



**THE ADVENTURE
STARTS HERE!**

APPENDICES

2020 Full Time Equivalent (FTEs)

Fund/Dept	Page #	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Approved	2019 Budget	2020 Budget
General Fund								
Executive	43	2.00	1.00	1.00	2.00	2.00	2.00	2.00
Econ Development	n/a	-	-	-	-	-	-	-
Finance	45	3.59	4.35	4.35	5.35	3.29	3.29	3.79
Human Resources	47	1.00	1.00	0.95	0.80	0.80	0.80	1.30
Police	49	43.00	42.00	43.00	43.00	44.00	44.50	44.00
City Clerk	55	1.00	1.00	2.00	1.00	1.00	1.00	1.00
Municipal Court	57	1.00	2.20	2.20	2.20	2.20	2.20	2.20
Parks O&M	59	7.09	7.24	6.90	6.90	7.97	9.47	9.47
Community Dev.	63	7.30	8.00	7.96	7.96	8.80	8.80	9.80
Emergency Mngt	65	0.10	0.10	0.03	0.03	0.03	0.03	0.03
General Fund Total		66.08	66.89	68.39	69.24	70.09	72.09	73.59
Street O&M	76	2.27	2.33	2.77	2.69	2.69	2.69	4.86
Parks CIP	90	0.46	0.88	0.95	1.15	1.15	1.53	1.53
Street CIP	92	1.50	1.69	2.34	2.34	2.34	2.34	1.69
Water O&M	99	7.57	6.72	7.22	7.40	7.40	7.39	9.54
Water CIP	101	1.55	1.74	2.39	2.39	2.39	2.39	2.89
Sewer O&M	103	13.01	13.12	13.01	12.83	12.83	11.81	11.10
Sewer CIP	105	1.55	1.74	2.39	2.39	2.39	2.39	1.64
Stormwater O&M	107	6.61	6.02	6.30	6.50	7.50	7.52	8.34
Stormwater CIP	109	1.50	1.69	2.34	2.34	2.34	2.34	1.89
Solid Waste	n/a	0.38	0.68	0.93	-	-	-	-
Information Technology	114	1.00	1.00	1.05	1.20	1.20	1.20	1.20
Fleet & Equipment	116	1.80	2.07	2.10	2.10	2.10	2.10	2.55
Facilities	118	2.75	2.93	3.05	2.93	2.93	2.93	2.40
Totals		108.03	109.50	115.23	115.50	117.35	118.72	123.22

2020 Capital

Item	Fund/Cost Center	Amount	Page #
• Unmanned Aerial Vehicle	General Fund - Police	\$ 3,691	49
• Unmanned Aerial Vehicle	General Fund - Parks	\$ 3,691	59
• Boys & Girls Club bldg improvements	General CIP	\$ 1,574,720	88
• Synthetic Turf Groomer	Parks CIP	\$ 15,000	90
• Trails Planning and Repair	Parks CIP	\$ 38,000	90
• North Hill park land acquisition	Parks CIP	\$ 1,307,000	90
• Lake Tye All-weather Fields	Parks CIP	\$ 4,200,000	90
• Wayfinding/Gateway signage	Parks CIP	\$ 95,000	90
• Snohomish River Interpretive Signs	Parks CIP	\$ 25,000	90
• Rotary Field improvements	Parks CIP	\$ 34,000	90
• Neighborhood parks improvements	Parks CIP	\$ 1,500,000	90
• Chain Lake Road Phase IIA multi-purpose	Street CIP	\$ 3,241,350	92
• Chain Lake Road Phase IIB	Street CIP	\$ 347,288	92
• TIB/TBD supported road preservation/ overlay projects	Street CIP	\$ 1,241,415	92
• Annual Sidewalk Improvements	Street CIP	\$ 440,063	92
• ADA Transition Plan	Street CIP	\$ 68,153	92
• North Madison	Street CIP	\$ 25,000	92
• Railroad Crossing/Tracks	Street CIP	\$ 100,000	92
• US Hwy 2 Non-motorized Shared Path	Street CIP	\$ 150,781	92
less Street CIP Salaries & Benefits	Street CIP	\$ (231,869)	92
• Unmanned Aerial Vehicle	Water O&M	\$ 3,691	99
• SCADA PLC Replacement (N Hill PS, Trombley PS, Ingraham)	Water CIP	\$ 92,610	101
• Trombley Reservoir Fire Flow Upside	Water CIP	\$ 65,000	101
• Rainier View Rd PRV	Water CIP	\$ 277,830	101
• Adams Lane Utility Replacement	Water CIP	\$ 335,951	101
• DOC Storage	Water CIP	\$ 3,810,705	101
• Device flushing - dead ends	Water CIP	\$ 11,576	101
• North Madison Utility replacement	Water CIP	\$ 25,000	101
• Woods Creek Rd - US2 to Tjerne	Water CIP	\$ 297,596	101
• less Water CIP Salaries & Benefits	Water CIP	\$ (392,291)	101
Subtotal 2020 Capital page 122		<u>\$ 18,705,951</u>	

Acronyms

- CIP - Capital Improvement Projects
- GF - General Fund
- LCR - L-inductance, C-capacitance, R-resistance
- O&M - Operations and Maintenance
- ADA - American with Disabilities Act
- TBD - Monroe Transportation Benefit District
- TIB - Washington Transportation Improvement Board

2020 Capital

Item	Fund/Cost Center	Amount	Page #
• Unmanned Aerial Vehicle	Sewer O&M	\$ 3,691	103
• Computer upgrades	Sewer O&M	\$ 2,000	103
• Closed Circuit TV pipe inspection camera	Sewer O&M	\$ 82,644	103
• Adams Lane Utility Replacement	Sewer CIP	\$ 335,951	105
• Waste Water Treatment Plant repairs/ capital replacments	Sewer CIP	\$ 127,628	105
• WWTP Engineering Reports	Sewer CIP	\$ 80,000	105
• North Madison Utility replacement	Sewer CIP	\$ 25,000	105
• South Taft Lane 6'/8' concrete main replace	Sewer CIP	\$ 16,800	105
• less Sewer CIP Salaries & Benefits	Sewer CIP	\$ (243,315)	105
• Unmanned Aerial Vehicle	Stormwater O&M	\$ 3,691	107
• Closed Circuit TV pipe inspection camera	Stormwater O&m	\$ 82,644	107
• Blueberry/Kelsey Infiltration	Stormwater CIP	\$ 1,000,000	109
• Blueberry Lane Infiltration	Stormwater CIP	\$ 2,131,000	109
• Lake Tye Bio-Swale Design	Stormwater CIP	\$ 277,493	109
• less Storm CIP Salaries & Benefits		\$ (269,836)	109
• Police Dept vehicles replacement	Fleet & Equipment	\$ 357,994	116
• General Govt vehicles & equipment replacement	Fleet & Equipment	\$ 181,757	116
• Public Works vehicles & equipment replacement	Fleet & Equipment	\$ 495,000	116
• Municipal Campus Fence/Gate repair	Facilities	\$ 10,000	118
• Municipal Campus Card Key readers	Facilities	\$ 50,000	118
• Police Station locker room upgrades	Facilities	\$ 40,000	118
	Subtotal 2020 Capital page 123	\$ 4,790,142	
	Subtotal 2020 Capital page 122	\$ 18,705,951	
	Total 2020 Capital	<u>\$ 23,496,093</u>	

