



City of Buckley

2008 Budget Request

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MAYOR'S MESSAGE 2008

Since early September, City department heads, the City Council, the City Administrator and I have been working on the budget for 2008. It has not been an easy process and there have been many meetings trying to figure out how to get the most out of every penny that the City has. The prospects for next year are not rosy and continuing to provide the high level of services that we have all come to expect will be difficult.

Several factors have played into this dilemma. First, we have not grown as a City for several years. We have had a building moratorium for 12 years because our sewer plant was at full capacity. Not only was there a shortage of new homes being built, but there were also no new businesses coming into town. Without growth, small towns begin to die a slow death and Buckley is no exception. We only have to look around us at Bonney Lake and Enumclaw and at the growth they have to see that we have been passed by. Without new business, we can not have a strong tax base.

The passage of Initiative 747 has really hurt the City of Buckley. Property tax is the primary funding source for the general fund. Initiative 747 only allowed the City to raise taxes by 1% and we all know that inflation is much higher than that. We have slowly lost ground over the five years that law has been in place. Although I-747 has been struck down by the State Supreme Court, we are not sure what impact that will have for the City of Buckley. We have prepared the 2008 budget with only a 1% increase, however prior to I-747, we were allowed to increase property tax by 6%. Small cities (under 10,000) may be allowed to exceed the 1% cap but we will have to wait and see what the Legislature does this session. If not, we may need to come to the voters next year and ask for a levy lid lift.

The General Fund is actually several budgets in one large fund. From the General Fund we pay for Police, Fire, Parks and Recreation, Cemetery, Planning and Development, Municipal Court, Public Defender, City Council and all the necessary things that keep the City running.

Our utilities are in no better shape. For several years in the mid 1990's, while other cities were raising their utility rates, we did not raise ours. We enjoyed much lower rates than the surrounding cities and in so doing we used up what savings we had to pay for gas, sewer and water. We have done very few capital projects and even less maintenance.

We spent most of last summer and several thousand dollars repairing our water

line from South Prairie Creek because it was constantly springing leaks. The line was placed in the 1920's and has never been replaced. By not doing routine maintenance, we are costing ourselves more money in the long run.

The gas department is the hardest hit. Even though we have locked in a lower rate for 2008, we can only buy 80% of the average that we used a year ago. The rest we buy on the open market and the dollar amount we pay fluctuates on a daily basis. A cold winter in the East, the increasing cost of a barrel of oil and the conversion of coal fired electric plants to natural gas all play into the ever increasing demand and cost of natural gas. The Utility Committee will be taking a hard look at whether the City should continue to keep our natural gas system this year. Increasing regulations make it more and more difficult to maintain the system and provide you with a reasonable rate for natural gas.

Is it all doom and gloom for Buckley? No! We are going to have a difficult year with a lot of belt tightening and carefully looking at where the money goes. We will be looking at how we can be more efficient in everything that we do.

Last year, we successfully convinced the Legislature that Rainier School and DSHS should be partners in our new sewer plant. DSHS is now paying for 27% of the cost and the new sewer rates should not be much more than they are now. When the plant is complete this summer, we are anticipating some much needed growth. One developer has already indicated the desire to build up to 250 new homes. One business that employees 150 people has already started construction on their new corporate headquarters here in town and another is looking to move their aerospace company from Auburn to Buckley and they will eventually employ up to 250 people.

We are continuing to look to the future and explore ways of getting more water for our increasing needs by pursuing funding sources such as grants and long term loans. With more "customers" to spread out the cost, the increases in rates will not be as high. My goal is to see that all of our utilities have healthy reserves (savings) but this will take some time. Money in the bank earns interest and that money can be left to grow or help in the replacement of our aging infrastructure.

The Council and I are working hard to be good stewards for the City of Buckley. Every utility rate and tax increase is heatedly debated before any final decision is made. The Council has put into place a low income rate structure to help our most vulnerable residents. We are continually looking at ways we can keep costs down but keep the high level of services in place that make Buckley such a great place to live.

Patricia Johnson

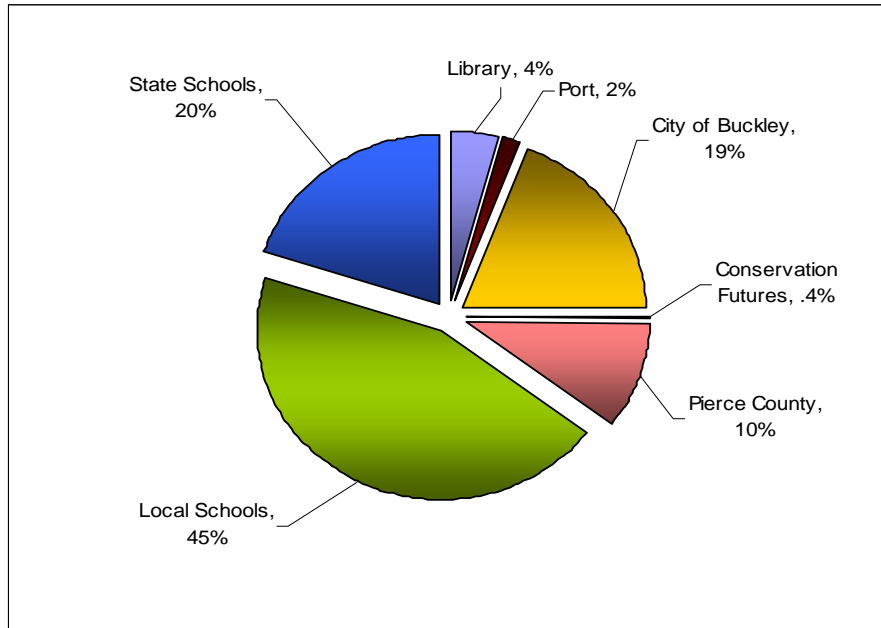
Mayor
2007 BUDGET SUMMARY

The City of Buckley is a Mayor-Council form of government that provides an extensive array of services to the community. The City currently funds and operates the administrative and finance department, legislative department, municipal court, fire and EMS service, law enforcement, 911 dispatch, 25 bed jail, building and planning, parks, senior center, youth and recreation program, Buckley Hall and some capital projects all from the current (general) expense fund.

