



City of Stevenson

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Stevenson, Washington 98648

To: Stevenson City Council and Residents

Date: October 18, 2018

Re: **2019 PROPOSED BUDGET**

I am pleased to submit the City of Stevenson's 2019 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 council retreat in February of 2018 and will be refined at the October, 2018 strategic planning retreat for council. More specific budget priorities for 2019 are included in the proposed budget.

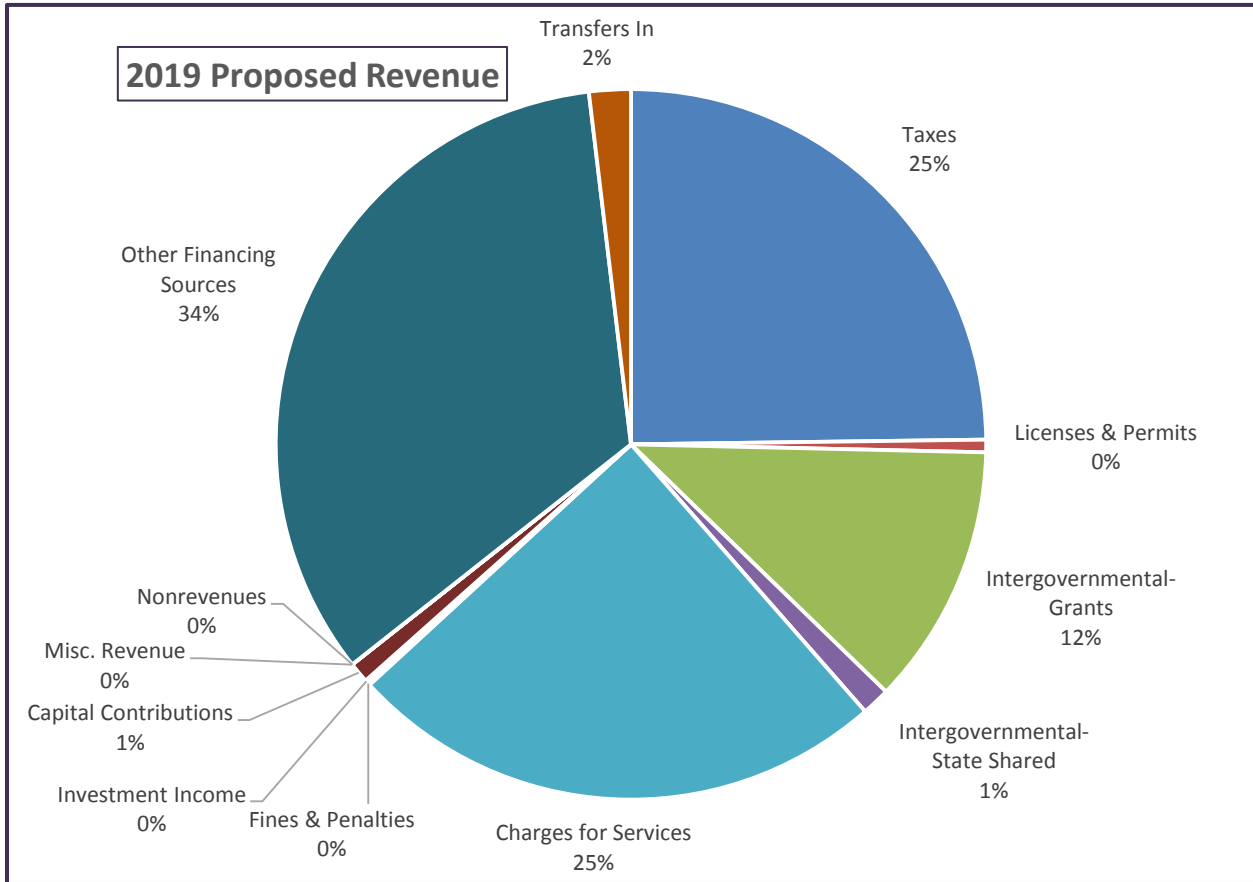
The 2019 proposed budget continues all existing programs and staff. Revenue projections of \$5,883,443 have been conservative with the following assumptions:

- Population estimate of 1,575, a 1% increase over last year.
- A slight decrease in new building permits anticipating a continued lack of available contractors.
- 1% increase in the property tax levy, plus new construction.
- Flat sales tax projections based on 2013-2016 revenues.
- 5% increase in utility taxes based on prior year averages.
- Increase in water utility base rate of 25% for 2019.
- Increase in wastewater utility rates of 30% for 2019.
- 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** – STIP, Community Economic Revitalization Board (CERB), etc.
- **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
- **Transfers In** – internal transfer between funds



These resources will be used to maintain existing service levels and execute planned capital projects. A highlight of the 2109 expenses totaling \$6,186,808 include:

Capital Projects:

- Russell Avenue reconstruction with \$812k of street and sidewalk improvements.
- Design of wastewater system upgrades for \$1,985,000.