Acronyms

- CIP - Capital Improvement Projects
- GF - General Fund
- LCR - L-inductance, C-capacitance, R-resistance
- O&M - Operations and Maintenance
- WWTP - Waste Water Treatment Plant
- TBD - Monroe Transportation Benefit District
- TIB - Washington Transportation Improvement Board



MONROE CITY COUNCIL

Agenda Bill No. 19-159

SUBJECT:	<i>Fund 105 Streets Operations Sustainable Funding and Six Year Financial Projections – Water, Sewer, and Stormwater Utilities</i>
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
07/30/2019	Finance	Becky Hasart	Becky Hasart	Discussion Items #1

Discussion: 01/28/2019; 04/30/2019; 07/30/2019
Finance/HR Committee: 05/14/2019; 07/16/2019

- Attachments:**
1. AB 19-020 cover page (without referenced attachments) from 1/28/2019 Long Term Street O&M/Stormwater Funding
 2. FHR AB Six Year Utilities Financial Forecasts cover page from 07/16/19 (without referenced attachments)
 3. Updated proposed six year utilities capital facilities plan
 4. Recommended utility aggregate rate structure
 5. Utility Rates and Charges page 153 of Municipal Research Services Center's (MRSC) Revenue Guide for Washington Cities and Towns

REQUESTED ACTION: None at this time (information only). Based on discussions with the City Council Finance/HR Committee and the July 30th retreat, recommendations for Fund 105 Streets Operations & Maintenance Funding and for the Water, Sewer, and Stormwater Utilities' funding and rate structures will be included in the 2020 Mayor's Proposed Budget.

POLICY CONSIDERATION

The Council is responsible for adopting the City's budget, which sets the policy for staffing and program levels of service (RCW 35A.33.080), to include capital projects and appropriate user fees.

During 2018, the Mayor and City Administrator worked with the Council to adopt a Six-Year Strategic Plan. The Six-Year Strategic Plan identified Street Funding Strategies as one of the initiatives for discussion during 2019. Because Streets and Stormwater are closely related (with many overlapping activities), staff recommends that any discussion regarding street operations and maintenance should include stormwater funding also.

Any City that has an established utility must set an appropriate rate to recover costs (RCW 35.92 and 35A.80). The City operates three utilities: water, sewer, and stormwater. A best practice to determine appropriate rates is to project a rolling six year forecast to include capital and staffing needs that best supports regulatory requirements and the City's accepted levels of service.

DESCRIPTION/BACKGROUND

On January 28, 2019, a high level introductory discussion regarding stormwater and street operations funding was presented to Council (see Attachment 1).

Additionally on January 28, 2019, staff committed to the following:

Beginning in March (sooner if workloads allow), the Finance Director will be performing a forward looking assessment for both the water and stormwater funds similar to what was done for the sewer fund in 2018. The Finance Director will also reassess the sewer fund. These assessments will review rate sufficiency versus O&M and will include capital financing options and how they relate to the overall health of the utility, again similar to what was done for the sewer fund in 2018.

Discussion continued at the April 30, 2019, Council Retreat, at which time Council assigned further analysis to the City Council Finance and Human Resources (FHR) committee.

At both the May 14, 2019, and July 16, 2019, FHR meetings, the committee reviewed the six year rate models developed by staff for the water, sewer, and stormwater utilities. Analysis included discussion regarding the proposed six year capital needs for the three utilities along with the staffing adjustments needed for the utilities and streets operations.

STREETS

As part of the analysis for the utilities, Public Works staffing was reviewed and adjusted to actual time spent in various functional areas. The result is that time charged to the sewer and stormwater funds would decrease as time spent on street operations and maintenance (O&M) would increase. This results in the need for an additional approximately \$400,000 in revenue to the street O&M fund.

Council adopted the ten percent sewer utility tax which was effective on January 1, 2019. The adoption of this tax equalized the treatment of the sewer system to what is experienced by the water system and our brick and motor businesses in the City. The resultant revenues were identified to help fund the final bond payment associated with the North Kelsey properties, help fund recommendations from the Economic Development Advisory Board, and eventually help fund the street O&M needs. The monies needed for the North Kelsey Bond have been collected faster than was originally anticipated, allowing the City the ability to begin supporting Fund 105 Street O&M in fiscal year 2020 versus fiscal year 2021. The following table (Table 1) was first introduced on January 28, 2019. Table 2 has been updated to include actuals for fiscal year 2018, projections for 2019, and a first draft proposed 2020 inclusive of \$400,000 from the utility tax.

Table 1: Fund 105 Street O&M revenue over/under expenditures (January 28, 2019)

	A	B	C	D	E	F	G
1		2014	2015	2016	2017	2018 B	2019 B
2	SW Franchise Fees	218,965.10	176,754.77	178,816.90	199,140.79	190,875.00	202,520.00
3	Gas Taxes	361,187.09	372,131.10	398,408.39	411,477.31	424,437.00	439,627.00
4	Other	22,298.83	98,941.18	114,877.44	159,967.22	79,345.00	90,964.00
5	Total Resources	602,451.02	647,827.05	692,102.73	770,585.32	694,657.00	733,111.00
6	Total Expenditures	831,135.94	641,447.56	655,888.72	750,132.36	749,114.00	733,556.00
7	Resources over/under	(228,684.92)	6,379.49	36,214.01	20,452.96	(54,457.00)	(445.00)
8	Fund Balance	509,852.96	281,168.04	287,547.53	323,761.54	344,107.00	293,246.00
9	Remaining/carry over	281,168.04	287,547.53	323,761.54	344,214.50	289,650.00	292,801.00
10	suggested reserve (17%)	141,293.11	109,046.09	111,501.08	127,522.50	127,349.38	124,704.52
11	actual over target	139,874.93	178,501.44	212,260.46	216,692.00	162,300.62	168,096.48

Table 2: Fund 105 Street O&M revenue over/under expenditures updated

	H	I	J	K	L	M
12		2017	2018	2019 B	2019 P	2020 PB
13	SW Franchise Fees	199,140.79	215,115.42	202,520.00	186,100.00	200,000.00
14	Gas Taxes	411,477.31	427,552.67	439,627.00	409,163.52	439,627.00
15	Other	159,967.22	97,181.99	90,964.00	153,415.15	66,024.00
16	Utility Tax	0.00	0.00	0.00	0.00	400,000.00
17	Total Resources	770,585.32	739,850.08	733,111.00	748,678.67	1,105,651.00
18	Total Expenditures	750,132.36	681,359.92	733,556.00	774,515.86	1,004,856.00
19	Resources over/under	20,452.96	58,490.16	(445.00)	(25,837.19)	100,795.00
20	Fund Balance	323,761.54	344,107.25	293,246.00	402,037.86	376,201.00
21	Remaining/carry over	344,214.50	402,597.41	292,801.00	376,200.67	476,996.00
22	suggested reserves (17%)	127,522.50	115,831.19	124,704.52	131,667.70	170,825.52
23	actual over target	216,692.00	286,766.22	168,096.48	244,532.97	306,170.48

Table 3: Fund 105 Street O&M FTE counts

	A	B	C	D	E	F	G
1		2017	2018	2019 P	2020 Adj	2020 New	2020 Total
2	F105 Streets O&M	2.690	2.690	2.785	1.595	0.730	5.110

Table 3 illustrates the staffing recommendations associated with the first draft of the 2020 Fund 105 budget proposal. 2019's budget included 2.785 full time equivalent (FTE) position (column D). Based on fiscal year 2018 usage, the FTE levels will be adjusted for an additional 1.595 for fiscal year 2020 to better reflect actual staffing time (column E). Column F represents the prorated portion of a new Public Works staff member, which will be shared with the water utility, for a total proposed staffing level of 5.110 funded by streets O&M (column G).