The general fund derives revenue from a variety of sources, including property taxes, sales and use taxes, utility taxes, land use permit fees, gambling taxes, rentals and leases, service contracts, fines and forfeitures and investment interest. Although most believe that property taxes fund the largest share of City services they do in fact only represent 19.7% of the revenue to the general fund. Sales and use tax represents another 14.8%, while the remainder comes from those other revenue sources identified above.

While property taxes only represent 19.7% of the general revenue it is the single largest contributor to City government operations. When comparing it to your overall property tax bill, this portion that comes to the City is only a fraction of the total bill. Table 1 below illustrates the distribution of each dollar of property tax money paid to Pierce County.

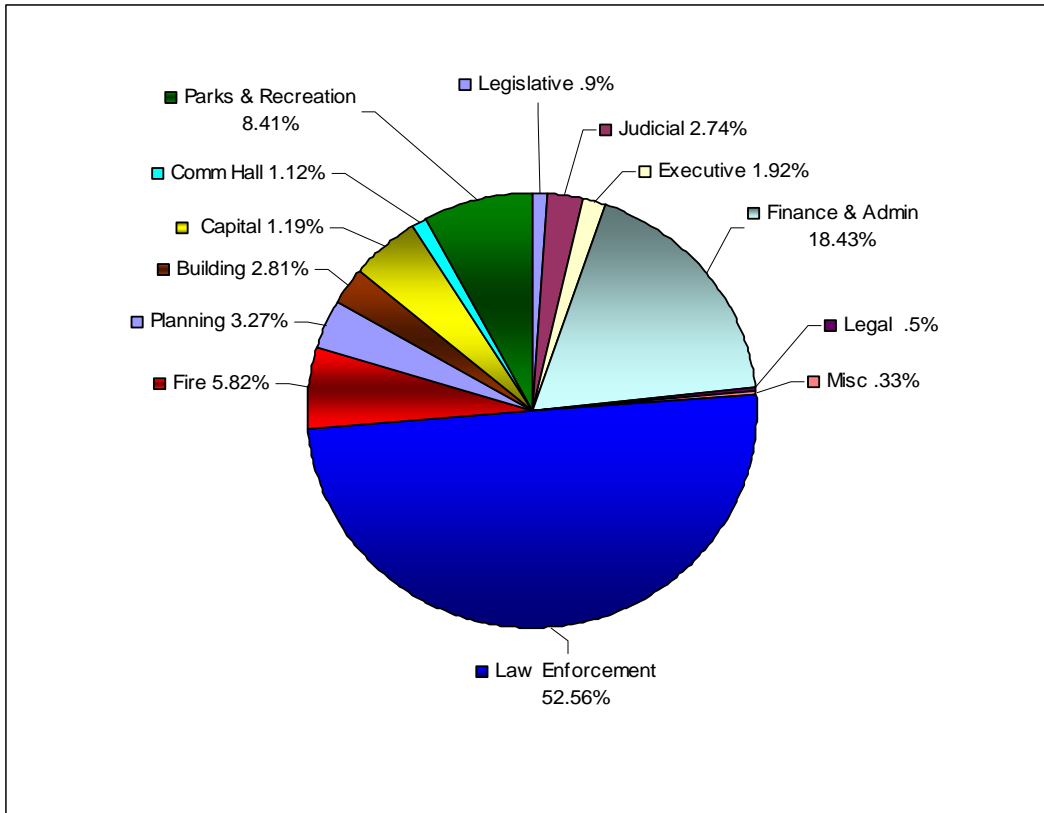
Table 1: How Each Property Tax Dollar is Distributed



As Table 1 illustrates the City only receives \$ 0.19 of each dollar to provide the full array of services that are needed by the community. The largest recipient is the local school district at \$ 0.45 on the dollar.

The City portions of property taxes are set annually by the City Council. This levy rate is governed by State statute as to how much the City can levy against properties within the City. For 2007 the regular property tax limit was estimated at \$665,143, which was calculated at the full levy amount of \$1.7917/\$1,000 of assessed property valuation. Assessed valuation within the City totaled \$370,899,531, which included \$2,814,582 of new construction. This \$665,143 was then collected through individual property tax payments and distributed to the general fund to utilize for programs and services to the community. The chart in Table 2 below illustrates how each dollar of property tax is apportioned throughout the fund for the provision of these services.

Table 2: 2007 General Fund Property Tax Distribution



As Table 2 above illustrates, the largest expenditure to the current expense fund, at just over ½ of the total, comes from the cost to provide law enforcement services including operation of the police department, dispatch center and jail.

Other sources of revenue to the general fund include sales and use taxes on the sale of retail goods, utility taxes on each separate utility, plus permit fees for all land development, fines and forfeitures, service contracts with outside agencies, and any grants the City may receive.

The remainder of the overall budget encompasses several equipment and capital reserve accounts established to purchase equipment for the various departments or to complete specific identified capital infrastructure improvements in the City. In addition, the City operates and maintains a water and sewer distribution system, consisting of all the necessary appurtenances (piping, wells, lift stations, treatment facilities, process controls pumps, etc), a stormwater drainage system and a natural gas system. Revenue for the operation, maintenance and improvement of these systems comes directly from user fees charged for the provision of each specific service.

To summarize 2007, the past year has been busy and the City finally began construction on the new Wastewater Treatment Plant (WWTP) which is scheduled to

be in full operation in July, 2008. In addition, the City completed reconstruction of the section of Ryan Road from Willow Glenn apartments to Spiketon Road and finished the Main Street rehabilitation. Although these projects took much longer than anticipated, the finished product has been well received by the community.

