

Fiscal Year: 2019 Preliminary Budget

By: Mike Rizzitiello – City Administrator

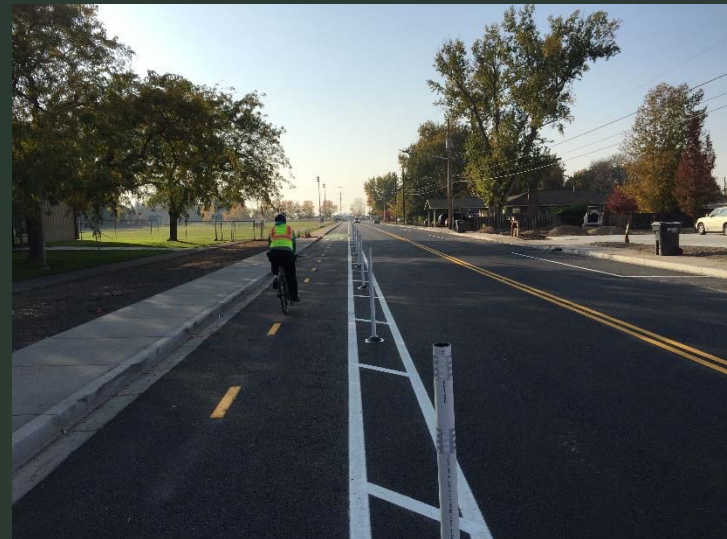
Sarah Killgore – Finance Director

Presented November 27, 2018



Strategic Plan (2017 to 2026)

- Website:
http://www.cpwa.us/document_center/Admin/5%20Strategic%20Plan%20document.pdf
- Mission Statement
 - To provide leadership and effective, fiscally responsible services that achieve our community's vision.
- Goals
 - Resource Development
 - Cooperation and Connection
 - Infrastructure Investment
 - Planning for Prosperity
 - Optimal Operations



Strategic Plan: Outcomes

Metric	2017	2018
Number of Business Starts near College Ave Corridor	2	5
Number of Mixed-Use Properties near College Ave Corridor	2	2
Number of city events	5	7
Number of Facebook followers	675	1,226
Number of Interlocal Agreements	18	21
% of Advisory Commission Seats Vacant at Year End	0	0
Linear ft of Water Lines Repaired or Replaced	200	300
Linear ft of Wastewater Lines Repaired or Replaced	200	300
Linear ft of street Repaired or Replaced (Chip Seal, Resurface, new road)	5,115.3	13,465.33
Number of Staff (FTE)	37	41

FY 2018 Accomplishments

■ Grants

- Two Drinking Water Well funding package (about \$6 million w/ two legislative appropriations and Department of Health DWSRF funds).
- TIB Grant – 4th & Academy Way: \$1.2 million
- RelightWA Grant LED light conversion: \$118,000
- Certified Local Government Grant: \$10,000
- Department of Commerce Comp Plan Grant: \$9,000
- United Way partnership for pilot Recreation Program: \$20,000
- Walmart Contribution – Youth Rec Program: \$2,500
- Pacific Power Foundation – Outdoor Movie Theater: \$3,000
- Community Economic Revitalization Board – Two Grants: \$100,000
- Whitman Fellow assistance with Rec Program Strategy.
- Wildhorse Foundation Grant for Police Server: \$15,000
- Reimbursement for wildland fire assistance
- Arbor Day Tree Planting Grant Reimbursement (\$500).



FY 2018 Accomplishments (Top Three)

- Administration
 - Revise Municipal Codes
 - Opportunity Zone
 - Pilot Youth Rec Program
- City Clerk
 - Paperless Boards & Commissions
 - Community Events
 - Scan & Toss Policy/Records Management
- Finance
 - Financial Policies – Phase I and II
 - Document Locator Implementation
 - Investment Policy & Laddered Investment Portfolio
- Human Resources
 - Complete Personnel Manual
 - Implement AWC Retro Risk Management Program
 - Staff Onboarding



FY 2018 Accomplishments (Top Three)

- Community Development
 - 2018 Comprehensive Plan
 - Stepper & Evans Annexations
 - Street Vacations around WWU
- Engineering
 - Private to Public Infrastructure Code
 - Stormwater Utility & adjoining code
 - Engineering Standards
- Legal
 - City of Walla Walla Intertie
 - Walla Walla University Intertie
 - Pocketinet & Columbia REA Franchise



FY 2018 Accomplishments (Top Three)

- Fire
 - Replace wildland engine.
 - BLS Ambulance
 - Fire Training Officer
- Police
 - Take home vehicle program.
 - Special Enforcement Officer
 - Two (2) Police Officer hires.
- Public Works
 - 4th & Academy Way Reconstruction
 - Skin patch Broadway & Davis
 - Water right acquisition



