



2015 Budget Workshop

Revenue, Personnel, and Other Funds (Special Revenue, Debt Service, and Capital Projects Funds)

October 21st, 2014 Budget Workshop

This workshop includes the topics of Revenue, Personnel, and a look at the proposed budgets of other funds not specifically tied to an operating department (e.g. Hotel/Motel Tax Fund, Capital Projects Fund). The bullet points below provide details about each topic area.

1. Revenue – General Fund

- Regular Property Tax Levy:
 - Levy amount of \$1,629,133 includes 1% statutory limit increase (\$15,635) and new construction (\$36,880)
 - Levy rate of \$1.1679 per \$1,000 assessed value
 - Total increase of \$67,487 over 2014 levy
 - Total preliminary assessed value (AV) increased 10.7% over 2014 AV (\$1,394,890,581 for 2015)
 - New construction valuation (\$30,410,657) as a percent of total valuation is 6.72%
 - Regular property tax is 21.0% of General Fund revenues

- EMS Levy:
 - Levy amount of \$672,906
 - Levy rate of \$0.4824 per \$1,000 assessed value
 - Total increase of \$21,649 over 2014 levy
 - EMS property tax is 8.7% of General Fund revenues
 - 2015 is fourth year of 6 year levy

- Regular Sales Tax:
 - 2014 YE Estimate projected to be \$1,265,000 (estimate is \$140,000, or 12.4%, greater than the 2014 Revised Budget)
 - 2015 Proposed Budget includes a 1% increase from 2014 YE estimate due to a nominal increase in the rate of development activity in 2015 (expected warehouse, residential, and hotel developments) and a steady rate of consumer spending

- B&O Tax:
 - Gross Receipts –
 - ◆ 2014 YE estimate is on target with the revised budget of \$265,000 with a 1.8% growth rate for 2015 (2015 proposed budget of \$270,000)
 - ◆ Additional one-time revenue related to gross receipts B&O tax expected from large business (\$375,000)
 - ◆ Total 2015 proposed budget of \$645,000
 - Square Footage –
 - ◆ 2014 YE estimate is 4.5% (\$15,000) less than 2014 Revised Budget due to reduced or zero payments from some companies because of the allowed gross receipts B&O tax deduction
 - ◆ 2015 Proposed Budget assumes a 34.3% increase from the 2014 Revised Budget to account for a full year revenue from Amazon and partial year receipts from new warehouses becoming operational during the year, as well as any offsetting reductions due to the allowed gross receipts deductions

- Utility Taxes:
 - 2014 YE estimate is 3.2% (\$44,000) greater than 2014 Revised Budget due to gas, electric, and garbage utility taxes coming in greater than budget
 - 2015 Proposed Budget includes 4.3% increase overall (\$61,000) over 2014 YE estimate due to a 13% increase in service rates in water and stormwater utilities and an overall increase in projections for all utilities, except telecommunications which is holding the line with 2014 budget

- Development Related Revenues:
 - Building and other related permit revenue is volatile year-to-year depending on the level and type of development activity occurring in the City
 - 2014 year-end estimates for building permit revenues (i.e. building, plumbing, mechanical, and grading permits) are down 44.8% (\$105,575) compared to the 2014 Revised Budget due to the timing of development projects occurring later than originally estimated
 - 2015 proposed building permit revenues are budgeted at \$276,646, which is a 112.9% increase over the 2014 year-end estimate - reflecting projects originally planned for 2014 being pushed out to 2015 by the developers as well as some new projects
 - 2014 year-end estimates for plan examination revenues are similar to building permit related revenues and are down 49.5% (\$76,279) compared to the 2014 revised budget
 - 2015 plan examination revenues are up 133.9% (\$104,168) compared to the 2014 year-end estimate, again reflecting the push into 2015 of development projects originally planned for 2014 as well as some new projects
 - Mitigation fees budgeted in 2014 (\$111,250) were related to the DuPont Station Mixed Use project (Trax), with 2014 being the final year of the 3 year development agreement
 - Attached to this memo is a list of projected development projects by year

- Recreation Program Revenues:
 - 2014 YE estimates are under the 2014 Revised Budget by 26.% (\$37,362) due to a couple planned programs not being offered (i.e. adult baseball and summer sports camps), a later than planned start on the duck raffle event due to gambling commission requirements, and a change of instructors for the dance program
 - 2015 Proposed Budget maintains same level of revenue as 2014 Revised Budget (\$140,500)

2. Personnel

- Salaries/Wages:
 - Cost of Living Adjustments (COLA's) and deferred compensation contributions by the City included for the Police union employees based on the approved contract
 - Step increases included for all union employees not at the top of their salary range
 - Longevity included for eligible employees (based on service years)
 - Restoration of the 3% reduction taken in 2012 for exempt employees based on implementation of a performance-based evaluation system during 2014
 - Contract reserves set aside for the Fire union (DFA) and DuPont Employees Association (DEA) due to both union contracts currently being negotiated