Overall revenues for the year are coming in below anticipated by 8.03% mainly driven by anticipated revenues from large capital sources for construction of the WWTP, Water Transmission Main, FEMA Project and the SR165/SR410/Ryan Road Realignment Project, which will not be posted until used from the granting source. Other operating funds such as the general fund saw an increase of 6.23% primarily from sales tax, utility taxes, fines and forfeitures, state remittances and receipt of payment from White River Senior Housing Association for purchase of the Miller Property site. In addition to the general fund, the City saw increased revenue from the sale of Natural Gas, and from Cemetery Operations. Natural gas revenue was up 19.6% due to increased consumption that was primarily due to cooler, rainier weather that we experienced this past year. While revenue was up from projections the actual cost of natural gas remains high. While it may look like the utility did well, actual expenditures increased a disproportionate 24.3%.

New construction and development throughout the City once again remained dismal at best. While we are beginning to see new homes constructed at Elk Heights and Nielsen Meadows, as well as commercial development with the new 410 Professional Center, projected revenue came in approximately \$125,000 short of what was anticipated. In addition, we are beginning to see a slowdown in the mortgage and sale of real estate which translates into less revenue from REIT taxes. Funds 307 and 308 are both funded from REIT taxes and only received about 2/3 of the revenue that was anticipated. As the housing market continues to cool, revenue to these two funds will be impacted.

Overall revenue and expenditures for the 2007 budget is summarized in Table 3 below;

Table 3: 2007 Budget Summaries

Fund		2007 Budget		End Balance	2007 Actual		Projected End Balance
		Revenue + Anticipated Beginning Fund	Expenditures		Revenue + Actual Beginning Fund	Expenditures	
001	General	3,899,361	3,401,257	498,104	4,142,464	3,611,408	531,056
101	Street/Storm	348,774	326,402	22,372	377,634	331,291	46,343
102	Arterial	1,661,016	1,269,920	391,096	489,819	370,051	119,768
104	Cemetery	101,054	77,051	24,003	165,748	64,529	101,219

105	EMS	204,382	146,311	58,071	212,659	131,001	81,658
107	Police Res	416,261	147,700	268,561	550,499	244,786	305,713
108	RR ROW	87,854	0	87,854	98,004	0	98,004
109	Crim Justice	192,053	75,000	117,053	198,024	63,129	134,895
130	Fire Res	698,309	655,574	42,735	649,082	907	648,175
134	Fire Const	320,278	75,000	245,278	331,217	21,989	309,228
135	Park Const	595,536	475,000	120,536	743,961	615,832	128,129
136	Visitor Prom	66,112	23,000	43,112	83,626	48,081	35,545
301	Ceme Imp	211,269	100,952	110,317	228,492	1,215	227,277
306	Storm Const	130,100	32,500	97,600	124,680	0	124,680
307	Capital Imp	156,071	0	156,071	126,914	0	126,914
308	Comp Plan	463,499	177,950	285,549	453,216	145,244	307,972
401	NG Oper	2,484,655	2,365,378	119,277	2,703,394	2,686,763	16,631
402	Water/Sewer	1,946,929	1,798,469	148,460	1,757,116	1,668,033	89,083
403	Solid Waste	625,238	613,006	12,232	630,493	623,252	7,241
404	NG Capital	265,571	52,872	212,699	431,661	135,000	296,661
405	Sewer Const	11,230,842	7,890,716	3,340,126	8,794,587	5,007,885	3,786,702
406	Water Const	506,100	427,000	79,100	1,154,477	814,630	339,847
430	Equip Res	256,063	238,750	17,313	262,386	39,350	223,036
Total		26,867,327	20,369,808	6,497,519	24,710,153	16,624,376	8,085,777

As illustrated above, we anticipated ending the year with approximately \$6,497,519 in end fund balances, including those equipment reserves that are shown as expenditures, but were not intended to be used. Current projections show that we are anticipating an overall end fund balance of \$8,085,777, which encompasses all monies including any equipment reserves. The higher than anticipated end fund balance is mainly driven by unexpended funds in operations and capital. An example of such is found within Fund 130. Table 3 illustrates that Fund 130 anticipated expending \$655,574 on revenues of \$698,309 leaving an end fund balance of \$42,735, but this is a capital equipment reserve account for the Fire Department where replacement amortization is shown as expenditure to build the fund. Therefore, the Fund actually expended \$907 on revenues of \$649,082 leaving a total end fund balance of \$648,175 that directly correlates to the increased total end fund.

Although overall end fund balances have increased, several operations funds continue to rely on reserves to meet programs and services. This has been an ongoing problem in recent years due to a lack of growth and limited ability to keep pace with inflationary increases. This issue will be discussed in more detail in the 2008 summary later on in the budget report.

The City has an ongoing commitment to pursue and take advantage of every grant opportunity that appears to offer funding for projects and/or operations that have been identified through the planning process. The City has an excellent track record when it comes to grants and staff continues to do a remarkable job in this pursuit. For 2007 the City has been successful in obtaining **\$5,435,165** worth of grants/funding/donations for project completion, equipment/material purchase or program funding. Those that we have received notice of award for or we have actually received are listed in Table 4 below;

Table 4: 2007 Grant Funding/Donations

Department	Granting Agency	Amount
Parks & Recreation	Pierce County (YC) additional	\$25,000
	Total	\$25,000
Senior Center	Pierce County	\$8,620
	Catholic Community Svcs	\$3,600
	Pierce County – Block Grant	\$6,710
	Pierce County – Fresh Produce	\$2,000
	Total	\$20,930
Police & Fire	PC 911 (recording system)	\$24,000
	PC 911 (records manage system)	\$43,468
	PC 911 (radio system)	\$ 63,892
	Total	\$131,360
Utilities/Streets	PSRC – Rural Corridors (SR165)	\$500,000
	DSHS – WWTP Appropriation	\$4,200,000
	FEMA- Water Transmission Main	\$417,000
	TIB (West Main Overlay)	\$71,500
	State DEM - Water Trans Main	\$69,375
	Total	\$5,257,875
TOTAL ALL GRANTS/FUNDS		\$5,435,165

