



City of College Place

2018

PRELIMINARY

ANNUAL BUDGET

Presented at October 24, 2017 Council Meeting

Continuing for 2018



- Continued implementation of fiscal policies
 - Minimum ending fund balances
 - Segregation of operating expenses from capital
 - Identification of dedicated funding sources for capital
- In-depth analysis of recurring costs
 - Goal is that recurring costs shall not exceed recurring revenues
- Equipment Replacement Program
- Shortage of sustainable recurring revenues

Total Budget

Beginning Fund Balance: \$8,990,865

Revenues: \$23,477,959

Expenditures: \$23,949,897

Ending Fund Balance: \$8,488,927

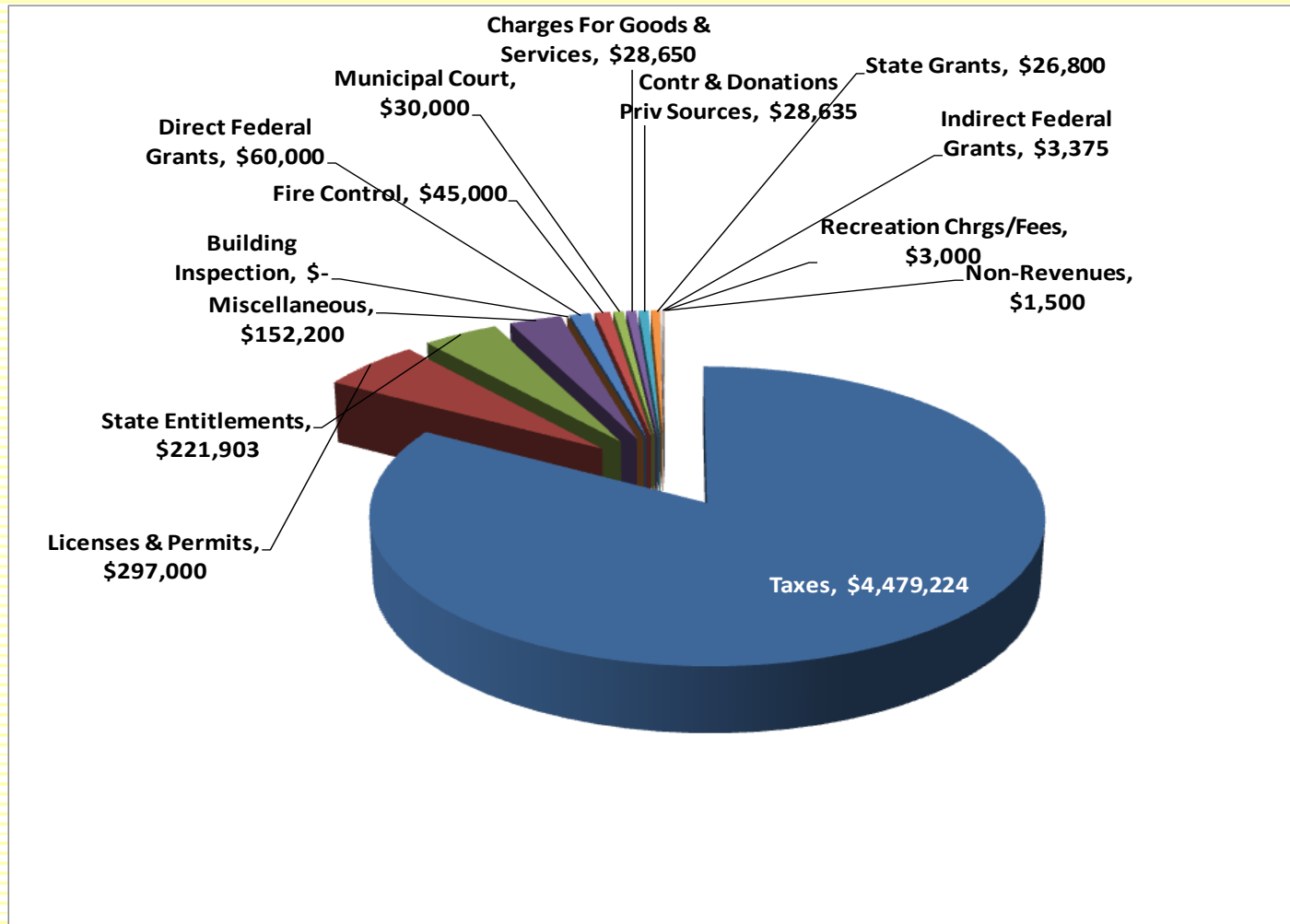


Current Expense Fund #001

- Total Budget: \$7,557,362
- Recurring Revenues: \$5,259,777
- Recurring Expenditures: \$5,543,354
- Deficit of (\$283,577)
- Minimum Proposed Policy Ending Fund Balance is 20% of Recurring Revenues
\$1,051,955
- Budgeted Ending Fund Balance:
\$1,474,751