Fiscal Year 2019 Budget Proposal





Continuing for 2019

- 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



Total Budget

Beginning Fund Balance:
\$14,387,693

Revenues: \$37,125,457

Expenditures: \$39,843,465

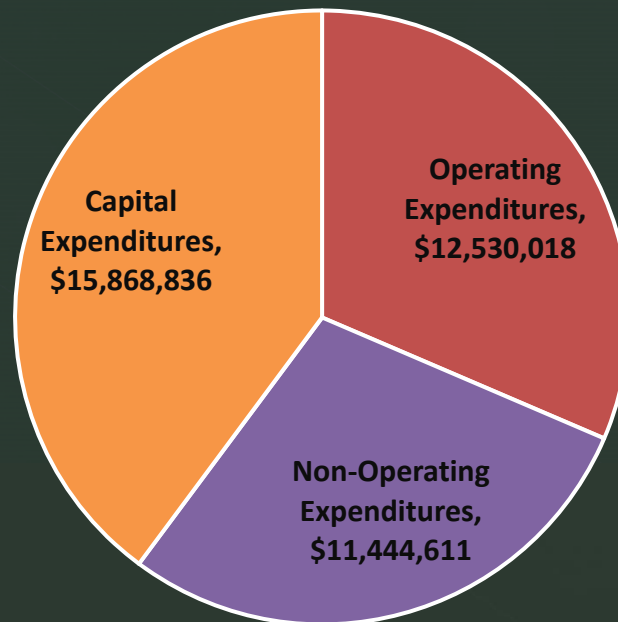
Ending Fund Balance: \$11,669,685

Total Budget Revenues



■ Operating Revenue ■ Non-Operating Revenue

Total Budget Expenditures



■ Operating Expenditures ■ Non-Operating Expenditures ■ Capital Expenditures



FTEs

F ull

T ime

E quivalents

Total Budget Personnel/FTEs

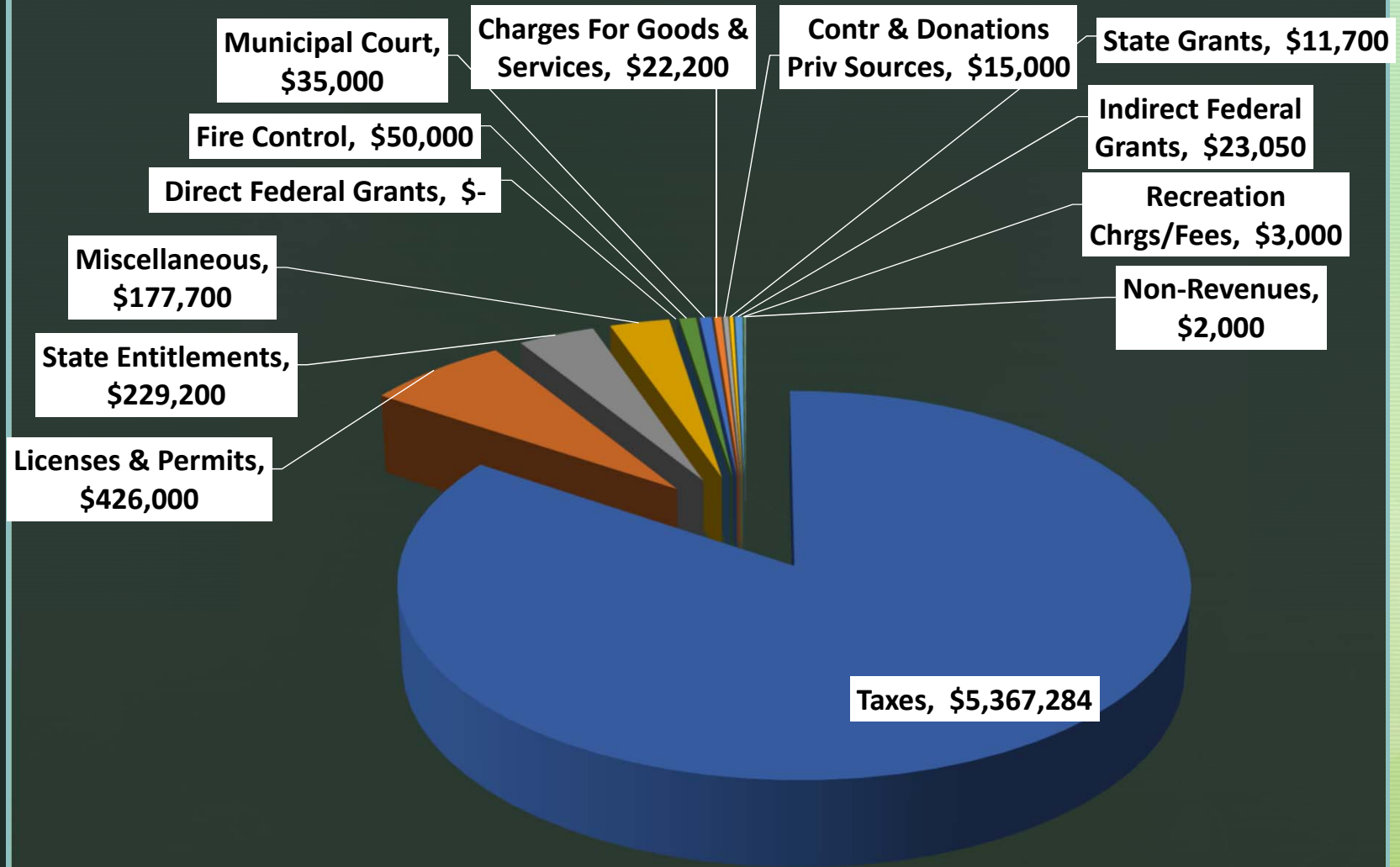
- Budgeted FTEs are 44.25. Requested FTEs were 51.25.
- FTEs includes new positions:
 - Special Enforcement Officer – Current Expense
 - Deputy Clerk/Finance Director – CE, Utilities
 - Engineering Tech – CE, Streets, Utilities
 - Stormwater Utility Worker – Stormwater Utility

Current Expense Fund #001

- Total Budget: \$8,673,234
- Recurring Revenues: \$6,362,134
- Recurring Expenditures: \$5,786,440
- Surplus of \$552,644
- Minimum Policy Ending Fund Balance is 20% of Recurring Revenues \$1,267,817
- Budgeted Ending Fund Balance: \$2,064,407

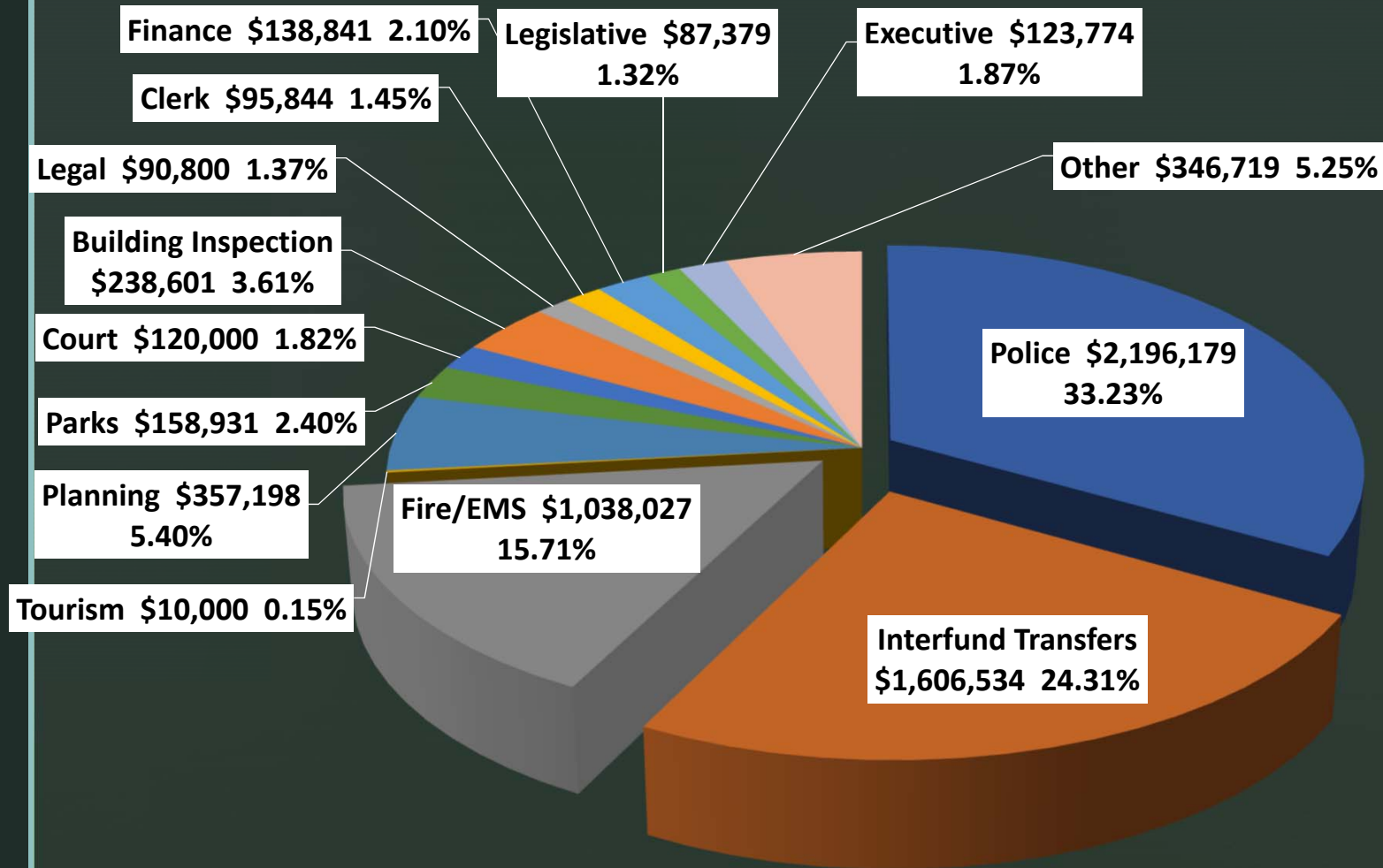


Current Expense Fund Revenues



*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 2019. 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

- Revenues:
 - \$45,000 in Marketplace Fairness sales tax revenue
 - \$10,000 in business license revenue
 - \$515,000 in Water and Wastewater Utility taxes
 - \$260,000 in building permit revenue
 - Substantial increase in Investment Interest
 - Grants





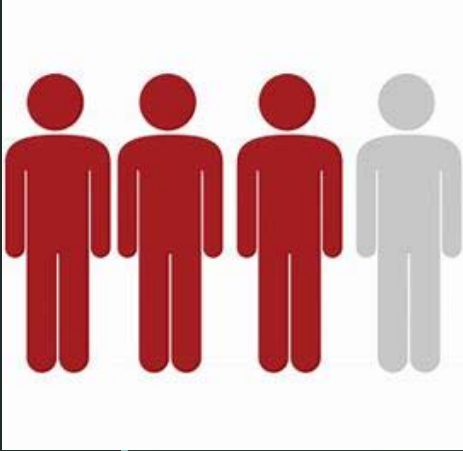
Current Expense Notable Items, Cont.