Use of the sewer utility tax to support the streets O&M budget would be an on-going, sustainable revenue source which would help fund our on-going operational needs in the street O&M fund.

UTILITIES

During the Stormwater discussion on the January 28, 2019, Council Retreat, the following tables were presented and reviewed (Attachment 2):

Table 4: Fund 432 Stormwater Capital revenue over/under expenses

	A	B	C	D	E	F	G
1		2014	2015	2016	2017	2018 B	2019 B
2	Beginning Fund Balance	1,216,297.12	1,505,819.13	1,287,745.98	1,008,491.03	698,887.00	707,084.00
3	Transfer In from O&M	515,000.00	165,000.00	0.00	0.00	321,108.00	83,500.00
4	Remaining revenues	1,308,383.96	895,804.66	7,213.58	8,347.71	7,083.00	272,214.00
5	Total Resources	3,039,681.08	2,566,623.79	1,294,959.56	1,016,838.74	1,027,078.00	1,062,798.00
6	Total Expenses	1,533,861.95	1,278,877.81	286,468.53	317,951.32	928,293.00	887,314.00
7	Ending Fund Balance	1,505,819.13	1,287,745.98	1,008,491.03	698,887.42	98,785.00	175,484.00

Table 5: Stormwater 6 Year Capital Improvement Plan versus estimated available resources

	A	B	C	D	E	F	G
1		2019	2020	2021	2022	2023	2024
5	Total Resources	1,062,798.00	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)
6	Total Projected Capital	887,314.00	3,834,104.00	1,695,379.00	191,032.00	611,632.00	103,600.00
7	Difference	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)	(6,260,263.00)

Since January, these numbers have been updated as new information became available, specifically with the timing of anticipated capital projects.

Any discussion regarding fiscal sustainability for the Stormwater fund should include discussion of the Water and Sewer funds, as Public Works staffing levels are distributed among all three utilities and the City bills for all three utilities on one bill.

Staff developed a six year projection model for all three City utilities (Water, Sewer, and Stormwater) which includes consideration of capital, staffing needs, debt service needs, and rate adjustments. This model is an interactive model which has been vetted with the FHR committee. Specific items of note include an updated six year Capital Improvement Plan – Proposed (attachment 4) for the utilities along with updated six year Public Works staffing levels, which corresponds with the FTE needs in Fund 105 Streets O&M (Table 6 below):

Table 6: Public Works Full-Time Equivalents (except General Fund)

	A	B	C	D	E	F	G
1		2017	2018	2019 P	2020 Adj	2020 New	2020 Total
2	F105 Streets O&M	2.690	2.690	2.785	1.595	0.730	5.110
3	F318 Streets Capital	2.340	2.340	2.535	1.495	0.580	4.610
4	F411 Water O&M	7.400	7.400	7.685	1.180	0.710	9.575
5	F412 Water Capital	2.390	2.390	2.390	0.400	0.000	2.790
6	F421 Sewer O&M	12.830	12.830	12.105	(1.250)	1.060	11.915
7	F422 Sewer Capital	2.390	2.390	2.390	(0.750)	0.000	1.640
8	F431 Storm O&M	6.500	7.500	7.820	0.005	1.410	9.235
9	F432 Storm Capital	2.340	2.340	2.340	(0.450)	0.000	1.890
10	F520 Equipment	2.100	2.100	2.100	0.350	(0.050)	2.400
11	F530 Facilities	2.930	2.930	2.930	(0.430)	(0.150)	2.350
12	Public Works Total	43.910	44.910	45.080	2.145	4.290	51.515

Table 6 columns D, E, F, and G include part-time summer help. As with Fund 105 Streets O&M, column E represents the adjustments to actuals, column F represents new proposed staffing, and column G is the 2020 proposed FTE budget.

As will be illustrated this evening, the proposed capital and staffing needs were considered as part of the six year utilities model. The result of the modeling produced a recommended rate structure for all three utilities to be considered for the 2020 fiscal year (Attachment 4). The recommended rates will allow the stormwater operations to be fiscally sustainable without creating undue burden to the overall utility bill for our rate payers.



ATTACHMENT 1

Excerpt from AB19-020 from January 28, 2019, Council Retreat

DESCRIPTION/BACKGROUND

During the development of the Monroe Six-Year Strategic Plan, it was determined that a holistic approach to funding street operations and maintenance (O&M) would be appropriate to address during fiscal year 2019. A holistic approach would include stormwater funding consideration, given the close relationship and frequent overlap between streets O&M and stormwater activities.

STREETS

Street Capital has a number of funding options available, such as Real Estate Excise Taxes, Transportation Impact Fees (as appropriate), Transportation Benefit District taxes, Grants, bonding, etc. Many of these capital items cannot be used for operations and maintenance. Currently, the City's primary revenue sources for Streets O&M are the per capita state shared gas taxes and the solid waste franchise fees. Remaining resources are derived from interest earnings on investment and miscellaneous right-of-way permits/road plan review fees.

The following table illustrates the resources available for Street O&M versus the expenditures since fiscal year (FY) 2014:

	A	B	C	D	E	F	G
		2014	2015	2016	2017	2018 B	2019 B
1							
2	SW Franchise Fees	218,965.10	176,754.77	178,816.90	199,140.79	190,875.00	202,520.00
3	Gas Taxes	361,187.09	372,131.10	398,408.39	411,477.31	424,437.00	439,627.00
4	Other	22,298.83	98,941.18	114,877.44	159,967.22	79,345.00	90,964.00
5	Total Resources	602,451.02	647,827.05	692,102.73	770,585.32	694,657.00	733,111.00
6	Total Expenditures	831,135.94	641,447.56	655,888.72	750,132.36	749,114.00	733,556.00
7	Resources over/under	(228,684.92)	6,379.49	36,214.01	20,452.96	(54,457.00)	(445.00)
8	Fund Balance	509,852.96	281,168.04	287,547.53	323,761.54	344,107.00	293,246.00
9	Remaining/carry over	281,168.04	287,547.53	323,761.54	344,214.50	289,650.00	292,801.00
10	suggested reserve (17%)	141,293.11	109,046.09	111,501.08	127,522.50	127,349.38	124,704.52
11	actual over target	139,874.93	178,501.44	212,260.46	216,692.00	162,300.62	168,096.48

Table 1: Fund 105 Street O&M revenue over/under expenditures

As illustrated in the above table, expenditures exceeded revenues in fiscal years 2014, 2018 Budget, and 2019 Budget. (FY2018 actuals are not yet available.) Each of these years used fund balance to cover the difference. Also, beginning fund balance in FY2014 was higher than usual due to a one time transfer in to the street fund in FY2013 of \$151,096 from the contingency fund.

Other items of note regarding the street O&M fund:

- Although The Street Fund has used fund balance to cover operations in FY2014, 2018, and 2019 (anticipated), the remaining fund balance continues to exceed the suggested reserve balance of 17 percent. Fund 105 Street O&M is not one of the funds identified by the City's Reserve Policy. However, best practice is to target a reserve similar to the General Fund, which is 17 percent of expected ongoing expenditures.
- Street light utility bills are paid from the Facilities Fund (Fund 530), then charged back to the Street Fund on a two year look back process, per our internal service fund policy adopted by Resolution No. 013/2014 and reviewed by the State Auditor. The "look back" process means that fees that are charged to other funds/departments are recovered on a two year lag. Our street light utility bills have been increasing, due to new lights added to the system (Lake Tye pathway) and increases in electric utility rates. These are fixed costs that will continue to challenge the Street O&M Fund.

