



City of Tukwila
**Finance and Governance
 Committee**

- ◆ Zak Idan, Chair
- ◆ Kathy Hougardy
- ◆ Cynthia Delostrinos Johnson

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AGENDA

MONDAY, JUNE 28, 2021 – 5:30 PM

HAZELNUT CONFERENCE ROOM
 (At east entrance of City Hall)

**THIS MEETING WILL NOT BE CONDUCTED AT CITY FACILITIES
 BASED ON THE GOVERNOR'S PROCLAMATION 20-28.**

**THE PHONE NUMBER FOR THE PUBLIC TO LISTEN TO THIS
 MEETING IS: 1-253-292-9750, Access Code 973303373#**

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Item	Recommended Action	Page
1. BUSINESS AGENDA		
a. Monthly General Fund update. <i>Tony Cullerton, Deputy Finance Director</i>	a. Discussion only.	Pg.1
b. Fleet leasing discussion. <i>Tony Cullerton, Deputy Finance Director</i>	b. Discussion only.	Pg.5
c. Discussion on 2020 budget amendment. <i>Councilmember Idan, Chair, Finance and Governance Committee</i>	c. Discussion only.	
2. MISCELLANEOUS		

Next Scheduled Meeting: *July 12, 2021*



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INFORMATIONAL MEMORANDUM

TO: Finance & Governance Committee

FROM: Vicky Carlsen, Finance Director

BY: Aaron Williams, Fiscal Manager

CC: Mayor Ekberg

DATE: June 28, 2021

SUBJECT: April 2021 Departmental Budget-to-Actuals Report

Summary

The purpose of the April 2021 General Fund Financial Report is to summarize for the City Council the general state of departmental expenditures and to highlight significant items. The following provides a high-level summary of the departmental financial performance.

The April 2021 Report is based on financial data available as of June 8, 2021, for the period ending April 30, 2021. Additional details can be found within the attached financial report.

At the May 11, 2021, Committee of the Whole, Council gave consensus to move forward with using Streamlined Sales Tax (SST) mitigation revenue to fund a number of high-priority programs including: Fire overtime, permit activity, street/bus stop maintenance, park maintenance, recreation program assistance, Dark Trace – cyber security, wage & compensation agreement, and code enforcement & rental housing. These items will be included in the year-end budget amendment and are revenue backed by SST funds

Expenditures

General Fund departmental expenditures totaled \$18.87 million through April, which is \$1.66 million less than the allocated budget of \$20.54 million. Dept. 20, which is transfers to other funds totaled \$1.37 million, which is \$81.60 thousand less than the allocated budget. The allocated budget is calculated to reflect year-to-date spending patterns of the previous year.

While all but one department is currently below the allocated budget, there is growing concern that department budgets, in general, are too low and may be unable to absorb necessary costs without a budget amendment. In reviewing expenditures by type, insurance exceeds the annual budget by \$84 thousand and utilities category has already expended 68% of the annual budget. Given that the City has 3 new facilities and the vacated fire stations are still owned by the City, it is very likely that the annual utilities budget will be exceeded in the 3rd quarter of 2021.

Staff will be closely monitoring departmental budgets and will continue to keep the City Council fully informed of additional budgetary concerns.

