



SOUND CITIES ASSOCIATION

36 Cities. A Million People. One Voice.

## SCA Finance Committee

April 11, 2016 2:00 PM

Dial-in Number: 605-562-0020

Access Code/Meeting ID: 335-090-129 #

1. Call to Order Treasurer Amy Walen, Chair
2. Public Comment
3. Approval of Minutes of March 7, 2016 Meeting [Attachment 1](#)  
*Recommended Action: Approval of minutes*
4. Review and Approve February 29, 2016 Financial Report [Attachment 2](#)  
*Recommended Action: Approval of financial report*
5. Discussion items:
  - a. County budget review team [Attachment 3](#)
  - b. Potential new SCA members
  - c. Temporary staffing at SCA
  - d. Board policies regarding reserves
    - i. Current Board Policy (Full Board Policies available [here](#)) [Attachment 4](#)
    - ii. Prior Board discussion of amended policy [Attachment 5](#)
    - iii. 2016 Board Adopted Reserves [Attachment 6](#)
    - iv. Suggested amendments to the Board Policies [Attachment 7](#)
  - e. Board policies regarding dues: tie to CPI-W, population cap [Attachment 8](#)
  - f. Regional Associate Membership [Attachments 9, 10](#)
  - g. Personnel policies re health insurance [Attachment 11](#)
  - h. Potential new policies regarding:
    - i. Late fees for city dues
    - ii. Proration for member (cities and/or regional associate members) joining mid-year
6. For the good of the order
7. Adjourn



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## SCA Finance Committee

### DRAFT Minutes

March 9, 2016 2:00 PM

1. The meeting was called to order at 2:02 PM by Chair/Treasurer Amy Walen. Present telephonically were members Hank Margeson, Leanne Guier, and staff Deanna Dawson. (Member Will Ibershof joined the meeting at 2:07 PM.) Absent was member Bob Harrison.
2. Chair Walen asked if anyone wished to provide public comment. There was no public comment.
3. Hank Margeson moved, seconded by Leanne Guier, to approve the minutes of November 9, 2015 ([Attachment 1](#)). The motion was approved unanimously.
4. SCA ED Dawson reviewed the 2015 Year End Financial Report for members. Will Ibershof, moved seconded by Hank Margeson, to approve the 2015 Year End Financial Report ([Attachment 2](#)). The motion passed unanimously.
5. SCA ED Dawson reviewed the Roles and Responsibilities of SCA Finance Committee including:
  - a) Board Policy 200 [Attachment 3](#)
  - b) Review of 2015 and 2016 Budgets [Attachments 4, 5](#)
  - c) Review of Financial Report [Attachment 6](#)
  - d) Review of board established reserve policies, and 2016 Reserves [Attachments 7, 8](#)

For the next meeting, members asked staff to bring back for discussion at the next meeting:

- Updated board policies, to include policies previously adopted on:
  - Employment reserves
  - Contract obligations
  - Emergency reserves
  - Legal reserves
  - Dues adjustments based on CPI-W
  - Population cap dues policies
- Potential new policy language re:

- late fees for dues
- prorating dues for cities, and Regional Associate Members
- whether appointments to regional boards and committees should be reconsidered if membership is dropped midyear
- Members also asked to have the following items added for discussion at the next meeting:
  - Review of county budget
  - Current policies on staff health care
  - Bonus policies