- With the exception of the FY2013 transfer in, street O&M activities are limited to the available resources currently assigned to this fund, inclusive of its fund balance. To continue to stay within the available resources as our fixed costs rise, staff must continue to limit or roll back O&M activities, such as updating crosswalk markings, basic sidewalk maintenance, street sign reflectivity checks, etc. Some programs, such as street sweeping and ditch maintenance, are stormwater funded activities.

STORMWATER

As identified earlier in this briefing, a holistic review of Street O&M funding would include discussion regarding stormwater funding.

Stormwater O&M are accounted for separately than Stormwater Capital in the City's budget (Funds 431 and 432 respectively). Unlike the Streets O&M, Stormwater O&M and its related capital are supported by rates, not taxes. The last rate study the City conducted (in 2015) identified a regular four percent yearly increase through 2021. These rates are meant to fund both O&M and capital. 2019's single family stormwater rate is \$12.28 per month. Other stormwater revenues include interest earnings, development review fees, and grants when available, etc. The current rate structure has been sufficient to cover operations and maintenance needs, but continues to fall short regarding capital needs.

	A	B	C	D	E	F	G
		2014	2015	2016	2017	2018 B	2019 B
1							
2	Beginning Fund Balance	361,954.82	55,892.94	257,717.27	457,649.09	685,519.00	337,055.00
3	Rate Revenue	1,526,777.43	1,555,259.41	1,629,830.18	1,717,661.05	1,773,200.00	1,885,056.00
4	Non-rate Revenue	72,344.92	139,556.27	41,231.19	914,408.27	11,100.00	63,987.00
5	Total Resources	1,961,077.17	1,750,708.62	1,928,778.64	3,089,718.41	2,469,819.00	2,286,098.00
6	Total Expenditures	1,390,184.23	1,327,991.35	1,478,001.86	2,408,059.31	1,932,385.00	1,967,420.00
7	Resources over/under	570,892.94	422,717.27	450,776.78	681,659.10	537,434.00	318,678.00
8	Transfer to Capital F432	515,000.00	165,000.00	0.00	0.00	321,108.00	83,500.00
9	Ending Fund Balance	55,892.94	257,717.27	450,776.78	681,659.10	216,326.00	235,178.00
10	suggested reserve (12%)	166,822.11	159,358.96	177,360.22	288,967.12	215,664.00	235,178.00
11	actual over target	(110,929.17)	98,358.31	273,416.56	392,691.98	662.00	0.00

Table 2: Fund 431 Stormwater Operations & Maintenance

Stormwater capital is primarily funded by a sweep from the stormwater O&M fund. After O&M expenses, any revenue above the twelve percent target reserve per the City's reserve policy and utility management best practices is transferred to the capital fund. This "sweep" is then held in the capital fund until such time as the balance can cover the costs of the identified capital projects. A secondary revenue stream for stormwater capital would be grants, when available. The City's last significant grant for stormwater was in 2015 for Lewis Street.

The following two tables illustrates the resources available for stormwater capital after funding O&M needs:

	A	B	C	D	E	F	G
		2014	2015	2016	2017	2018 B	2019 B
1							
2	Beginning Fund Balance	1,216,297.12	1,505,819.13	1,287,745.98	1,008,491.03	698,887.00	707,084.00
3	Transfer In from O&M	515,000.00	165,000.00	0.00	0.00	321,108.00	83,500.00
4	Remaining revenues	1,308,383.96	895,804.66	7,213.58	8,347.71	7,083.00	272,214.00
5	Total Resources	3,039,681.08	2,566,623.79	1,294,959.56	1,016,838.74	1,027,078.00	1,062,798.00
6	Total Expenses	1,533,861.95	1,278,877.81	286,468.53	317,951.32	928,293.00	887,314.00
7	Ending Fund Balance	1,505,819.13	1,287,745.98	1,008,491.03	698,887.42	98,785.00	175,484.00

Table 3: Fund 432 Stormwater Capital revenue over/under expenses

	A	B	C	D	E	F	G
1		2019	2020	2021	2022	2023	2024
5	Total Resources	1,062,798.00	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)
6	Total Projected Capital	887,314.00	3,834,104.00	1,695,379.00	191,032.00	611,632.00	103,600.00
7	Difference	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)	(6,260,263.00)

Table 4: Stormwater 6 Year Capital Improvement Plan versus estimated available resources.

As illustrated in Table 2, the revenue sweep from the stormwater O&M fund is volatile and does not occur each year (line 3). Other items of note regarding the stormwater capital funding include:

- The 2019 capital expenditures budget is for design only for Blueberry Lane infiltration, Blueberry/Kelsey infiltration, and the Lake Tye Bio-swale. Capital construction for these three projects are scheduled for 2020 and 2021, pending availability of funds.
- Table 3 represents the cost estimates identified for stormwater capital in the City's Six-Year Capital Improvement Plan for years 2019 through 2024. These costs are netted against the anticipated fund balance carry overs year to year. The fund balances do not yet include any future revenue sweeps from stormwater O&M, any potential grant funding, or any potential revenue bond proceeds.

FUNDING ALTERNATIVES

STREETS

For the Street O&M Fund, early estimates indicate that the fund will need an ongoing revenue source of a minimum of \$500,000 to maintain the existing level of service within the next two years. Various potential sources of revenue to explore can include:

- Banked property tax capacity. The City used \$450,000 of its 2018 \$673,459 banked capacity in 2019 to fund the two new positions in the Parks Department and to help support the Economic Development Advisory Board (EDAB) recommendations. This leaves \$223,459 as the current balance. This balance will continue to grow each year if the City does not utilize its tax increase authority.
- Divert a portion of the new sewer utility tax from the general fund to the street fund, specifically after the 2020 North Kelsey debt obligation is paid. The new sewer utility tax is anticipated to generate approximately \$999,133 in FY2019. This revenue has been earmarked to support the debt service associated with the 2020 North Kelsey debt payment and to help fund the EDAB recommendations, both of which have an anticipated end date.
- Divert another revenue source from the General Fund to the Street O&M Fund, such as sales or existing property tax receipts. Any diversion of a revenue source outside of the sewer utility tax would require an offsetting expenditure decrease to general fund supported programs. This is a common practice in other jurisdictions.
- Currently, all utilities are assessed a utility tax with one exception, the Stormwater Utility. A utility tax on stormwater similar to what is assessed against water and sewer can potentially generate approximately \$175,000 per year in new revenue. This revenue could then be dedicated to the street fund, similar to the Solid Waste Franchise Fees.

All four alternatives listed above would be considered ongoing revenue sources for the Street O&M Fund. Again, diverting an existing revenue source from the General Fund would be the most disruptive to existing City programs. If the City were to explore implementing a stormwater utility tax, there are additional considerations to include relative to the capital funding needs in the stormwater system.