- Health benefits:
 - Budgeted for each employee at their individual family demographic
 - Medical plans include AWC Regence HealthFirst and Group Health plans
 - AWC Benefit Trust continuing as a self-insured plan for medical, dental, and vision benefits
 - 2015 health benefit rate increases modest at 5-6% for medical (Regence HealthFirst and Group Health respectively), 8% for dental, and 5.4% for vision
 - City receives 2% discount on Regence HealthFirst and Group Health medical plan rates due to WellCity Award – 2015 estimated savings of \$17,144

- State retirement rates include the following rate assumptions per the Department of Retirement Systems -
 - PERS rate increasing from 9.21% to 11.0% as of July 2015 – used effective rate of 10.03% for 2015 proposed budget
 - LEOFF rate decreasing from 5.23% to 5.05% as of July 2015 – used effective rate of 5.15% for 2015 proposed budget
- Staffing additions and changes:
 - Community Resource Officer: new ongoing position (funded for ½ year in 2015)
 - City Attorney: new ongoing position funded by offset of current contracted services
 - Museum and Tourism Coordinator: new ongoing position to offset 2 separate positions (Museum Manager and Visitor Readiness Coordinator) budgeted in 2014

3. Other Funds

- Street Operating and Street Depreciation Funds
 - Operating Fund
 - ◆ Resources:
 - Gas tax revenue fairly flat over last 3 years – about 2% increase per year
 - Transportation Benefit District license fee revenue helping offset costs and reducing subsidy from the General Fund
 - ◆ Expenditures:
 - Utility costs for electricity related to street lights continues to increase as new lights are turned over to the City from the ROA/COA and electricity rates increase
 - Street and Utility Manager: new ongoing position funded 10% (\$11,408) from Street Fund (balance in water and stormwater utilities) – position will manage street operations resulting in decrease of PW Director time (i.e. salary/benefit cost) from 15% to 5% (decrease of \$15,460)
 - Increased level of service for greenways included with additional seasonal worker hours at a cost of \$6,026 (other greenways service level related costs such as irrigation are included with the Public Works Department budget in the General Fund)
 - Depreciation Fund –
 - ◆ Capital contributions from the Residential and Commercial Owner’s Associations continue to decline per the prescribed agreements
 - ◆ 2015 budgeted expenditures for preventative maintenance of crack sealing
- Hotel/Motel Tax Fund
 - 2014 year-end estimated revenue is 12%, or \$13,000, greater than the 2014 budget
 - 2015 proposed budget revenue projection of \$112,000 is 2.5% greater than the 2014 year-end estimate
 - Application process for use of the lodging tax funds as required by RCW developed with the Tourism Board and Lodging Tax Advisory Committee (LTAC)
 - Both the Tourism Board and LTAC have met several times to review the applications and discuss priorities for the 2015 budget
 - Priorities include restroom facilities at Clocktower Park and the Sequatchew Creek trail head, a large event tent, promotion of historic sites, and funding of City-sponsored events with the opportunity for outside agencies to apply for event funding
 - Staffing includes 0.63 FTE of a combined Museum & Tourism Coordinator position and 0.50 FTE of the Recreation & Event Coordinator

- Public Safety Mitigation Fund
 - 2015 Proposed Budget revenue projection based on expected development
 - Expenditures include replacement of personal protective equipment (PPE) in 2014 (\$8,300) and 2015 (\$7,200)
 - Miscellaneous expenditure in 2014 is a redistribution (refund) of previously received fire impact fees as stipulated in a developer agreement

- Debt Service Funds
 - No debt obligations exist in the General Obligation Debt Fund so remaining unrestricted balance to be transferred to the General Fund at the end of 2014 and the fund closed out
 - LID Debt Service Fund closed out to the Capital Projects Fund at the end of 2013

- Capital Projects Fund
 - Real Estate Excise Tax (REET)
 - ◆ 2014 YE estimate about 10% (\$15,000) greater than the 2014 Budget
 - ◆ 2015 Proposed Budget projection is equal to 2014 Budget
 - Proposed Budget includes interfund transfer from the General Fund to provide sufficient resources to pay Civic Center debt service
 - 2014 year-end estimate includes improvements at the Museum of new roofing and gutters
 - 2015 proposed budget includes funding (\$80,000) for a building assessment and plan to restore the City's historic facilities to good condition
 - Any remaining capital funds from the Train Canopy project and Community Center and Civic Center Improvements will be carried over during the first quarter of 2015

- Equipment Repair & Replacement Fund
 - The annual review of the City's inventory records is currently underway
 - 2015 proposed budget includes the following asset replacements:
 - ◆ 3 Police patrol cars – to be replaced by same Ford Interceptor purchased for the 2014 replacements
 - ◆ 1 Ford Expedition in the Fire Department – this is a command staff vehicle and will be replaced with a similar type of vehicle but on a smaller scale, such as a Ford Explorer