A significant amount of time and energy has been spent this year on completing the various projects listed below;

- (2) Skatepark Picnic Shelters
- Comprehensive Water Plan
- Main Street Reconstruction

- Ryan Road Reconstruction
- Nielsen Meadows Subdivision Construction
- Museum Roof Repair (complete)
- Water Transmission Main Repair
- Foothills Trail Extension Construction
- Foothills Trail Pavement Patching
- Emergency Management Plan
- City Entrance Signs
- Youth Center Bid Award
- Park Avenue Chip Seal
- WWTTP Construction Phase II
- Development Standards update
- Elk Heights Home(s) Construction
- New Commercial Review and Inspection
- Phase II NPDES Stormwater Permit Compliance
- Comprehensive Stormwater Plan
- Flow Control Valve Installation & Bypass Repiping
- SR410/SR165/Ryan/112th Realignment Design
- 911 Center Upgrade
- Fire Station Remodel (Resident Living Quarters)
- Emergency Generator Installation Key Public Facilities

To conclude, we are coming to the end of the 2007 budget year better than expected in some areas and worse in others, such as in the Natural Gas Operations Fund 401. The general fund continues to experience pressure from increased costs while the property tax restrictions imposed through passage of Initiative 747 significantly impact the City's ability to keep up with the cost of doing business.

We continue to move forward with implementation of needed, major, infrastructure improvements and continue to be impacted by increased construction material and labor costs. As a result of these major expenditures, and the fact that there are still significant improvements needed to areas such as inadequate or antiquated water transmission/distribution piping, roadway conditions, stormwater drainage, natural gas piping, and wastewater treatment and collection piping, the City Council must evaluate the current rate structures within the City to determine if the charges are sufficient to meet these infrastructure needs. This will be discussed further in the 2008 summary.

Current energy cost projections and consumer price indexing indicate that inflation continues at a rate of about 4.1% which will add pressure to funding but, as in the past, I am confident that our sound fiscal management and common sense approach should aid us. Moving into the coming year the City will continue to scrutinize operations to find more efficient ways to operate while continuing to

provide the personal, high quality of service that has been our hallmark over the years.

2008 PROJECTIONS &

“BOTTOM LINE”

The 2008 budget proposes to expend a total of \$21,481,498 based on revenue projections of \$27,762,506. Expenditures for 2008 reflect a increase of \$1,111,690 over 2007 primarily due to large capital construction projects such as SR165/SR410/Ryan Road/112th Street E Realignment, New Water System Well and Phase II of the WWTP. Revenues for 2008 reflect an increase of \$895,179 over 2007, again due to grant/loan dollars related to the aforementioned projects. Revenue projections for 2008 have been based upon assumptions related to proposed increases in utility usage charges and new development contributions toward Utility/Street Capital Projects. Should these assumptions prove incorrect then revenue projections would be affected accordingly. Further discussion of each will be made within the respective departmental categories.

The 2008 budget anticipates a beginning fund balance of \$8,085,777 and after projected expenditures is proposed to end the year at \$6,281,008, which reflects a decrease of \$1,804,769 in potential reserves, including capital and equipment reserves. Preliminary calculations show that approximately \$1,135,000 is being budgeted for capital and equipment costs that will either not be expended or is set up as reserve accounts. This would result in an overall anticipated end fund cash reserves of \$7,416,008.

The budget continues to experience pressure from increased employee salary and benefit costs and increased fuel and utility costs. AWC Healthcare Premiums for each employee is anticipated to increase by 15.2% in 2008. Overall spending within the departments for such items as supplies, repair and maintenance services, professional services, and travel and training remain fairly consistent with prior years.

A summary of the 2008 budget request is listed in Table 5 below;

Table 5: 2008 Budget Summaries

Fund		Projected Beginning Fund Balance	2008 Budget		Projected End Fund Balance
			Revenue inc BF	Expenditures	
001	General	531,056	4,059,104	3,745,863	313,241

101	Street/Storm	46,343	448,068	420,978	27,090
102	Arterial	119,768	2,169,768	2,032,510	137,258
104	Cemetery	101,219	185,719	98,352	87,367
105	EMS	81,658	231,623	148,733	82,890
107	Police Res	305,713	432,413	129,000	303,413
108	RR ROW	98,004	130,990	10,000	120,990
109	Crim Justice	134,895	215,895	95,000	120,895
130	Fire Res	648,175	787,825	787,825	0
134	Fire Const	309,228	326,478	76,000	250,478
135	Park Const	128,129	203,109	148,500	54,609
136	Visitor Prom	35,545	54,545	24,600	29,945
301	Ceme Imp	227,277	239,277	105,202	134,075
306	Storm Const	124,680	222,880	132,500	90,380
307	Capital Imp	126,914	280,414	141,500	138,914
308	Comp Plan	307,972	382,972	159,672	223,300
401	NG Oper	16,631	2,729,131	2,656,460	72,671
402	Water/Sewer	89,083	1,874,779	1,830,189	44,590
403	Solid Waste	7,241	640,586	632,110	8,476
404	NG Capital	296,661	449,685	157,337	292,348
405	Sewer Const	3,786,702	9,676,752	6,216,417	3,460,335
406	Water Const	339,847	1,750,457	1,484,000	266,457
430	Equip Res	223,036	270,036	248,750	21,286
Total		8,085,777	27,762,506	21,481,498	6,281,008