Current Expense:

- IT upgrades to include new phone system, firewall and server \$15k.
- New office furniture at City Hall \$3k.
- Fire Department uniform supplies for wildland fires, SCBAs and turn-outs \$36k.
- Buildable Lands inventory, partnering with EDC \$30k.
- Transportation study \$100k.
- Continued Pool Support \$30k.

Streets:

- Kanaka Bridge Rebuild \$20k.

Water/Sewer:

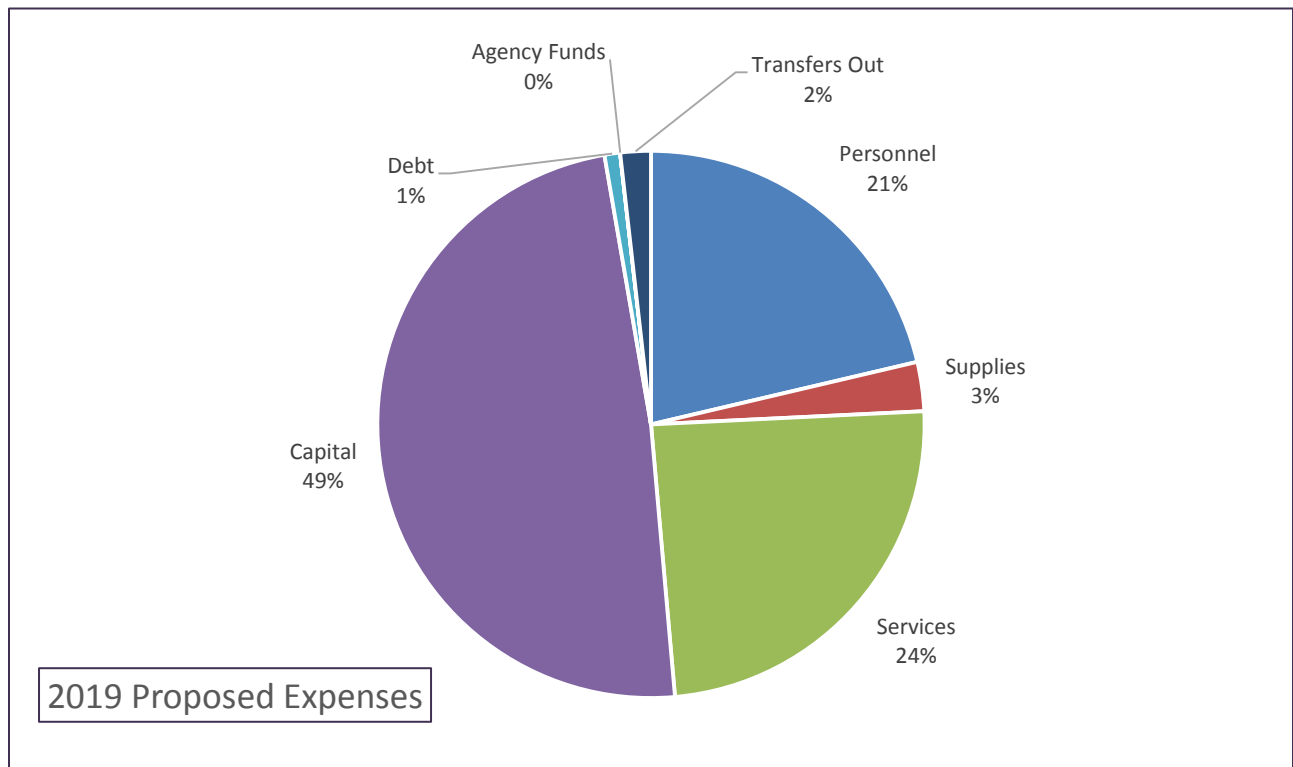
- Continued BOD monitoring \$15k.
- Partial Russell Ave waterline replacement \$50k.

Equipment Services:

- Replacing 2008 Ford 2500 extended cab \$40k.

Personnel:

- Personnel costs account for approximately 44% of all operating expenditures. There is an increase of 1 FTE for the wastewater treatment plant, up from .25 FTE from the late hiring in 2018.
- Staff salaries in the proposed budget were increased by the Council-approved Cost of Living Adjustment (COLA) of 3.2% based on the June 2018 West B/C CPI-U, plus steps for all employees not already at top-step.
- The cost of the medical plan offered by the City of Stevenson will be increasing 3.3% in 2018.
- The cost of Dental is not changing and Vision insurance has decreased 3.0%.