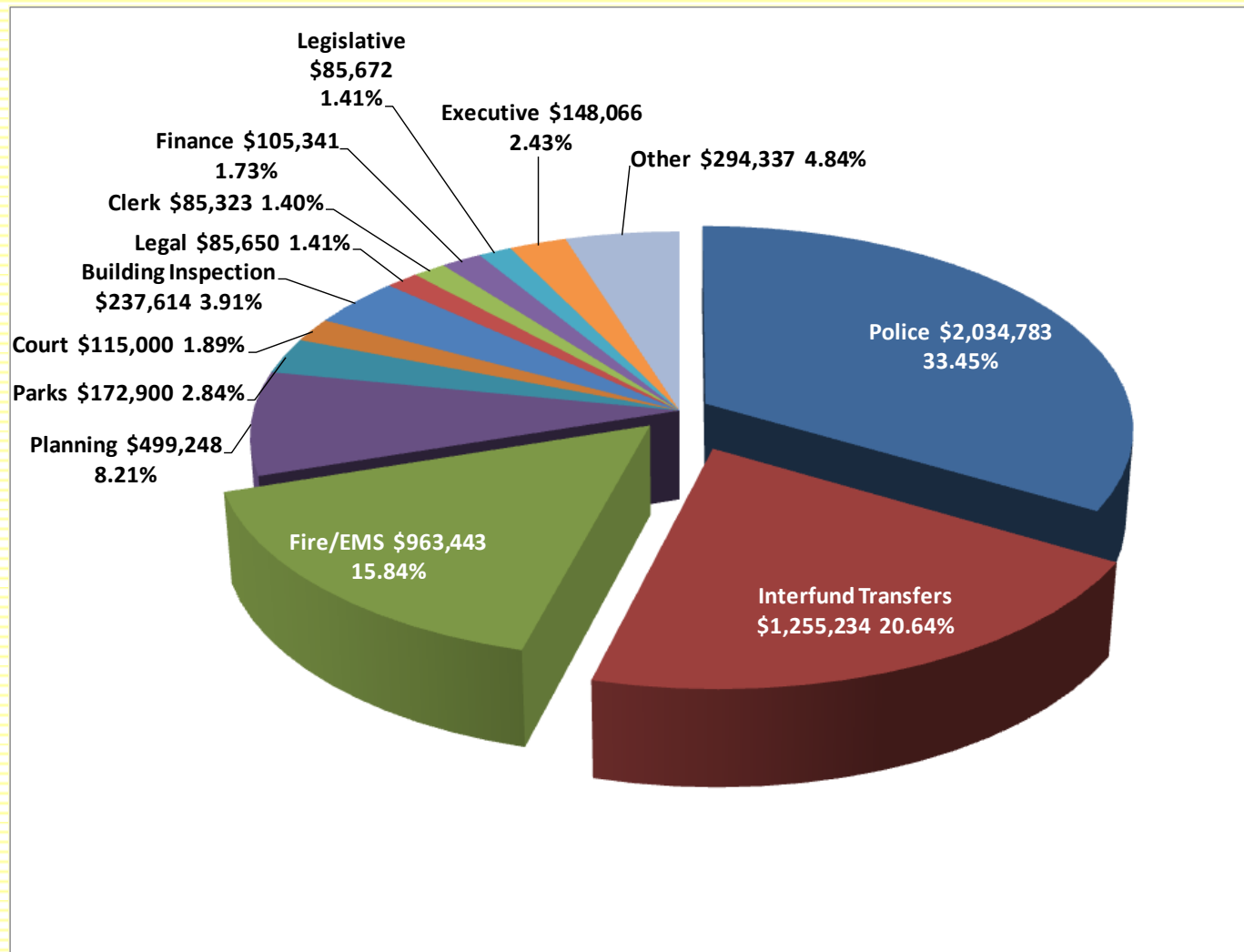


Current Expense Fund Revenues



*Miscellaneous consists primarily of tower rental revenue and interest income

Current Expense Fund Expenditures



Legal fees have been pulled out of departments and grouped together in this slide in order to illustrate what we have budgeted for legal for 2018. This impacts the departmental budgets in that they are slightly lower on this slide than they are in your budget report, due to being net of legal.

Current Expense Notable Items

- \$5,000 budgeted for economic development services.
- Donations to other organizations:
 - WWII Memorial \$5,000 (2nd of 2)
 - City of WW Swimming Pool \$12,500 (2nd of 4)
- Budgeted FTEs are 35.5. Requested FTEs were 46.0.
- FTEs includes new positions:
 - Additional patrol officer
 - Administrative position for Community Development and Public Works



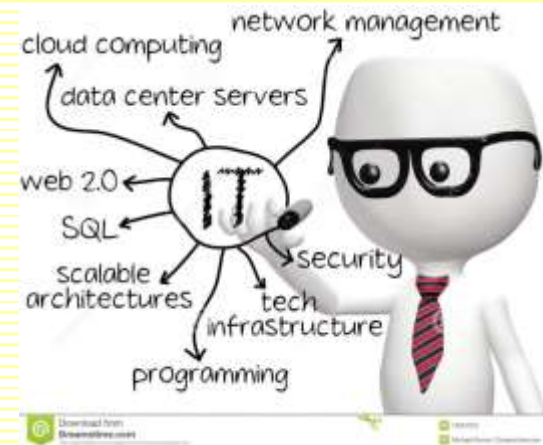
Current Expense Notable Items, Cont.

- Equipment Replacement Program Transfers:
 - Fire/EMS: \$221,000 (includes \$80,000 for wildland vehicle)
 - Police: \$62,000
 - Building Inspection and Travel Vehicles: \$23,000
 - Parks: \$10,000
 - Total Current Expense Replacement Contributions: \$316,000



Technology Reserve Fund #012

- All IT consolidated into this fund in 2017
- Funded entirely by transfers from Current Expense
- Transfers in to reimburse operating costs
- Additional \$25,000 transfer to build IT capital reserve balance
- Budget for Microsoft Office standardization



Employee Benefit Reserve Fund #061

- Primarily funds post-employment benefits:
 - LEOFF 1 medical insurance premiums and medical expense reimbursements
 - Compensated absences accrual liability: \$272,422 as of 12/31/2016 Audited Financial Statements.
- Request council approval as part of 2018 budget to pay down vacation hour accrual balances. Remaining payout for 2018 is estimated to be ~\$5,000



