

BUDGET OVERVIEW



MONROE

WASHINGTON

BUDGET OVERVIEW

INTRODUCTION

A budget is a legal document that forecasts the financial resources of the City and authorizes the spending of those resources for a fiscal period. The budget fiscal period for the City of Monroe is a biennial period beginning on January 1, 2025 and ending December 31, 2026.

The budget process should result in a plan of operations for allocating and monitoring the use of our limited resources among our various competing demands (strategic goals and priorities). The City of Monroe's 2025-2026 Mayor's Recommended Biennial Budget is the proposed plan for our next fiscal period.

The City accounts for and organizes its operations on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. In other words, funds are used by government agencies to track the amount of money assigned to different purposes and uses. Using funds placed the focus on accountability rather than profitability. The City of Monroe accounts for its operations in 22 separate funds, each requiring an adopted budget.

CURRENT EXPENSE FUNDS (THREE FUNDS)

The primary operations fund (the current expense fund) of the City is the General Fund 001. This fund houses the revenues and expenditures which are not accounted for in other funds and supports services for the greater good that are more general in nature. As the primary fund of the City, further information specific to the General Fund can be found beginning on page 26 of this document.

In addition to the General Fund 001, the City budgets two additional general type funds: Fund 002 Contingency and Fund 008 Donations. Fund 002 Contingency is required by the City's reserve policy and is allowed by RCW 35A.33.145. This fund may be used for emergencies and for one-time unanticipated expenditures with appropriate Council action. Per policy, the City targets up to one month's worth of its General Fund ongoing operating expenditures (8%) to be housed in this fund or up to \$0.375 per \$1,000 City assessed value imposed by RCW, whichever is less. For the next biennium, the anticipated ending balance in the Contingency Fund of \$1,681,226 represents full funding based on the average of one month's ongoing operating expenditures.

Fund 008 Donations accounts for donations made by private parties and businesses to support specific activities of the City. Historically, donations have been received that support the City's Community Egg Hunt, flower basket program, Police K-9 operations, Movies Under the Moon, JVM Memorial Garden, etc. If you are interested in donating to the City, feel free to contact City Hall at 360-794-7400 and contact your tax advisor as your donation may be tax deductible.

SPECIAL REVENUE FUNDS (FOUR FUNDS)

The City of Monroe budgets four special revenue funds: Fund 105 Street Operations & Maintenance (O&M); F109 Lodging Tax; Fund 114 Narcotics Enforcement; and Fund 117 Real Estate Excise Taxes (REET). By definition, special revenue funds are used to account for and record the proceeds of specific revenue

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sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. In Fund 105 Street O&M, the state shared gas taxes the City receives are restricted to street maintenance and operations; in Fund 109 Lodging Tax, these taxes may only be used for tourism related operations and marking; in Fund 114 Narcotics Enforcement, funds may only be used for drug enforcement operations; and Fund 117 REET, these taxes are restricted by RCW (Revised Code of Washington) for use on specific types of capital projects. Additional information for each of these funds may be found in the Special Revenue Fund section of the budget document.

DEBT SERVICE FUND (ONE FUND)

The City of Monroe maintains one debt service fund to account for the long-term debt associated with the taxable operations of the City. Debt associated with the operations and revenue of our utilities are accounted for in an appropriate utility fund. The City's Fund 203 Debt Service Fund is used to account for the annual debt associated with the general fund portions of the Public Works campus project and the Municipal Campus project. Revenues associated with these debt service expenditures are derived from Fund 117 REET (first quarter percent).

GENERAL GOVERNMENT CAPITAL FUNDS (FOUR FUNDS)

The City of Monroe budgets four general government capital funds: Fund 307 General CIP Fund; Fund 317 Parks CIP Fund; Fund 318 Street CIP Fund; and Fund 330 Building CIP Fund (begun in 2021). The prior Fund 319 North Kelsey Capital Fund was closed in 2022. As with debt service, capital improvement projects (CIP) associated with our utilities are accounted for in an appropriate utility fund. Additional information for each of these funds may be found in the Capital Funds section of this budget document.