- Expenditures:
 - \$10,000 for special election costs
 - \$6,000 for portion of Questica Budgeting Software and OpenBook
 - \$5,250 for NextRequest Software
 - \$6,725 for NetMotion for CJIS compliance and compatibility with mobile system
 - \$14,500 for LiveScan Fingerprint System (grant funded)
 - \$15,000 increase in EMS volunteer stipends due to transport service
 - \$6,800 for EMS patient record software
 - \$10,000 for BlueZone project



Current Expense Notable Items, Cont.

- Expenditures:
 - \$47,000 for Development Regulations
 - \$30,000 for Exclusive AG Zoning Designation study
 - \$10,000 for Historical Property Inventory (grant funded)
 - \$20,000 for Development Impact Fees study
 - \$7,200 to support microbusiness program
 - \$6,000 for Youth Recreation programming
- Donations to other organizations:
 - Gold Star Memorial \$10,000 (Council's discretion)
 - City of WW Swimming Pool \$12,500 (3rd of 4)



Current Expense Notable Items, Cont.

- FTEs:
 - Requested 39, budgeted 33
 - New Positions:
 - Special Enforcement Officer (hired 11/18)
 - Deputy Clerk/Finance Director (also allocated to the utility funds)



Current Expense Notable Items, Cont.

- Interfund Transfers for the Support of Other Funds:
 - Street Fund 100 - \$450,000
 - Technology Reserve Fund 012 - \$92,000
 - Facility Maintenance Reserve Fund - \$200,000
 - Employee Benefit Reserve Fund 061 - \$50,000
 - Stormwater Utility Fund 402 - \$85,000

Current Expense Notable Items, Cont.

- Interfund Transfers for Debt Service:
 - CARS Bonds (Fund 201) - \$489,500
 - Fire Engine (Fund 202) - \$51,127
 - Commercial Drive (Fund 235) - \$140,484



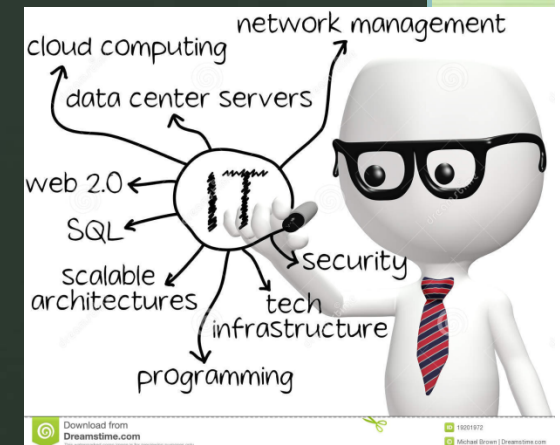
Current Expense Notable Items, Cont.

- Equipment Replacement Program Transfers:
 - Fire/EMS: \$185,000
 - Police: \$95,000
 - Building Inspection and Travel Vehicles: \$42,000
 - Parks: \$10,000
 - Total Current Expense Replacement Contributions: \$332,000



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 and capital replacements/purchases
- Expenditure budget of \$91,950
- Ending Fund Balance of \$294,640



Employee Benefit Reserve Fund #061

- Primarily funds post-employment benefits:
 - LEOFF 1 medical insurance premiums and medical expense reimbursements
 - Compensated absences accrual liability: \$258,053 as of 12/31/2017 Audited Financial Statements.



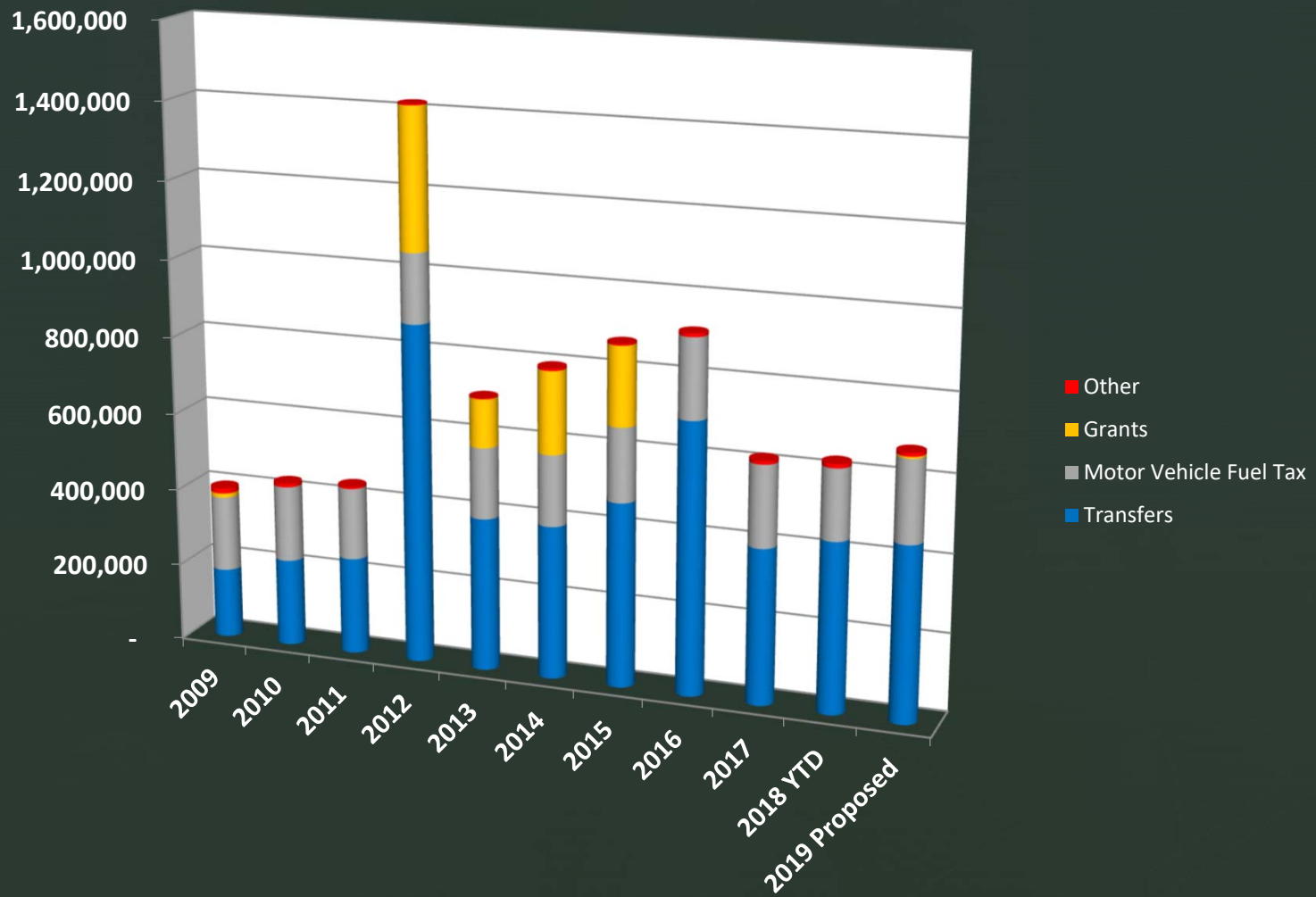
Street Fund #100



- Total Budget: \$784,394
- Recurring Revenues: \$638,200 (includes transfer from Current Expense)
- Recurring Expenditures: \$743,194
- Minimum Policy Ending Fund Balance is 60 days' O&M: \$122,169
- Budgeted Ending Fund Balance: \$148,404