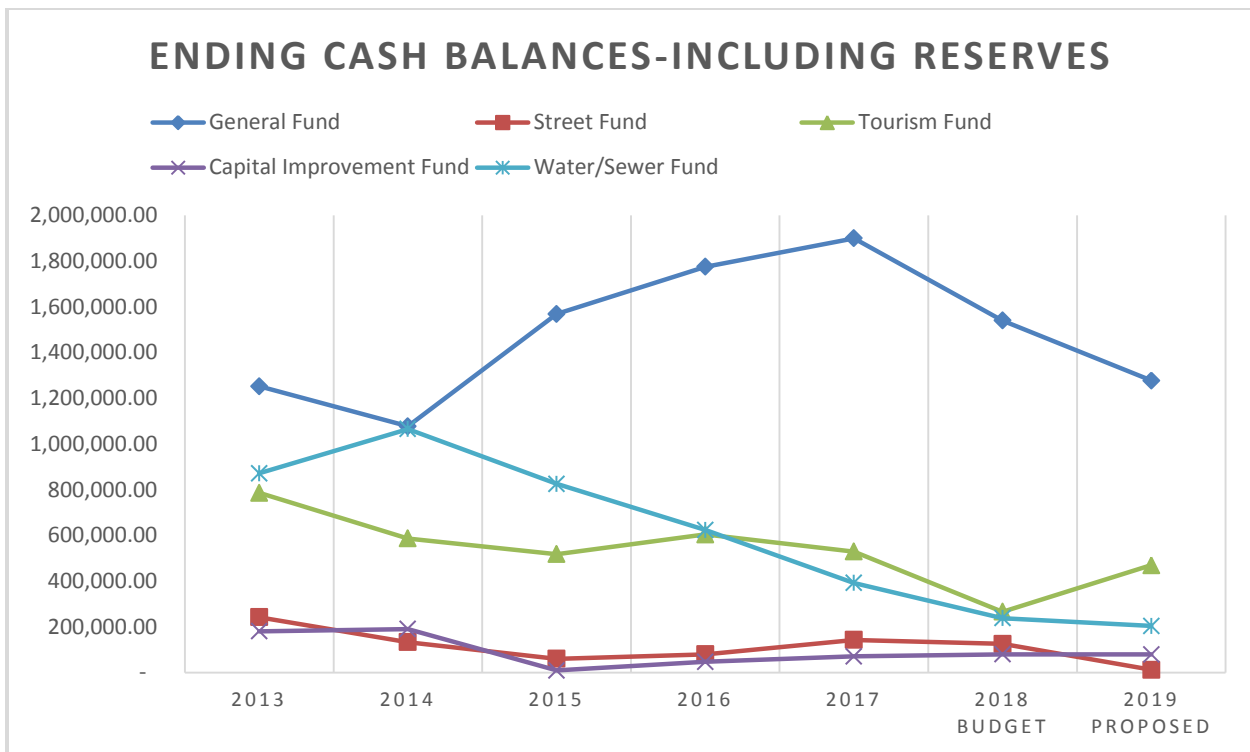


Overall, the city is using over \$300,000 in reserves to execute the capital projects and larger plans:

- Transportation Plan will use \$100k of reserves from the Current Expense Fund.
- Buildable Lands Inventory will use \$30k of reserves from the Current Expense Fund.
- STP matching funds of \$111,600 from the Street Fund. The city has applied for TIB funding for this match and will know later in the year if we are successful.
- Kanaka Bridge Rebuild will use \$20k of reserves from the Street Fund.
- Russell Ave waterline will use \$50k of reserves from the Water-Sewer Fund.

ENDING CASH BALANCES:

While the ending cash balances are trending down in 2019, the reason is due to the multiple capital projects and not from operating and maintenance costs.



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 two estimated unemployment claims. The City is self-insured for unemployment. The 2019 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 dedicated the following additional revenue sources to the Street Fund:

- PUD Excise Tax – a local tax on electrical use intended to offset street light costs
- Liquor Profit Tax
- A second half-percent sales tax (enacted by City Council in 2012) contributing over \$200k per year to the Street Fund which allows for increased street maintenance and improvements.

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 approximately \$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. While both ordinances include a 3% escalation beginning in 2020, they will be reviewed to ensure they are adequate. The sewer rates will increase higher than the 3%, however the amount will be dependent upon the cost of the wastewater system upgrade project which will be determined at the end of 2019.

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