Departmental Variances

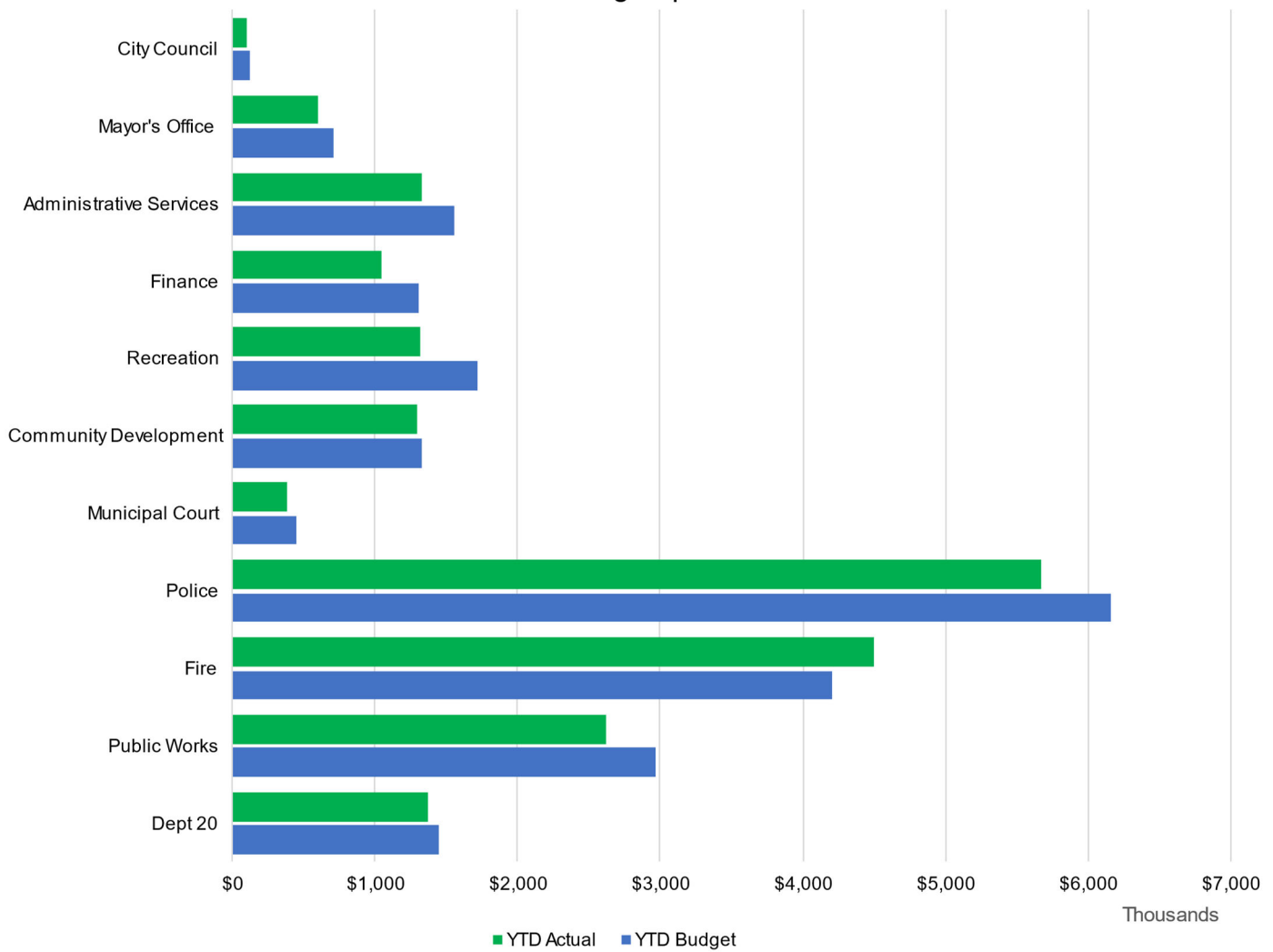
All but one General Fund department was under their allocated budget through April 2021. Noteworthy variances are:

- The Fire Department is \$294.73 thousand over the allocated budget of \$4.20 million. The variance is related to overtime & associated benefits compared to the allocated budget. Council recently gave consensus for a year-end budget amendment to increase fire overtime by \$200k. An additional budget amendment will be needed to account for overtime that is reimbursable. Any reimbursable overtime will have no effect on the general fund. However, given the use of minimum staffing overtime in 2021, unless action is taken to reduce expenditures, a budget amendment that will affect the general fund will be needed. Additional information is currently being prepared for a full conversation on the Fire Department budget at a committee meeting in the near future.

The chart below provides additional details on overtime associated with the Fire Department.