STORMWATER

As discussed in the background section of this agenda bill, the Stormwater Capital identified in the City's Six-Year Capital Improvement Plan requires significant resources within the next two years. The main revenue source for this utility is rate driven, not tax drive. As such, most, but not all, options available to obtain these resources are rate related. Options can include:

- Evaluate a stormwater utility rate to cover the cost of proposed capital improvements (Table 4). Raising the utility rate while maintaining existing levels of O&M service should increase the available resources which can be transferred into the capital fund. The evaluation would include prioritizing a six year Stormwater Capital Improvement Plan.
- Decrease the O&M levels of service to allow additional resources to be swept into the capital fund without adjusting existing rates. This option would be difficult. Many of the activities associated with the stormwater utility are mandated by state and federal regulations. Those items that could be absorbed back into street O&M would increase the challenges faced by that fund.
- Adopt a general facility charge (GFC) for stormwater similar to what is assessed for the water and sewer utilities. In the past, it was determined that the stormwater utility did not have the economy of scale to support the need for a general facility charge. As we continue to grow, this may no longer apply. However, a GFC would take time to grow to a level significant enough to help support capital needs.
- Continue to aggressively pursue grant opportunities and delay capital construction until grants are available and awarded. Pursuing grants are an ongoing effort by the Public Works department.
- Issue revenue bonds to cover capital needs. During 2018, the City adopted a formal debt policy, which includes guidance on when and how to issue revenue bonds. If issuing bonds, rate revenue must be sufficient to accommodate the increase to the utilities debt payment obligations.

CONCLUSION

Beginning in March (sooner if workloads allow), the Finance Director will be performing a forward looking assessment for both the water and stormwater funds similar to what was done for the sewer fund in 2018. The Finance Direct will also reassess the sewer fund. These assessments will review rate sufficiency versus O&M and will include capital financing options and how they relate to the overall health of the utility, again similar to what was done for the sewer fund in 2018. For the stormwater assessment, the options detailed in the Funding Alternatives section of this agenda bill can be incorporated, including the assessment of the utility tax to help support street operations and maintenance.



ATTACHMENT 2

Excerpt from AB for July 16, 2019, FHR Meeting

DESCRIPTION/BACKGROUND

At the January 28, 2019, Council Workshop, Mayor Thomas and city staff outlined alternative funding sources for the Street and Stormwater Funds. This is part of the Six-Year Strategic Plan to develop a holistic approach for funding street operations and maintenance. The holistic approach includes stormwater funding consideration, given the close relationship and frequent overlap between street operations and maintenance and stormwater activities.

The City Council reviewed the resources available for street operations and maintenance versus the expenditures since 2014. Staff is continuing to develop recommendations for the Street Fund as part of the Mayor's 2020 Recommended Budget.

The City Council also reviewed resources available for the Stormwater Utility. As discussed on January 28, 2019, the Stormwater Capital identified in the City's Six-Year Capital Improvement Plan (CIP) requires significant resources for the Blueberry Lane infiltration (\$2.8 million), Blueberry/Kelsey infiltration (\$1.2 million), and the Lake Tye Bio-swale (\$132,000).

As discussed in January, city staff performed a forward looking assessment for both Stormwater (Attachment 1) and Water (Attachment 2). Staff also reassessed the Sewer Fund (Attachment 3).

Stormwater Operations and Maintenance

Stormwater O&M are accounted for separately than Stormwater Capital in the City's budget (Funds 431 and 432 respectively). Unlike the streets O&M, stormwater O&M and its related capital are supported by rates, not taxes. The last rate study the City conducted (in 2015) identified a regular four percent (4%) yearly increase through 2021. These rates are meant to fund both O&M and capital. 2019's single family stormwater rate is \$12.28 per month. Other stormwater revenues include interest earnings, development review fees, grants when available, etc. The current rate structure has been sufficient to cover operations and maintenance needs, but continues to fall short regarding capital needs.

Stormwater Capital

Stormwater capital is primarily funded by a sweep from the stormwater O&M fund. After O&M expenses, any revenue above the twelve percent (12%) target reserve per the City's reserve policy and utility management best practices is transferred to the capital fund. This "sweep" is then held in the capital fund until such time as the balance can cover the costs of the identified capital projects. A secondary revenue stream for stormwater capital would be grants, when available. The City's last significant grant for stormwater was in 2015 for Lewis Street.

The following two tables illustrates the resources available for stormwater capital after funding O&M needs:

Table 2: Fund 432 Stormwater Capital revenue over/under expenses

	A	B	C	D	E	F	G
1		2014	2015	2016	2017	2018 B	2019 B
2	Beginning Fund Balance	1,216,297.12	1,505,819.13	1,287,745.98	1,008,491.03	698,887.00	707,084.00
3	Transfer In from O&M	515,000.00	165,000.00	0.00	0.00	321,108.00	83,500.00
4	Remaining revenues	1,308,383.96	895,804.66	7,213.58	8,347.71	7,083.00	272,214.00
5	Total Resources	3,039,681.08	2,566,623.79	1,294,959.56	1,016,838.74	1,027,078.00	1,062,798.00
6	Total Expenses	1,533,861.95	1,278,877.81	286,468.53	317,951.32	928,293.00	887,314.00
7	Ending Fund Balance	1,505,819.13	1,287,745.98	1,008,491.03	698,887.42	98,785.00	175,484.00

Table 3: Stormwater 6 Year Capital Improvement Plan versus estimated available resources.

	A	B	C	D	E	F	G
1		2019	2020	2021	2022	2023	2024
5	Total Resources	1,062,798.00	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)
6	Total Projected Capital	887,314.00	3,834,104.00	1,695,379.00	191,032.00	611,632.00	103,600.00
7	Difference	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)	(6,260,263.00)

As illustrated in Table 2, the revenue sweep from the stormwater O&M fund is volatile and does not occur each year (line 3). Other items of note regarding the stormwater capital funding include:

- The 2019 capital expenditures budget is for design only for Blueberry Lane infiltration, Blueberry/Kelsey infiltration, and the Lake Tye Bio-swale. Capital construction for these three projects are scheduled for 2020 and 2021, pending availability of funds.
- Table 3 represents the cost estimates identified for stormwater capital in the City's 6 Year Capital Improvement Plan for years 2019 through 2024. These costs are netted against the anticipated fund balance carry overs year to year. The fund balances do not yet include any future revenue sweeps from stormwater O&M, any potential grant funding, or any potential revenue bond proceeds.

Alternatives

The attached Utility Fund assessments review rate sufficiency versus operations and maintenance as well as current and future capital needs. For the Stormwater Fund, the options listed below, and reviewed at the meeting on January 28, 2019, were evaluated, including the assessment of the utility tax to help support street operations and maintenance:

- Evaluate a stormwater utility rate to cover the cost of proposed capital improvements (Table 4). Raising the utility rate while maintaining existing levels of O&M service should increase the available resources which can be transferred into the capital fund. The evaluation would include prioritizing a six year Stormwater Capital Improvement Plan.
- Decrease the O&M levels of service to allow additional resources to be swept into the capital fund without adjusting existing rates. This option would be difficult. Many of the activities associated with the stormwater utility are mandated by state and federal regulations. Those items that could be absorbed back into street O&M would increase the challenges faced by that fund.
- Adopt a general facility charge (GFC) for stormwater similar to what is assessed for the water and sewer utilities. In the past, it was determined that the stormwater utility did not have the economy of scale to support the need for a general facility charge. As we continue to grow, this may no longer apply. However, a GFC would take time to grow to a level significant enough to help support capital needs.
- Continue to aggressively pursue grant opportunities and delay capital construction until grants are available and awarded. Pursuing grants are an ongoing effort by the Public Works department.
- Issue revenue bonds to cover capital needs. During 2018, the City adopted a formal debt policy, which includes guidance on when and how to issue revenue bonds. If issuing bonds, rate revenue must be sufficient to accommodate the increase to the utilities debt payment obligations.

