

eCityGov Alliance 2019-2020 Budget

**Executive Board
November 16, 2018**

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Introduction

The 2019-2020 Budget is presented for Executive Board Review and Adoption. The Alliance budget process timeline is contained in the Interlocal Agreement Section 12.a.

- a. *Budget Approval.* The Executive Director shall develop the proposed operating budget. The Executive Director and Executive Board shall use best efforts to meet the scheduled budget dates set forth in this Section but failure to meet such dates shall not constitute a breach of this Agreement.
 - i. The Executive Director shall present a proposed budget to the Executive Board by no later than **June 30** prior to the commencement of the budget period, together with any Program Committee recommendations with respect to the proposed budget.
 - ii. By no later than **August 31**, the Executive Board shall (1) review and revise the draft budget as it deems appropriate; (2) approve the draft budget (including proposed charges to Participants and any user fees); and (3) forward the same to Principals. The approved draft budget, and all proposed fees and charges shall be forwarded to Subscribers no later than **September 15**.
 - iii. The final budget shall be adopted by vote of the Executive Board effective no later than **December 31** prior to commencement of the budget period, after receiving information as to:
 1. which Subscribers will be continuing to contract with the Alliance; and
 2. which Principals have or will approve their shares of the Alliance budget, based on action or information from such Principals received by the Alliance no later than **December 1**.
 - iv. *Vote Required to Approve Budget.* A Simple Majority Vote of the Executive Board is required to approve the draft and final budget.

A preliminary budget was initially presented to the Executive Board on April 20, 2018 with subsequent Board review at the June 15 and October 26 meetings. At the October 26 meeting, the Board agreed to consider a two-year budget for 2019 and 2020.

This Budget implements two policy changes to reflect current conditions and practices, including:

- Redistribution of costs between restricted and unrestricted programs to more fairly represent the relative level of effort needed to maintain the products.
- Modification of the rate calculation for GovJobsToday to reflect changes in Principals' use of the program.

The overall budget does not reflect any changes in programs for the biennium. Budget amendments may be approved by the Board to reflect changes that occur

during the budget year. The Board will also conduct a mid-biennial budget review to make any adjustments needed for the 2020 Budget.

Base Budget Overview

The base budget reflects no change in service levels but does acknowledge inflationary changes, changes in subscriber memberships and a shift from unrestricted programs to restricted programs to more accurately reflect actual costs and hours. Base budget assumptions include:

Expenditures Assumptions

- **Continues the full time Executive Director at 2018 salary plus an adjustment for known cost of living and benefit costs.** There is a cost of living adjustment of 2.45% assumed for the Executive Director position in the 2019 Budget and 2.41% in the 2020 base budget. Benefits are inflated by 2.5% each year. The same assumptions were used to calculate the Bellevue SLA employee costs.
- **Increases Bellevue Service Level Agreement hours** in the Application Development category to reflect actual time for the Service Delivery Manager and application tester (increase from 2.18 FTE to 2.25 FTE) and acknowledges the addition of Business Analyst hours approved in 2017.
- **Continues all programs in 2019-2020** including MyBuildingPermit (MBP), GovJobsToday (GJT) and NWProperty (NWP). The Board has discussed discontinuing NWProperty by the end of 2019. Further consultation is needed with the Alliance attorney regarding the steps needed to do so. It is anticipated that the Board will consider a formal action at the February 15, 2019 meeting.
- **Segregates ending fund balances into "Policy Reserve" and "Unobligated Balance."** Policy reserves are established in the adopted Financial Policies and are established for MyBuildingPermit at 50% of budgeted expenditures and for Unrestricted Programs at 10% of budgeted expenditures (NWProperty and GovJobsToday). Policy reserves are fully funded and there is no proposed use of reserves in base budget. In 2018, the Executive Board approved a transfer of the residual fund balance in the Shared Procurement Portal (a restricted program) to unrestricted fund balances. The transfer of \$66,430 was split evenly between GJT and NWP. The 2020 total ending Unobligated Fund Balance is slightly reduced due to the shift to Policy Reserves that increases based on the inflationary increases in the expenditure budget.
- **Shifts from costs from unrestricted programs (GJT and NWP) to restricted programs (MBP).** Aside from costs strictly associated with a program, all other Alliance expenses had been distributed at a rate of 75% to MyBuildingPermit and 25%, split evenly, to GovJobsToday and NWProperty (i.e. 12.5% to each). Actual hours for the Service Delivery Team developers and business analysts are almost entirely devoted

