



City of Stevenson

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Stevenson, Washington 98648

To: Stevenson City Council and Residents

Date: November 21, 2019

Re: 2020 REVISED PROPOSED BUDGET

I am pleased to submit the revised City of Stevenson's 2020 proposed budget for your review and consideration.

OVERVIEW:

The budget development process is guided by Washington State Law and by the *Budgeting, Accounting & Reporting System* (BARS) manual published by the Washington State Auditor's Office. We prepare the annual budget for two main reasons:

1. It sets the legal limits on expenditures for the City.
2. It is our financial plan for next year. In its simplest form, it is an estimate of the revenues we expect to receive and how we plan to spend them.

When the budget is appropriated by ordinance, that ordinance provides the legal right to spend money as well as limit the amount we can spend.

Budget priorities are determined by reviewing the goals set at the strategic planning retreat in October of 2019 and were reviewed and confirmed at the August 22, 2019 council meeting. More specific budget priorities for 2020 are included in the proposed budget.

The 2020 proposed budget continues all existing programs and staff. Revenue projections of \$7,056,123 have been conservative with the following assumptions:

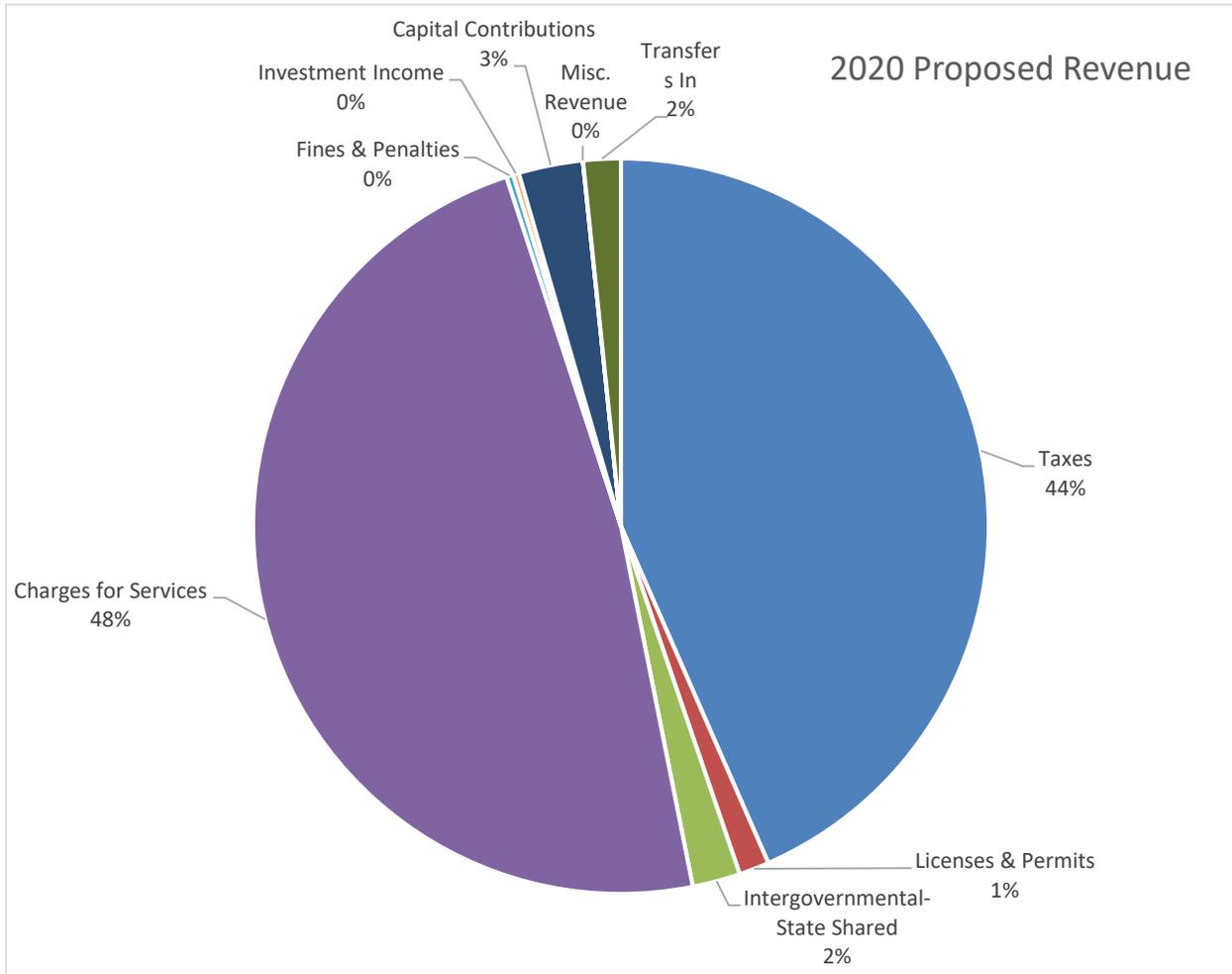
- Population estimate of 1,620, a 2.8% increase over last year.
- 1% increase in the property tax levy, plus new construction.
- A slight increase in sales tax projections based on 2016-2018 revenues.
- Increase in water utility base rate of 5% for 2020.
- Increase in wastewater utility rates of 37% for 2020.
- Estimated amount of secured grants, loans and other revenue sources to fund capital improvement projects.