6. The meeting was adjourned at 2:57

**SOUND CITIES ASSOCIATION**  
**Financial Report**  
**February 29, 2016**

	2016 Approved Budget	YTD Feb 2016	% of Budget	Balance
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
City Membership Dues	542,837	542,631	99.96	206
Regional Associate Membership Dues & Events Sponsorships	42,000	9,500	22.62	32,500
Event Registration Fees	22,500	2,885	12.82	19,615
Interest Income	2,000	465	23.23	1,535
<b>Total Income</b>	<b>609,337</b>	<b>555,481</b>	<b>91.16</b>	<b>53,856</b>
<b>Expense</b>				
<b>Staff</b>				
Salaries	402,390	67,011	16.65	335,379
Taxes	33,922	5,443	16.05	28,479
Benefits	88,637	14,342	16.18	74,295
<b>Office/Overhead</b>				
Rent	22,560	3,711	16.45	18,849
Office Insurance	500	0	0.00	500
Printing/Publications	6,000	802	13.36	5,198
IT	5,350	595	11.12	4,755
Phones	2,350	352	15.00	1,998
Credit Card, Banking, and Other Fees	150	25	16.67	125
Accounting & Payroll Processing Fees	5,000	365	7.29	4,635
Legal	1,500	0	0.00	1,500
Office Supplies/Miscellaneous	2,500	108	4.32	2,392
<b>Event Expenses</b>				
Food/Beverage	20,000	5,095	25.47	14,905
PayPal Processing Fees	1,000	67	6.74	933
Other Meeting Expenses	1,500	16	1.09	1,484
<b>Board/Organizational Development</b>				
Directors & Officers Insurance	1,950	0	0.00	1,950
Awards/Recognitions	500	0	0.00	500
Retreats/Meetings/Conferences/Dues/Events	6,000	2,391	39.84	3,609
Consultants & Temporary Staff	2,500	0	0.00	2,500
Contingency Fund	5,000	0	0	5,000
<b>Total Expense</b>	<b>609,309</b>	<b>100,323</b>	<b>16</b>	<b>508,986</b>

**SOUND CITIES ASSOCIATION**  
**Balance Sheet**  
**February 29, 2016**

<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Umpqua Bank - Checking (formerly Sterling)	133,196.61
Umpqua Bank - Money Market (formerly Sterling)	86,754.09
Umpqua Bank - Money Market	2,502.62
Harborstone Credit Union - Money Market	250,155.93
Harborstone Credit Union - Savings	5.00
HomeStreet Bank - Money Market	249,044.49
Sound Credit Union - Savings	25.00
Sound Credit Union - Money Market	245,742.56
US Bank - Money Market	82,250.98
US Bank - Checking	15.00
<b>Total Checking/Savings</b>	<b>1,049,692.28</b>
Accounts Receivable	
1200 - Accounts Receivable	73,165.75
<b>Total Accounts Receivable</b>	<b>73,165.75</b>
Other Current Assets	
1499 - Undeposited Funds	0.00
<b>Total Other Current Assets</b>	<b>0.00</b>
<b>Total Current Assets</b>	<b>1,122,858.03</b>
Fixed Assets*	
1400 - Fixed Assets	12,854.19
1481 - Leasehold Improvements	13,755.66
1482 - Leasehold Improvement Accumulated Depreciation	-10,698.85
<b>Total Fixed Assets</b>	<b>15,911.00</b>
<b>TOTAL ASSETS</b>	<b>1,138,769.03</b>

\*Fixed Assets include 2015 figures. Depreciation needs to be updated for 2016.

# King County Budget Outlook for 2017/2018

Presentation to City Managers

Dwight Dively, Director

King County Office of Performance, Strategy and Budget

April 6, 2016



**King County**



## Looking Ahead to 2017/2018

- **Financial status of County funds varies substantially**
- **At least seven major focal points for 2017/2018 budget:**
  - **Metro Transit**
  - **Road Services Division**
  - **Rate-supported agencies**
  - **Mental Health**
  - **Public Health**
  - **E-911**
  - **General Fund**