Street Fund Revenues

\$675,200



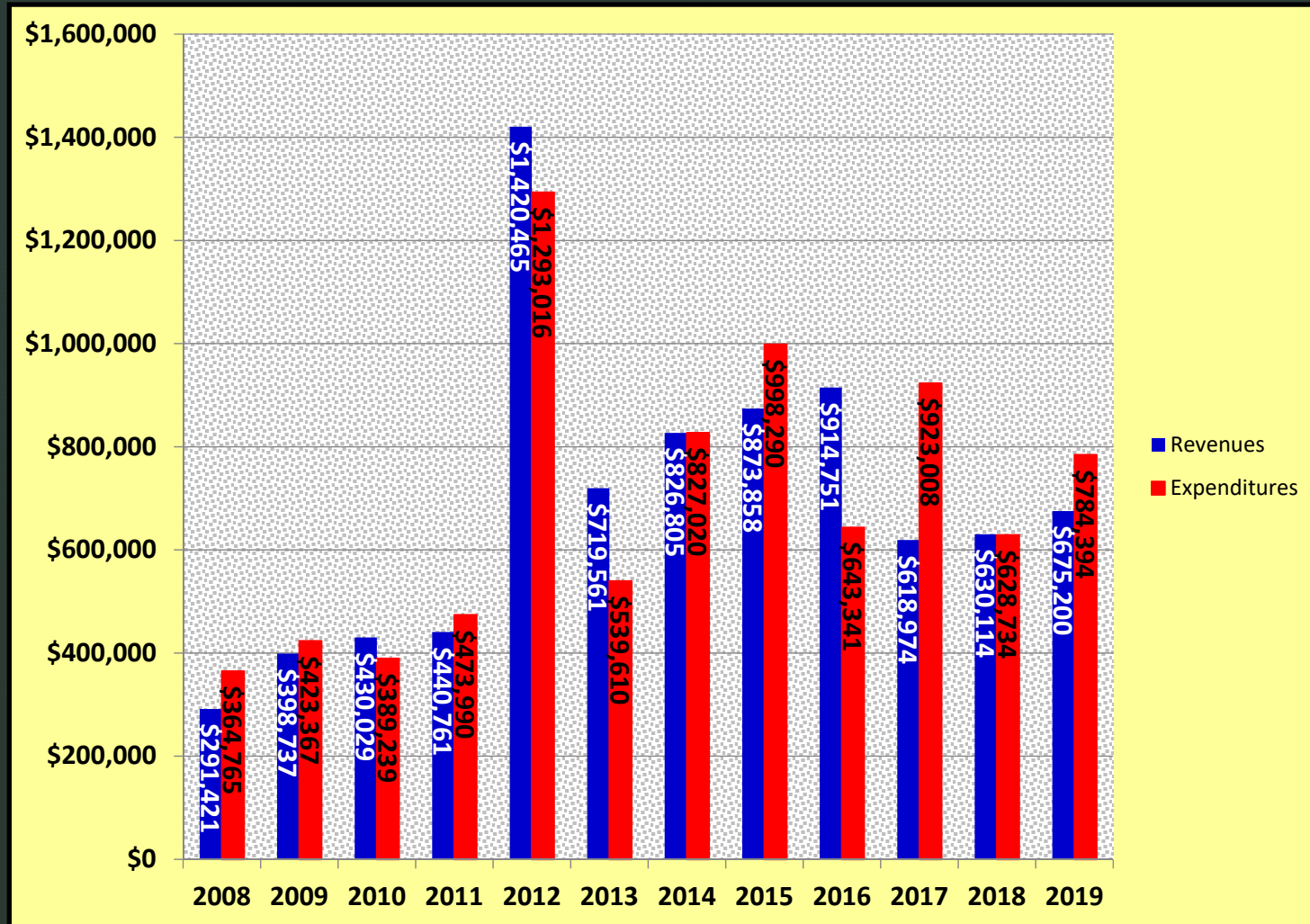
Street Fund Revenues, Cont.

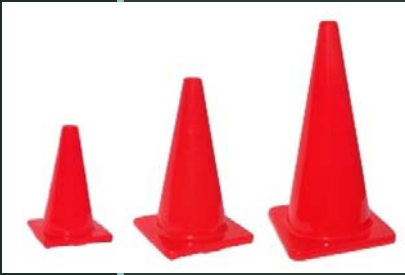
- \$211,200 Fuel Tax
- \$7,000 Street Permits
- \$5,000 Tree City USA Grant
- \$450,000 Transfer from Current Expense
- 57% of the Street Fund activities are directly supported by Current Expense



Street Fund Expenditures

\$784,394





Street Fund Expenditures, Cont.

- \$619,394 Operating Costs
- \$165,000 Transfer to Equipment Replacement Reserve Fund 320
- FTEs:
 - Budgeted 5 FTEs, one more than 2017 and 2018.
 - New Position:
 - Engineering Technician (also allocated to CE and utility funds)

Criminal Justice and Forfeited Proceeds Funds 120 & 121

- Funds are intended to be used on an annual basis.
- Combined Revenues of ~ \$15,000 annually
- Restricted to specific uses including:
 - Criminal Justice (~\$13,400):
 - Innovative law enforcement strategies
 - Programs for at-risk children and/or abused children
 - Programs related to domestic violence.
 - Forfeited Proceeds (~\$1,600):
 - Drug enforcement and related activities





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

- Fund 120
 - Paying approximately \$11,800 toward the payroll costs of the SRO and making the following purchases:
 - Lion's Park Security Camera System - \$9,000
 - Tactical Equipment - \$12,000
 - Ending Fund Balance: \$5,989

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

- Fund 121
 - \$2,500 for undesignated equipment
 - Ending Fund Balance: \$159



Hotel/Motel Tax Fund 130

- Estimate of \$8,000 in tax revenue
- Expenditures:
 - Advertising - \$300 Freedomfest; \$1,600 Tourism
 - City Event Entertainment - \$1,900 Freedomfest bounce house and music
 - Ending Fund Balance: \$14,291



General Obligation Debt Service Funds

- Fund 201 – \$489,050 CARS Project
- Fund 202 – \$51,127 Fire Engine
- Fund 235 - \$140,484 Commercial Drive
- All funded through transfers from Current Expense Fund



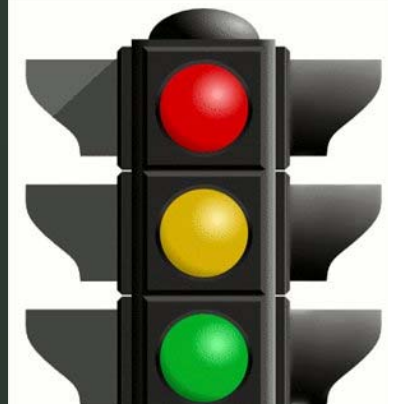
General Obligation Debt Service Funds, Cont.

- 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 #301

- Traffic impact or mitigation fees collected from developers
- \$85,000 expected from Homestead and Villages at Fort Walla Walla.
- \$86,325 budgeted transfer to reimburse signalization in the CARS project, Fund 330.
- \$10,000 budgeted transfer to Street Improvement Fund 311 for 4 way stop at Whitman and Larch.
- Ending Fund Balance: \$16,095





Capital Improvement Fund #305 (REET 1)

- ¼% tax on real estate sales within the city
- Paid by the seller but if unpaid then buyer is responsible
- Budgeted \$160,000 in REET 1 revenue for 2019
- 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 2019 to seal coat the Whitman Drive Multi-Use Path.
- Ending Fund Balance: \$296,969



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.

