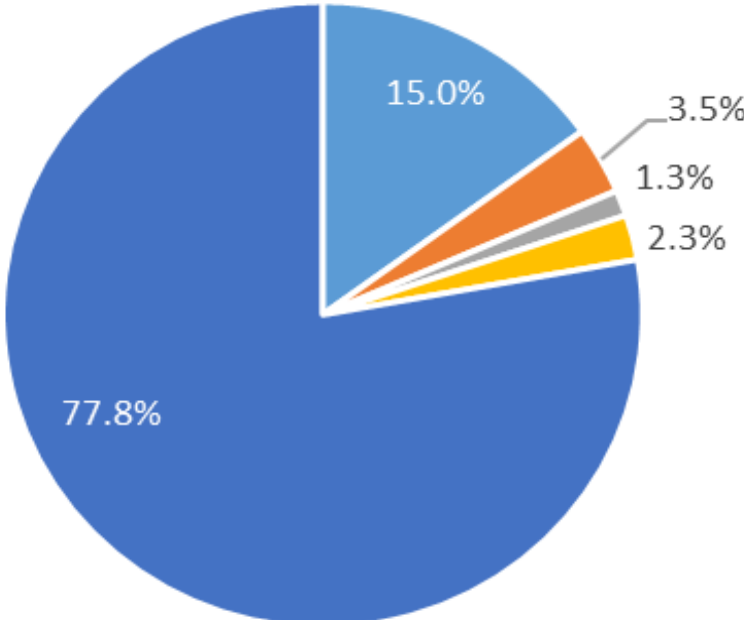


■ Other ■ Salary and Benefits ■ Services ■ Supplies

## 2025 Salary and Benefits by Department

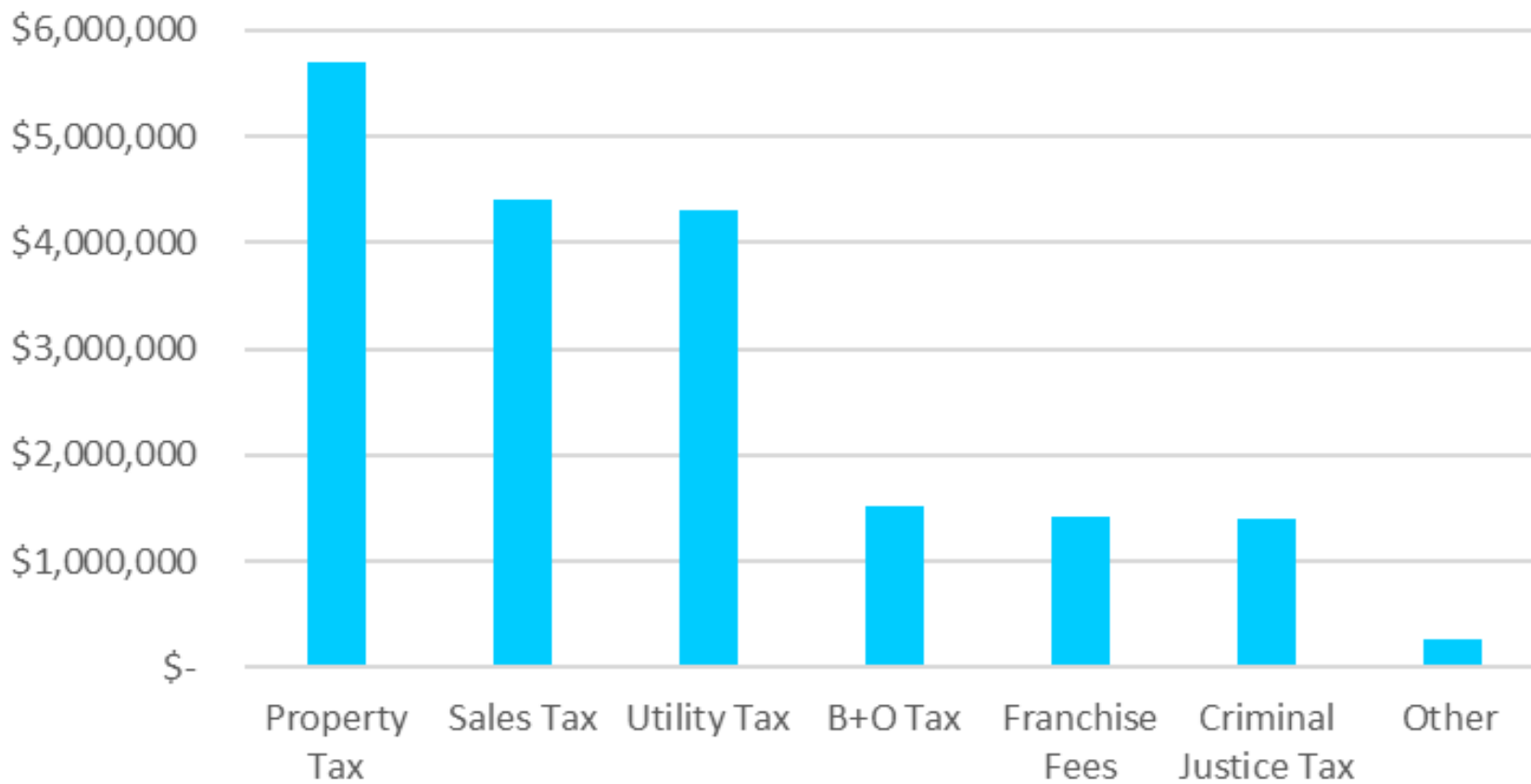


## 2025 General Fund Revenue by Type




■ Fees/Charges for Services/Fines ■ Intergovernmental ■ Licenses and Permits ■ Other ■ Taxes

## 2025 Taxes by Type



# Budget Strategies

- 
- ▶ A balanced budget refers to the budgeting concept that appropriations should not exceed resources available to cover these expenditures.
  - ▶ Cities and towns are required to pass a balanced budget (RCW 35.33.075, 35A.33.075, 35.34.120, and 35A.34.120).

# 2025/2026 Revenue

- Business licenses - **\$112,000**
- Public records request fee increase - **\$20,000**
- Utility tax on non-franchise prohibited utilities - **\$88,500**

# 2025/2026 Expenditures



- Terminate Wesley Senior Services contract/Reorganize Recreation/Senior Services/Events and Facility Rentals - **\$150,000**
- Close Redondo substation - **\$36,400**
- Eliminate Human Services spending - **\$250,000**
- Eliminate advisory committees - **\$30,000**



# 2025/2026 Expenditures

- End Burien Cares contract- **\$100,000**
- End watering downtown flower baskets- **\$40,000**
- Freeze General Fund vacancies - **\$230,000**
- Retain One-Time Sales and B+O Tax - **\$275,000**
- Reduce Cost of Living Adjustment

# 2025/2026 Expenditures



- Eliminate City Currents - **\$60,000** annually plus **\$20,000** postage
- Eliminate Channel 21 - **\$50,000**
- Reduce training and travel budget - **\$60,000**

# 2025/2026 Expenditures

- Eliminate City Currents - **\$60,000** annually plus **\$20,000** postage
- Eliminate Channel 21 - **\$50,000**
- Reduce services and supplies- **\$100,000**

# 2025/2026 Expenditures



- Cancel city funded events
  - ▶ Waterland Weekend
  - ▶ July 4<sup>th</sup>
  - ▶ Summer Concerts and Park Events
- Increase participation fees in City programs or eliminate programs
- Staff layoffs/furloughs

# How to Help

Ideas of how to increase revenue or decrease costs?

Let your supervisor know!