At the April 30, 2019 Council Retreat, Council assigned the utilities rate forecasting to the Finance Committee. For tonight, the Finance Committee will work with the forecasting models developed by staff to determine an appropriate recommendation to make to the Mayor and Council for consideration with the 2020 City Budget.

Project	Budget		2020	2021	Estimate				Project Total
	2019 (S&B)	2019 (Capital)			2022	2023	2024	2025	
Water Utility									
132nd Street Watermain Replacement	\$ 51,210	\$ 1,010,018							\$ 1,061,228
134th SE/133rd St/208th SE/209th SE (Graden) Watermain Replacement	65,000	643,625							\$ 708,625
177th PS/Replace Equip & PLC/SCADA				1,220,517					\$ 1,220,517
182nd-154th to 150th (Under SR522)	61,960	555,000		30,000	298,667				\$ 945,627
4" Servicing fire hydrant replacement					8,041	80,406	84,426	88,647	\$ 261,520
Asbestos Cement Pipe Replacement							28,142	191,617	\$ 219,759
Adams Lane Utility Replacement	16,390	11,463	335,951						\$ 363,804
Cascade View Drive Water Main	47,460	850,599							\$ 898,059
Circle Drive 2" galvanized main replace							45,000		\$ 45,000
Circle Drive to Sumac main replacement						16,801	129,453		\$ 146,254
Dickinson Utility Replacement Project				448,671					\$ 448,671
DOC Storage	30,000	455,333	3,810,705						\$ 4,296,038
Flow Meters install					19,144				\$ 19,144
Flushing Devices at dead ends			11,576						\$ 11,576
Lewis/Blakely/Fremont/McDougal parallel alley WMR						23,117	186,089		\$ 209,206
Lord Hill PS-Pump Replacement	8,000	32,000							\$ 40,000
Lord Hill-Generator	1,500	20,000							\$ 21,500
Madison/Sams/McDougal/Pike alley WMR						26,132	210,362		\$ 236,494
Main/Ferry/N Blakely/N Madison parallel alley WMR						57,289	461,177		\$ 518,466
North Madison Utility Replacement		40,000	25,000	408,324					\$ 473,324
Orr to Kelsey-abandon line under houses						10,051	80,908		\$ 90,959
Replace Asbestos Cement Watermain (171st/173rd 161st north of West Main Street)					26,000	147,000			\$ 173,000
Replace 4" Asbestos Cement Watermain (Main St behind Monroe Shopping Center)						27,300	154,350		\$ 181,650
SCADA PLC Replacement (North Hill PS, Trombley PS, Ingraham)			92,610						\$ 92,610
Short Columbia Watermain Replacement				24,614	198,143				\$ 222,757
South Taft Lane Watermain Replacement	2,500	141,115							\$ 143,615
Spring Hill PS-Pump Replacement	8,000	32,000							\$ 40,000
Strawberry Lane Watermain Replacement				82,418	1,312,000				\$ 1,394,418
Sump Pumps install (Foothills Pressure reducing valve & Trombley Reservoir)							42,213		\$ 42,213
Tester Rd Emergency Water Main Repair	5,000	70,456							\$ 75,456
Trombley Hill Reservoir to Airport/179th SE WMR					402,029	3,236,331			\$ 3,638,360
Trombley Reservoir 12" Watermain Fire Flow Upside		65,000	65,000						\$ 130,000
Wilson Lane Watermain Replacement						16,584	133,499		\$ 150,083
Rainier View Rd PRV			277,830						\$ 277,830
Install 8" along I27th						19,096	153,726		\$ 172,822
Thrive Alley Replacement							27,966	225,127	\$ 253,093

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Destination Alley						32,715	263,356	\$ 296,071	
Woods Cr Road - US2 to Tjerne		297,596	1,249,905					\$ 1,547,501	
Woods Cr Road - Tjerne to Ingraham Rd			312,476	1,312,400				\$ 1,624,876	
Woods Cr Road - Ingraham Rd to Ingraham Reservoir				656,200	2,756,041			\$ 3,412,241	
Replace 6" along Old Owen Rd			45,581	366,931				\$ 412,512	
Total Water Utility Capital	\$ 297,020	\$ 3,926,609	\$ 4,916,268	\$ 3,822,506	\$ 4,599,555	\$ 6,416,148	\$ 1,770,026	\$ 768,747	\$ 26,516,879

Sewer Utility									
Computer upgrades (O&M) capital	\$ 10,000								\$ 10,000
Adams Lane Utility Replacement	16,390	10,000	335,951						362,341
Cates PS Upgrades					191,422	804,057			995,479
Dickinson Utility Replacement				318,897					318,897
North Madison Utility Replacement		40,000	25,000	1,920,305					1,985,305
Pipe Replacement Projects					500,000	670,048	703,550	738,728	2,612,326
Sayer Street Porous Concrete Driveway Access									0
South Taft Lane 6'/8' Concrete Main Replacement			16,800	64,999					81,799
South Taft Emergency Sewer Repair	2,500	269,336							271,836
Valley View PS (179tj)& Force Main Upgrades						670,048	4,924,851		5,594,899
West Main Pump Station Upgrades					191,442	804,057			995,499
WWTP Engineering Reports	35,000	348,226	80,000						463,226
WWTP Ph control				364,652	2,105,865				2,470,517
WWTP capital maintenance			127,628	134,010	140,710	147,746	155,133	162,890	868,117
Ops & Dewatering Roof Replacement				303,877					303,877
Fryelands PS & FM upgrades							387,832	4,316,571	4,704,403
South Fryelands PS upgrades								254,560	254,560
Old Owen Rd PS upgrades							77,566	651,558	729,124
WWTP NPDES Liquid Stream/Nutrient Limit				765,769	1,000,000	3,422,316			5,188,085
WWTP Biosolids Treatment Modifications				500,000	1,000,000	1,000,000	2,500,000		5,000,000
WWTP energy efficiency upgrades	10,000	1,000,000							1,010,000
Total Sewer Utility Capital	\$ 63,890	\$ 1,677,562	\$ 585,379	\$ 4,372,509	\$ 5,129,439	\$ 7,518,272	\$ 8,748,932	\$ 6,124,307	\$ 34,220,290

Stormwater Utility									
Blueberry/Kelsey Infiltration	\$ 130,000		\$ 1,000,000						\$ 1,130,000
Blueberry Lane Infiltration	37,380	250,000	2,131,000						2,418,380
Crystalwood Drainage						125,634	70,355	1,061,921	1,257,910
Dickinson Utility Replacement				756,176					756,176
Lake Tye Bio-Swale Design	12,000	62,000	277,493	559,133					910,626
Monroe Street & Kelsey Street				113,954	917,327				1,031,281
Monroe Street & Park Street					28,716	231,166			259,882
Park Street & Roberts Street					28,716	231,166			259,882
Stormwater retrofits						250,000	250,000	250,000	750,000
Total Stormwater Utility Capital	\$ 49,380	\$ 442,000	\$ 3,408,493	\$ 1,429,263	\$ 974,759	\$ 837,966	\$ 320,355	\$ 1,311,921	\$ 8,774,137