- Revenues:
 - \$160,000 in REET 2 revenue for 2019
 - \$55,000 proceeds from sale of Kiwanis Park lot
- Expenditures:
 - South College Place Study (\$66,214)
 - Lions' Park (\$400,000)
- Ending Fund Balance: \$32,900

REET

..... stands for

Real Estate Excise Tax



Street Improvement Fund #311

- Beginning in 2017, Street Capital Projects were segregated in this fund
- TIB Projects
 - \$1,477,074 C Street Project
 - \$321,209 SE Lamperti Grind and Overlay
 - TIB grants to cover majority of both projects
 - Complete Streets grants not announced until March 2019; additional projects on hold until we know if TIB is funding them:
 - NE Cedar from C to A
 - 4BIKES – 4th Street from Davis to College Ave

Street Improvement Fund #311, cont.

- Other Projects
 - 4 way stop at Whitman and Larch (paid for by developer)
- This fund requires a \$100,000 transfer from Current Expense to maintain a positive fund balance.
- Ending Fund Balance: \$3,625



Facility Maintenance Reserve Fund #315

- Funded entirely by transfers from Current Expense.
\$200,000 transfer budgeted in 2019
- Budgeted the following projects in 2019:
 - \$20,000 City Hall Fire System Update
 - \$15,000 City Hall Lighting Update
 - \$85,000 Remodel holding cells into office space and move Sallyport
 - Continued on next slide →



Facility Maintenance Reserve Fund #315, cont.

- Budgeted projects, continued:
 - \$18,000 Police Department Interior Improvements
 - \$37,200 Fire Department Renovations and Improvements
 - \$21,000 Admin Office Addition and Minor Remodel
 - \$45,000 Parking Lot Completion
- Ending Fund Balance: \$22,826



Equipment Reserve Fund #320

- Fund and Program began 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	\$ 124,520	\$ 60,480	\$ 185,000
Police	\$ 82,280	\$ 12,720	\$ 95,000
Building Inspection/Facilities/General	\$ 10,780	\$ 31,220	\$ 42,000
Parks	\$ 6,233	\$ 3,767	\$ 10,000
Streets	\$ 35,200	\$ 129,800	\$ 165,000
Total	\$ 259,013	\$ 237,987	\$ 497,000

- \$332,000 from Current Expense Fund
- \$165,000 from Street Fund (supported by Current Expense)

Economic Development Funds #330 & 340

- \$86,325 transfer in from Street Capital Contribution Fund 301 for reimbursement of traffic signalization
- \$229,660 budgeted for carryover CARS closeout expenditures
- #330 Ending Fund Balance: \$0
- 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 Revenue Bond Fund
 - #426 Water Bond Reserve Fund
 - #431 Water System Construction Fund

Proposing
official
change of
these fund
names from
“Water &
Sewer”

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)
- 3rd year of 3 year approved water rate increases
 - O&M rate (9%) and debt rate (2.5%) result in combined revenue increase of 6.33% in 2019
 - Equates to \$1.33 additional O&M base and .12/1,000 gallons on usage



Water Utility – Notable Items, Cont.

- Rate Funded Capital (\$300,000 in 2019)
- Equipment Replacement Reserve Program (\$48,088 in 2019)
- Financial Policy implementation:
 - Minimum Operating Fund Ending Balance of 60 days' O&M: \$220,325
 - Budgeted Ending Fund #400 Balance is \$651,073



Water Utility – Notable Items, Cont.