Fire Overtime Summarized - Through April 30, 2021							
Category	Reimbursable OT			Category	Unreimbursable OT		
	Salary	Benefits	Total		Salary	Benefits	Total
Billable Contractor	\$ 6,845	\$ 899	\$ 7,744	Minimum Staffing	\$ 96,469	\$ 12,666	\$ 109,135
COVID Testing Site	109,505	14,378	123,883	Instructor	5,718	751	6,469
Repeater Malfunction	47,980	6,300	54,280	Training	12,721	1,670	14,391
				Fire Prevention	26,126	3,430	29,556
				Fire Investigation	1,776	233	2,009
				Academy	14,111	1,853	15,964
				Public Safety Plan	7,390	970	8,360
				Meetings	5,338	701	6,039
				Shift Extension	2,741	360	3,101
				Other	14,624	1,920	16,544
Totals	\$ 164,330	\$ 21,577	\$ 185,907		\$ 187,014	\$ 24,555	\$ 211,569

Year to Date Department Expenditures Compared to Allocated Budget
Through April 2021



GENERAL FUND

CITY OF TUKWILA

GENERAL FUND EXPENDITURES

Year-to-Date as of April 30, 2021

EXPENDITURES BY DEPARTMENT	BUDGET		ACTUAL			COMPARISON OF RESULTS			
	2021 ANNUAL	2021 ALLOCATED	2019	2020	2021	Allocated Budget vs Actuals OVER/(UNDER)	% EXPENDED	% CHANGE	
								2019/2020	2020/2021
01 City Council	\$ 363,618	\$ 124,500	\$ 129,011	\$ 116,648	\$ 103,786	\$ (20,714)	29%	-10%	-11%
03 Mayor's Office	2,104,126	708,526	719,957	762,404	598,545	(109,981)	28%	6%	-21%
04 Administrative Services	4,984,464	1,555,203	1,415,975	1,360,380	1,331,694	(223,509)	27%	-4%	-2%
05 Finance	3,049,858	1,309,760	1,023,298	1,083,434	1,042,114	(267,645)	34%	6%	-4%
07 Recreation	4,260,543	1,723,309	1,555,894	1,524,972	1,319,341	(403,968)	31%	-2%	-13%
08 Community Development	4,069,943	1,331,593	1,188,732	1,071,988	1,299,337	(32,256)	32%	-10%	21%
09 Municipal Court	1,272,888	452,916	409,813	444,140	378,619	(74,297)	30%	8%	-15%
10 Police	18,286,665	6,157,345	6,187,217	6,008,433	5,677,120	(480,225)	31%	-3%	-6%
11 Fire	12,706,860	4,203,900	4,352,930	4,232,077	4,498,630	294,730	35%	-3%	6%
13 Public Works	6,584,325	2,969,743	3,119,181	2,815,543	2,624,614	(345,129)	40%	-10%	-7%
Subtotal	57,683,290	20,536,796	20,102,008	19,420,020	18,873,800	(1,662,996)	33%	-3%	-3%
20 Dept 20	5,462,760	1,447,287	2,385,097	886,326	1,365,690	(81,597)	25%	-63%	54%
Total Expenditures	\$ 63,146,050	\$ 21,984,083	\$ 22,487,105	\$ 20,306,346	\$ 20,239,490	\$ (1,744,593)	32%	-10%	0%

Percent of year completed

33%

INFORMATIONAL MEMO

GENERAL FUND

CITY OF TUKWILA

GENERAL FUND EXPENDITURES

Year-to-Date as of April 30, 2021

SALARIES AND BENEFITS	BUDGET		ACTUAL			COMPARISON OF RESULTS			
	2021 ANNUAL	2021 ALLOCATED	2019	2020	2021	Allocated Budget vs Actuals OVER/(UNDER)	% EXPENDED	% CHANGE	
								2019/2020	2020/2021
11 Salaries	\$ 28,723,860	\$ 9,836,881	\$ 9,319,643	\$ 9,627,088	\$ 9,276,252	\$ (560,630)	32%	3%	-4%
12 Extra Labor	347,528	255,140	214,940	116,446	7,734	(247,406)	2%	-46%	-93%
13 Overtime	1,218,115	374,861	624,049	358,056	638,397	263,536	52%	-43%	78%
15 Holiday Pay	515,500	5,105	5,996	3,900	7,417	2,313	1%	-35%	90%
21 FICA	1,872,655	651,316	607,257	603,108	577,239	(74,077)	31%	-1%	-4%
22 Pension-LEOFF	899,828	303,637	289,308	374,988	285,510	(18,127)	32%	30%	-24%
23 Pension-PERS/PSERS	1,631,377	578,216	583,811	588,645	549,458	(28,758)	34%	1%	-7%
24 Industrial Insurance	875,820	329,959	288,082	330,597	322,374	(7,585)	37%	15%	-2%
25 Medical & Dental	6,904,119	2,247,562	1,899,085	2,105,520	2,078,513	(169,049)	30%	11%	-1%
26 Unemployment	-	-	-	6,681	-	-	-	-	-100%
28 Uniform/Clothing	8,525	652	1,090	432	876	225	10%	-60%	103%
Total Salaries & Benefits	\$ 42,997,327	\$ 14,583,330	\$ 13,833,261	\$ 14,115,461	\$ 13,743,771	\$ (839,559)	32%	2%	-3%