UTILITY (ENTERPRISE) FUNDS (SEVEN FUNDS)

The City of Monroe budgets seven utility funds: Fund 411 Water Operations & Maintenance (O&M); Fund 412 Water CIP; Fund 421 Sewer O&M; Fund 422 Sewer CIP; Fund 431 Stormwater O&M; Fund 432 Stormwater CIP; and Fund 450 Revenue Bond Reserves. Utility funds are used to account for the City's activities for which a fee is charged to external users for goods or services. Debt and capital projects paid by rate proceeds charged to external users are also accounted for using utility funds. While it is not required to have separate capital and debt reserve funds for the utilities (these activities could be included in the appropriate utility O&M fund), it is the City's desire to make these activities as transparent as possible by housing them in a separate utility fund. Additional information for each of these funds may be found in the Utility/Enterprise Funds section of this budget document.

INTERNAL SERVICE FUNDS (THREE FUNDS)

The City of Monroe budgets three internal service funds: Fund 510 Information Technology; Fund 520 Fleet and Equipment; and Fund 530 Facilities. Internal service funds are used to account for goods and services provided to other funds and departments of the City on a cost reimbursement basis. Because our information technology, fleet and equipment, and facility programs affect all departments of the City, it is best practice to account for these activities in their own funds. Additional information for each of these funds may be found in the Internal Service Funds section of the budget document.

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BUDGET ASSUMPTIONS

Inflation has started to moderate from its previous high of 10.1% in 2022. The June over June CPI-Urban for Seattle/Tacoma/Bellevue for 2024 is 3.8%. The decline in the consumer price index (CPI), has also moderated the supply chain shortage experienced by the city in 2021 and 2022. This has eased the pressure on the cost to complete capital projects and procuring much needed equipment. The 3.8% CPI was incorporated into budget projections during the development of this biennial budget.

The Federal Reserve has signaled its intent to cut interest rates to stimulate a slowing economy and jobs market. While this will result in an incremental decrease to investment income used to support operations, higher interest rates over the last two years have dampened new construction associated with housing. Housing starts are expected to remain flat over the next two years. This decrease is reflected in the projections for community development revenues along with the projections for traffic, park, and utility service impact fees used to fund capital. Related to development revenue, sales taxes associated with new construction is also projected to decrease from 2024 levels. And Real Estate Excise Taxes are being modestly forecasted as housing sales slow and housing prices do not rise as quickly as seen in recent years.

In addition to the national economic challenges that influence the budget, the City has experienced local changes that put additional pressure on City resources. The City of Monroe's official population is increasing slightly from 20,590 in 2023 to 20,830 in 2024. The city's population is expected to increase by 1.2% each year for the next two years. This growth will be dependent on the available stock of new residential units. Home construction and sales have been dampened by high interest rates leading up to 2025.

American Rescue Plan Act (ARP) Funds

As part of the ARPA, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program provided direct funding to state, local, and Tribal governments to support their response to and recovery from COVID-19. These funds may only be used in one of four ways (listed in order as it appears on the US Treasury website):

- Replace lost public sector revenues
- Respond to the far-reaching public health and negative economic impacts of the pandemic
- Provide premium pay for essential workers
- Invest in water, sewer, and broadband infrastructure

During the 2020 Budget Amendment process, the City was able to amend its budget to account for the impacts of any COVID mitigation efforts on its revenues. At that time, it was anticipated that full recovery would take a minimum of 3 years. 2023 represented the third year.