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

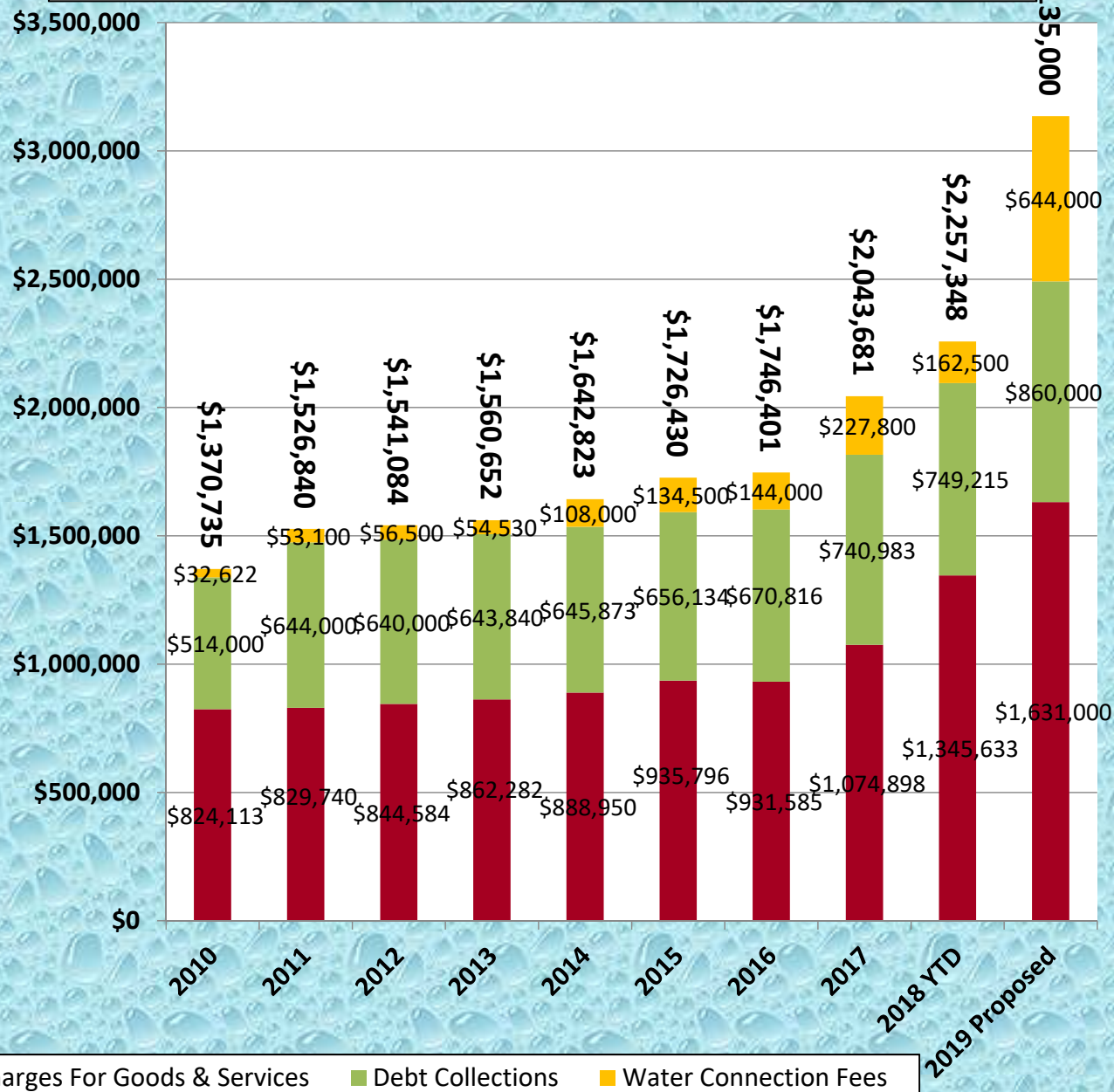


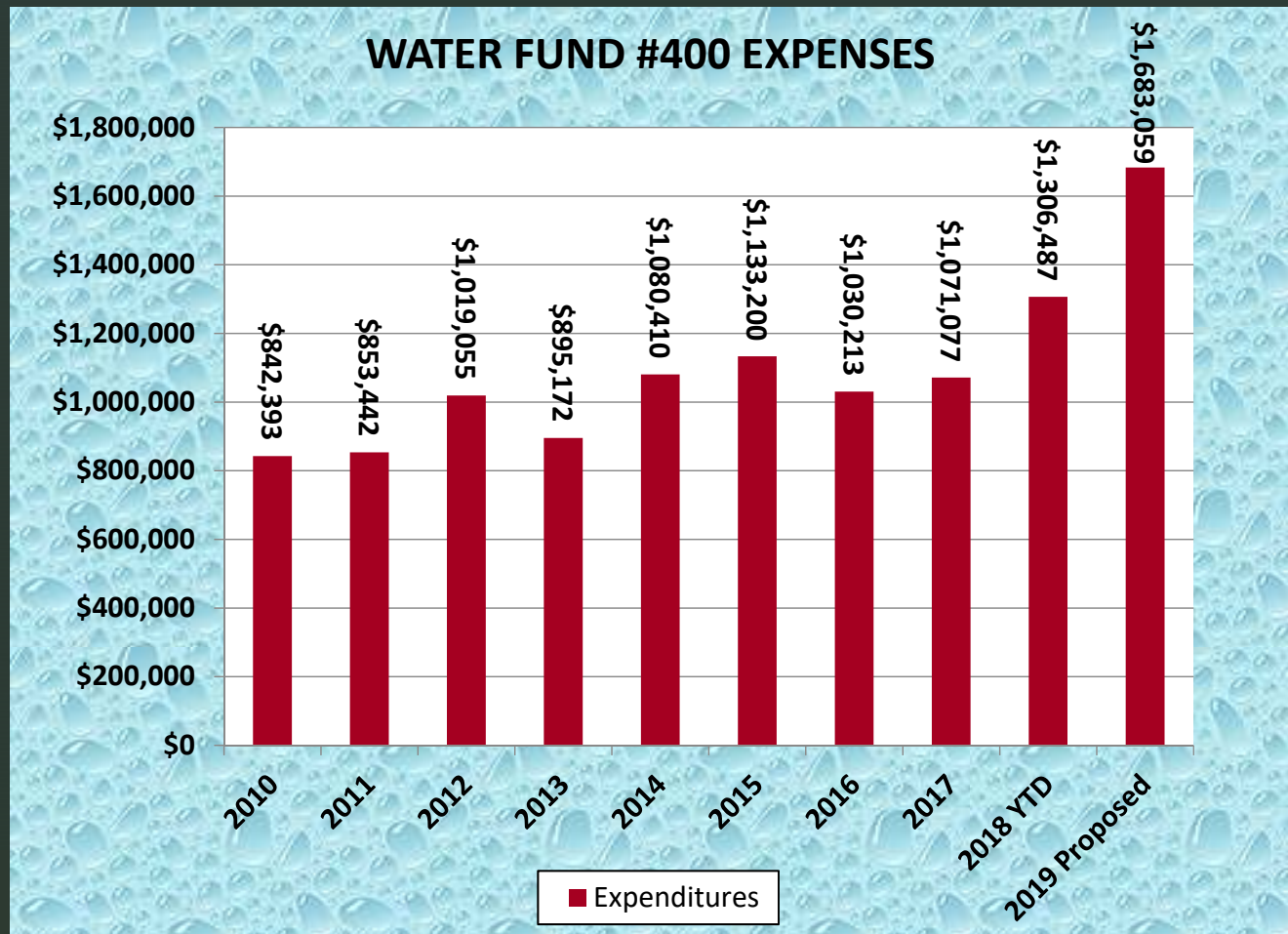
Water Utility Recurring Revenues vs. Expenses

- Operating revenues and expenses are accounted for in Fund #400
- Recurring Revenues: \$1,676,044
- Recurring Expenses: \$1,640,308
- Net is a positive \$35,736



WATER SALES, CONNECTION FEES, & DEBT COLLECTIONS





- 2019 budget appears higher because it includes \$300,000 in rate funded capital transfers out and \$48,088 in equipment reserve transfers out.
- Projection is that 2019 expenses will total around \$1,670,145.

Water Capital Projects/Purchases

- Fund 410:
 - \$2,395,866 Well #2
 - \$300,000 Solar Array for Well #2
 - \$1,500,000 Radio Read Meters System
 - \$602,266 “C” Street Infrastructure
 - \$235,150 H2O Rights Payment
 - \$10,000 PW Office Building HVAC
- Fund 431:
 - \$4,195,431 Well #1 and Looped Line
- Projects are somewhat fluid as estimates are refined and scheduling commences.



Funding for Water Capital Projects/Purchases

- Fund 410:
 - \$599,460 Legislative Appropriation
 - \$150,000 Pacific Power Grant
 - \$150,000 Dept. of Commerce Grant
 - \$300,000 Transfer from Operating Fund 400 for Rate Funded Capital
 - \$4,500,000 Revenue Bond issued in 2017
 - 2.8% interest, 20 years, 1% issuance cost



Funding for Water Capital Projects/Purchases, cont.

- Fund 431:

- \$873,000 Legislative Appropriation
- \$4,200,000 Department of Health Loans/Grants.
 - \$3,000,000 - 50% forgiveness, 1.5%, 24 years, no issuance costs
 - \$1,195,431 - 50% forgiveness, 1%, 24 years, no issuance costs



Water Debt Service

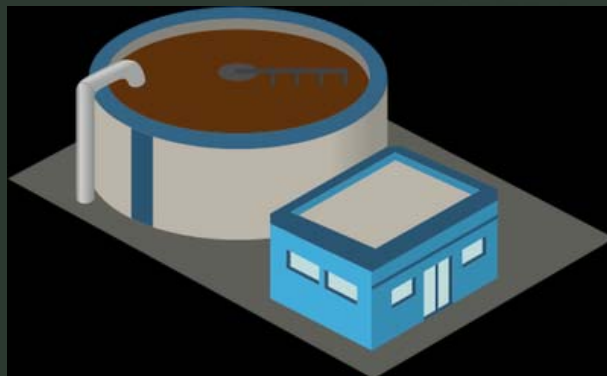
- All debt meets operational Financial Policy requiring one year's debt service to be held in reserve.
- Water System Debt Service for 2019:
 - Fund 413: \$2,844,846 – Includes Payoff of Forgiven 50% of DWSRF loans (\$2,097,716)
 - Fund 425: \$2,594,700 – Includes Payoff of \$2,250,000 Principal
 - Totals to: \$5,439,546



Wastewater Utility

- Funds:

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



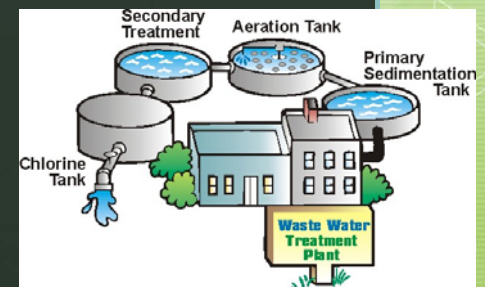


Wastewater Utility - Notable Items

- Third full year of CH2M as operators
- 2017 Rate Study results implemented with 2018 budget and continued with the 2019 budget
- Budget highlights for 2019:
 - 5% increase in operating base and usage rates at Jan. 1 equates to:
 - \$1.50/month on the base
 - \$0.21/1,000 gallons after 3,000
 - Effective increase of 3.41% when combined with 0% debt service increase
 - CH2M to take over the poplar farm mgt. after tree removal

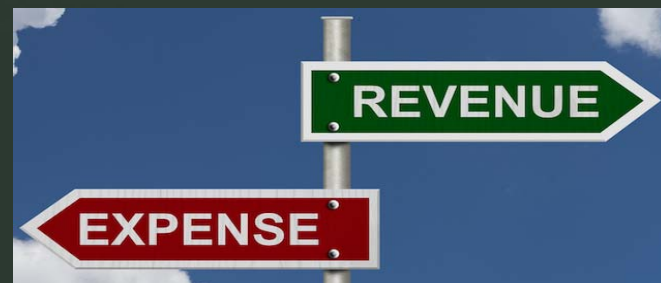
Wastewater Utility - Notable Items, Cont.