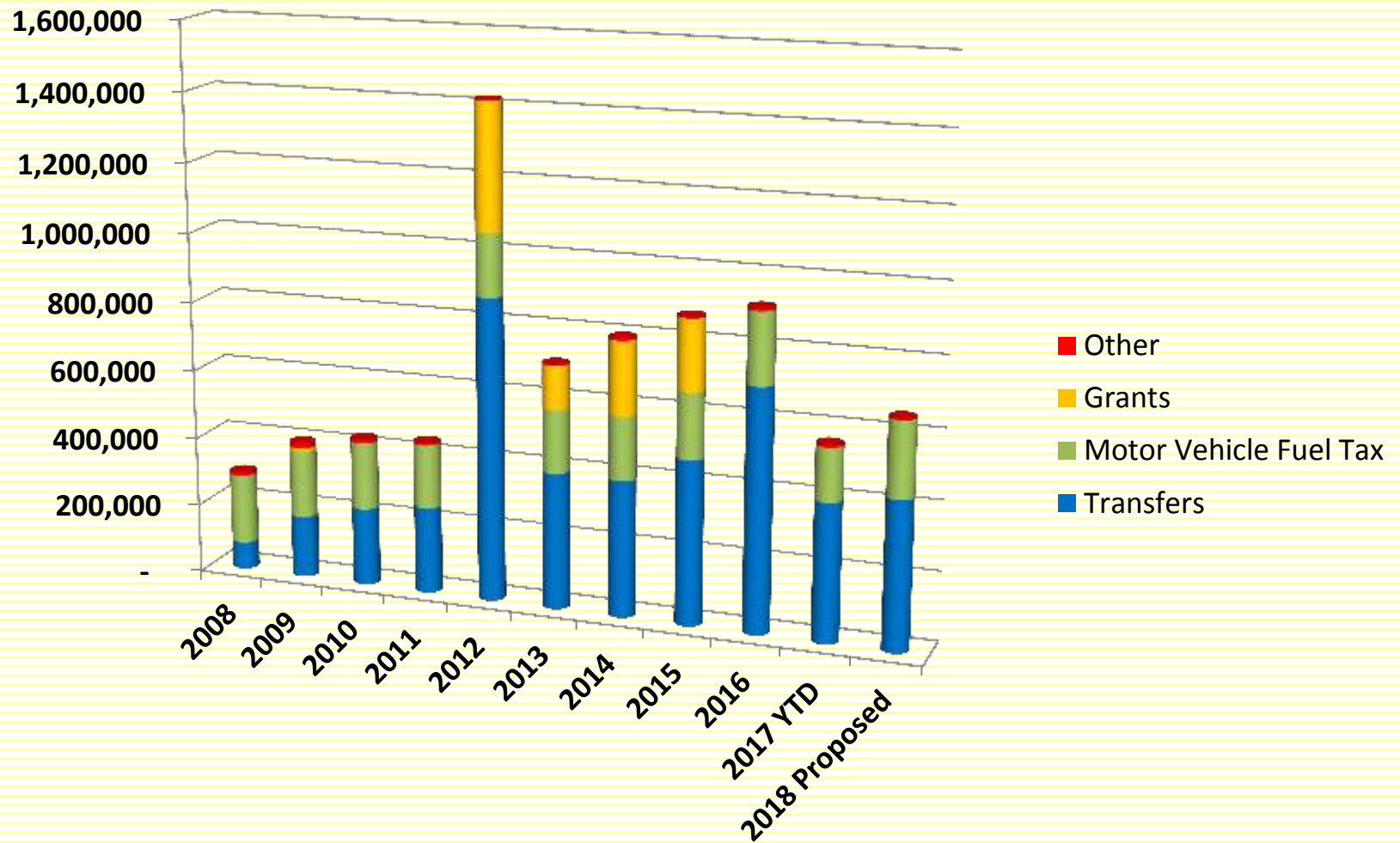
Street Fund #100



- Total Budget: \$734,562
- Recurring Revenues: \$601,800 (includes transfer from Current Expense)
- Recurring Expenditures: \$630,927
- Minimum Proposed Policy Ending Fund Balance is 60 days' O&M ➔ \$103,714
- Budgeted Ending Fund Balance: \$103,635

Street Fund Revenues

\$651,800



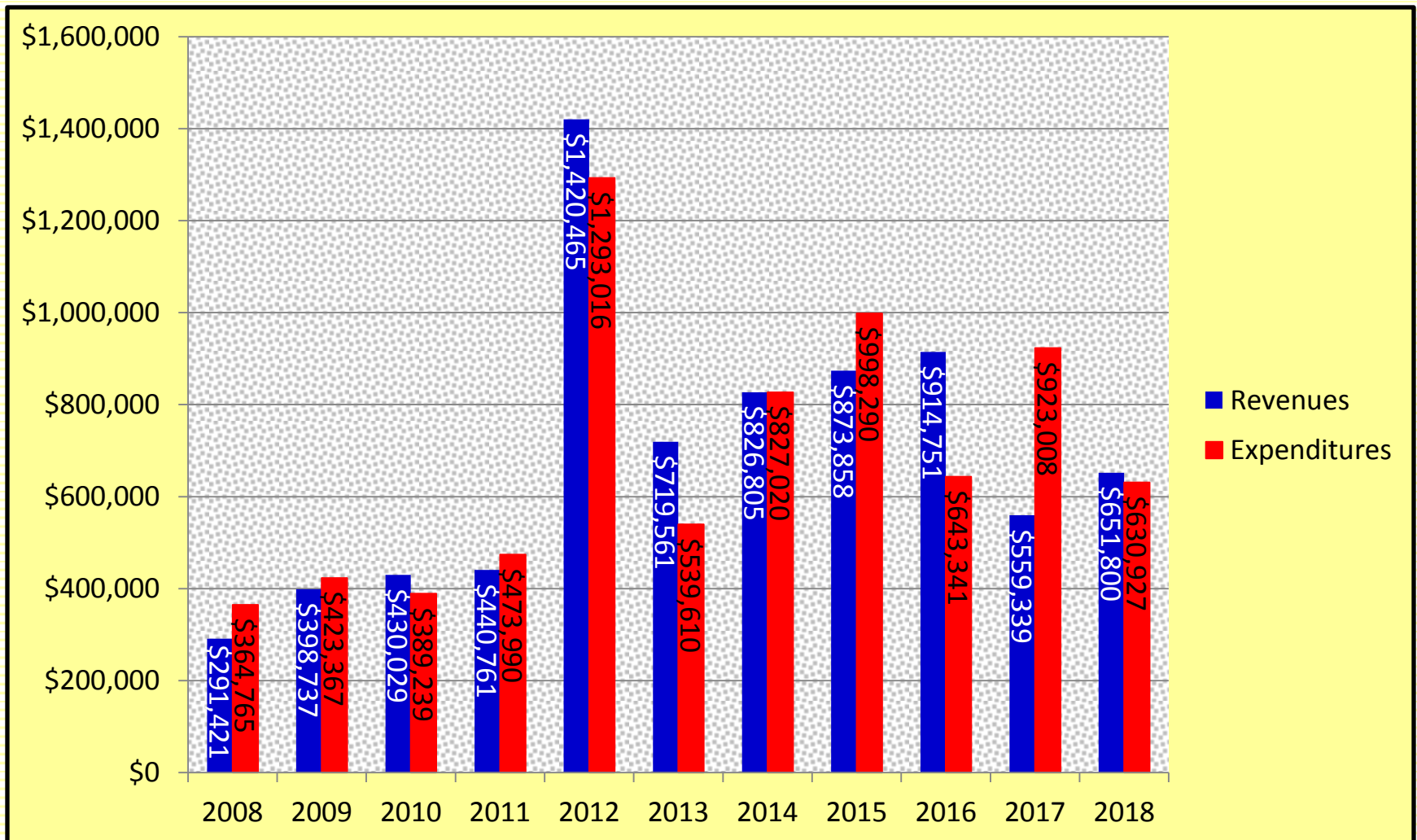
Street Fund Revenues, Cont.