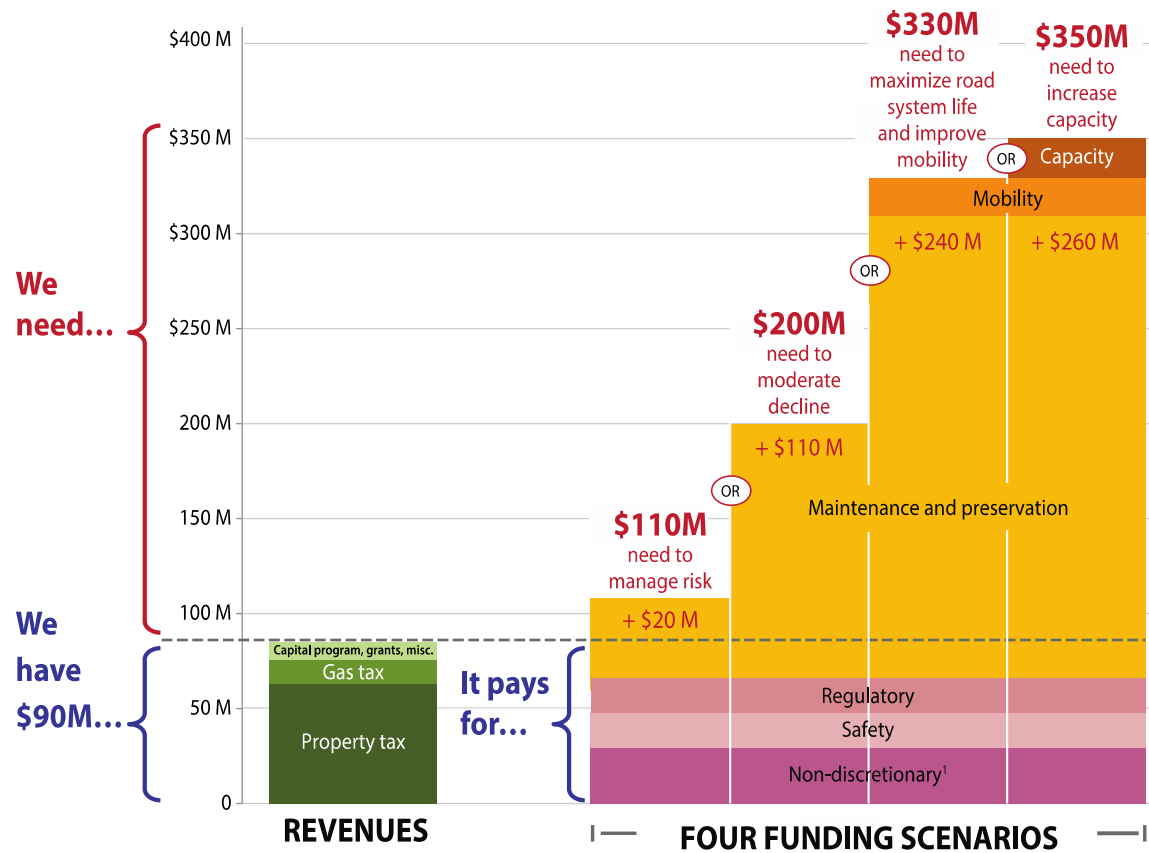
# Metro Transit

- Significant increases in sales tax and fare revenue
- Forecasts show continued growth, but do not reflect the inevitable recession
- Fund balance policies under review; proposal to Council likely in 2nd quarter
- Major planning efforts underway, including Service Guidelines Task Force and Long Range Plan
- Complex issues around base capacity, alternative services, etc.



# Roads Funding is Inadequate to Meet Needs (System replacement cost is about \$40 billion)

**Road system needs and annual funding shortfall**



## Road Services Division

- Funding is vastly inadequate but no further cuts are projected in the near term
- Bridges & Roads Task Force met in the fall of 2015 and developed recommendations, including working with cities to develop countywide funding options for the county and cities
- Discussions with cities are planned to start this summer
- Significant revenue increases will require State legislative action

## Rate-Supported Agencies

- **Wastewater rates are relatively straightforward and will be submitted in April; a significant reduction in long-term debt is planned**
- **Solid Waste rates will be submitted in early summer and likely will include policy and programming direction**
- **Surface Water Management rates will be submitted with the budget and involve complex issues; a large rate increase is possible**

# Mental Health

- **Creation of a behavioral health organization will occur in April, which standardizes funding models for mental health and substance use disorder services**
- **Mental Illness and Drug Dependency (MIDD) renewal is being analyzed, with a proposal to the Council by mid-year**
- **Changes in State law and court practices may have significant financial effects**
- **The overall outlook is for lots of changes but the short-term financial position appears adequate**