- Transfer in excess debt service collection (~\$200,000)
- Equipment Replacement Reserve Program Transfers out (\$125,100)
- Transfer out for Rate Funded Capital (\$200,000)
- Minimum Operating Fund Ending Balance of 60 days' O&M = \$325,334
- Budgeted Ending Fund #401 Balance is \$1,211,887



Wastewater Utility Recurring Revenues vs. Expenses

- Operating revenues and expenses in Fund #401
- Recurring Revenues: \$2,251,500
- Recurring Expenses: \$1,979,113
- Net: \$272,387

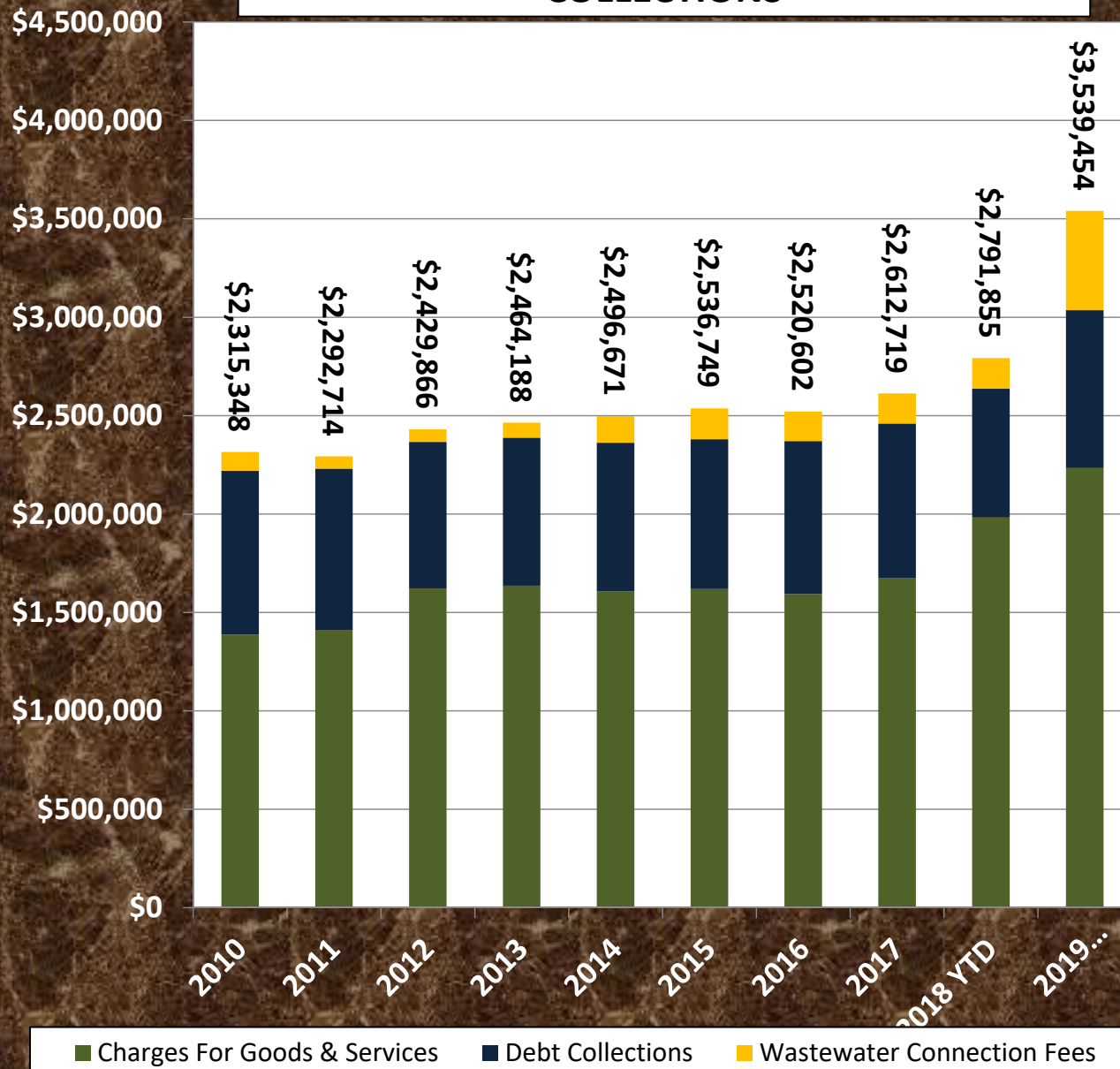


Wastewater Concerns

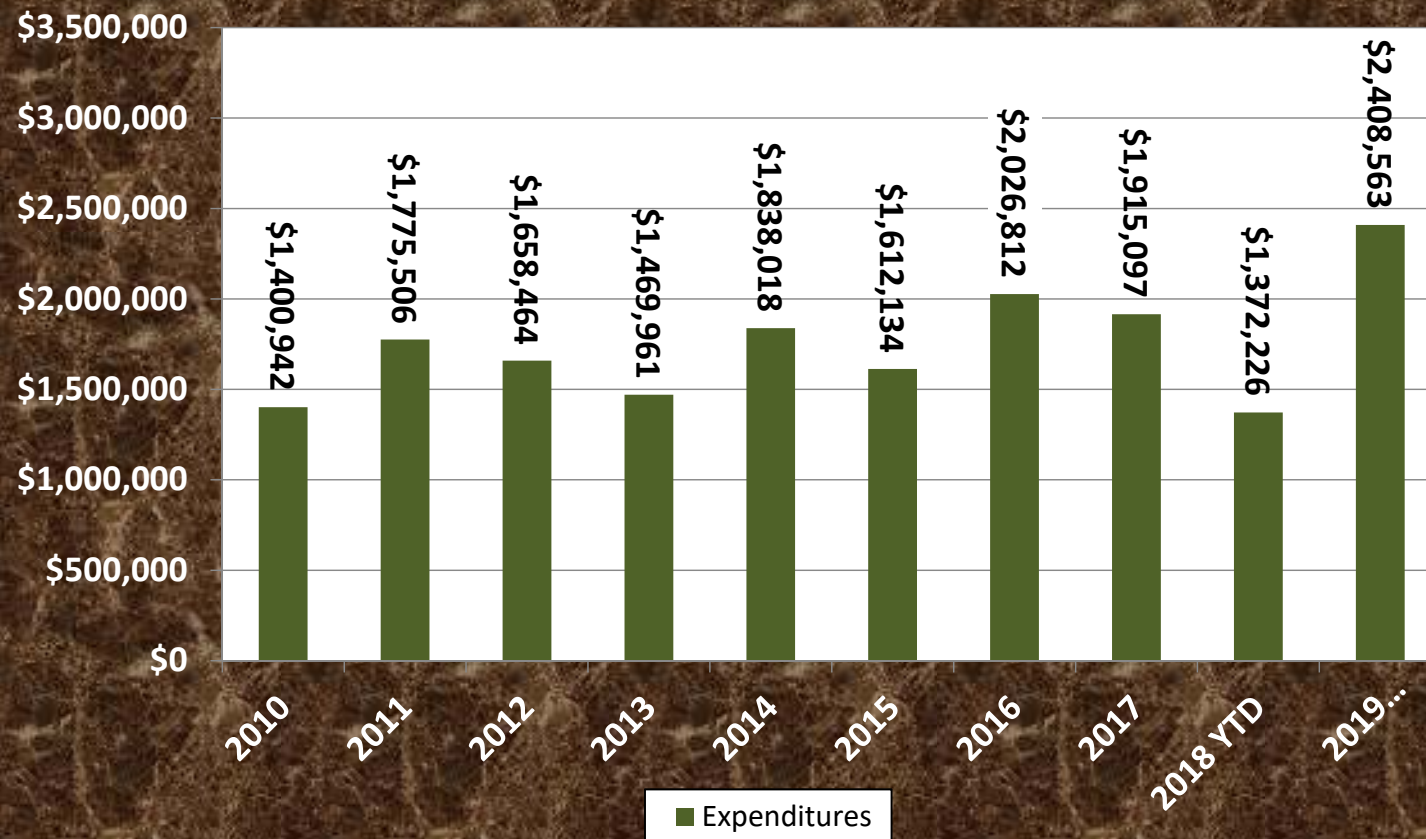
- CH2M and the Wastewater Facility Plan have identified a large amount of deficient capital infrastructure.
- We need a long-term financial plan for this utility.
- The rate study conducted in 2017 considers immediate capital needs but not long term needs, as the facility plan was not complete at the time of the study.
- Rate model projects that beginning in 2023 there will be a **shortfall** in the Wastewater Utility, and that *doesn't* take into account funding tens of millions in WWTP improvements.