Revenue sources include:

- **Taxes** – property tax, sales tax and taxes on utilities (natural gas, electricity, cable, garbage, telephone, etc).
- **Licenses and Permits** – business licenses, building permits, etc.
- **Intergovernmental-Grants** – Transportation Improvement Board (TIB), etc. for capital projects
- **Intergovernmental-State Shared** – liquor revenues, fuel tax, criminal justice funds, etc.
- **Charges for Services** – planning fees, building inspector reimbursements, utility rates, etc.
- **Fines and Penalties** – mostly traffic infractions and criminal fines and penalties
- **Investment Income** – interest income from city investments
- **Capital Contributions** – connection charges for water and sewer hook-ups
- **Miscellaneous Revenue** – sale of scrap, cash drawer overage/shortage, other revenues

- **Nonrevenues** – agency pass-through funds, unclaimed property
- **Other Financing Sources** – loan proceeds for capital projects
- **Transfers In** – internal transfer between funds

The chart below lists revenues associated with general operations and maintenance, excluding capital projects and grant pass-throughs such as the Community Development Block Grant project.



These resources will be used to maintain existing service levels and execute planned capital projects. A highlight of the 2020 expenses totaling \$7,319,874 include:

Capital Projects:

- Russell Avenue reconstruction with \$966k of street and sidewalk improvements.
- First Street alternative transportation project engineering phase \$185k.
- Loop Road street, sidewalk, and stormwater improvements \$452k .
- Design of wastewater system upgrades for \$1M.

Current Expense:

- Downtown Plan and Buildable Lands inventory, partnering with EDC, project roll-over \$50k.
- Continued Pool Support \$40k.
- Community Development Block Grant Home Rehabilitation project rollover \$350k.

Streets:

- Kanaka Bridge Rebuild \$20k.
- Tree Maintenance Plan \$20k.

Water/Sewer:

- Continued BOD monitoring \$18k.
- Partial Russell Ave waterline replacement \$50k.
- Replacement of the roof at the Water Treatment Plant \$55k.
- Loop road waterline replacement and Hydrant installation \$100k.
- Loop road sewer line extension \$300k.