- \$218,300 Fuel Tax
- \$430,000 Transfer from Current Expense
- 2/3 of the Street Fund activities are supported by Current Expense



Street Fund Expenditures

\$630,927



Street Fund Expenditures, Cont.

- \$630,927 Operating Costs
- \$11,120 Transfer to Equipment Replacement Reserve Fund 320
- Budgeted 3 FTEs, same as 2016 and 2017.



Criminal Justice and Forfeited Proceeds Funds 120 & 121

- Combined Revenue of ~ \$15,500 annually
- Restricted to specific uses including:
 - Criminal Justice:
 - Innovative law enforcement strategies
 - Programs for at-risk children and/or abused children
 - Programs related to domestic violence.
 - Forfeited Proceeds:
 - Drug enforcement and related activities



Criminal Justice and Forfeited Proceeds Funds 120 & 121, Cont.

- Funds are intended to be used on an annual basis.
- Fund 120 is paying approximately \$11,500 toward the payroll costs of the SRO.
- Fund 121 is contributing \$10,000 to the Equipment Replacement Reserve Fund toward a detective car.



General Obligation Debt Service Funds

- Fund 201 – \$489,750 CARS Project
- Fund 202 – \$52,021 Fire Engine
- Fund 235 - \$140,484 Commercial Drive
- All funded through transfers from Current Expense Fund



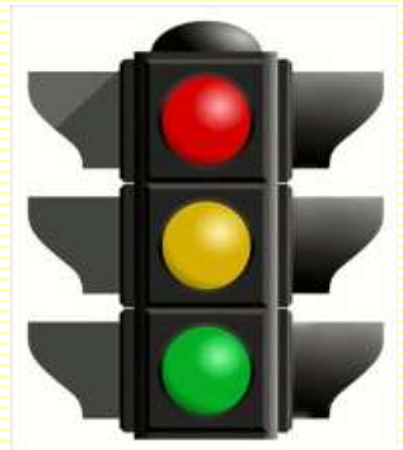
General Obligation Debt Service Funds, Cont.

- Funds 202 and 235 have policy-mandated one year of debt service in reserve.
- Fund 201 (CARS) does not have a year in reserve because it is secured by the full faith of the taxpayers and is levied through property taxes each year. Taxes are deposited to Current Expense Fund, then transferred to Fund 201 for payment of debt service.



Street Capital Contribution Fund #320

- Traffic impact or mitigation fees collected from developers
- ~\$160,000 expected from Homestead Phase 3 and Villages at Fort Walla Walla.



Capital Improvement Fund #305 (REET 1)

- $\frac{1}{4}\%$ tax on real estate sales within the city
- Paid by the seller but if unpaid then buyer is responsible
- Budgeted \$120,000 in REET 1 revenue for 2018
- Can be used for capital projects listed on the City's Capital Facilities Plan.



Capital Improvement Fund #305 (REET 1), Cont.

- Beginning in 2017, dedicated a portion of these funds for annual chip seal program
- Also budgeted in 2018 to seal coat the Whitman Drive Multi-Use Path.



Capital Improvement Fund #306 (REET 2)



- This is an additional $\frac{1}{4}\%$ tax on real estate sales within the city
- Only impact is at the time of real estate sale, or if there is a transfer of controlling interest (50% or more) in entities that own property

Capital Improvement Fund #306 (REET 2), Cont.

- Budgeted \$110,000 in REET 2 revenue for 2018
- Budgeted expenditures for 2018:
 - Traffic Study on Larch (\$66,651)
 - Engineering for dredge and reconstruction of Lions' Park pond (\$65,000)

REET

..... stands for

Real Estate Excise Tax

Street Improvement Fund #311

- Beginning in 2017, Street Capital Projects were segregated in this fund
 - \$1,204,743 4th/Academy overlay and sidewalks
 - TIB grant application and TAP funds to cover majority
- This fund budget will be significantly altered for final budget if TIB funding is unsuccessful



Facility Maintenance Reserve Fund #315

- Funded entirely by transfers from Current Expense. \$25,000 trans. budgeted in 2018
- Budgeted the following projects in 2018:
 - \$40,000 Fire Dept. HVAC, kitchen, and plumbing
 - \$23,000 Fire Department cabinets
 - \$2,000 Annex portico
 - \$45,000 Reconstruct south parking lot at City Hall



Equipment Reserve Fund #320

- New Fund and Program in 2017
- Reserve for expensive equipment replacements
- Funded by transfers from responsible departments



Equipment Reserve Fund #320, Cont.