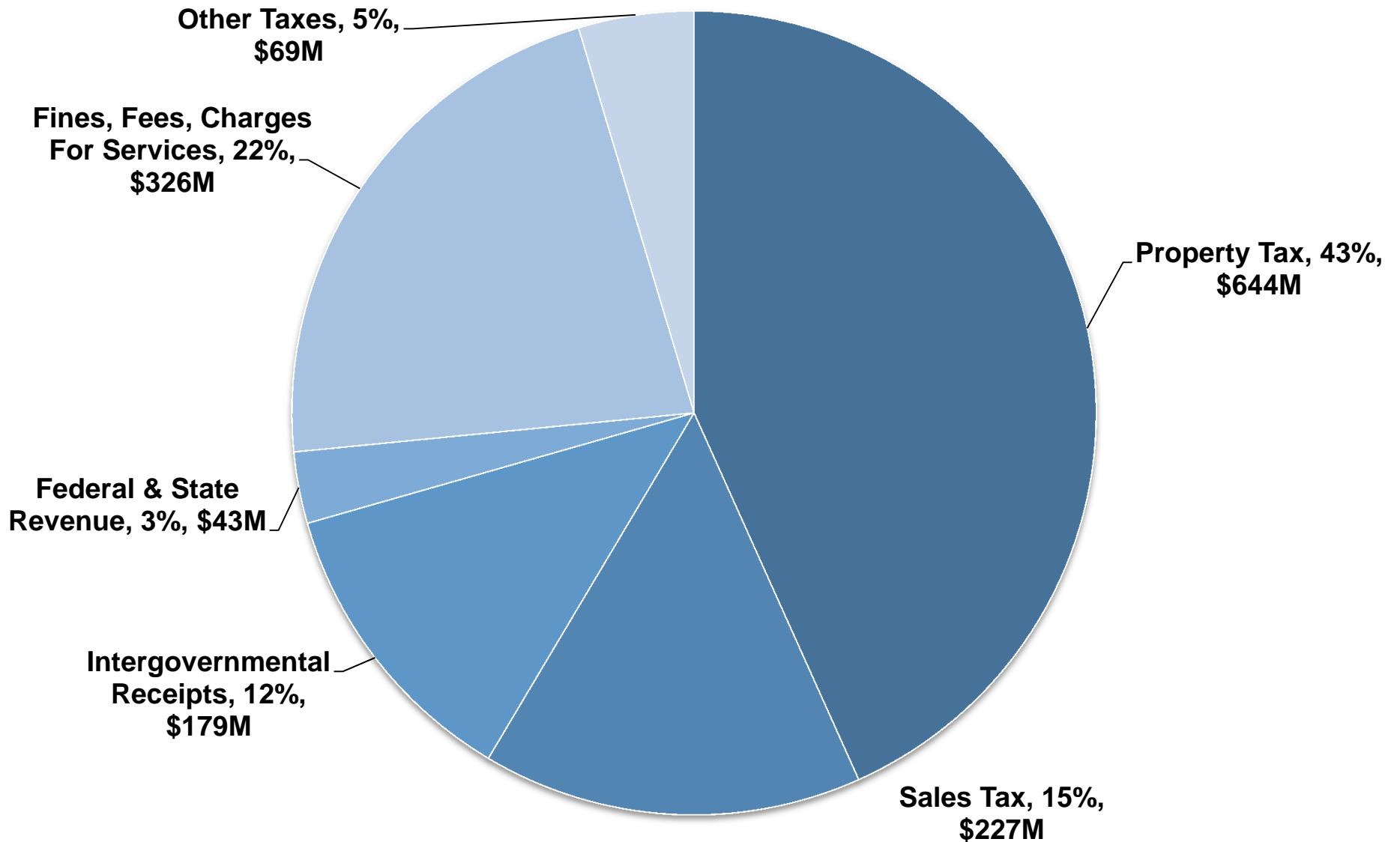
# Public Health

- **Public Health Fund is projected to end 2016 with a fund balance of about -\$6 million, which will have to be recovered over time**
- **Public Health has an ongoing imbalance between revenues and expenditures due to flat federal and state funding**
- **Best Starts for Kids and other current initiatives will reduce, but probably not eliminate, the ongoing funding gap**