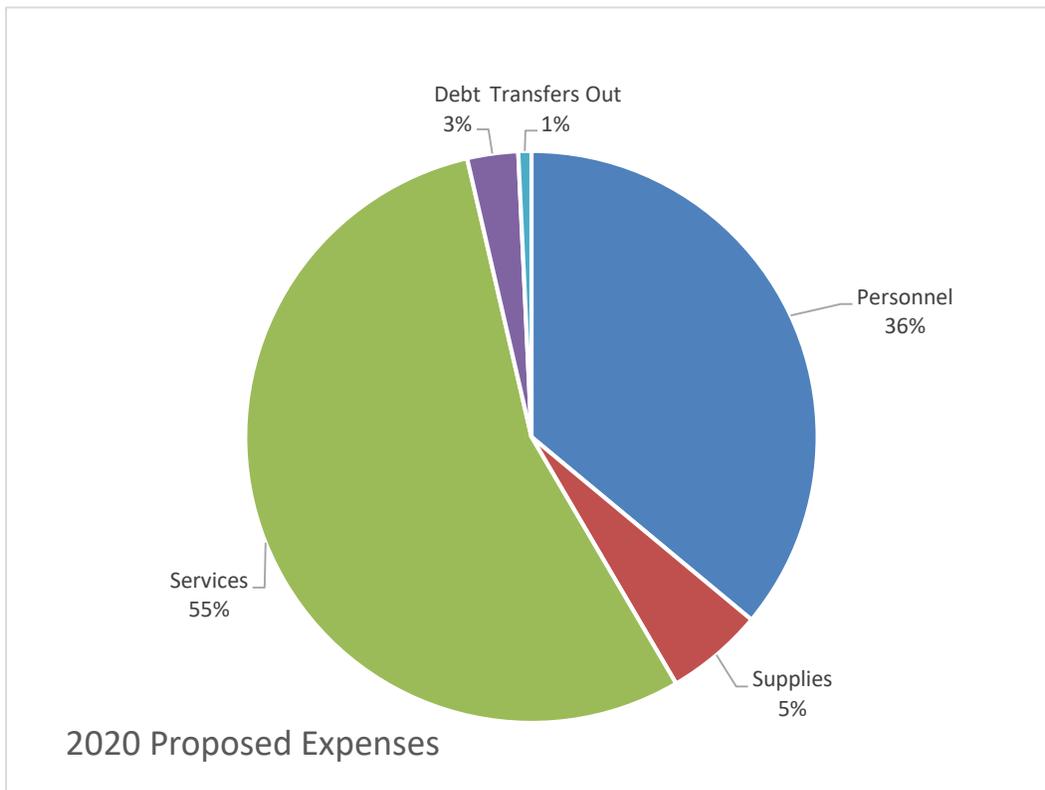
Personnel: \$1,217,705

- Personnel costs account for approximately 36% of all operating expenditures. There is an increase of 1 FTE, up from 1 temporary employee, shared between the Parks and Street department. There is a reduction of 1 employee in the Water Systems Manager/Building Inspector position.
- Staff salaries in the proposed budget were increased by the Council-approved Cost of Living Adjustment (COLA) of 2.6% based on the June 2019 West B/C CPI-U, plus steps for all employees not already at top-step.
- The cost of the medical, dental and visions plans offered by the City of Stevenson will not be increasing in 2020.

Services: \$1,852,262

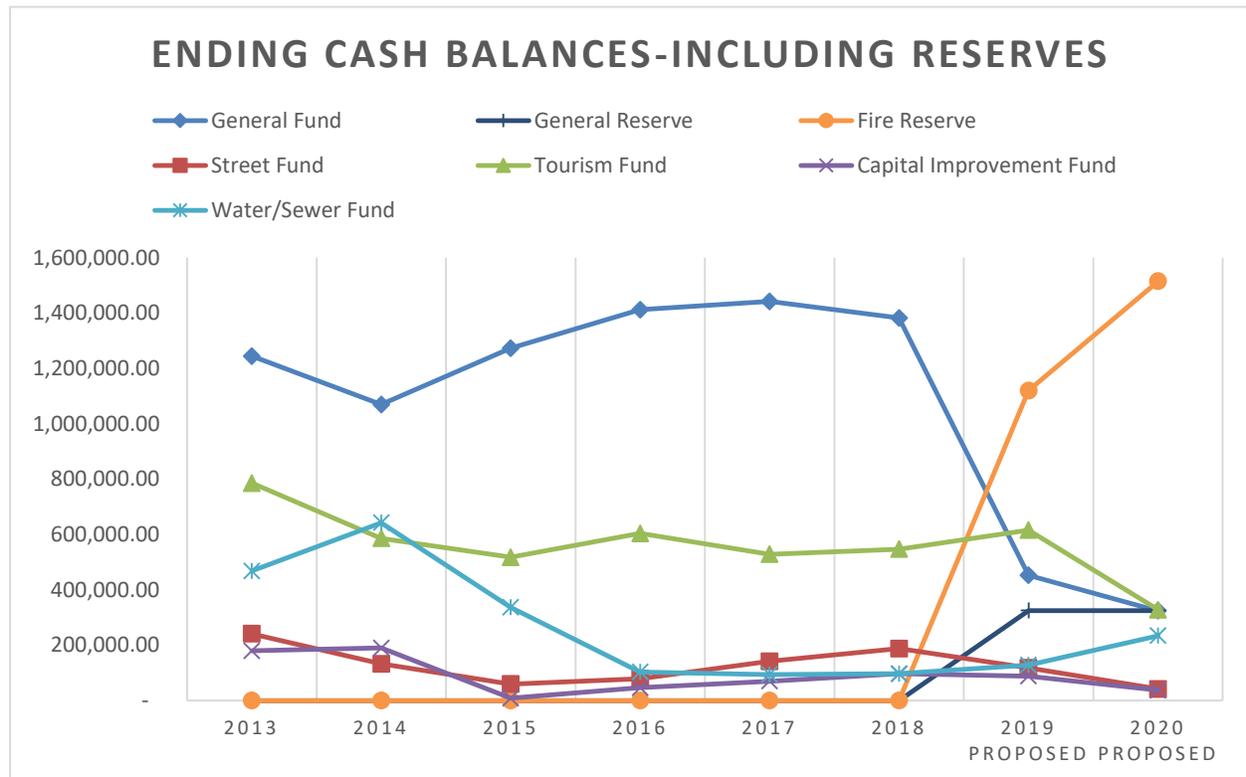
- Police Services account for 10% (\$175,000)
- 20% of services are for Lodging Tax funds (\$364,000)
- Wastewater services of sewer lining, hauling and disposal of biosolids and operations support account for 23% (\$420,000)

The chart below lists expenses associated with general operations and maintenance, excluding capital projects and grant pass-throughs such as the Community Development Block Grant project



ENDING CASH BALANCES:

While the ending cash balances are trending down in 2020, the reason is due to transfer of funds to dedicated reserves and multiple capital projects.