Department	Recurring	Non-Recurring (Catch-Up)	Total
Fire	\$ 163,050	\$ 57,950	\$ 221,000
Police	\$ 105,050	\$ 13,820	\$ 118,870
Building Inspection/Facilities/General	\$ 10,780	\$ 12,220	\$ 23,000
Parks	\$ 10,000	\$ 3,767	\$ 13,767
Streets	\$ 7,120	\$ 4,000	\$ 11,120
Total	\$ 296,000	\$ 91,757	\$ 387,757

- \$316,000 from Current Expense Fund
- \$11,120 from Street Fund (supported by Current Expense)

Economic Development Funds #330 & 340

- \$10,000 budgeted for carryover CARS expenditures:
- #330 Ending Fund Balance of \$194,760 will be transferred to Street Improvement Fund for other capital projects
- No activity in Fund #340



Water Utility



- Funds:
 - #400 Water Fund
 - #410 Water Capital Reserve Fund
 - #413 Water Capital Improvement Reserve/Debt Service Fund
 - #425 Water & Sewer Revenue Bond Fund
(60% Water/40% Wastewater)
 - #426 Water & Sewer Bond Reserve Fund (60% Water/40% Wastewater)
 - #431 Water System Construction Fund

Water Utility – Notable Items

- Water Utility Budget is based on Long-Term Water Financial Plan
 - Effort of City Finance Staff, FCS Group (Water Rate Study Consultants), and RH2 (Water System Plan Consultants)
- 2nd year of 3 year approved water rate increases
 - Combined O&M rate and debt revenue increase of 12.84% in 2018



Water Utility – Notable Items, Cont.

- Rate Funded Capital (\$200,000 in 2018)
- Equipment Replacement Reserve Program (\$113,000 in 2018)
- Proposed Financial Policy implementation
 - Minimum Operating Fund Ending Balance of 60 days' O&M ➡ \$218,283
 - Budgeted Ending Fund #400 Balance is \$659,287



Water Utility – Notable Items, Cont.



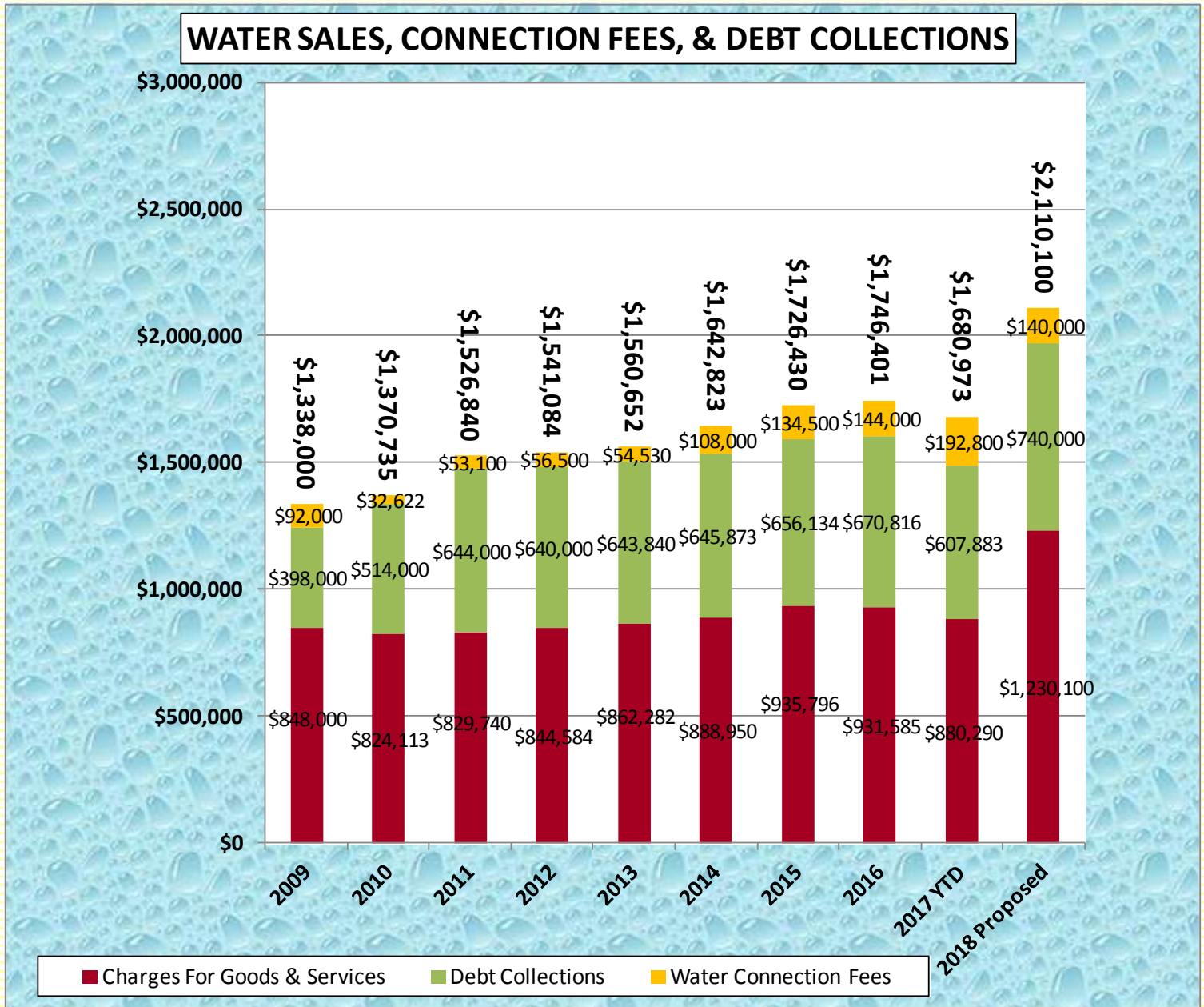
- Budgeted 4.25 FTEs
- Capital has been pulled out of Water Fund #400 and moved to capital-specific funds #410 and #431 for isolation and tracking purposes.