SUPPLIES, SERVICES AND CAPITAL	BUDGET		ACTUAL			COMPARISON OF RESULTS			
	2021 ANNUAL	2021 ALLOCATED	2019	2020	2021	Allocated Budget vs Actuals OVER/(UNDER)	% EXPENDED	% CHANGE	
								2019/2020	2020/2021
0 Transfers	\$ 5,462,760	\$ 1,447,287	\$ 2,385,097	\$ 886,326	\$ 1,365,690	\$ (81,597)	25%	-63%	54%
31 Supplies	1,055,711	335,886	455,798	249,536	214,307	(121,579)	20%	-45%	-14%
34 Items Purchased for resale	13,000	10,000	600	235	239	(9,761)	2%	-61%	2%
35 Small Tools	66,450	19,626	13,192	41,256	15,469	(4,157)	23%	213%	-63%
41 Professional Services	5,439,071	1,571,899	1,798,016	1,484,978	1,372,604	(199,295)	25%	-17%	-8%
42 Communication	481,810	153,734	113,837	129,599	127,306	(26,428)	26%	14%	-2%
43 Travel	83,196	62,505	82,642	31,804	3,287	(59,218)	4%	-62%	-90%
44 Advertising	34,750	5,817	7,237	4,408	895	(4,921)	3%	-39%	-80%
45 Rentals and Leases	2,166,137	590,855	941,752	429,715	543,420	(47,436)	25%	-54%	26%
46 Insurance	1,030,329	1,030,164	889,864	987,519	1,113,881	83,717	108%	11%	13%
47 Public Utilities	1,991,445	1,340,348	1,311,641	1,261,760	1,344,487	4,139	68%	-4%	7%
48 Repairs and Maintenance	651,669	211,319	249,831	270,859	132,527	(78,791)	20%	8%	-51%
49 Miscellaneous	1,153,730	448,425	404,337	412,891	261,607	(186,818)	23%	2%	-37%
64 Machinery & Equipment	518,665	172,888	-	-	-	(172,888)	0%	-	-
Total Operating Expenses	20,148,723	7,400,753	8,653,844	6,190,885	6,495,718	(905,034)	32%	-28%	5%
Total Expenses	\$ 63,146,050	\$ 21,984,083	\$ 22,487,105	\$ 20,306,346	\$ 20,239,490	\$ (1,744,593)	32%	-10%	0%

Percent of year completed 33%

Objective

- Analyze alternatives to funding the City's Fleet program.
- Identify an alternative way to fund Fleet that will provide some relief for the General Fund.
- Make recommendation of possible solutions

Current Situation

- Fleet meets with Departments and fleet needs/changes are discussed
- Fleet requests are submitted through the budget process
- Fleet requests are approved/denied during budget discussions
- GF makes budgetary contributions at the department level
- Enterprise funds make budgetary contributions at the fund level
- GF cannot continue to support Fleet in its current capacity
- GF has taken contribution “holidays” while Enterprise funds continue to contribute

What We Looked At

- Buying used
- Eliminate Commuter Trip Reduction Program
- Leasing
- Electric vehicles
- Shrinking fleet
- Sharing vehicles between departments

Recommendation

- Fleet leasing
- No cuts to department's fleet size
- Accounting change for GF fleet in Dept. 20 (Nondepartmental)

