



2023-2024

Mayor's Budget Development Guidance

Dear Honorable Deputy Mayor and Councilmembers, and Fellow Residents:

I am pleased to present to you the City's 2023/2024 Proposed Biennial Budget, a financial roadmap for the City of DuPont totaling \$27,907,570 in 2023 and \$20,299,452 in 2024. The major difference between the 2023 and 2024 budgets are due to capital projects and American Rescue Plan Act expenditures. This policy document represents our continued commitment to prudent fiscal management, effective service delivery, and provides our citizens with the highest quality of life within existing financial resources. It is a balanced budget and provides the highest level of service to the DuPont community. Each biennium, the City's budget process represents a series of opportunities, challenges, and difficult decisions needed to fund the top-notch municipal services our community has come to expect. This budget emphasizes health, safety, and welfare obligations based on legal mandates; ensures financial stability and integrity; and focuses on the implementation of City Council goals - to achieve the community's vision - which includes economic development, increased infrastructure investment, and public safety. It is the means for effective allocation of City resources for a variety of programs necessary to move our community toward these goals. With this proposed budget, our organization remains focused on our key strategic goals, while meeting the challenge of limited funding, to accomplish the innovative service delivery that our citizens have come to expect.

Budgeting is estimates based on economics, inflation, and many other factors. Our City Administrator refers to budgeting as an art form, not an exact science. Many of the assumptions we made are based on what we know combined with what we project. During these volatile economic times, the staff has done a wonderful job staying within our means.

The City population from the 2020 Census is over 10,000. Some of the revenues are determined by the population. The increase in population does not necessarily equate to more revenues. The City Administrator and our Finance Director continue to determine how it will affect us now and in the future.

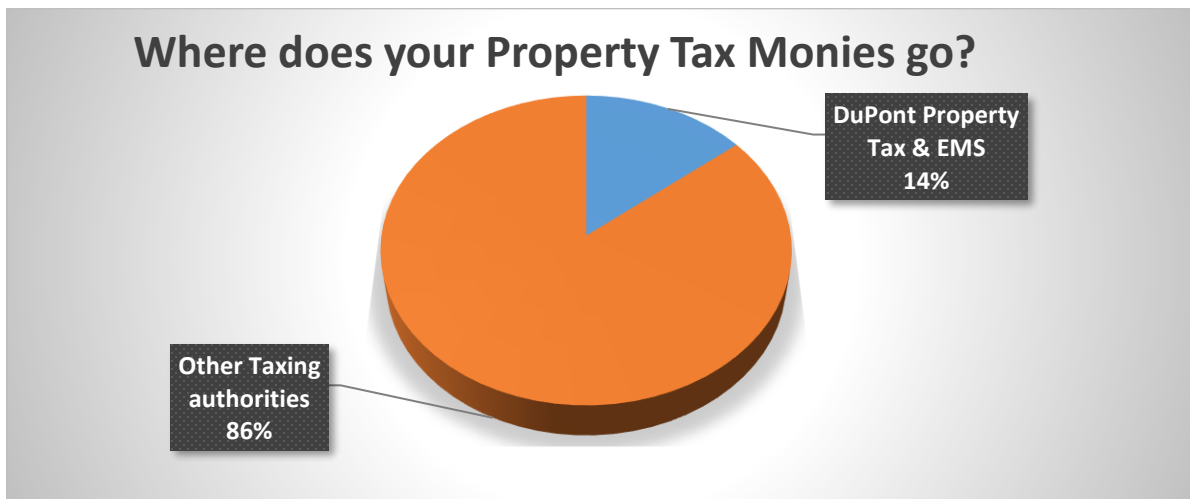
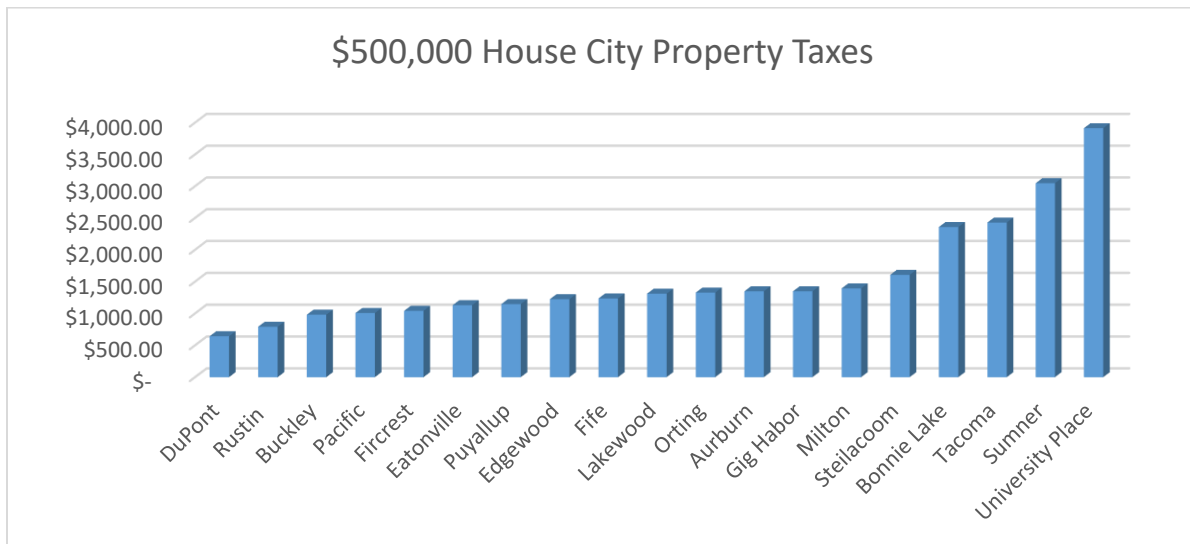
Since the early outbreak of the Coronavirus (COVID-19) in March of 2020, and the measures instituted in Washington State to address this deadly outbreak, the City of DuPont has experienced ongoing impacts to its daily operations, its employees, and its local economy. The City has expended funds to keep the community and employees safe and assist a beleaguered business community. DuPont also took early actions to forgive late fees related to utility and storm water billing. While some of these issues still affect our community, now that Governor Inslee rescinded the Emergency Proclamation "Stay Home, Stay Healthy" on October 31, 2022, the City is moving forward.