Water Utility Recurring Revenues vs. Expenses

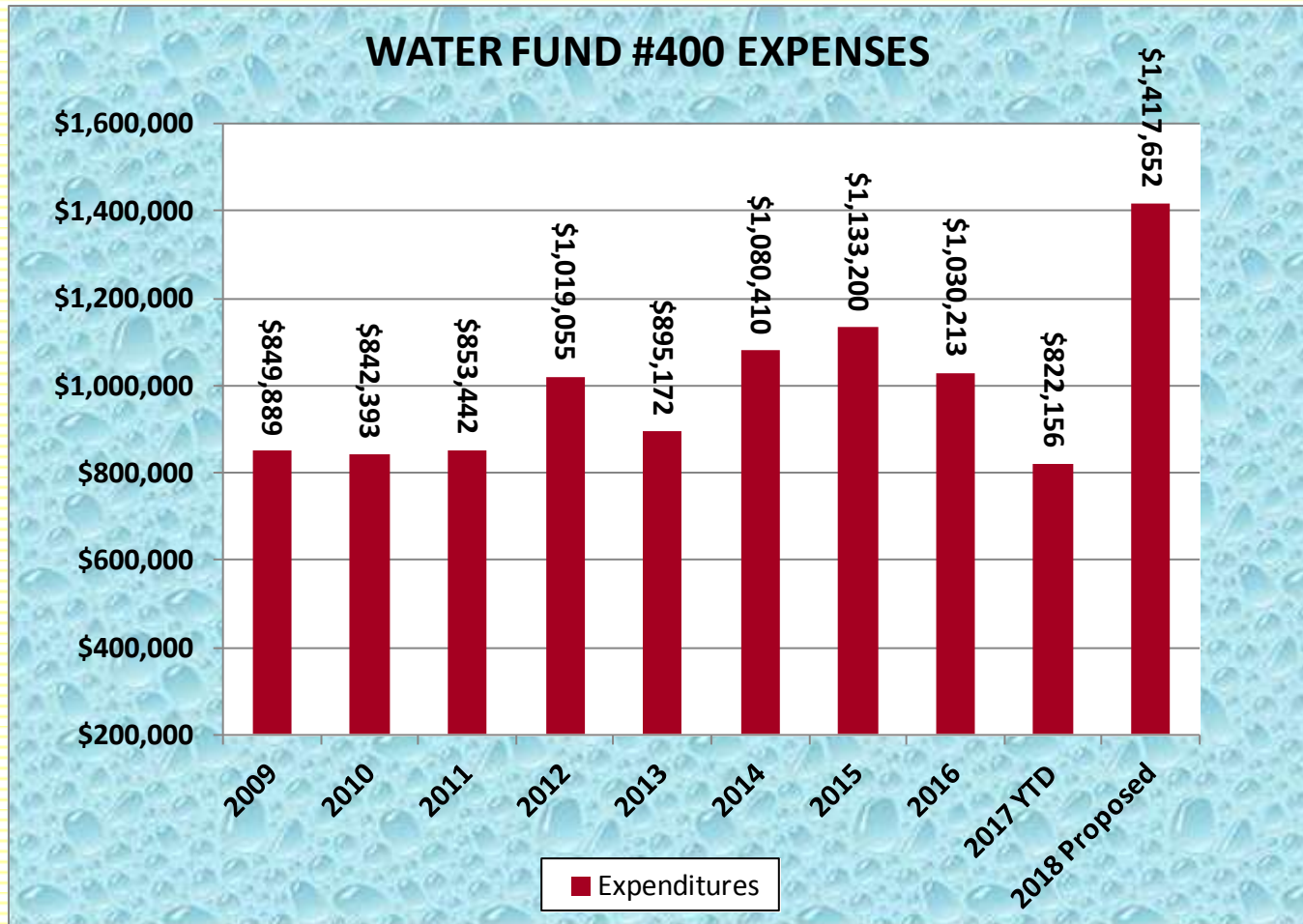
- Operating revenues and expenses in Fund #400
- Recurring Revenues: \$1,269,144
- Recurring Expenses: \$1,327,889
- Net is negative: (\$58,745)
- This is according to the Water Utility Financial Plan and will reverse over the next 6 years as rate increases are implemented.



REVENUE



EXPENSES



- 2018 budget appears higher because it includes \$200,000 in rate funded capital transfers out and \$54,000 in equipment reserve transfers out.
- Projection is that 2017 expenses will total around \$980,500.

Water Capital Projects/Purchases

- Fund 410:
 - \$2,700,000 Well #2
 - \$125,000 Backhoe
 - \$250,000 Radio Read Meters
 - \$8,500 HVAC upgrades to Public Works
 - \$200,000 Possible H2O Rights
- Fund 431:
 - \$4,500,000 Well #1 and Looped Line
- Projects are somewhat fluid as estimates are refined and scheduling commences.