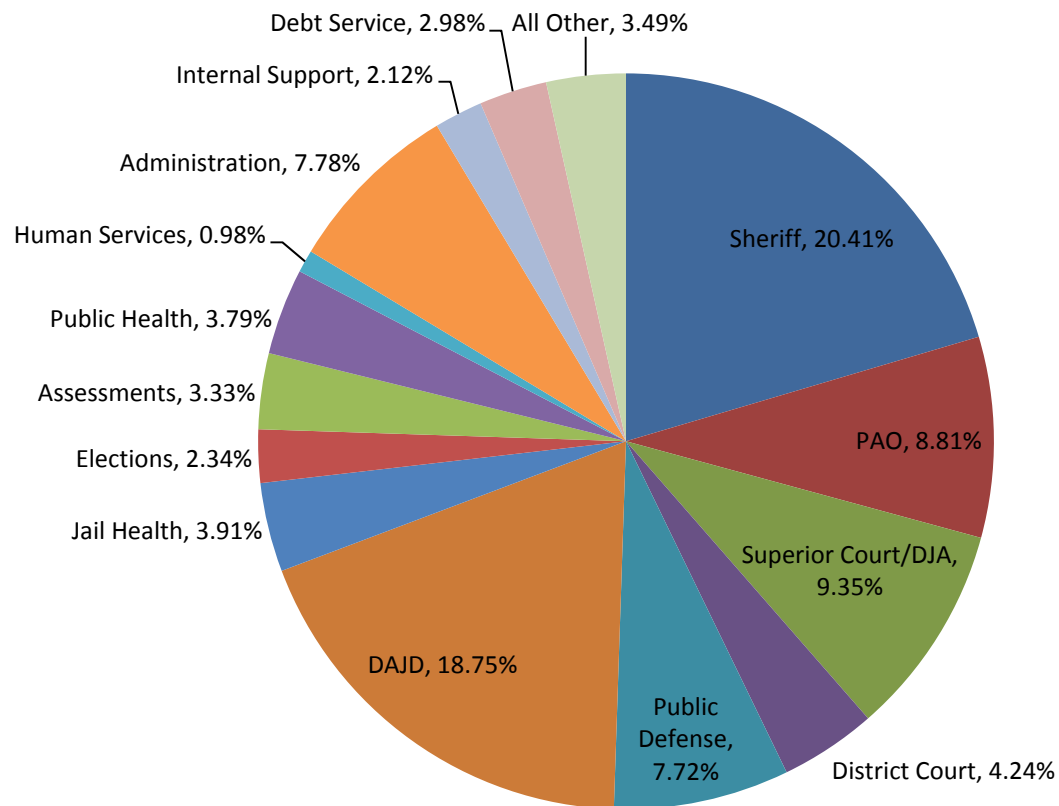
## E-911

- **The E-911 system is funded by a flat tax per phone line**
- **As individuals and businesses eliminate land lines, the revenue base is actually declining**
- **Current forecasts show 2017/2018 revenue will be inadequate to cover current projected expenditures**
- **PSAPs will be engaged to provide input on potential reductions**