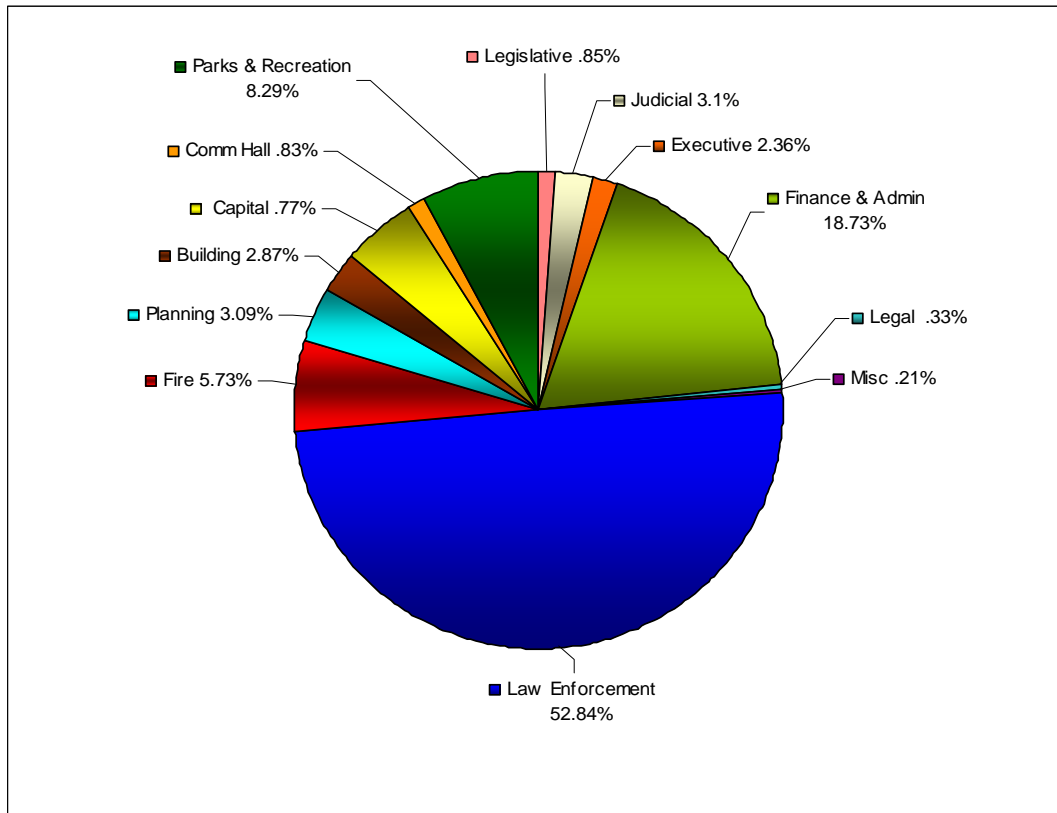
The regular property tax limit for the coming year is \$ 682,191 (including refunds) and \$ 142,815 for EMS, which is the full levy amount of 101% as allowed by law. Assessed valuation of property within the City totaled \$424,908,430, which includes \$5,795,422 of new construction valuation.

The new construction will realize the City an additional \$10,418 at this year's tax rate. Total increase in property tax revenue with new construction and the full levied rate is \$ 17,659.

Last year's levy resulted in a regular property tax of \$ 1.7917/\$1,000 of assessed property valuation and an EMS tax of \$.376/\$1,000 of assessed property valuation. The amount next year will be \$ 1.604/\$1,000 of assessed valuation for property tax and the EMS will go down from \$.444/\$1,000 to \$.336/\$1,000.

This \$682,191 is then collected through individual property tax payments and distributed to the general fund to utilize for programs and services to the community. The chart in Table 6 below illustrates how each dollar of property tax for 2008 is apportioned throughout the fund for the provision of these services.

Table 6: 2008 Property Tax Distribution



Previously it was discussed that inflation presents an obstacle to maintaining current funding levels for services and programs. The Consumer Price Index (CPI) for the Puget Sound area continues to climb at a rate of between 3.5% and 4%. This reflects increased costs for everyone, but for City operations it means higher costs for salaries, benefits, equipment, materials, supplies, fuel and utilities. One tool that cities used to offset these impacts was the taxing power granted under Referendum 47, which allowed local taxing districts under 10,000 populations to increase taxes on existing properties by up to 6% annually. Since the passage of I-747, this has been in question and was recently clarified when the Washington State Supreme Court ruled that the measure was unconstitutional. The State Department of Revenue has released guidance on this decision providing that annual increases in taxes now will be governed by Referendum 47 once again.

As a result of this overturn the City may be able to recalculate their maximum levies. This means the City may be able to use what's called "banked capacity" to increase future levies by more than 6 percent a year. This banked capacity is the difference in the amount between what the City actually levied versus what was allowed by law. This translates into 5% per year for every year that the City was held to the 101% or 30%. However, the City cannot increase their maximum tax rates beyond those set in the state constitution, which has the practical effect of limiting how much taxes can be increased.

In response to this court decision the Governor has issued a statement requesting that the State, counties, cities and all other taxing districts not increase property tax levies for their upcoming budgets. The Governor has also indicated that she will be asking the Legislature to work to reinstate the 101% property tax cap.

Both the Mayor and City Council have expressed a desire and taken the position to respect the wishes of the voters and hold any increases to the self-imposed limit of 101%.

This limits the City's ability to increase property tax levied amounts to 1% of that which was levied in the year prior. As an example if in 2007 the total valuation of all property in the City was \$100,000,000 and the levied rate was \$2.00/1,000 of assessed valuation, the City could only collect a total of \$200,000 for the whole City.

$$2007: \quad \$100,000,000 \text{ divided by } 1,000 = 100,000 \times \$2 = \$200,000$$

When the levy rate is set for 2008 the Council will limit any increase to the 101% threshold, whereby the City can only collect the 100% they collected last year plus a 1% increase overall. So if in 2007 the City collected \$200,000, then in 2008 they could only collect that \$200,000 plus 1%, which equals \$202,000. This extra \$2,000 would be collected by apportioning it over the total property valuation of the City.