Funding for Water Capital Projects/Purchases

- Fund 410: \$4,500,000 Revenue Bond
 - 2.8% interest, 20 years, 1% issuance cost
- Fund 431: \$4,500,000 Department of Health Loans/Grants.
 - 50% forgiveness, 1%, 20 years, no issuance costs



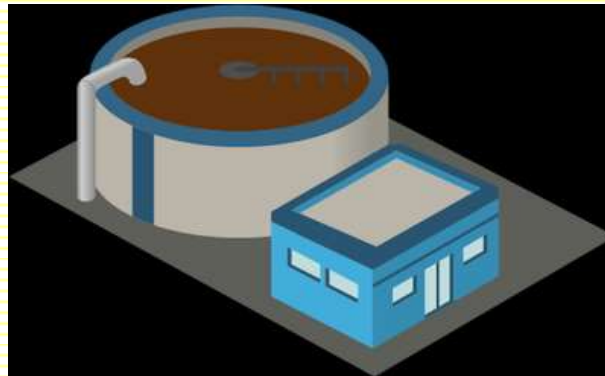
Water Debt Service

- All debt meets operational Financial Policy requiring one year's debt service to be held in reserve.
- Water System Debt Service for 2018:
 - Fund 413: \$666,055
 - Fund 425: \$106,565
 - Fund 426: \$299,125
 - Totals to: \$1,071,745



Wastewater Utility

- Funds:
 - #401 Wastewater Fund
 - #411 Wastewater Capital Reserve Fund
 - #412 Wastewater Debt Service Fund



Wastewater Utility - Notable Items

- Second full year of CH2M as operators
- 2017 Rate Study results implemented with 2018 budget
- Budget highlights for 2018:
 - 10% increase in operating base and usage rates at Jan. 1
 - \$2.60/month on the base
 - \$0.38/1,000 gallons after 3,000
 - CH2M to take over the poplar farm mgt. after tree removal



Wastewater Utility - Notable Items, Cont.

- Wastewater Facility Plan Amendment Completion (\$80,000)
- Equipment Replacement Reserve Program Transfers (\$53,200)
- Transfer for Rate Funded Capital (\$100,000)
- Minimum Operating Fund Ending Balance of 60 days' O&M = \$275,220
- Budgeted Ending Fund #401 Balance is \$550,921



Wastewater Utility Recurring Revenues vs. Expenses

- Operating revenues and expenses in Fund #401
- Recurring Revenues: \$1,855,000
- Recurring Expenses: \$1,674,258
- Net: (\$180,742)



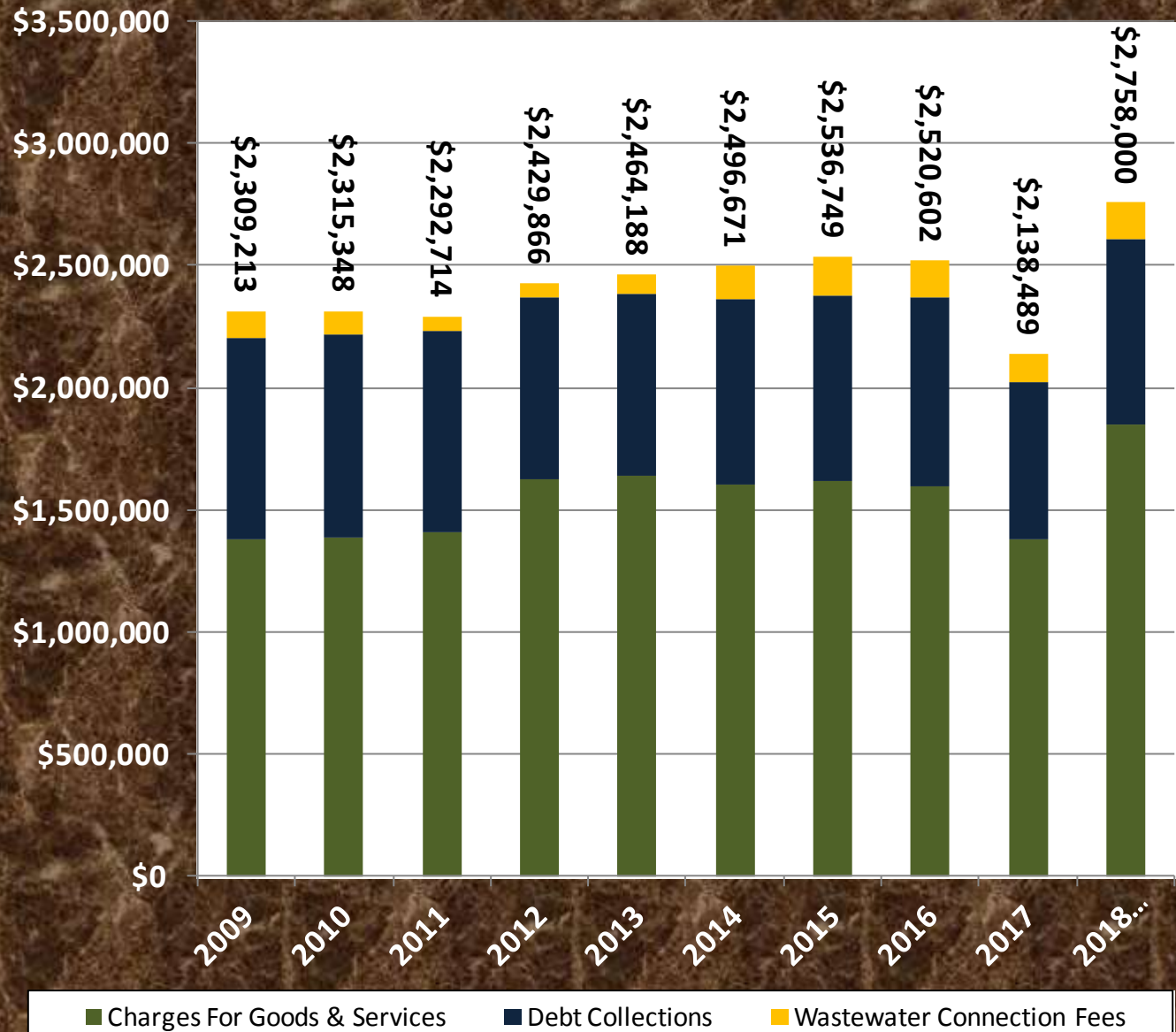
Wastewater Concerns

- CH2M and the Wastewater Facility Plan have identified a large amount of deficient capital infrastructure
- We will need a long-term financial plan for this utility.
- The rate study conducted in 2017 considers immediate capital needs but not long term needs, as the facility plan was not complete at the time of the study.