The City received just over \$5.5 million of SLFRF funding. Of this amount, the City awarded \$2.073 million to its various human services providers, local non-profits, and small businesses in an effort to "respond to the far-reaching public health and negative economic impacts of the pandemic" (second bullet above). The remaining funds were used in the 2023-2024 Mayor's Recommended Budget to bridge the City's final fiscal period of recovery from the effects of COVID-19 while still supporting economic development efforts and Human Services programs as illustrated by the following table:

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Program	2023	2024	Total Biennium Budget
Economic Dev. Assistance Awards	\$120,000	\$120,000	\$240,000
Human Services Assistance Awards	\$150,000	\$150,000	\$300,000
Human Services Public Defender (additional \$11,000 grant)	\$1,200	\$13,200	\$14,400
Embedded Social Worker	\$95,000	\$104,500	\$199,500
Monroe Senior Center Bus support	\$15,000	\$15,000	\$30,000
Complete Branding Consultant contact (Econ Dev.)	\$109,891	\$0	\$109,891
Community Relations Training (CHSAB supported)	\$75,000	\$0	\$75,000

The city's grant program to respond to the impacts of Covid-19 was officially closed effective December 31, 2024. The 2025-2026 budget does not include any ARP funding.

Capital Projects Bond Proceeds

The 2025-2026 Mayor's Recommended Biennium Budget assumes the issuance of \$12.5 million in bonds over the next two years to support a sewer capital project as identified in the 6 Year Capital Improvement Plan (CIP). The proceeds will help fund a biosolids treatment project that is projected to cost \$29,241,700 (\$15,450,000 in 2025 and \$13,791,700 in 2026).

Reserves and City Fiscal Policies

The 2025-2026 Mayor's Recommended Budget assumes full funding of all City reserves and full funding of all City fiscal policies, such as fleet funding. Maintaining fully funded reserves will be important if the recession fully materializes and carries into the next biennium.

Property, Sales, and Utility Taxes

Discussion regarding Property Taxes, Regular Sales Taxes, and Utility Taxes may be found beginning on page 27.

NUMBERS OVERVIEW

The City of Monroe adopted Ordinance No. 011-2022 on April 26, 2022, moving the City's budget from an annual to a biennium fiscal period. The following numbers detail the resource and expenditure needs over a two-year horizon.

Revenues. The total recommended 2025-2026 Biennial Budget across all funds is \$200,829,751. Exclusive of beginning fund balance and potential debt proceeds to support capital projects, the largest revenue stream is Charges for Services at \$63,910,517 or 31.82% with Taxes the second largest revenue stream at \$58,410,732 or 29.08%. All revenues, exclusive of beginning fund balance, debt proceeds, and transfers in, total \$200,829,751.

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Expenditures. In contrast, total expenditures across all funds, exclusive of ending fund balance, transfers out, capital, and debt service, are \$92,278,838. The difference between these figures, \$82,252,022, supports our debt service and capital programs along with transfers in and ending fund balances. Total anticipated ending fund balances, inclusive of reserves, is \$26,298,891.

Personnel Costs. As noted, total expenditures for the City, exclusive of capital, debt service, transfers out, and ending fund balance, is \$92,278,838. The largest portion of expenditures is personnel. As the City is a service-oriented agency, it is expected that personnel would be the largest expenditure category without consideration of capital, debt service, transfers out, or ending fund balance. For the 2025-2026 biennium, it is anticipated that personnel costs (salaries and benefits) will be \$49,284,836 over all funds of the City. This represents 53.4% of the \$92,278,838 expenditure total but represents 24.54% of the overall \$200,829,751 biennial budget.

Exclusive of ending fund balance, capital is the largest expenditure category at \$63,029,247. This represents 31.42% of the overall \$200,829,751. A listing of capital included in this biennium may be found on page 114. Capital costs fluctuate each fiscal period as projects are budgeted when financial and other resources, such as personnel, allow.

The following pages summarize the various categories anticipated for both revenues and expenditures for all City funds for 2025-2026.