If for example in 2007 the Pierce County Assessor comes out and reappraises the City valuation at \$110,000,000, which is a 10% increase in total valuation, the City can still only collect in 2008 the \$202,000 which is the 1% over the levied amount for 2007 regardless of how much an individual's property value goes up. This is how the actual levy rate gradually shrinks over time and revenue fails to keep pace with external pricing forces. If the levied rate was based on the per/1,000 calculation the City would be able to collect the \$2/1,000 rate used in 2007 on the new assessed valuation of \$110,000,000 generating \$220,000 plus 1%, which would be \$222,200 versus the actual \$204,020 the City would be limited to. Under the current tax structure, when the new assessed valuation of \$110,000,000 is divided by the actual 101% levied amount (\$204,020) that can be collected it results in a reduction of the \$2/1,000 rate to \$1.85/1,000.

\$110,000,000 divided by 1,000 = 110,000 into \$204,020 = \$1.855/1,000 levy.

To offset this gradual erosion of general fund revenue the City has only limited options available to it, such as requesting a voter approved levy lid lift, receiving new revenue from commercial and residential growth and increasing fees for services. The City Council has studied various scenarios and settled on consideration of a potential ballot measure that would lift the levy lid to a level that would fund needed services in the community. The City Council plans to study this in more depth and develop a formal recommendation sometime later in 2008 with the possibility of having a measure on the ballot sometime next year.

Utilities and subsequent rate evaluations will be discussed separately in their individual categories below.

For 2008 the City intends to move forward with several capital infrastructure improvements and planning projects as follows;

Fund 001	General Fund Elk Heights Home(s) Construction Nielson Meadows Construction New Commercial Review and Inspection
Fund 102	Street Arterials West Main Overlay (depends upon TIB funding) Chip Seal Project (TBD) Realignment Phase I (depends upon design completion, environmental and land) 2008 Sidewalk Project
Fund 134	Fire Station Construction Fire Station Design Phase II
Fund 135	Park Construction Skatepark Picnic Pad Shelters Youth Center Construction & Furnishing Trail Repair Trail Light Installation White River Bridge Feasibility Study & Design
Fund 301	Cemetery Improvement Niche Wall Design Electrical Power Installation Landscape River Avenue Entrance Pavement Repair
Fund 306	Stormwater Construction Upgrade Spiketon Road Culverts Phase II NPDES Stormwater Permit Compliance

- One Major Stormwater Capital Project (TBD)
- Fund 307** **Capital Improvement**
 Building.Planning/Court Office Remodel
 PW Building Remodel
- Fund 308** **Capital Planning**
 Emergency Management Plan
 Complete Water Comprehensive Plan
 Complete Stormwater Comprehensive Plan
 Update Parks & Recreation Plan
 Complete Zoning Code Update
 Complete Subdivision Code Update
 Comprehensive Plan Amendment
 RR ROW Master Site Plan completed
- Fund 404** **Natural Gas Construction**
 System Pressure Increase
 Leak Detection
 Spruce Street Gas Main Replacement
- Fund 405** **Sewer Construction**
 Wastewater Treatment Plant Phase II & III Completion
 Install New Gravity Main to serve DSHS
- Fund 406** **Water Construction**
 New fence at the Water Storage Reservoir
 Complete Water System Analysis
 Rehabilitate Wells 2 & 4
 Construct New Trail Well
 Design New Storage Reservoir
- Fund 430** **Equipment Purchase**
 Mower - X-Mark - FR25KO, 25HP, Kabota - 2008
 Trailer - Tandem Axle 7 ton tilt
 Backhoe (small) - Typical John Deere 4300, 4WD
 Sander for Ford Dump (Snow Conditions)

Staffing:

New staffing added to the Public Works Department In 2007, in response to increased regulation and maintenance of the Stormwater System, Natural Gas System and expansion of existing and proposed park and recreation facilities, has made a significant impact in overall maintenance. However, we still lag behind during the summer months when maintenance activity is at its peak. High priority must be given to ensuring that we have enough trained personnel to conduct operations in compliance with Department of Labor Safety and Health Rules. Our greatest need is ensuring that we have adequate non-technical personnel to perform activities such as flagging and painting. To accomplish this goal the 2008 budget reflects the addition of

two new seasonal Utility workers to work a maximum of 750 hours each during this peak period to assist with these duties.

The new Youth Center is scheduled to start construction within the next 30 to 60 days and should tentatively be complete by April, 2008. As discussed in the 2007 budget, completion of the Youth Center and implementation of a new program will require new staffing considerations. The previous program was staffed by a part time Youth Coordinator assisted by occasional hourly help. An evaluation of the anticipated needs and demands of the new center and proposed program has led to the belief that operation of the center may be best served by combining the resources of the Youth Program with those of the Senior Center under the umbrella of a new Recreation Services Director rather than two separate program coordinators. The 2007 budget expanded the current Senior Coordinator's duties on an interim basis to encompass the youth activities as well. Staffing of the new Youth Center was to be with a part-time hourly employee under this position's oversight. For 2008 the budget proposes to make this consolidation permanent by transitioning the Senior Coordinator's interim appointment into the exempt position of Recreation Services Director.

Also in 2008, the City hired two employees to new positions approved by the City Council. Suraiya Rashid was hired to the new Associate Planner position where she will perform City planning duties under the guidance of the City Administrator until such time that her knowledge and abilities demonstrate that she is ready to assume the duties as full City Planner. This transition is not anticipated in the 2008 budget.

Secondly the City retained Kathy Loye as the City's part time Information Technology Consultant. This is also a new position created within the City and serves to provide computer and technology support to all departments within the City. Funding for this position comes from proportionate contributions from all departments based upon the number of service units in operation and/or anticipated in the coming year. The 2008 budget reflects funding for this position.