All these actions, combined with the economic upheaval of the "Stay Home, Stay Healthy" orders, caused a reduction in the growth of our City's General Fund revenues in 2020 and 2021. If it was not for the CARES Act and the ARPA funding, our economic picture could be much different. We are not sure

how the COVID-19 pandemic will affect our future revenues or the economy, but the City is well positioned to continue our level of services expected by our residents.

Inflation has increased our expenses and salaries. The property tax rate (which is the City’s largest revenue) is capped at 1%, with the Consumer Price Index rising to 10.1% in June 2022. This equates to a gap of 9.1%. In the future, as expenses rise and revenues remain flat, expenses will rise above the revenues causing deficit spending. The City needs to look for additional revenue sources to keep up with inflation.

Our residents enjoy lower property taxes than that of other Pierce County cities. The graph below compares the amount of taxes collected by cities that are paid by homeowners. For a home value of \$500,000, it shows the City of DuPont collects only \$642.79, the lowest of all cities on the graph, compared to the highest, University Place at \$3,912.77. Some of the cities below also pay taxes to fire and park districts, as well as other levies and bonds. The City of DuPont received only 14.2% of all property taxes paid by DuPont homeowners. For DuPont homeowners, 41.83% of their total property taxes (county, state, etc.) are approved by the voters.

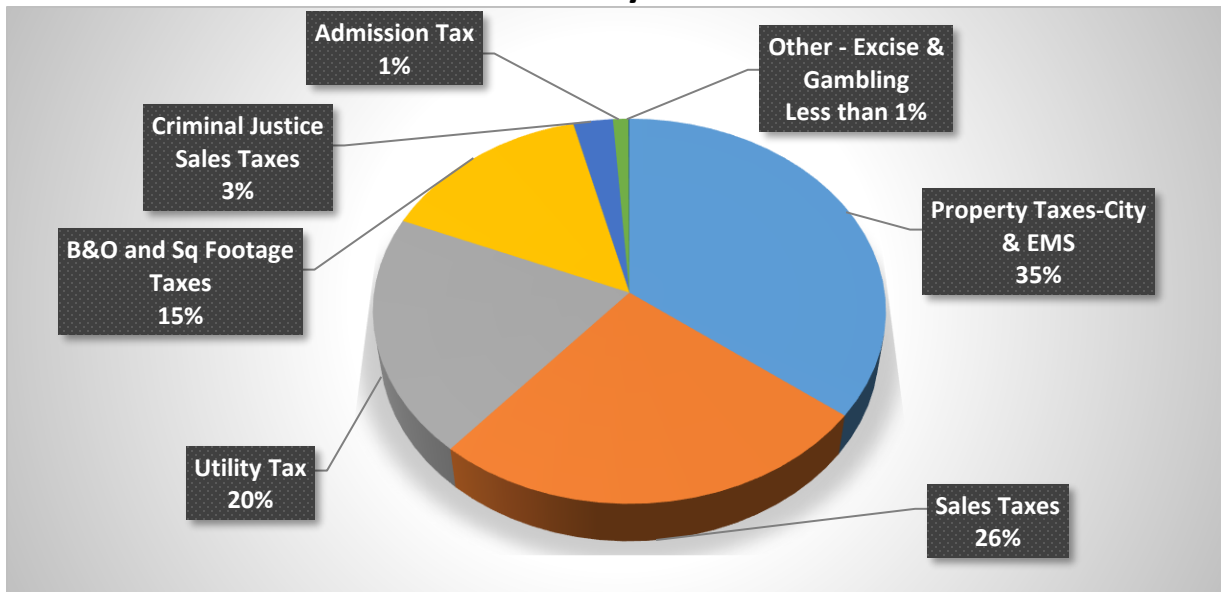


General Fund Revenue from Property Taxes

How the City of DuPont's Property Taxes are broken-down

2022			Property Tax Rate	EMS Tax Rate
	Values from Pierce Co.		0.895451963	0.390133511
Commercial	594,653,421.00	26.86%	532,483.57	231,994.23
Industrial	368,122,717.00	16.63%	329,636.21	143,617.01
Residential	1,250,765,830.00	56.51%	1,120,000.72	487,965.66
	2,213,541,968.00		\$1,982,120.50	\$863,576.90
	Total Net Assessed Value		Total	\$2,845,697.40