WASTEWATER FEES, CONNECTION FEES, & DEBT COLLECTIONS



WASTEWATER EXPENSES



- 2019 budget appears higher because it includes \$200,000 transfer out for Rate Funded Capital.
- Projection is that 2018 expenses will total around \$1,971,050.



Wastewater Capital Projects/Purchases

- All budgeted in Wastewater Capital Reserve Fund #411:
 - \$300,000 WWTP Improvements Engineering
 - \$310,594 “C” Street Infrastructure
 - \$180,000 Replace Sewer Line
 - \$3,269,172 SW College Place Trunkline (approx. 50%, first year of const.)



Funding for Wastewater Capital Projects/Purchases

- \$1,177,606 Beginning Fund Balance
- \$504,000 Utility Permit Revenue
- \$800,000 in grants from CERB, Port of WW (9/10ths), and WW County (9/10ths)
- \$200,000 Transfer from Fund 401 for Rate Funded Capital
- \$125,100 Transfers in for Equipment Replacement
- \$448,754 Transfer in of Surplus Debt Collections
- \$2,500,000 Sewer Revenue Bond Issuance (other less expensive options also being pursued)

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 2019:
 - Fund 412: \$479,674



Stormwater Utility

- New utility as of January 1, 2019
- Funds:
 - #402 Stormwater Fund
 - #403 Stormwater Capital Reserve Fund
- These are new funds being created as part of the 2019 Budget



Stormwater Utility Fund #402

- Requires \$85,000 transfer from Current Expense as “seed” money
- Estimating \$371,000 in rate revenue
- 1 FTE
- \$402,609 in expenditures includes transfers for capital needs of \$157,000
- Policy mandated minimum ending balance: \$40,374
- Ending Fund Balance: \$53,391



Stormwater Utility Capital Reserve Fund #403

- Capital Purchases and Projects:
 - Street Sweeper - \$240,000
 - “C” Street stormwater infrastructure - \$360,094
 - Design engineering - \$110,000
- Payoff USDA loan on street sweeper - \$54,000



Stormwater Utility Capital Reserve Fund #403, cont.

■ Funding Sources:

- \$100,000 - Transfer of reserve funds previously set aside by the Street Fund for the replacement of the sweeper
- \$162,000 – USDA Grant - Sweeper
- \$54,000 – USDA Loan - Sweeper
- \$90,000 – Dept. of Ecology SFAP Grant – Design Engineering
- \$286,025 – TIB Grant – “C” Street infrastructure
- \$157,000 – Transfers from operating fund 402



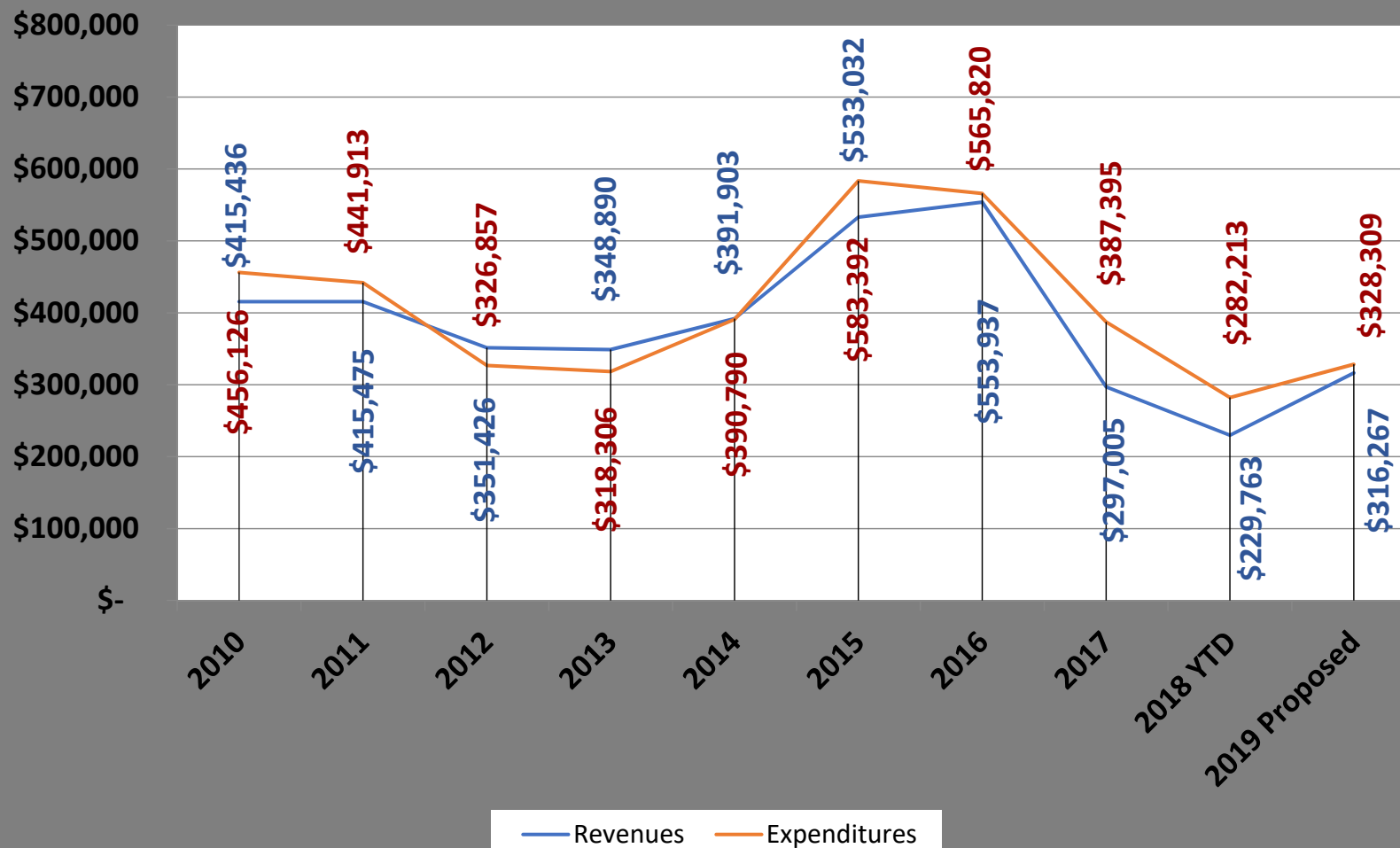
Equipment Rental & Replacement Fund #500 (ER&R)

- Fully funded by transfers in from other funds
- Continuing in 2019:
 - Equipment Replacement Program (Fund 320)
 - Proposed Financial Policy implementation
 - Minimum Ending Fund Balance of 60 days' O&M, which is \$53,969.
 - Budgeted Ending Fund Balance is \$198,864.



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

ER&R Revenues and Expenditures



Note the spend-down of fund balance in 2015, 2016, 2017, and 2018

Flexible Spending Fund #625

- Fiduciary Trust Fund
- Employee Flex Spending contributions are deposited here
- When flex accounts are used, the funds are withdrawn.
- \$14,500 budget for 2019



Spend Down of \$2,718,008