2025 & 2026 REVENUE SOURCES - ALL FUNDS

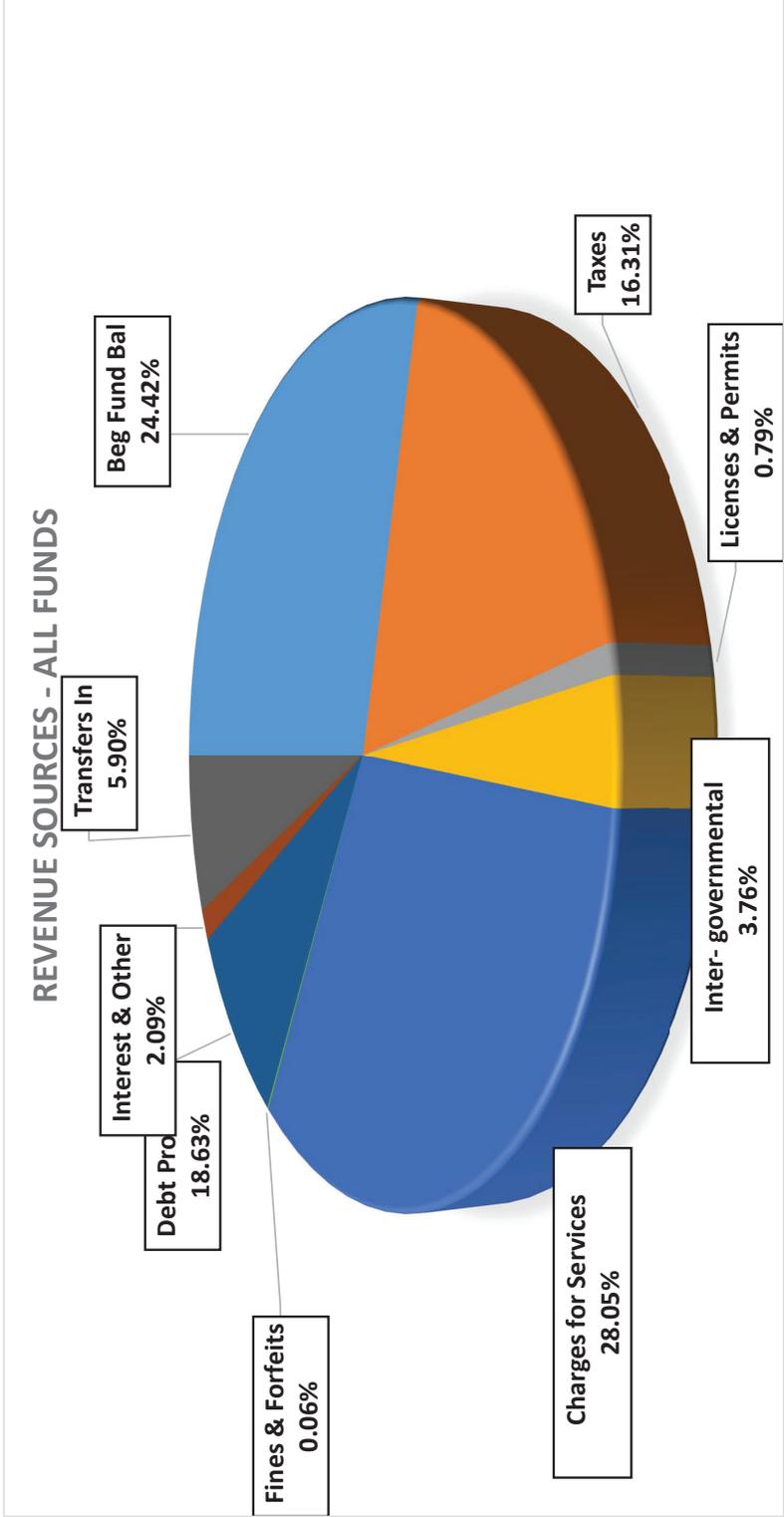
Fund	Beg. Fund Balance	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Debt Proceeds	Interest & Other	Transfers In	Totals
General Funds										
General Govt Fund (001)	7,339,937	29,504,986	528,925	630,154	1,446,675			758,106		40,208,783
Non-departmental Executive					647,848					647,848
Finance					670,029			1,500		671,529
Human Resources					244,588			300		244,888
Police		2,390,000	11,075	994,614	318,002			8,000		3,721,691
Legislative (Council)					198,015					198,015
Legal					277,455					277,455
City Clerk					235,286			100		235,386
Municipal Court					18,200	194,500		300		213,000
Parks				16,000	410,840			4,000		430,840
Jail & Dispatch										-
Human Services				892,393						892,393
City-wide										-
Community Development			850,000	62,500	669			500		913,669
Emergency Mngt										-
ARPA Funding										-
Total General Fund	7,339,937	31,894,986	1,390,000	2,595,661	4,467,607	194,500		772,806	-	48,655,497
Other General Type Funds										
Contingency Fund (002)	1,647,766							33,500		1,681,266
Donation Fund (008)	16,141							19,800		35,941
Total All Gen. Type Funds	9,003,844	31,894,986	1,390,000	2,595,661	4,467,607	194,500		826,106	-	50,372,704
Special Revenue Funds										
Street Fund (105)	734,711	850,000	545,000	808,000	281,000			16,000		3,234,711
Lodging Tax Fund (109)	124,534	200,000						5,500		330,034
Narcotics Fund (114)	20,538							75		20,613
REET Fund (117)	1,628,564	2,420,000						75,000		4,123,564
Total All Spec. Rev. Funds	2,508,347	3,470,000	545,000	808,000	281,000	-		96,575	-	7,708,922
Debt Service Fund										
Debt Service Fund (203)	3,636							130	1,220,050	1,223,816