APPENDIX 3

Attachment 4

	2019 Projected	2020	2021	2022	2023	2024	2025	Notes
CURRENT STRUCTURE								
Monthly Storm rate per ERU	\$12.28	\$12.77	\$13.28	\$13.81	\$14.37	\$14.94	\$15.54	4.00% Scheduled annual increase
Monthly water base rate	\$24.23	\$26.05	\$28.00	\$30.10	\$32.36	\$34.79	\$37.39	7.50% Scheduled annual increase
Monthly sewer rate	\$92.15	\$92.15	\$92.15	\$92.15	\$92.15	\$92.15	\$92.15	0.00% Scheduled annual increase
Total Rate	\$128.66	\$130.97	\$133.43	\$136.06	\$138.87	\$141.88	\$145.08	
ALTERNATE SCENARIO								
Monthly Storm rate per ERU	\$12.28 ^{12.50%}	\$13.82 ^{12.50%}	\$15.54 ^{12.50%}	\$17.48 ^{12.50%}	\$19.23 ^{10.00%}	\$21.16 ^{10.00%}	\$23.27 ^{10.00%}	12.50% Scheduled annual increase
Monthly water base rate	\$24.23 ^{3.00%}	\$24.96 ^{3.00%}	\$25.71 ^{3.00%}	\$26.48 ^{3.00%}	\$27.27 ^{3.00%}	\$28.09 ^{3.00%}	\$28.93 ^{3.00%}	3.00% Scheduled annual increase
Monthly sewer rate	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	\$92.15 ^{0.00%}	0.00% Scheduled increase
Total Rate	\$128.66	\$130.92	\$133.40	\$136.11	\$138.65	\$141.40	\$144.35	
Current rate structure	\$128.66	\$130.97	\$133.43	\$136.06	\$138.87	\$141.88	\$145.08	
Recommended scenario	\$128.66	\$130.92	\$133.40	\$136.11	\$138.65	\$141.40	\$144.35	
difference	\$0.00	(\$0.05)	(\$0.04)	\$0.05	(\$0.22)	(\$0.48)	(\$0.73)	
yearly increase current structure		\$2.31	\$2.46	\$2.63	\$2.81	\$3.00	\$3.21	
yearly increase alt scenario		\$2.26	\$2.48	\$2.71	\$2.54	\$2.74	\$2.96	
difference	\$0.00	(\$0.05)	\$0.01	\$0.08	(\$0.27)	(\$0.26)	(\$0.25)	

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Utility Rates and Charges

Quick Summary

- Any city that has established a utility must set an appropriate rate to recover cost.
- Revenues must be used for specified utility purpose.

RCW: 35.92 RCW, 35A.80 RCW

Cities and towns frequently own and manage their own water and sewer utility systems, and some also have stormwater, electric, or garbage utilities. Each of these utilities is considered a "proprietary" activity, which is to say that it functions as a business activity separate from the general governmental activities. (See chapter 35.92 RCW and chapter 35A.80 RCW regarding municipal utilities.)

This guide is not intended to address the complexities of proper rate-setting but only to speak to the overarching concepts of utility rates and charges.

Utility Rate Setting

Ideally, all utility rates, system charges, and service fees should be set to recover the cost of operating the systems, in addition to charging for replacing equipment and adding or expanding facilities to meet regulations, future service demands, and setting aside for unforeseen events such as natural disasters.⁶⁸ Revenues for fees and charges must meet the expenses of the system, in addition to setting aside reserves.

Careful and accurate rate and service fee setting will assure that the utility operates in a fiscally responsible manner. Consideration should be given to the following areas when setting rates:

- Operating costs (wages, benefits, engineering fees, office supplies, chemicals, lighting, heat, repairs, and other daily operations);
- Insurance;
- State and local taxes;
- Debt service (principal and interest);
- Planning and engineering;
- Reserves for improvements, expansions, and upgrades; and
- Reserves for unforeseen events such as natural disasters.

Utility rates should also incorporate the utility's portion of indirect or "overhead" costs incurred by the city, such as payroll administration, human resources, information technology, and shared facilities and equipment. See MRSC's webpage on **Cost Allocation** for more guidance on overhead costs.

Use of Revenues

Utility rates and charges are restricted to the use by the utility for its operations, including all of those costs listed above.

⁶⁸ See *Uhler v. Olympia*, 87 Wash. 1 (1915); *Carstens v. Public Utility District No. 1*, 8 Wn.2d 136 (1941)

Glossary

A

Accounting System

The set of records and procedures that are used to records, classify, and report information as to the financial status and operating conditions on an entity.

Ad Valorem Tax

A tax based on the assessed value of a property.

Adopted Budget

Adopted, as used in the fund summaries and department and division summaries within the budget document, represents the final budget approved by the City Council. The adopted budget becomes effective January 1st. Subsequent to adoption, Council may make changes throughout the year.

Appropriation

An authorization made by the City Council that permits officials to make expenditures to incur obligations against governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one year period. Multi-year appropriations can also be established for capital project and other special purpose funds. Multi-year appropriation authority remains in effect until the amount appropriated has been totally expended or until the fund, program, or project is closed because its assigned purpose has been changed or accomplished.

Assessed Valuation

The assessed value (AV) set on taxable properties as a basis for levying property taxes placed upon real and personal property by the Snohomish County Assessor.

Assets

Resources having a monetary value and that are owned or held by an entity.

Audit

An annual financial report prepared by an independent auditor. A comprehensive audit

document contains a summary statement of the scope of the audit, explanatory comments concerning any exceptions to generally accepted auditing standards, explanatory comments concerning verification procedures, financial statements and schedules, statistical information, supplemental comments, and any finding or recommendations.

B

BARS

The prescribed “Budgeting, Accounting, and Reporting System” where compliance is required for all governmental entities within the State of Washington.

Balanced Budget

Revenues (including Beginning Fund Balance) equals or exceeds expenditures (including Ending Fund Balance).

Beginning Fund Balance

The beginning fund balance is the residual fund balance representing unused funds brought forward from the previous financial year (ending fund balance).

Bond

A debt instrument with a written promise to pay a specified principal amount along with periodic interest at specific future dates. Bonds are typically used for financing of specific capital expenditures.

Budget

A budget is a financial operational plan including an estimate of proposed expenditures and the means of financing them. Used without any modifier, the term usually indicates a financial plan for a certain period of time, typically one or two years. In practice, the term budget is used in two ways. Sometimes it designates the financial plan presented for adoption and other times it designates the plan finally approved. It is usually necessary to specify whether the budget under

Glossary

consideration is preliminary and proposed, or whether the appropriating body has approved it.

Budget Amendment

A change to a budget adopted in accordance with State law. A budget may be amended to increase expenditures/expenses at the fund level by ordinance without public notice or public hearing requirements, when unanticipated revenues occur or emergencies exist (RCW 35A.33.080 and 35A.33.120). Also can be called Supplemental Appropriation.

Budget Calendar

A schedule of key dates or milestones that the City follows in preparation and adoption of the budget.

Budget Document

A written report showing a government's comprehensive financial plan for a specified period, typically one or two years, that includes both capital and operations.

C

Capital (Outlay/Asset)

Expenditures made to acquire, reconstruct, or construct major fixed or capital assets. A fixed asset is a tangible object of a long-term character that will continue to be held or used such as land, buildings, machinery, furniture, and other equipment. A capital asset must exceed \$5,000 in cost and have an expected life expectancy of 12 months or more. For purposes of this definition, a "fixed asset" includes a group of items purchased together that will be used for a "single purpose" that could not be used effectively by themselves.