## 2015/2016 General Fund Revenue

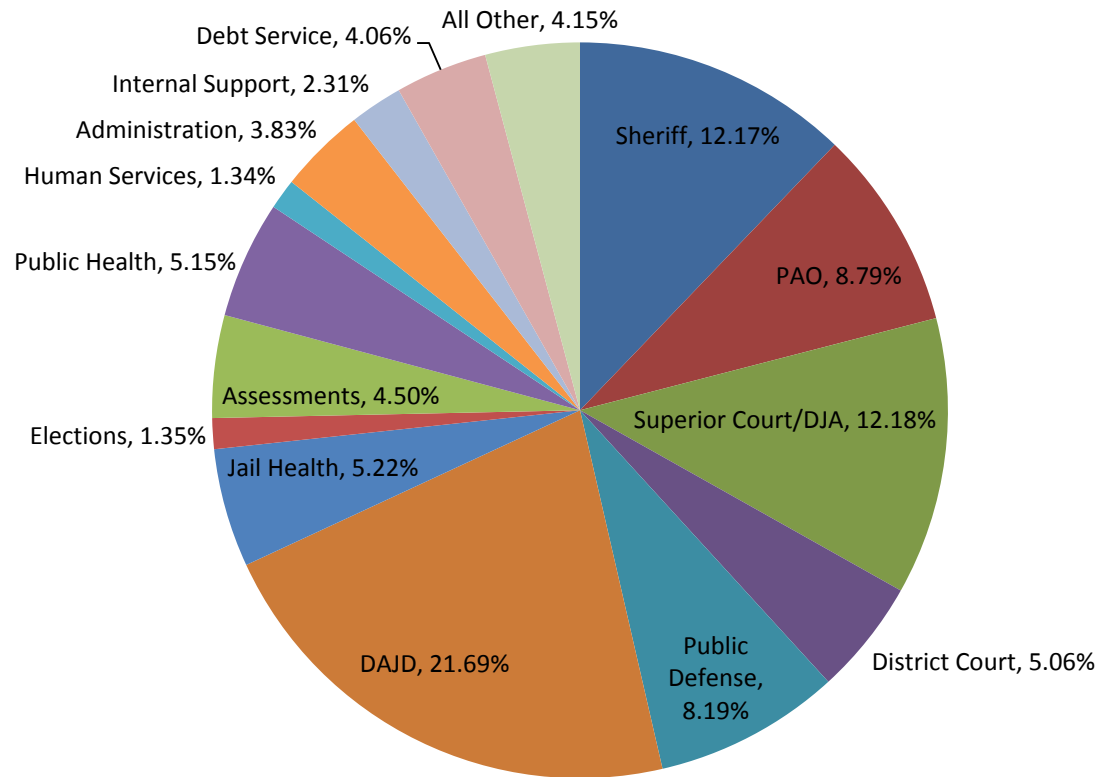


# Total 2015/2016 General Fund Budget (\$1.5 billion)





## Net 2015/2016 General Fund Budget True GF-Supported Programs (\$1.1 billion)



## 2017/2018 General Fund Gap

- **Structural imbalance is less than \$5 million – this is the best of times with low inflation and strong sales tax growth**
- **Completion of MIDD supplantation rampdown shifts over \$11 million of costs to the General Fund**
- **Use of \$13 million of reserves to balance 2015/2016 and higher than planned costs for public defense and some labor settlements adds over \$30 million to the gap**
- **Total biennial gap is about \$50 million**

## Balancing the General Fund

- The Legislature took no action on revenue reform
- Executive is considering several revenue ideas, but amounts are likely to be modest
- Need to continue to find efficiencies in service delivery
- Many General Fund appropriations are backed by specific revenues (e.g., KCSO contracts and PAO Civil Division charges to agencies), so cuts in these expenditures are ineffectual
- Handling \$50 million through cuts in “flexible” programs could require reductions of 5% or more, representing 200-250 employees

## Looking Ahead

- Agency budget development is underway
- Budgets are due to the Executive on July 1
- Executive's Proposed Budget will be delivered to the Council on September 26
- Council action is likely by mid-November
- The County will seek legislative changes to the 1% property tax growth limit and new sources of Public Health funding in the 2017 Legislature
- Regional roads funding will be on the legislative agenda if a plan can be developed with cities

**SCA Board Policies Excerpt regarding Reserve Policies:**

**200 FINANCE**

**201 FINANCIAL POLICIES**

201.7 Reserve policies

- a) The association should maintain a minimum reserve of six months operating expenses at all times based on the annual operating budget. (3/15/95, 4-15-09)
- b) The association should maintain an Equipment Replacement reserve of a minimum of \$6,000 to fund unbudgeted capital expenditures. (Board 9/27/2006, 3/21/2012)
- c) The association should maintain a Contract Liability Reserve to fund the liabilities of all SCA employment contracts. (Board 9/27/2006)
- d) The association may apply unallocated operating reserves to the budget for the following year. (4-15-09, Board 10/20/10)

**Excerpt from October 16, 2013 SCA Board Meeting Minutes regarding Reserve Policies:**

**8. Finance Committee Report**

Don Gerend, Treasurer and Chair of the SCA Finance Committee, reported that the committee met on October 15, 2013. Chair Gerend announced that Tracey Dunlap, Kirkland Finance Director, is a new member of this committee and is a great addition. Treasurer Gerend stated that members have the draft 2014 budget for review. Treasurer Gerend highlighted a few areas such as an Operating Contingency to give the executive director flexibility to address operational needs, and a Strategic Initiatives Fund which will allow the Board to fund initiatives identified by the membership and adopted by the Board at its retreat.

Treasurer Gerend also reported that the Finance Committee discussed potential reserve policies, including the method to replenish reserves as well as reserve levels. The committee recommends this be a subject for further discussion at the 2014 Board Retreat. Chair Gerend noted that the recommended reserves are on the conservative side, with ample resources set aside to address the needs of the organization. The Finance Committee recommended establishing these reserves for 2014, discussing further at the retreat, and then potentially adopting a new formal reserve policy or SCA in 2014.

David Baker moved, seconded by Don Gerend, to recommend the 2014 draft budget and assessment to the SCA Membership, and to establish reserves for 2014 as recommended by the Finance Committee. (Attachments A-C)

The motion passed unanimously.