FUND OVERVIEWS:

General Fund – The General Fund is the primary operating fund for the City. The General Fund accounts for all revenues and expenditures not required to be accounted for in a separate fund. General Fund expenditures include all general government functions such as legislative, legal, municipal court, law enforcement, fire protection, building inspector services, planning services, parks maintenance, finance and accounting, and general administrative services.

The Unemployment Reserve in the General Fund (formerly Fund 622) has a current balance of \$33,414, which is enough to cover estimated unemployment claims. The City is self-insured for unemployment. The 2020 proposed budget does not include an increase to the unemployment reserve.

Primary revenues sources for the General Fund are property taxes and sales taxes with smaller amounts generated from utility taxes, permits, fines & other user charges, and state shared revenues. The primary revenue source, property taxes, is limited by Washington State law to a 1% annual increase.

Street Fund -The Street Fund is used to account for proceeds of specific taxes and other revenue sources dedicated to fund city streets, storm drains, sidewalks and associated activities.

The primary state-dedicated revenue source is State gas tax. City Council has also dedicated the PUD Excise Tax, Liquor Profit Tax and a second half-percent sales tax (enacted by City Council in 2012) as additional revenue sources to the Street Fund.

Street Fund revenues have been supplemented in the past by the Federal Surface Transportation Program (STP) and the State Transportation Improvement Board (TIB) which can be used only for transportation purposes. Major street projects are accounted for in separate project funds in the 300

series with State and Federal revenues and transfers from the Street Fund and/or the General Fund when needed.

Tourism Promotion – The Tourism Fund (Hotel / Motel tax fund) was established by City Council to fund activities designed to increase tourism. Lodging taxes were authorized by the State Legislature for tourism marketing, special events and festivals designed to attract tourists, and the support of tourism-related facilities.

The primary revenue source is a Lodging Tax of 4% charged on lodging within the City of Stevenson. This tax generates over \$400,000 per year, which is awarded to applicants by City Council following recommendations from the Tourism Advisory Committee (TAC) in November.

Capital Improvement Fund – The Capital Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The primary dedicated revenue source is the real estate excise tax imposed on the sale of real estate. These funds are restricted by the State Legislature for capital purposes identified in a capital improvements plan and local capital improvements including those listed in RCW 35.43.040.

Capital Improvement projects are normally accounted for in separate project funds in the 300 series with funding from various State and Federal sources and transfers from the Capital Improvement Fund and/or other City funds as applicable. In recent years the Capital Improvement Fund has been used to help fund the Kanaka Creek and Gropper Sidewalk project, the Russell Avenue project and the Joint Emergency Facilities project.

Water & Sewer Fund – The Water & Sewer Fund is operated as an enterprise fund to account for the operations of the City's water and sewer systems on a self-supporting basis. In addition to generating enough revenue to meet current expenses, the fund must generate enough revenue to build a reserve for equipment repair and eventual capital replacements. The rates were reviewed in 2017 and increased for 2018 and 2019. At the completion of the Water System Plan, an annual rate increase of 5% beginning in 2020 is projected to ensure adequate funds for capital projects and debt repayment. The sewer rates are proposed to increase 37% for 2020 due to many factors, the main of which being the cancellation of the operations contract with Jacobs. A rate study, funded by the Department of Ecology, will take place in 2020 to align with the operations, maintenance and debt needs of the wastewater system upgrade projects.

Equipment Service Fund – The Equipment Service Fund is used to account for labor charges and equipment usage by other funds, and to save funds for eventual equipment replacements. Revenues are derived from charges made against other funds for using the equipment. Charges are based on the number of hours worked and miles driven by field staff in each fund and are intended to cover operating costs, equipment maintenance, staff salaries, insurance, and replacement costs. Current rates are \$4.10 per mile for driven equipment and \$20 per hour for stationary equipment.

The Public Works Director maintains an equipment replacement schedule and attempts to replace at least one major piece of equipment every year, as funding allows. A copy of the equipment replacement schedule is included with the budget for this fund.

Respectfully submitted,

Leana Kinley

City Administrator