2025 & 2026 REVENUE SOURCES - ALL FUNDS

Fund	Beg. Fund Balance	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Debt Proceeds	Interest & Other	Transfers In	Totals
Capital Funds										
General CIP Fund (307)	866								695,099	695,965
Parks CIP Fund (317)	912,873			300,000	1,000,000			34,400	1,000,000	3,247,273
Street CIP Fund (318)	705,177			4,143,366	3,930,440			26,200		8,805,183
Building Fund (330)	12,185,212							202,000		12,387,212
Total All Capital Funds	13,804,128	-	-	4,443,366	4,930,440	-	-	262,600	1,695,099	25,135,633
Enterprise Funds										
Water O&M Fund (411)	849,558				15,671,400			100,000	128,726	16,749,684
Water CIP Fund (412)	6,192,652				1,400,000			200,300	4,322,265	12,115,217
Sewer O&M Fund (421)	826,159				17,674,700			105,500	266,179	18,872,538
Sewer CIP Fund (422)	16,850,673				1,600,000		15,200,000	500,000	4,159,005	38,309,678
Stormwater O&M Fund (431)	361,607				6,786,730		2,000,000	74,000	61,326	7,283,663
Stormwater CIP Fund (432)	526,924							40,400	1,243,728	3,811,052
Rev. Bond Reserve Fund (450)	2,112,754							95,000		2,207,754
Total All Enterprise Funds	27,720,327	-	-	-	43,132,830	-	17,200,000	1,115,200	10,181,229	99,349,586
Internal Service Funds										
Info. Technology Fund (510)	478,514				2,567,876			32,000	170,000	3,248,390
Fleet & Equipment Fund (520)	4,650,274				5,103,720			210,000	130,000	10,093,994
Facilities Fund (530)	241,662				3,427,044			28,000		3,696,706
Total All Internal Svc Fund	5,370,450	-	-	-	11,098,640	-	-	270,000	300,000	17,039,090
TOTAL ALL FUNDS	58,410,732	35,364,986	1,935,000	7,847,027	63,910,517	194,500	17,200,000	2,570,611	13,396,378	200,829,751

2025 & 2026 REVENUE SOURCES - ALL FUNDS

	Beg Fund Bal	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Debt Proceeds	Interest & Other	Transfers In	Totals
TOTAL ALL FUNDS	\$ 58,410,732 29.08%	\$ 35,364,986 17.61%	\$ 1,935,000 0.96%	\$ 7,847,027 3.91%	\$ 63,910,517 31.82%	\$ 194,500 0.10%	\$ 17,200,000 8.56%	\$ 2,570,611 1.28%	\$ 13,396,378 6.67%	\$ 200,829,751