**Attachment C: Adopted 2014 Reserves**

Current Funds as of 9/30/13	
<b>Funds</b>	
Liquid Funds	701,828.84
CD	35,140.46
Oct-Dec Est Income	5,087.00
<b>Total</b>	<u>742,056.30</u>
<b>Est. Remaining 2013 Expenses</b>	
Oct-Dec Est Exp	<u>120,910.41</u>
<b>2014 Beginning Balance</b>	<b>621,145.89</b>

<b>2014 Beginning Balance</b>	621,145.89
<b>2014 Recommended Reserve Funds</b>	
6 Month Operations Reserves	249,589.97
Emergency Contingency Reserve Fund	50,000.00
Equipment Reserves	15,000.00
Employment Reserve Fund	39,428.28
<small>includes funds for Executive Director contract (23,509.80) and employee vacation liabilities (15,918.48)</small>	
Contractual Obligations Reserve Fund	35,707.98
<small>currently includes funds for office lease (23,664.17) and copier lease (12,043.81)</small>	
Legal Reserve Fund	25,000.00
<b>Total Board Designated Reserves</b>	<u>414,726.23</u>
<i>*Source of Funds for Board Designated Reserves:</i>	
<i>Rolling forward unexpended 2013 Board Designated Reserves</i>	254,735.82
<i>Designation of previously undesignated funds/reserves</i>	159,990.41
<b>Total Board Designated Reserve Funds</b>	<u>414,726.23</u>

<b>2014 Beginning Balance</b>	621,145.89
<b>2014 Revenue</b>	542,851.48
	<u>1,163,997.37</u>

<b>2014 Recommended Expenditures</b>	541,904.82
<b>2014 Recommended Board Designated Reserves</b>	414,726.23
<b>Undesignated Funds/Reserves</b>	207,366.32 **
	<u>1,163,997.37</u>

**\*\* Undesignated Funds/Reserves:**  
 - remaining previously undesignated funds/reserves (164,050.49)  
 - unexpended funds from 2013 budget (42,369.17)  
 - undesignated revenue for 2014 (946.66)

<b>BOARD DESIGNATED RESERVES</b>	<b>2016 Designated Amount</b>
<b>Operations Reserve</b>	219,739.00
<b>Equipment Reserve</b>	15,000.00
<b>Employment Reserve</b>	87,850.95
<b>Contract Obligations</b>	50,655.71
<b>Emergency Reserve</b>	50,000.00
<b>Legal Reserves</b>	25,000.00
	<b><u>448,245.66</u></b>

Operations Reserve: Per SCA Board Policy 201.7a, "The association should maintain a minimum reserve of six months operating expenses at all times based on the annual operating budget."

Equipment Reserve: Per SCA Board Policy 201.7b, "The association should maintain an Equipment Replacement reserve of a minimum of \$6,000 to fund unbudgeted capital expenses."

Employment Reserve: This reserve combines liability regarding employee contractual obligations and accrued vacation. Per SCA Board Policy 201.7c, "The association should maintain a Contract Liability Reserve to fund the liabilities of all SCA employment contracts."

Contract Obligations: This reserve fund combines the liability of the occupancy lease and copier lease agreements.

**Suggested amendments to reserve policies:**

201.7 Reserve policies

- a. The Association shall maintain the following reserves:
  - i. An operations reserve fund of a minimum of six months of operating expenses, based on the annual operating budget
  - ii. An additional emergency reserve fund of \$50,000
  - iii. An equipment replacement reserve of \$15,000
  - iv. An employment reserve fund, which shall include at a minimum sufficient funds to cover Executive Director employment contract obligations, and employee vacation liabilities
  - v. A contract obligations reserve fund, sufficient to fund any additional contractual obligations of the Association and
  - vi. A legal reserves fund of \$25,000
- b. The association may apply unallocated operating reserves to the budget for the following year.



**SCA Board Policies Excerpt regarding Reserve Policies:**

**400 DUES AND FEES**

**402 MEMBER DUES**

402.1 The dues of the Association shall be assessed annually as determined by the membership's adoption of the Association's budget. Assessments for special activities or expenses may be determined by action of the Board of Directors with approval of a majority of the membership. All dues and assessments will be based on the most recent official population figure for each city and town as provided by the State Office of Financial Management (OFM). (Bylaws 11-17-04)

402.2 Dues shall be based on population times an annual assessment rate, which shall be recommended to the Board by the Finance Committee. (9-16-15)

402.3 The assessment rate shall be adjusted annually based on the CPI-W for Seattle/Tacoma/Bremerton, with a floor of 0% and a cap of 3%. (9-16-15)

402.4 A city's dues for the upcoming year shall be based upon the population of the area of the city effective January 1 of the upcoming year, including any areas annexed as of January 1. (9-16-15)

402.5 Dues for cities with populations of 80,000 or above shall be capped at a population of 80,000, effective as of the 2017 budget cycle. (9-16-15)