2008 DEPARTMENTAL SUMMARY

CURRENT EXPENSE (GENERAL) FUND

The general fund usually receives quite a bit of focus and attention by being the primary central depository for City services other than the larger individual utility accounts. The general fund serves as the backbone of the City and provides funding for government administration, law enforcement, fire and emergency services, planning and building, municipal court, and parks and recreation

programs and services. As discussed previously, increased costs from inflationary pressures continue to take a toll on the general fund. Revenues continue to dwindle in relation to cost, and the City's inability to keep pace with these increases. General fund reserves have dropped from \$1,183,056 at the beginning of 2002 to the \$531,056 projected for January 1, 2008, which includes \$110,000 from sale of the property to White River Senior Housing. This reduction of \$652,000 over the last five years is not readily replaceable due to the limitations enacted from voter initiatives.

The City Council and Administration continue to explore ways to maintain the health of this fund in order to offer a consistent and adequate level of service to the community. The 2008 general fund budget proposes an increase in expenditures of 10.13%. Annual adjustments to employee salary and benefits drive a portion of the increase with employee salaries tracking the Seattle-Tacoma Consumer Price Index (CPI), which is 4.1%, and medical insurance premium increases averaging 15.2%. Along with salaries and benefits, public utility and fuel costs continue to escalate. The largest operational increases are in: legislative (10.9%) and executive (33.06%), which is mainly due to adding a third day of court which increases salaries for the court administrator, judge, prosecutor, defense attorney and security officer; Finance & Administration (11.85%) which is primarily due to a 13% increase in the City's general liability insurance premium and scheduled State Audit for 2008; Parks (12.78%) due to addition of facilities and increased maintenance; and MPC (Senior) which is due to a change in employee benefit status, janitorial increases and lease for a new copier. Transfers from the general fund to capital projects have been reduced from \$38,000 in 2007 to \$27,000 in 2008 in an effort to offset further reduction of the reserves.

Table 7 below provides a summary and overview of the various departments funded through the general fund and a comparison of the changes proposed between the 2007 and 2008 budgets.

Table 7: General Fund Summary

Departments	2007 Exp	2008 Exp	Difference	Percentage of Change
Legislative	34,325	29,825	-4,500	-13.11%
Judicial	82,222	108,529	26,307	32.00%
Executive	62,015	82,515	20,500	33.06%
Finance & Admin	586,800	654,758	67,958	11.58%
Legal	11,500	11,500	0	0.00%
Misc	4,350	4,350	0	0.00%
Police	961,895	1,046,514	84,619	8.80%
Fire	192,340	200,324	7,984	4.15%
Jail	390,495	413,690	23,195	5.94%

Dispatch	349,724	386,987	37,263	10.65%
Pollution Control	2,000	2,000	0	0.00%
Planning	103,126	107,920	4,794	4.65%
Building	95,296	100,362	5,066	5.32%
Alcoholism	1,000	1,000	0	0.00%
Parks	104,690	118,066	13,376	12.78%
Non-Expenditures	200,000	250,000	50,000	25.00%
Other	38,000	27,000	-11,000	-28.95%
MPC + Reserve	77,960	96,885	18,925	24.28%
Community Hall	26,350	28,850	2,500	9.49%
Recreation	77,169	74,787	-2,382	-3.09%
	3,401,257	3,745,862	344,605	10.13%

ADMINISTRATIVE

Administration and finance continue to operate with a lean budget with no anticipated staffing additions, which has served us well in the past. However, as the City continues to grow and demand upon the current staff increases, the City may need to consider adding additional accounting personnel to assist with City finances. Cost increases are related to salaries, benefits, janitorial, insurance, communication and for our biennial audit.

POLICE DEPARTMENT

The Police Department is not proposing changes to the 2008 budget except for contractual wage increases and a bump in the fuel line item. All three divisions of the department will operate under the current budgeted staffing levels. The Police Department has been experiencing a steady increase in call volume each year and does not anticipate 2008 to be any different.

Currently the fifth jail position is vacant and is being filled by a part-time employee. Testing to fill this position will occur around March of 2008. Use of the jail continues to be in high demand and revenues are expected to meet or exceed the projected amount for 2008.

The Dispatch Center was able to complete its overhaul in 2007 thanks to grant funding, which exceeded \$133,000.00 dollars in the calendar year of 2007. This completed a three-year project leaving the center state of the art with very few upgrades needed for the next eight to ten years.

Staff will continue to pursue grant funding where opportunity allows and will

continually monitor our contracts to insure that the charges for services actually reflect the cost of providing service to these other agencies.

Scheduled equipment replacement and/or repairs propose in the budget are two new patrol cars, four replacement lap-top computers for the patrol cars, and a Live Scan I.D. 500 finger printing system for the jail.

FIRE & EMS

Over the past ten years the Fire Department has experienced a 95% increase in the annual number of calls for service. Based on current projections it is estimated that the Fire Department will respond to nearly 800 calls for service in 2007. The Fire Department anticipates the increase in calls for service will continue at a similar steady growth rate in 2008.

The Fire Department continues to struggle with meeting the growing service needs of the community within the confines of the limited space and facilities of the existing Fire Station. The Fire Department has far outgrown the current Fire Station which opened in 1952. In anticipation of accelerated growth in the City of Buckley during the next 5 – 10 years, the Fire Department must aggressively move forward with a planning process that will result in the construction of a new Fire Station facility.

