



City of Stevenson

(509) 427-5970

7121 E Loop Road, PO Box 371
Stevenson, Washington 98648

To: Stevenson City Council and Residents

Date: October 21, 2021

Re: **2022 PROPOSED BUDGET**

I am pleased to submit the City of Stevenson's 2022 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 March 27, 2021 special council meeting. More specific budget priorities for 2022 are included in the proposed budget.

The 2022 proposed budget continues all existing programs and staff. Revenue projections have been conservative with the following assumptions:

- Population estimate of 1,700, a 2.7% increase over last year.
- 1% increase in the property tax levy, plus new construction.
- A conservative sales tax estimate based on 2016 revenues, or 75% of 2019 receipts.
- Increase in water utility base rate of 5% for 2022.
- Increase in wastewater utility rates of 12.5% for 2022.
- Estimated amount of secured grants, loans and other revenue sources to fund capital improvement projects.

Revisions include:

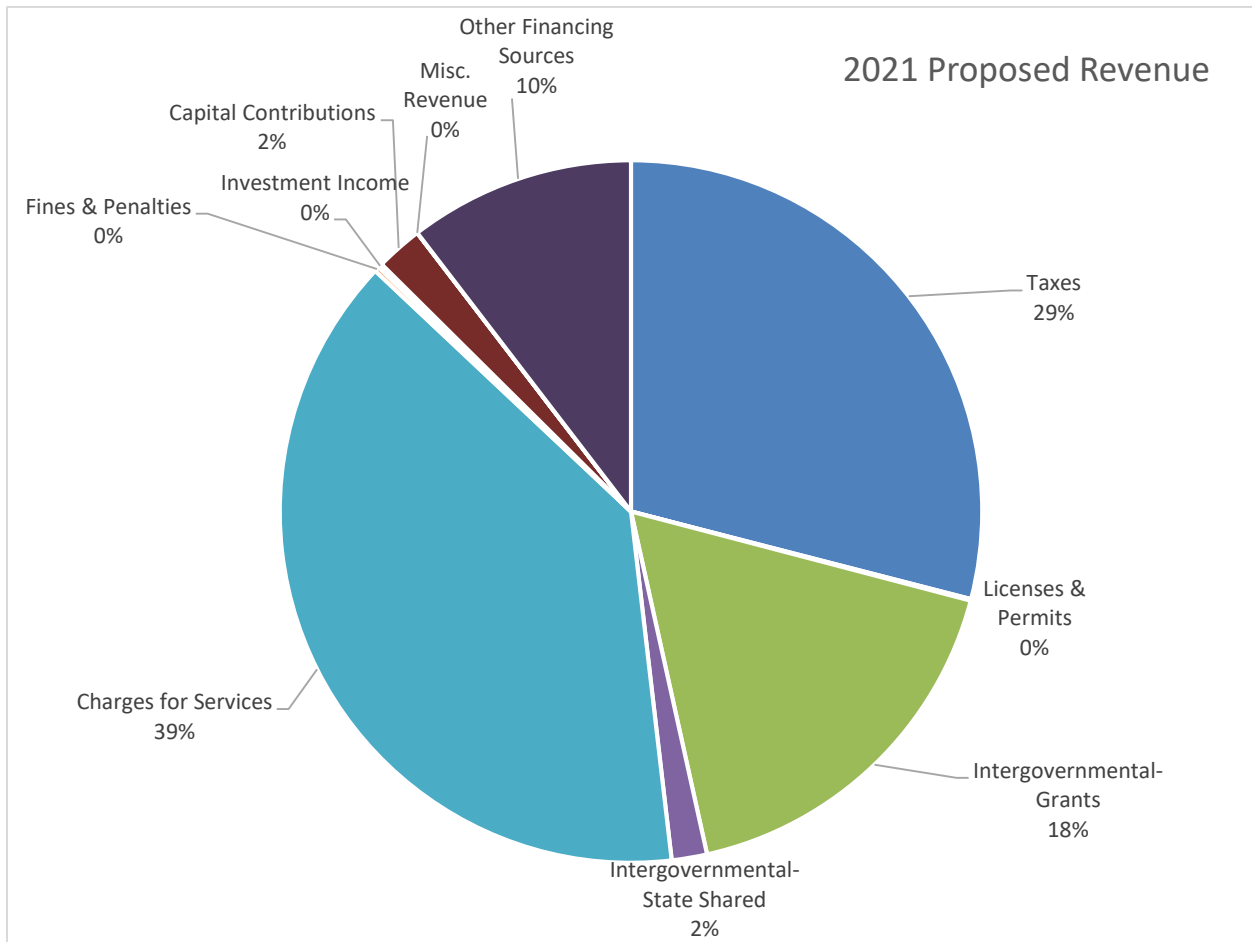
- 5.1% increase to the Sheriff's contract for services based on negotiated rates.
- \$40,000 for pool support as discussed at the October 15th council meeting.
- Tourism funding contract amounts revised to committee approved amounts for programs and events.

