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**TO: Mayor & Council**  
**FROM: Dean Rohla, Lisa King**  
**DATE: August 18, 2022**  
**RE: 2023 City-wide Priorities**

### **Background**

The City of Clyde Hill utilizes an annual (Jan. 1 - Dec. 31) budget planning process. Each year staff assemble a list of Priorities (formerly Target Issues) as a tool to help guide the budget process. In previous years, staff led the discussion by providing copies of the list to the Council and Budget Advisory Committee (BAC) with varying levels of feedback. Council has expressed interest in being more involved in the development of these priorities, so this year staff would like to consolidate this list to the top ten high-level priorities for the City. This list will guide the creation of the 2023 budget.

### **What Constitutes A “Priority”**

Every year the City performs a multitude of projects and programs. Some of these are required (e.g. audit by the WA State Auditor’s Office) and some of these are best management practices (e.g. design/perform overlays). There are also standard, day-to-day functions that staff perform (e.g. code enforcement). The rest fall into the category of “desired but not necessary” (e.g. City Celebration).

Staff’s advice to Council is that it considers these distinctions while explaining to the public why the item is a priority. This will double as a reminder to staff and council. For example:

- Design/Perform 2023 Overlays: This is a process meant to extend the life of a roadway. It is more cost-effective to grind/overlay a slight to moderately damaged roadway rather than wait until it fails, which might incur potential claims against the City and would require a significantly larger allocation of funding to rehabilitate.

Broad statements as Priorities should be avoided. For example:

- Code Enforcement: Quickly enforce the Municipal Code only in situations that are appropriate.

This is a poor example of a Priority because “quickly” and “appropriate” are not defined. Furthermore, Code Enforcement is a standard, day-to-day function performed by staff.

As an alternative:

- Improve Code Enforcement Operations: Improve Code Enforcement operations such that 85% of all complaints are vetted and closed within 30 days from receipt of a completed application in accordance with Administrative Policies. Implementation of this policy might look like this: Provide monthly reports to Council. Adjust budget authority in Public Works to accommodate for additional staffing if external demand exceeds current internal capacity (+\$60,000, inclusive of benefits, for 0.5 FTE).

This provides specific deliverables, avoids an unfunded mandate for what is an increase in service levels, removes ambiguities, and provides flexibility (Administrative Policies developed by the Executive Branch can be amended if a need shall arise). The intent of developing actionable priorities is to enable staff to be successful. Broad and/or ambiguous priorities would likely mean additional work and/or failure.

### **2023 Process Considerations**

For 2023, Staff recommends that Council and the BAC provide ten high-level goals or priorities for departments to use in the development of their Budgets. Some items to consider while developing your priorities:

- 1) Service level: Over the past several years our basic budgeting tenet has been that we are, “Maintaining our current level of service.”
  - a. What levels of service do we wish to continue to provide? For example, in 2022 we have increased our internal level of service by staffing and resourcing two to three council/committee/commission meetings per month without budgeting for overtime, or compensating time off for overtime exempt employees.
- 2) Programs vs Projects: Consider the difference between operational “Programs” (annual tasks to provide our current level of service) and “Projects” (specific deliverable, one-time task).
- 3) Staffing: When developing “Priorities,” please remember to take into consideration normal, day-to-day duties and responsibilities of City Staff.
- 4) Classification: Consider “Priorities” in terms of what is *required* versus what is *desired*. For example, “2024 Budget Development” is *required* while “2024 Overlays” is *desired* – the State requires the City create a 2024 Budget, but it does not require that the City perform overlays every year.
- 5) Flexibility: Staff suggest budgeting with the intent that unknown factors will periodically occur.
- 6) Funding Source: Is your “Priority” supported by existing funding? Does the City need to consider additional funding sources or a levy lid lift?

## **Financial Limitations**

Although the City of Clyde Hill is a small residential community consisting of about 3,100 people and 1,100 homes, it is still charged with providing essential services to its residents, including police, fire, public works, building, code enforcement, streets, administrative, and adjunct services that the City must accomplish within significant budgetary restrictions.

Given the residential nature of our community, the City does not have a diversified tax base and has limited revenue sources from which to deliver the services it is charged to provide. Approximately 30% of the City's operating revenue is derived from property taxes. However, for each \$1.00 in property taxes paid in the aggregate by its residents, the City receives about \$0.05. Approximately \$0.95 of every property tax \$1.00 goes to other jurisdictions over which the City has no control or say.

The City of Clyde Hill derives the remainder of its revenue from a combination of sources such as sales tax, development revenue, investment income, fines, wireless communication facility leases, utility and franchise taxes as well as police contracted services provided to other communities. The City's ability to increase revenue from any one or all of these sources is limited by legality, practicality, and fairness.

That said, the City has been operating at a deficit for the past few years. This is hidden by excessive contributions to the City's total fund balance, in the form of restricted revenues such as REET, Parks Levy, grant monies and a new Housing Sales & Use Tax. It is, however, the unrestricted revenue stream that is the problem. It is critically important to recognize the distinctions in the budget. Previous Councils and Administrations have not successfully addressed this issue, and further action is required.

## **Recommendations Re: Priorities**

1. Continue work on the 2024 Comprehensive Plan Update
2. Address the structural budgetary imbalance in current service levels (Operating Expenditures exceed Operating Revenue)
3. Formation of a Stormwater Utility
4. Address staffing needs (e.g. create a dedicated PRO position (Admin/PD)), implement salary ranges, retention tools, and training plans)
5. Update the Facility Master Plan to include replacement of a new City Hall, Police Department and Public Works Building into a consolidated municipal campus
6. Implement Required Code Changes (e.g. Change in Form of Government, if necessary, Title 17, etc.)
7. Improve relations between branches of government
8. Increase community engagement, communication, and transparency, starting with the rollout of a new City Website
9. Determine uses of remaining ARPA funds
10. Establish use of cameras with the Police Department (i.e. Body cams, FLOCK)

## **Council's Decision**

For discussion only.