to MBP as is most of the Executive Director’s time. The base budget reallocates costs from the unrestricted programs to MBP to acknowledge the relative level of effort dedicated to each program. The base budget changes the relative allocation to 90% MBP, 7.5% GJT and 2.5% NWP as shown in the table below.

	MBP	GJT	NWP
Current	75%	12.5%	12.5%
Proposed	90%	7.5%	2.5%

This change results in a shift in partner and subscriber fees to MBP beginning in 2019 and a corresponding reduction in partner fees for GJT and NWP (GJT and NWP subscriber fees are established by policy as a flat rate based on ranges of population). Even with the shift from unrestricted to restricted (MBP), overall MBP rates are generally lower than 2018 due to the application of King County and SeaTac subscriber fees.

- **Reflects a change from an annual audit to a two-year audit cycle.** The State Auditor’s Office was unable to conduct the 2016 audit for the Alliance during 2017 due to a lack of staff resources at the SAO. Instead, they conducted audits for 2016 and 2017 in 2018. The Alliance Interim Executive Director and the Bellevue IT Finance Manager attended an entrance conference with the SAO and discussed the audit process. At that meeting the Audit Program Manager indicated that the Alliance could remain on a two-year (biennial) audit cycle given the lack of complexity of the Alliance’s transactions and low potential for risk. At their October 26 meeting, the Executive Board directed staff to present a resolution at the November 16, 2018 meeting authorizing the Executive Director to notify the State Auditor’s Office of the change. The budget is modified from a yearly audit budget of \$7,500 in 2019 and 2020 to a biennial audit amount of \$14,150 in 2020.
- **Reflects the final installment of the MBP Accelerated Funding payback in 2018.** This reduced the total expenditures by \$34,400 beginning in 2019.

Revenue Assumptions

- **Reflects fees based on formulas provided in the Alliance Interlocal Agreement and Financial Policies.** The base budget assumes that King County and SeaTac subscriber fees offset all other MBP members resulting in lower MBP fees for most agencies.

The ILA and Financial Policies provide that total expenditures less subscriber fees equal partner fees which are distributed to principals proportionally based on development fees (MBP) or population (GJT and NWP). In 2018, the Executive Board adopted an updated Interlocal Agreement that eliminated the requirement that partners use all of the Alliance products:

6.f. Requirement of Principals Use of Alliance Programs and Services. No Principal is required to use or deploy all Programs and Services offered by the Alliance. Nothing in this Agreement shall be interpreted to preclude a Participant from using or deploying competing services or programs similar in functionality to Programs and Services offered by the Alliance.”

There is also a general statement in the ILA that fees could be adjusted:

Cost Allocation. The costs of funding the approved Alliance budget, net of all estimated revenue chargeable to Subscribers and all other revenues, shall be generally allocated between all Principals based on their relative Population. The Board can establish other cost allocation methods by Supermajority Vote that are considered equitable to all other Principals and appropriate for the applicable Programs and Services. Nothing in this Agreement shall be construed to prohibit the Executive Board from including factors in addition to Principal Population or making other equitable adjustments in the cost allocation formulas, including but not limited to adjustments for Principals who do not use or deploy certain Programs and Services offered by the Alliance pursuant to Section 6.g.

The Board gave preliminary approval for a change in the methodology for calculating GJT rates that recognizes that two principal agencies (Bellevue and Issaquah) only use the portal function which connects to their back-end application management system (NEOGOV). To recognize the limited use, Bellevue and Issaquah’s population was reduced by 65%. This resulted in a rate increase for the remaining principals.