## SCA Regional Associate Members

### Partners

CenturyLink  
Puget Sound Energy  
Recology CleanScapes  
Republic Services  
Waste Management

### Members

AT&T  
Auburn Area Chamber of Commerce  
AWC  
Comcast (sponsored 3/30/16 networking dinner)  
Economic Development Council of Seattle and King County  
Eddy Consulting  
Foster Pepper (sponsored 2/17/16 networking dinner)  
Gordon Thomas Honeywell  
Green River College  
Jurassic Parliament  
King Conservation District  
Marketing Solutions  
Microsoft  
NorCom  
Saunderson Marketing Group  
Seattle Chamber  
Stradling Yocca Carlson & Rauth, P.C.  
ValleyCom

## 2016 SCA Regional Associate Membership

Please choose the appropriate level of Membership.

### Member - \$500

Benefits Include:

- Opportunity to interact with SCA members at SCA networking events
- Recognition and link to member website on SCA website
- Ability to participate in other SCA educational and social events

### Partner - \$6,000

Benefits Include:

- All benefits of basic membership, plus:
- Two tickets to each SCA networking dinner (a \$500 value)
- Opportunity to provide materials at each networking dinner
- Recognition at each networking dinner
- Front page recognition on SCA website
- Opportunity to post items of interest on SCA Website, Facebook page, and Twitter feed
- Special recognition at SCA Annual Meeting

### Event Sponsorships

SCA also offers additional event sponsorship opportunities for SCA members and partners. If you are interested in sponsoring one of our networking dinners or other events, please contact SCA Executive Director Deanna Dawson at [Deanna@SoundCities.org](mailto:Deanna@SoundCities.org) to learn more about event sponsorship.

**Total amount enclosed \$ \_\_\_\_\_**

Please submit payment with a copy of this form. Make checks payable to SCA and mail to 6300 Southcenter Blvd. Suite 206, Tukwila WA 98188. For questions, please contact either Deanna Dawson at 206-433-7170 or [Deanna@SoundCities.org](mailto:Deanna@SoundCities.org) or Kristy Cole at 206-433-7168 or [Kristy@SoundCities.org](mailto:Kristy@SoundCities.org).

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Name of Business: \_\_\_\_\_

Contact Person(s) and Title(s): \_\_\_\_\_

Contact Email(s): \_\_\_\_\_

Contact Phone Number(s): \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Website: \_\_\_\_\_

## **SCA Personnel Policies Excerpt regarding Health Insurance:**

### **306 HEALTH INSURANCE**

SCA will contribute to a health insurance program as established by the Executive Director (subject to approval through the budget process by the Board), for each full-time employee. Coverage begins the first day of the month following the start of employment. If an employee begins employment on the first day of the month, coverage will begin on that date. Some insurance benefits may require the employee to pay a copay or a portion of the premiums. SCA reserves the right to make changes in the carriers and provisions of these programs when deemed necessary or advisable, with prior notice to affected employees.

SCA provides insurance coverage to full-time employees and their dependents and spouses and qualified same- and opposite-sex domestic partners and their children.

A Qualified Domestic Partnership (QDP) is one in which two people are registered as domestic partners with the Secretary of State for the State of Washington and meet the following criteria:

- both persons share a common residence,
- both persons are at least eighteen years old,
- neither person is married to someone other than the domestic partner and neither person is in a domestic partnership with another person,
- both persons are capable of consenting to the domestic partnership,
- the persons are not more closely related to one another than second cousins as determined by the rules of civil law, for example, neither person is a sibling, child, grandchild, aunt, uncle, niece or nephew to the other person, and
- both persons are of the same sex or if the partners are of opposite sex, one of the persons is at least age 62.

#### *Effective until January 1, 2015:*

SCA will pay 100% of the medical, dental, and vision premiums for the medical plan approved by the Executive Director for full-time employees and their dependent children, and the employee's spouse or domestic partner.

#### *Effective January 1, 2015:*

SCA will pay 100% of the medical, dental, and vision premiums for employees and their dependent children, and 80% of premiums for the employee's spouse or domestic partner. An employee shall be required to provide SCA with a notice of termination of marriage/domestic partnership upon dissolution of a marriage or termination of a domestic partnership, within thirty days of termination of the marriage or domestic partnership. A marriage or domestic partnership shall be deemed terminated as provided under state law.