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, including 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 2021 expenses include:

Capital Projects:

- First Street alternative transportation project construction phase \$619k.
- Design of wastewater system upgrades for \$500k.

Current Expense:

- Community Development Block Grant Home Rehabilitation project rollover \$250k.

Streets:

- City-wide Transportation Study \$80k
- Lower Kanaka road improvements \$20k.

Water/Sewer:

- System upgrades along Vancouver to the Rock Creek intersection \$50k.

- System upgrades along Loop to the Columbia intersection \$50k.

Equipment Services:

- Replace service truck \$45k. Purchase delayed the past two years.

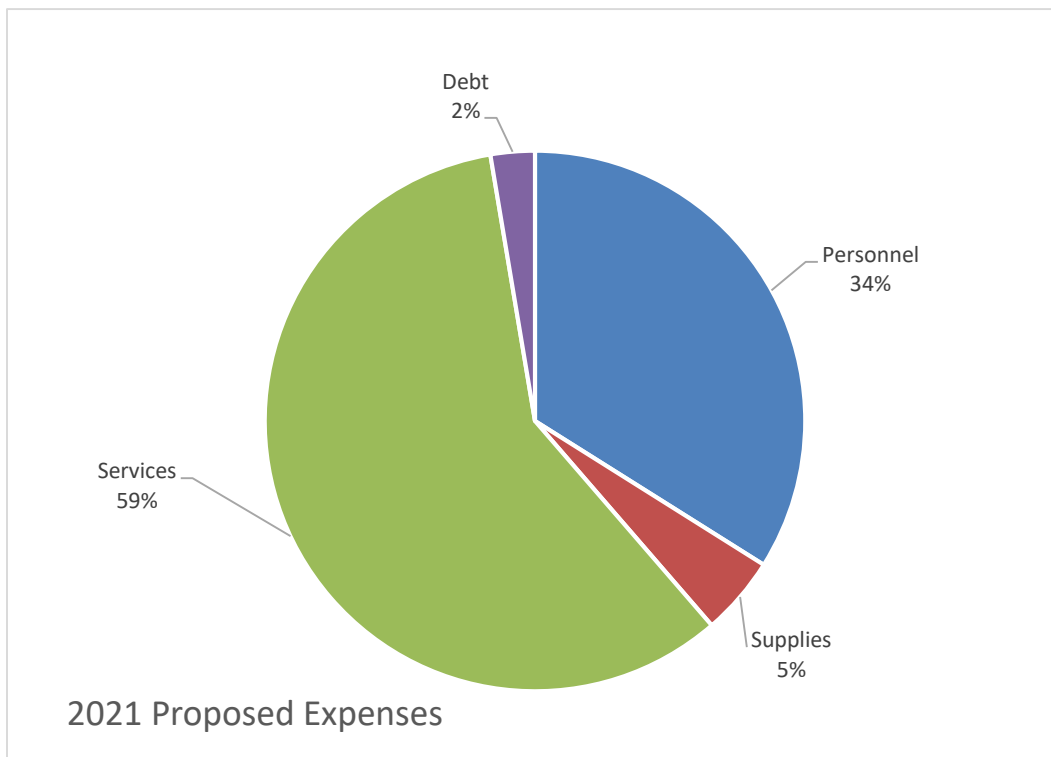
Personnel:

- Personnel costs account for approximately 34% of all operating expenditures.
- Staff salaries in the proposed budget were increased by a Cost of Living Adjustment (COLA) of 0.8% based on the June 2020 West B/C CPI-U, plus steps for all employees not already at top-step. The COLA equates to almost \$7,000 increased expenses city-wide.
- The cost of the medical plan offered by the City of Stevenson will be increasing by 4% in 2021. There will be no increase in the dental and vision plans.

Services:

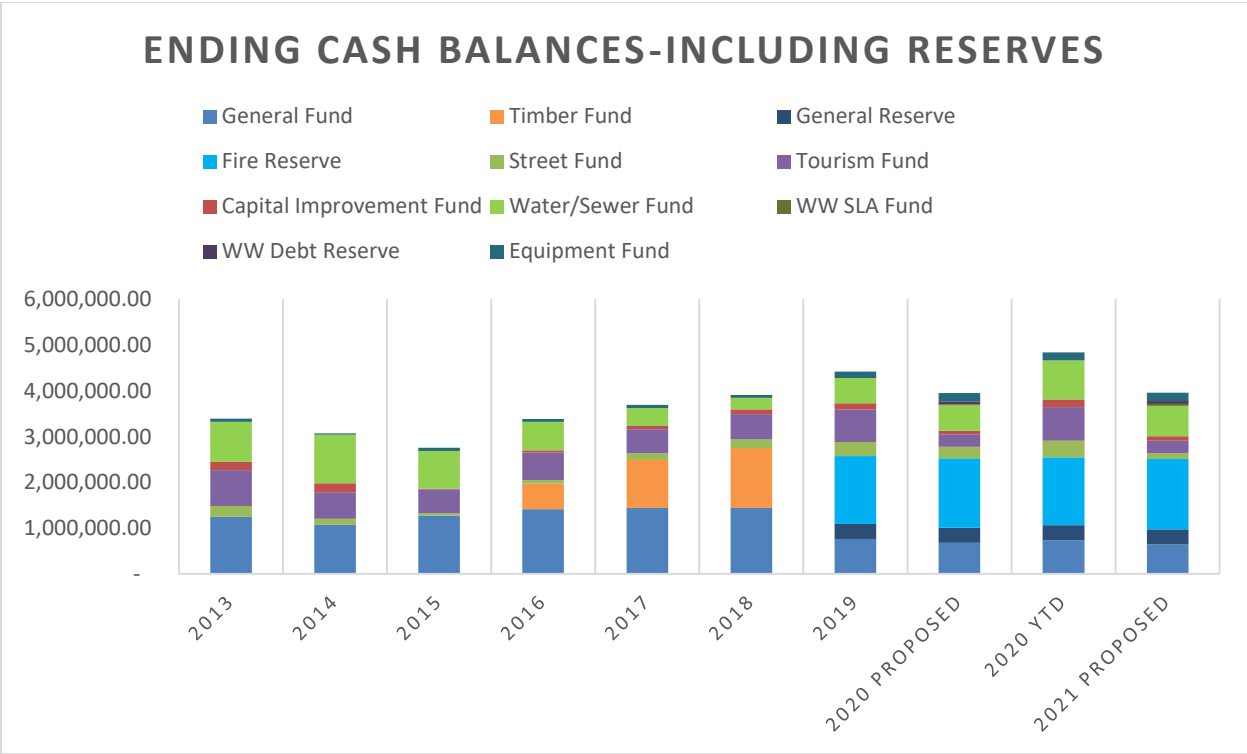
- Police Services account for 9% (\$175k)
- The services for the CDBG reimbursable grant accounts for 12% (\$250k)
- 16% of services are for Lodging Tax funds (\$329k)
- Wastewater services of sewer lining, hauling and disposal of biosolids and operations support account for 24% (\$474k)

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:

Overall, the ending cash balances for the city are increasing. This is due to the intentional rebuilding of reserves for the new fire hall, a new fire truck, water and wastewater projects. The 2020 year to date balances are better than the projected, which may continue through the end of the year. This would impact the 2021 proposed ending balances, which build on prior years.



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 2021 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.

General Fund Reserve – This fund is restricted by SMC 3.30.010 for urgent or emergency purposes as determined and approved by council. It may also be used as a source of short-term (less than three years) interfund loans.

Fire Reserve – This fund is for buildings, equipment and other capital items associated and used in the fire department restricted by SMC 3.30.020.

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. In the past, this tax has generated over \$400,000 per year, which is awarded to applicants by City Council following recommendations from the Tourism Advisory Committee (TAC) in November. COVID-19 has reduced the projected revenues and will be monitored as the tourism economy recovers.

Affordable Housing Fund – This fund, established in late 2020, is for the collection and use of the sales tax credit for affordable housing authorized by SMC 3.10 and RCW 82.14. The rate inside city limits is .73% and can be used for acquiring, rehabilitating or constructing affordable housing, providing the operations and maintenance costs of new units of affordable or supportive housing, and providing rental assistance to tenants.

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. An annual water rate increase of 5% beginning in 2020 was adopted by council to ensure adequate funds for capital projects and debt repayment. The sewer rates are proposed to increase 12.5% for 2021. This rate increase of \$10 to the residential base fees is half of last year's increase and will allow the city to meet the needs of the department for 2021. This may mean higher increases in the following years, however the city is taking into consideration the impact of COVID-19 on customers. Rate increases for 2022 and beyond will be determined after the finance package for construction of the Wastewater Treatment Plant upgrades is secured.

Wastewater Short Lived Asset Reserve Fund – This fund is required as part of the city's USDA loan. Annual deposits of at least \$21,779 are required for the 40-year life of the 2020 wastewater project loan. This fund operates like a line of credit for repairing and/or replacing major system assets with a life span less than 15 years.

Wastewater Debt Reserve Fund – This fund is required as part of two loans the city has through USDA. The balance is equal to one annual loan installment. Prior written concurrence from USDA must be obtained before funds may be withdrawn from this fund during the life of the loan. When funds are withdrawn during the life of the loan, deposits will be made at the rate of 10% of one annual payment until the balance is equal to one annual loan payment.

Wastewater System Upgrades – This fund is for the planning, design and construction of upgrades to the water system as identified in the water system plan and required as part of the Administrative Order. Most of the revenues are grants or loans with some internal match funding. The revenues and expenditures are updated when funding is received, project timelines determined and contracts secured.

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