At the June 15, 2018 Executive Board meeting the methodology was further amended on a one-time basis to mitigate the impact of reduced fees for the two jurisdictions on smaller jurisdictions. The City of Kirkland offered to absorb the marginal increases in smaller jurisdictions’ rates thereby leaving Sammamish, Snoqualmie and Kenmore’s rates at what they would have been prior to the population adjustment for Bellevue and Issaquah. A summary of the final fees for 2019 compared to 2018 fees and 2019 preliminary fees is provided below.

	2018 Fee	Preliminary 2019 Fee	One-time Adjustment	2019 Final Fee	Change 2018 to 2019 Final
Partner					
Bellevue	24,618	9,491		9,491	(15,127)
Issaquah	6,078	2,430		2,430	(3,648)
Kenmore	3,920	4,351	(431)	3,920	-
Kirkland	15,220	16,590	3,515	20,105	4,885
Sammamish	9,114	9,317	(203)	9,114	-
Snoqualmie	2,343	5,224	(2,881)	2,343	-
Total Partner	61,293	47,403	-	47,403	(13,890)
Subscriber					
Dupont	1,600	1,600		1,800	200
Gig Harbor	1,600	1,600		1,800	200
Mill Creek	3,600	3,700		3,900	300
Newcastle	2,600	2,700		2,900	300
NORCOM	5,100	5,200		5,500	400
Woodinville	2,600	2,700		2,900	300
Total Subscriber	17,100	17,500	-	18,800	1,700

- **Acknowledges subscribers that have withdrawn from Alliance programs or joined as new subscribers:**
 - Lake Stevens withdraws from GovJobsToday effective 2018
 - Woodinville withdraws from MBP effective 2019
 - SeaTac, Everett and DesMoines withdraw from NWProperty effective 2019
 - Newcastle withdraws from GJT effective 2020.
 - SeaTac joins MBP effective 2019
- A small inflationary increase is incorporated into flat fee subscriber rates for GJT and NWP.

A summary of the change in partner and subscriber fees that results from the base budget assumptions is attached to this memo (Attachment A).

The net effect of the policy changes recommended in the base budget, subscriber changes, GJT rate methodology and the application of an updated 5-year average for permit fees (2013-2017) produces varied results by jurisdiction.

After applying the King County and SeaTac subscriber fees and the cost shift from unrestricted to restricted, most MBP principals see a decrease in MBP fees except those jurisdictions whose 5-year average permit fees increased disproportionately compared to other jurisdictions.

	5-Year Avg 2011-2015	5-Year Avg 2013-2017	% Change
Bellevue	13,125,597	19,072,189	45.3
Issaquah	2,694,355	3,852,753	43.0
Kenmore	740,508	895,521	20.9
Kirkland	5,837,289	9,349,586	60.2
Sammamish	2,858,521	3,318,951	16.1
Snoqualmie	696,523	1,144,294	64.3

Budget Summary

The following table summarizes the changes from 2018 to 2019-2020:

	2018 Budget	2019 Budget	2020 Budget
Beginning Fund Balance	927,970	1,112,588	1,145,604
Partner Fees	719,135	644,617	647,517
Subscriber Fees	799,777	695,090	692,190
Other	14,671	20,478	20,696
Total Revenue	1,533,583	1,360,185	1,360,403
Executive Director	240,756	241,000	248,057
Bellevue SLA	1,002,669	1,024,601	1,069,642
Supplies/Services	27,490	19,270	19,270
Professional Services	78,050	42,299	56,450
Total Expenses	1,348,965	1,327,170	1,393,419
Ending Fund Balance	1,112,588	1,145,603	1,112,588

Summary

The 2019-2020 Budget reflects a stable, and slightly growing, MBP program. The unrestricted programs continue to see changes in subscribers, particularly in NWP. Going forward, the Alliance should consider how these trends should inform future rate structures in terms of the allocation between partners and subscribers and how new subscriber onboarding and subscription fees should be applied.

One of the projects identified for the Executive Director was a simplification of the budget development process and tools. The Executive Director and Bellevue IT Finance support staff created a new budget and rate model that removes extraneous data, simplifies use, provides "what-if" capabilities and improves the presentation. The hope is that the budget process and tools will be more accessible and useful for Alliance staff in the future.