2025 & 2026 EXPENDITURE SOURCES - ALL FUNDS

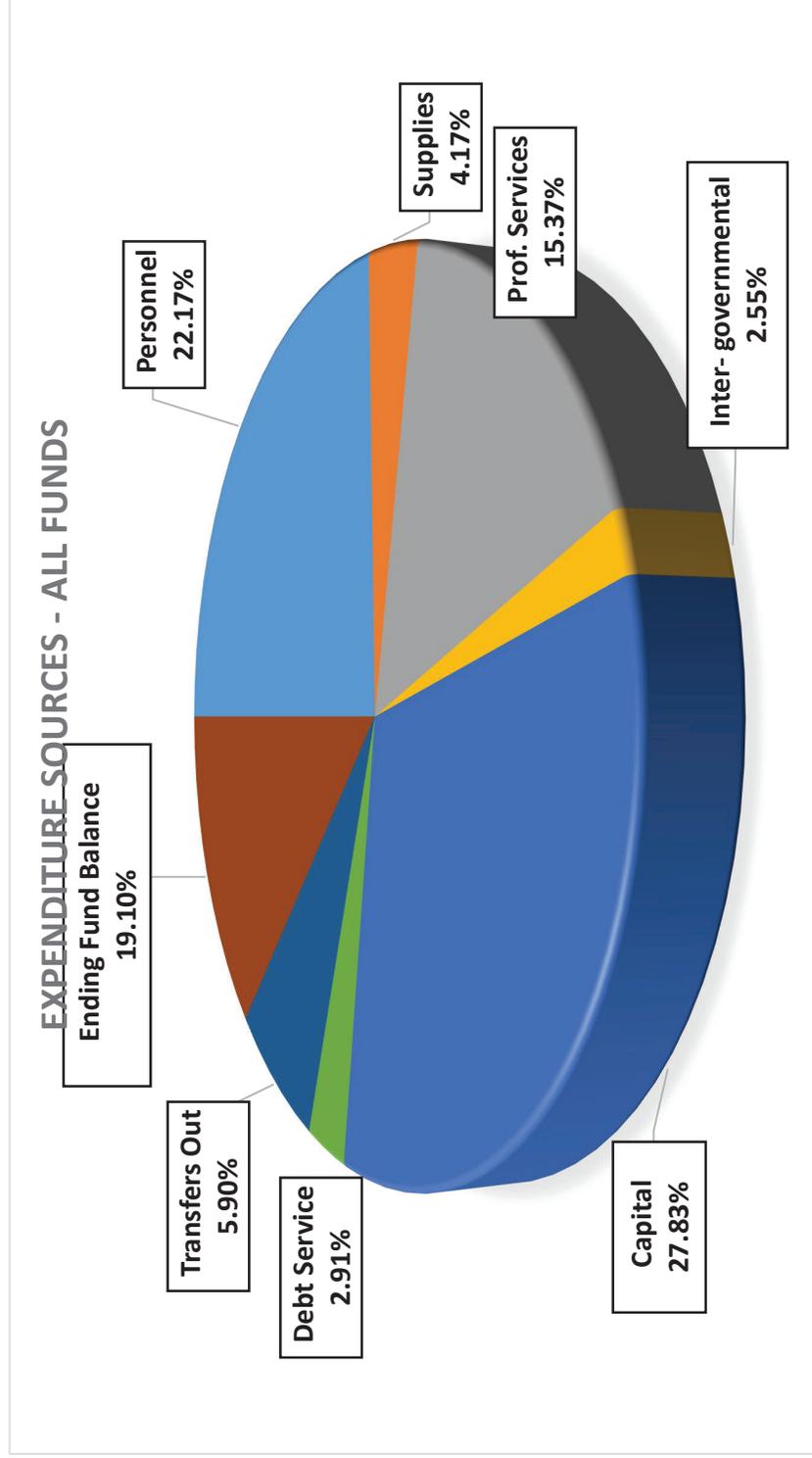
Fund	Personnel	Supplies	Prof. Services	Inter-governmental	Capital	Debt Service	Transfers Out	Ending Fund Balance	Totals
General Funds									
General Govt Fund (001)									
Non-departmental									
Executive	1,049,659	22,000	795,009				276,828	2,772,879	3,049,707
Finance	1,551,831	5,000	374,579						1,866,668
Human Resources	997,633	2,000	469,556						1,931,410
Police	17,151,424	358,678	4,202,042	54,300	50,000				1,469,189
Legislative (Council)	147,999	2,000	311,115	60,000					21,816,444
Legal			1,774,363						521,114
City Clerk	626,359	600	61,389						1,774,363
Municipal Court	1,456,954	6,000	237,132						688,348
Parks	3,786,390	283,446	1,366,302	500					1,700,086
Jail & Dispatch				1,547,416					5,436,638
Human Services	262,636	5,087	1,132,154	20,350					1,547,416
City-wide			316,140	100,619					1,420,227
Community Development	4,082,759	10,700	881,813						416,759
Emergency Mngt	6,100	11,000	24,756						4,975,272
ARPA Funding									41,856
Total General Fund	31,119,744	706,511	11,946,350	1,783,185	50,000	-	276,828	2,772,879	48,655,497
Other General Type Funds									
Contingency Fund (002)									
Donation Fund (008)		14,100	16,500					1,681,266	1,681,266
Total All Gen. Type Funds	31,119,744	720,611	11,962,850	1,783,185	50,000	-	276,828	4,459,486	50,372,704
Special Revenue Funds									
Street Fund (105)	1,893,416	264,750	1,066,477				3,394	6,674	3,234,711
Lodging Tax Fund (109)			185,500					144,534	330,034
Narcotics Fund (114)			2,000		10,000			8,613	20,613
REET Fund (117)							2,868,149	1,255,415	4,123,564
Total All Spec. Rev. Funds	1,893,416	264,750	1,253,977	-	10,000	-	2,871,543	1,415,236	7,708,922
Debt Service Fund									
Debt Service Fund (203)						1,220,050		3,766	1,223,816