Capital Improvement Fund

Account for the acquisition or construction of major capital facilities.

Capital Improvement Program (CIP)

A plan for a capital expenditure to be incurred each year over a period of five or more future years setting forth each capital project, the amount

to be expanded in each year, and the method of facing those expenditures.

Cash Management

Management of cash necessary to pay for government services while investing temporary cash excesses in order to earn investment income. Includes forecasting inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in accordance with the City's investment policy objectives.

Charges for Service

Includes a wide variety of fees charges for services provided to the public and other agencies.

Comprehensive Plan

An official statement of the goals, objectives, and physical plan for the development of the City. Contains a narrative of goals, objectives, and policies that describe the desired form, nature, and rate of City development.

Consumer Price Index

A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e. economic inflation).

D

Debt Service

Principal and Interest on outstanding bonds due and payable during the fiscal year.

Debt Service Fund

Established to account for the accumulation of resources and for the payment of general obligation debt that have been approved by the voters. It would exclude Enterprise fund debt and contractual obligations accounted for in other individual funds.

Glossary

Depreciation

Expiration in the service life of capital assets attributable to wear and tear, deterioration action of physical elements, inadequacy or obsolescence.

E

Employee Benefits

Contributions made by a government to meet commitments or obligations for employee-related expenses. Included is the government's share of costs for social security and various pension, medical, and life insurance plans.

Encumbrance

Amount of money committed and set aside, but not yet expended, for the purchases of goods or services.

Ending Fund Balance

The residual non-restricted funds that are spendable or available for appropriation after the end of the fiscal year, or during the fiscal year, if a state of emergency is declared by the Mayor.

Enterprise Fund

Established to account for operations, including debt service that are financed and operated similarly to private businesses – where the intent is the service is self-sufficient, with all costs supported predominantly by user charges.

Expenditures/Expenses

The type of accounts that record transactions for the cost of goods received or services rendered whether cash payments have been made or not. These accounts are called expenditures on the modified accrual basis of accounting and expenses on the accrual basis.

F

Fees

Charges for specific service in connection with providing a service, permitting an activity or imposing a fine.

Fiscal Management

A government's directive with respect to revenues, spending, reserves, and debt management as these relate to governmental services, programs, and capital investment. Financial policy provides an agreed upon set of principles for the planning and programming of governmental budgets and its funding.

Fiscal Year

A twelve month period designated as the operating year for accounting and budgeting purposes in an organization. The City of Monroe's fiscal year is January 1 through December 31.

Full-Time Equivalent (FTE)

An expression of staff in terms of full-time employment (40 hours per week). For example, a person who works 40 hours per week is described as 1 FTE and 20 hours per week is .50 FTE.

Fund

An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities that are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance

The amount of an entity's assets above the amount of its liabilities. A negative fund balance is sometimes called a deficit. An undesignated fund balance reflects historical receipts less than historical expenditures in non-proprietary funds. When all designated and reserved resources are removed or deducted in arriving at the year-end undesignated fund balance, the remaining value is that available for budgetary appropriation. Also called Ending Fund Balance.

G

General Fund

Accounts for all receipts and disbursement transactions associated with ordinary City

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operations not required to be accounted for in another fund. This fund is both tax and general revenue supported. Major revenue sources for the General Fund include property, sales, excise taxes, and miscellaneous permits and fees.

General Long-Term Debt

Represents any unmatured debt not considered to be a fund liability. General Obligation Bonds (G.O. Bonds) are secured by the full faith and credit of the issuer. G. O. bonds issue by local units of government are secured by a pledge of the issuer's property taxing power. Usually issued to pay for general capital improvements such as parks and City facilities.

Governmental Funds

Funds generally used to account for tax-supported activities. There are five different types of governmental funds: general fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

Grant

A contribution by one government entity to another. The contribution is usually made to aid in the support of a specified function.

I

Infrastructure

Public domain capital assets such as roads, bridges, streets, sidewalks, and similar assets that are immovable.

Indirect Charges

Administrative and overhead costs that are incurred in one area, but charged to another.

Interfund Transfers

Appropriation category used in the City's budget resolution which includes amounts distributed from one fund to pay for services provided by another fund. Transfers from other funds are appropriated as expenditures.

Intergovernmental Revenues

Levied by one government but shared on a predetermined basis with another government or class of governments.

Interlocal Agreement

A contract between two government entities whereby one government assume the lead responsibility of a project that overlaps both jurisdictions.

Internal Service Fund

Account for the financing of goods and services provided by one department or agency to other departments or agencies of government(s) on a cost reimbursement basis.

L

Levy

Gross amount of property taxes imposed on the assess value of taxable property. The net amount received by a government will be less than the gross levy as a result of delinquent or uncollectible payments or early payment discounts. Budgets are developed on the basis of the projected amount of property taxed received.

O

Operating Budget

The operating budget is the primary means by which most of the acquisition, spending, and service delivery activities of a government are controlled. Law requires the use of annual operating budgets.

Operating Transfer

Routine or recurring transfers of assets between funds that support the normal operations of the recipient fund.

Ordinance

A formal legislative enactment by the government body of a municipality. If it is not in conflict with

Glossary

any higher form of law, such as a state statute or a constitutional provision, it represents the full force and effect of the law within the boundaries of the municipality to which it applies.

Outstanding Debt

The balance due at any given time resulting from the borrowing money or from the purchase of goods and services.

P

Personnel Benefits

Employer contributions paid by the City as part of the conditions or employment. Examples include health/dental/vision insurance, state public employee's retirement system, and employment security.

Property Tax

Based off the assessed value of property times the permanent tax rate and are used as the source of monies to pay general obligation debt and core city services.

Proposed Budget

Combines the operating, non-operating, and reserve estimated prepared by the Mayor, then presented to the Council for their review and approval.

R

Resource

Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.

Revenue

Income received by the City in support of a program of services to the community. It includes such items as property taxes, fees, user charges, grants, fines and forfeitures, interest income, and miscellaneous revenue.

Revenue Bonds

Bonds payable from a pledged source of revenue such as water revenues, which does not also

pledge the taxing authority of the City. Pledged revenues may be derived from operation of the financed projects, grants, utility revenues, or other specified revenue streams.

S

Services and Charges

An expenditure classification that includes professional services, communication, travel, advertising, rentals, leases, insurance, public utility services, and repairs and maintenance.

Special Revenue Funds

Accounts for the proceeds of revenue sources (other than special assessment, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Supplies

An expenditure classification for articles and commodities purchased for consumption or resale. Examples include office and operating supplies, fuel, power, water, gas, inventory, resale items, small tools and equipment.

T

Taxes

Compulsory charges levied by taxing districts for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges, such as water service.

Tax Levy

The total amount of property taxes needed to pay for basic government operations as well as sufficient amounts to pay for principal and interest on voter-approved bond issues.

Tax Rate

The amount of tax levied for each \$1,000 of assessed valuation as determined by the Snohomish County Assessor's office.

Glossary

Taxes

Compulsory charges levied by a government for the purpose of financing services performed for the common benefit.

U

Unappropriated Ending Fund Balance

Represents the portion of the ending fund balance that is not appropriated to be spent in the current year. It must be segregated for future use and is not available for current appropriation of expenditure, except in the event when the Mayor declares an emergency.

User Fees

Charges for services to the specific entity who directly benefits. Often referred to as Charges for Service.