Equity Lease vs. Traditional Lease

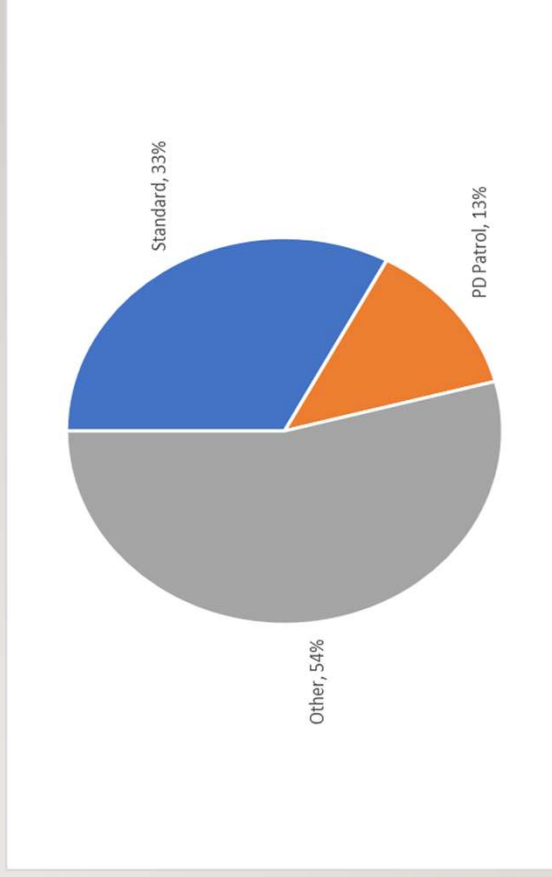
- City retains all rights of ownership/equity
- No mileage restrictions
- No time restrictions
- No wear & tear penalties

Fleet Makeup

Fleet Count

- Standard Fleet 115 (33%)
- PD Patrol 46 (13%)
- Other 190 (54%)
- Total 351

Fleet Percentage



What Does Fleet Leasing Look Like?

Included (approximately 115 Vehicles)

- PD non-patrol vehicles
- Standard fleet – PW, P&R, Pooled vehicles, Mayor’s Office
- Enter into leasing as budget is approved 9 cars in 2021, 2 vehicles in 2022
- Entire standard fleet replaced by 2025

Not Included

- PD Patrol vehicles
- Mowers
- Trailers
- Forklifts
- Tractors

Why Fleet Leasing (Benefits)

- Increase cash flow
- Reduce large fluctuations to fund balance
- Replace the standard fleet by end of 2025
- New vehicles are good for morale
- Maintenance reduced to oil changes/warranty work
- Consider PD Patrol vehicles later
- More nimble
 - Better positioned to transition to e-vehicles
 - Get out of vehicles that do not fit our needs
 - Reduced fleet as recognized

Fun Fact: Enterprise is not in the rental car business. They are really in the secondary car business.

Why This Model Works

- Buy low
- Low miles
- Sell at optimal period

Purchase Example

Vehicle Value	40,000
City Purchasing Power	29,000
Lease Payments (2 yrs.)	<u>(12,000)</u>
Payoff Amount	17,000
Sell Vehicle	31,000
Payoff Amount	<u>(17,000)</u>
Enterprise Fee	(500)
Less Lease Payments (2 yrs.)	<u>(12,000)</u>
Net Income	\$ 1,500

References

- Spokane City
- Mason County
- Muckleshoot

Resale value
Service
Cash flow



Who Else is Using Enterprise Fleet Leasing

- Bainbridge Island
- Grays Harbor
- Pacific County
- Cowlitz County
- City of Forks
- City of McCleary
- City of Sultan
- City of Vancouver
- 10 + Local School Districts

Worst Case Scenario

- We have the vehicles we would have purchased anyway.
- Exit strategy is the same as how we entered.



Change in Accounting

- Fleet Fund owns all the fleet vehicles and equipment
- Account for GF Fleet in Dept. 20 (Non-departmental)
- Fleet budget will not be assigned to GF departments
- Departments will continue to determine fleet needs
- Fleet operates as pooled cash
- Streamline fund balance
- Eliminate fleet fund balance at the department level (off book tracking)
- Eliminates department reconciliations

Penultimate Slide

Overall, there is not big \$ savings

- This program is for funding vehicles
- We would still outfit the vehicles ourselves
- We will still maintain the vehicles in-house
- No reduction in fleet
- Applies to 33% of total fleet
- Primarily this frees up cashflow

Conclusion

Recommendation

- Fleet will continue to be funded at its current level of service
- No cuts to department's fleet size
- Enhance cashflow by utilize fleet leasing
- General Fund fleet accounting will be maintained in Dept. 20 NonDepartmental