2025 & 2026 EXPENDITURE SOURCES - ALL FUNDS

Fund	Personnel	Supplies	Prof. Services	Inter-governmental	Capital	Debt Service	Transfers Out	Ending Fund Balance	Totals
Capital Funds									
General CIP Fund (307)						645,099		50,866	695,965
Parks CIP Fund (317)	630,703		56,749		2,534,000			25,821	3,247,273
Street CIP Fund (318)	913,320		90,381		7,752,608			48,874	8,805,183
Building Fund (330)			925,356		6,891,585			4,570,271	12,387,212
Total All Capital Funds	1,544,023	-	1,072,486	-	17,178,193	645,099	-	4,695,832	25,135,633
Enterprise Funds									
Water O&M Fund (411)	3,016,036	3,771,750	2,971,123	765,000		1,121,760	4,322,265	781,750	16,749,684
Water CIP Fund (412)	1,072,983	2,000	417,853	140,000	9,215,796			1,266,585	12,115,217
Sewer O&M Fund (421)	3,421,226	774,750	6,841,384	837,000		1,966,024	4,159,005	873,149	18,872,538
Sewer CIP Fund (422)	995,493		442,623	216,394	32,335,493			4,319,675	38,309,678
Stormwater O&M Fund (431)	2,668,322	126,250	1,920,322	291,281		818,107	1,243,728	215,653	7,283,663
Stormwater CIP Fund (432)	497,264		503,009		1,549,014			1,261,765	3,811,052
Rev. Bond Reserve Fund (450)							456,231	1,751,523	2,207,754
Total All Enterprise Funds	11,671,324	4,674,750	13,096,314	2,249,675	43,100,303	3,905,891	10,181,229	10,470,100	99,349,586
Internal Service Funds									
Info. Technology Fund (510)	1,189,796	467,337	1,531,035			59,135		1,087	3,248,390
Fleet & Equipment Fund (520)	873,424	527,113	824,373		2,753,751			5,115,333	10,093,994
Facilities Fund (530)	993,109	464,500	2,161,046					78,051	3,696,706
Total All Internal Svc Fund	3,056,329	1,458,950	4,516,454	-	2,753,751	59,135	-	5,194,471	17,039,090
TOTAL ALL FUNDS	49,284,836	7,119,061	31,902,081	4,032,860	63,092,247	5,830,175	13,329,600	26,238,891	200,829,751