Breakdown of City of DuPont Taxes



While the City's General Fund is balanced (with a projection of a small net revenue) for the 2023-2024 biennium, we know that the General Fund operating revenues have grown slightly due to the installation of red light and school speed cameras; this growth is at a very anemic rate as compared to the General Fund operating expenditures. The City has made some very good decisions to manage our spending within our means despite the slow growth in revenue. The result is evident as we continue to provide top-notch municipal services to our residents and businesses through a cost-effective and strategic approach.

One of the many attributes that differentiates DuPont from other communities, and has been key to our success, is the ability to make strategic decisions and plans that place DuPont in a strong position to overcome challenges and orient ourselves to take advantage of future opportunities. This, in turn, has allowed the City to focus on opportunities that support and implement the City's Vision Statement and City Council goals. For example, the City Council has adopted a set of comprehensive financial policies

that provide a vital framework for governance and decision-making, especially in regard to issues that substantively affect the City's budget. The financial policies are reviewed and updated throughout the year. These financial policies are the foundation for the City's recovery to a more sustainable financial future. They provide broad policy guidance related to the operating budget; fund balance and reserves; revenue and expenditure assumptions; debt management; capital investments; cash management and investments; financial reporting; and the development of a six-year financial forecast. The City also regularly prepares and updates its six-year financial forecast to help ensure the delivery of services over time. The City developed the financial forecast for 2023 and 2024 to include facts, assumptions, and details regarding current and projected economic conditions. This information ensures an accurate forecast of the City's financial future and strategizes how to address changes, which may in turn affect service delivery. This forecast also serves as a tool to examine financial trends and identify opportunities, particularly as the City evaluates new services or programs.

Highlights of the Budget:

In this budget, I am recommending a growth in staff with the addition of one (1) police officer to serve as the School Resource Officer (funded partially by the School District). Currently, I am not recommending a police officer to certify any violations by the red light and school speed zone camera program until we have a better idea of our revenues from that program. I recommend a .3 FTE to the Human Resources budget in order to reduce the City's risk and liability premiums. In the Public Services budget, I recommend an additional maintenance staff position to help with the street trees and sidewalk project and ongoing maintenance. Staff is also constantly reviewing agency contracts to weigh continuing the use of these contracts versus hiring staff. The number of positions budgeted for 2023/2024 compared to the previous budget is a **negative number of FTEs- 1.95**. Currently, I am not recommending an additional Firefighter/Paramedic until the voters' approve the renewal of the EMS Levy.

In the Capital Improvements for 2023-2024 Biennial Budget, I recommend vital projects to create a virtual City Hall [use of (ARPA) American Rescue Plan Act] where residents can choose to do all their City business online and the Automatic Meter Reading System using the Revenue Bonds, as well as the continuation of Center Drive overlays. The 2021/2022 Capital Improvements made some major strides with the completion of the Public Works Facility and the DuPont/Steilacoom Road widening. As the City continues to grow, we will have to continue to plan to ensure we can continue our quality of services. For example, we need to consider the need to reconstruct the Historical Village Community Center and review the need for a bigger Community Center facility, add another Fire Station with additional crew when the Old Fort Lake is developed, increase the Police Facility or a sub-station, all will increase staffing levels as the City grows. The City has to ensure that our infrastructure is adequate for future generations.

From the Mayor and City Council Strategic Planning Session, the budget includes:

- Remodel of the Historic Village Community Center is anticipating a grant from the State.
- Business retention opportunities, based on meetings with the Mayor, City Council, and business leaders in attendance.
- Increase visible signs for Semi-trucks.
- Red Light Cameras and School Speed Zone Cameras.
- Increase visibility for crosswalks.

- Recreation Facilities.
- Old Fort Lake Clean up.
- Comprehensive Plan:
 - Smart Growth.
 - Historic Preservation.
 - Parks Master Plan.

The City will need to look to the future with the declining sales tax, gas tax revenue, vehicle tabs, and other revenues. The challenges we face include funding our aging infrastructure.

Revenues should slightly increase due to the occupancy of the 500,000 square foot building, red light and speed cameras, and future construction, some of which has not been included in the revenue formula. We are hoping that the Memory Care Facility associated with Patriots Landing will begin in 2023.

I want to thank our Leadership Team, City Administrator, and especially our Finance Director, Carma Oaksmith and her staff, for their quality work to put this budget together.

Sincerely,

A handwritten signature in black ink that reads "Ronald J. Frederick". The signature is written in a cursive style with a prominent initial "R".

Mayor Ronald J. Frederick