REVENUES

WASTEWATER FEES, CONNECTION FEES, & DEBT COLLECTIONS



EXPENSES



- 2018 budget appears higher because it includes \$100,000 transfer out for Rate Funded Capital.
- Projection is that 2017 expenses will total around \$1,983,000, which includes \$170,000 toward the WW Facility Plan Amendment.

Wastewater Capital Projects/Purchases

- All budgeted in Wastewater Capital Reserve Fund #411:
 - \$150,000 Replace Influent Screen
 - \$300,000 Various Other Improvements to WWTP for compliance
 - \$40,000 Replace Sewer Main Alley S. of 6th



Funding for Wastewater Capital Projects/Purchases



- Beginning Fund Balance of \$539,904
- Transfer from Fund 401 for Rate Funded Capital (\$100,000)
- Transfers for Equipment Replacement (\$106,400)
- Transfer of Surplus Debt Collections \$61,436
- Connection charge revenue of \$147,000

Wastewater Debt Service

- All debt meets operating Financial Policy requiring one year's debt service to be held in reserve.
- Wastewater System Debt Service for 2018:
 - Fund 412: \$636,953



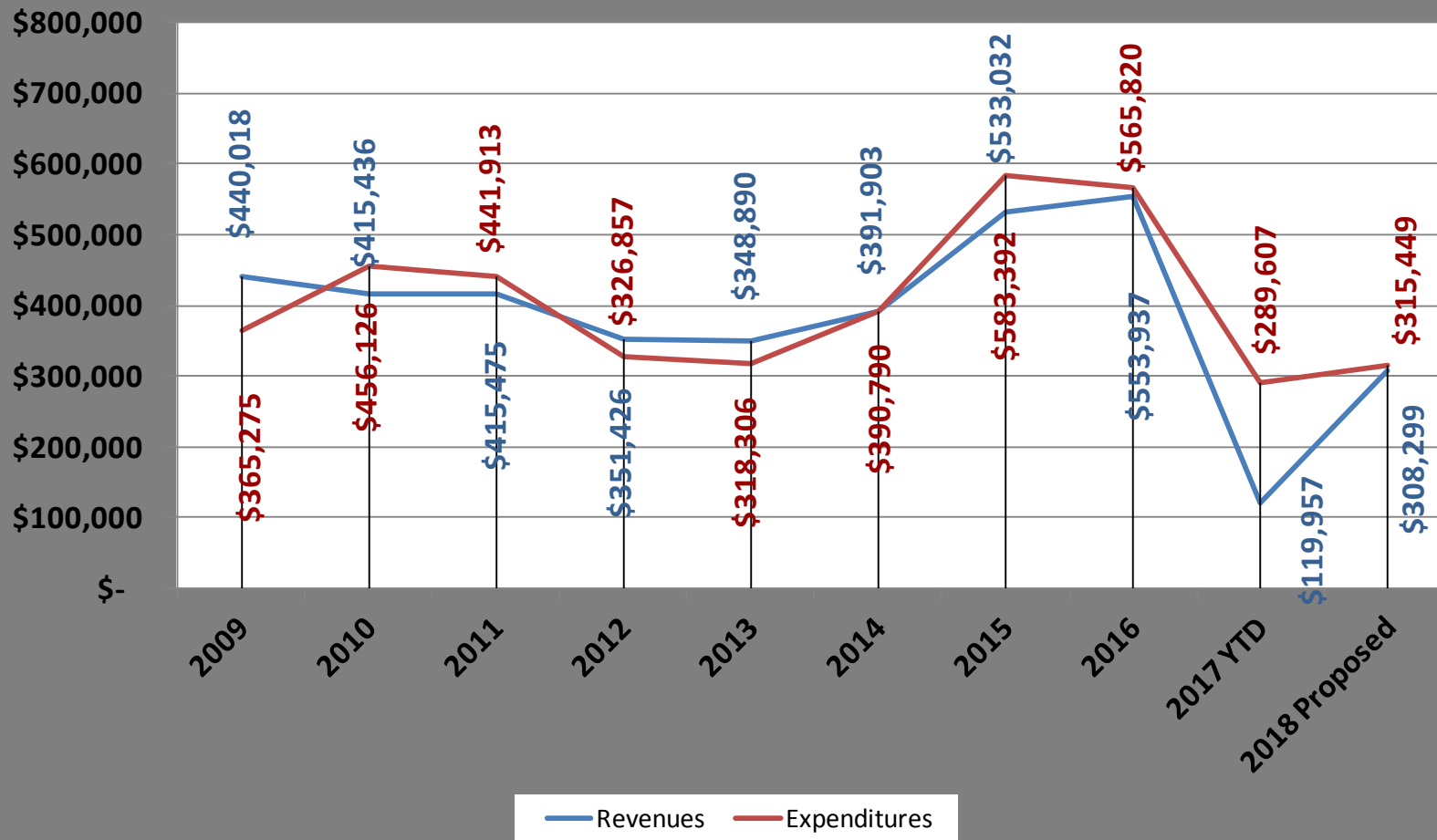
Equipment Rental & Replacement Fund #500 (ER&R)

- Fully funded by transfers in from other funds
- Continuing in 2018:
 - Equipment Replacement Program (Fund 320)
 - Proposed Financial Policy implementation
 - Minimum Ending Fund Balance of 60 days' O&M, which is \$51,855.
 - Budgeted Ending Fund Balance is \$110,750.



Equipment Rental & Replacement Fund #500 (ER&R)

ER&R Revenues and Expenditures



Note the spend-down of fund balance in 2015, 2016, and 2017

Flexible Spending Fund #625

- Fiduciary Trust Fund
- Employee Flex Spending contributions are deposited here
- When flex accounts are used, the funds are withdrawn.
- In and out budget for 2017 is \$13,000



Budget Recap

Beginning Fund Balance: \$8,990,865

Revenues: \$23,447,959

Expenditures: \$23,949,897

Ending Fund Balance: \$8,488,927

Spend Down of \$501,938