2025 & 2026 EXPENDITURE SOURCES - ALL FUNDS

	Personnel	Supplies	Prof. Services	Inter-governmental	Capital	Debt Service	Transfers Out	Ending Fund Balance	Totals
TOTAL ALL FUNDS	\$ 49,284,836 24.54%	\$ 7,119,061 3.54%	\$ 31,902,081 15.89%	\$ 4,032,860 2.01%	\$ 63,092,247 31.42%	\$ 5,830,175 2.90%	\$ 13,329,600 6.64%	\$ 26,238,891 13.06%	\$ 200,829,751



BUDGETED INTERFUND TRANSFERS

Fund	Amount In	Amount Out	Fund
General Fund 001		\$ 276,896	To Debt Service Fund 203
General Fund 001			To IT Fund 510
Contingency Reserve Fund 002			From General Fund 001
Street O&M Fund 105		\$ 3,394	To Parks CIP Fund 317
REET Fund 117		\$ 1,220,050	To Debt Service Fund 203
REET Fund 117		\$ 695,099	To General Fund Capital 307
REET Fund 117		\$ 800,000	To Streets CIP Fund 318
REET Fund 117		\$ 153,000	To Building CIP Fund 330
Debt Service Fund 203	\$ 276,896		
Debt Service Fund 203	\$ 1,220,050		From REET Fund 117
General Fund Capital 307	\$ 695,099		From REET Fund 117
General Fund Capital 307		\$ 621,500	To Fleet Fund 520
Parks CIP Fund 317	\$ 800,000		From REET Fund 117
Parks CIP Fund 317	\$ 3,394		From Street O&M Fund 105
Streets CIP Fund 318			From REET Fund 117
Building CIP Fund 330	\$ 153,000		From REET Fund 117
Building CIP Fund 330			From Water O&M Fund 411
Building CIP Fund 330			From Sewer O&M Fund 421
Building CIP Fund 330			From Stormwater O&M Fund 431
Water O&M Fund 411	\$ 128,726		From Debt Reserve Fund 450
Water O&M Fund 411		\$ 4,322,265	To Water CIP Fund 412
Water O&M Fund 411			From Debt Reserve Fund 450
Water CIP Fund 412	\$ 4,322,265		From Water O&M Fund 411
Sewer O&M Fund 421		\$ 4,159,005	To Sewer CIP Fund 422
Sewer O&M Fund 421			To Building CIP Fund 330
Sewer O&M Fund 421	\$ 266,179		From Debt Reserve Fund 450
Sewer CIP Fund 422	\$ 4,159,005		From Sewer O&M Fund 421
Stormwater O&M Fund 431		\$ 1,113,728	To Stormwater CIP Fund 432
Stormwater O&M Fund 431		\$ 130,000	To Building CIP Fund 330
Stormwater O&M Fund 431	\$ 61,326		From Debt Reserve Fund 450
Stormwater CIP Fund 432	\$ 1,113,728		From Stormwater O&M Fund 431
Debt Reserve Fund 450		\$ 128,726	To Water O&M Fund 411
Debt Reserve Fund 450		\$ 266,179	To Sewer O&M Fund 421
Debt Reserve Fund 450		\$ 61,326	To Stormwater O&M Fund 431
Fleet Fund 520	\$ 621,500		From GF Capital Fund 307
Fleet Fund 520	\$ 130,000		From Stormwater O&M Fund 431
Totals:	\$ 13,951,168	\$ 13,951,168	