The citizens of Buckley continue to be economically rewarded with quality and professional fire and emergency medical services thanks to a very dedicated force of Volunteer Firefighters. In response to a growing demand for service, the Fire Department has instituted new staffing programs in 2007 including a Resident Volunteer Firefighter Program and a cooperative working agreement with American Medical Response (AMR) that provides paramedic staffing in our Fire Station 24/7 without additional tax burden to the property owners in the City of Buckley. The Fire Department has the immediate need to expand programs such as the Resident Volunteer Firefighter Program, but lacks the facility space that can allow such expansion to occur. The Fire Department is currently seeking federal grant funding through the SAFER Grant program that would provide funding to rent additional residential space adjacent to the fire station for a 3-year temporary basis to allow for expansion of programs while the City seeks approval for a new Fire Station.

In 2008 the Fire Department will be replacing one 25-year old Fire Engine, anticipating delivery of a new Fire Engine late in the first half of 2008. In 2008 the Fire Department will also propose a Fire Impact Fee as part of the city's Comprehensive Plan update, which if adopted by the City Council will implement

an impact fee to be paid by new development to assist in the cost of constructing a new fire station and meeting funding requirements for other fire department capital improvement needs brought by growth.

PLANNING & BUILDING

The City anticipated significant building activity in 2006 and 2007 that hasn't materialized due to problems encountered in completing Elk Heights and Nielson Meadows. This same build out along with 2-3 major commercial and/or light industrial enterprises is anticipated in the future, but without firm scheduling it is hard for staff to estimate what the total may be. Therefore, we are conservatively estimating building activity in the coming year.

The operating budget for both Building and Planning will be comparable to 2007 except for the possibility of expanding the City Utilities Clerk's duties to include more land use permit processing and reclassifying the position to a Land Use Permit Technician job title, if approved.

Planning priorities for next year will continue to center around updating and solidifying development policies and standards in anticipation of growth that will occur once sewer capacity is available. The Planning Commission will be working on updating Subdivision Standards, Zoning Code, Comprehensive Plan Amendment, Stormwater Pond Design Characteristics, and new Commercial Development Regulations with Landscaping Standards, Development Guidelines and Public Works Standards, Shoreline Regulations update, Citywide Trail Plan, and Off-street Parking Standards.

In addition to land use and capital facility planning, Chief Predmore is continuing to work on our Hazard Mitigation and Emergency Management Plan. Additional monies have been budgeted for this work and we hope to have the Plans complete in 2008.

SENIOR CENTER

The City's Senior Program continues to see steady visitation and provides many popular on-site activities as well as recreational trips for the senior population. The senior van is continually increasing in popularity and with the aid of a grant from Pierce County Community Services Department; we have been able to offer free transportation to our elderly clients who are unable to drive themselves. Van service runs Mondays, Tuesdays, and Fridays to the Center and other local stops to provide seniors with the opportunity to come to the Center for lunch and

activities and make stops at the drugstore, post office, food bank, etc. Our monthly newsletter is available in the Senior Center, at local businesses, and on the web with a full listing of all the activities, health services, classes, and programs offered at the Center.

The Multi-purpose Center budget is fairly consistent with prior years except for a request for additional funds for new carpet in the Senior Center and increases in janitorial activities and benefit changes due to spousal coverage under the City's healthcare program.

UTILITIES/SERVICES

The City owns and operates four separate utilities, the Natural Gas System, the Wastewater Treatment System, the Stormwater System and a shared Water System w/Rainier School. In addition to the four utilities, the Public Works Department operates and maintains City streets, Parks and the publicly owned Cemetery, and provides contractual garbage service to City residents. The department consists of shared management duties between the Administrator and Public Works Supervisor and staff consisting of the following;

Wastewater Treatment Plant (WWTP)-

- 1 WWTP Supervisor
- 2 WWTP Operator's (1 Vacant)

Water/Sewer Collection/Streets/Storm –

- 1 Utility Lead
- 2 Utility Workers
- 1 Utility Apprentice

Natural Gas System –

- 1 Utility Lead
- 2 Utility Apprentices

Parks, Recreation & Cemetery-

- 1 Utility Mechanic
- 1 Building/Parks Maintenance Worker
- 1 Cemetery Caretaker (Permanent P/T)
- 3 Seasonal P/T Parks Workers

As discussed previously, the 2008 budget proposes to add two part time seasonal Utility workers to the roster for 750 hours each to utilize during the peak summer months. In addition the City has planned to add a third sewer plant operator to the

staff at the wastewater treatment plant. This position has been anticipated and budgeted for the last two years, but because of the delay in construction was not filled until needed.

Natural Gas Department:

Gas operations receive funding from the sale of natural gas to our customers. We purchase our supply wholesale through IGI Brokerage Services and redistribute to our customers. Natural gas continues to be a problem due to volatility and high prices. Beginning in October, 2007 the City experienced a 76% jump in the price we pay for our supply of natural gas. We attempt to secure our natural gas supply 1 to 3 years in advance of the actual need, hoping to gain the best price; however, we are somewhat at the mercy of the market forces at play. When we do find an entry price we lock-up a supply of 80% of our previous year's consumption. This allows us some flexibility because we have to pay for the reserved quantity whether we use it or not. In an exceptionally mild year the City could end up paying for gas we don't use. In an abnormally cold year it can have the opposite affect by forcing the City to purchase a higher percentage of supply off the open market at the current index price which forces our average cost per therm up. 2007 was such an example. The City was already paying a premium for gas at \$.792 and the operational margin was extremely thin because the City understood the burden to the rate payer and minimized rate increases to the bare minimum. The market on the other hand moved gas prices in the opposite direction to extremely high prices forcing our average cost to be anywhere from \$.93/therm to as high as \$1.03/therm. With operational costs to maintain the gas system running about \$.40 to \$.50 per therm, the City's customer rate of \$1.376/therm was not sufficient to entirely cover the cost of operations and we are anticipating beginning 2008 with very little in reserves.

For 2008 we hope to recover from this event. The City was successful in locking-up a supply of natural gas for 2008 at a price that is 10% lower than in 2007. In addition, the City Council imposed a 5% rate increase to \$ 1.445/therm which will offset costs in the near term which should help; however, markets rates and cost fluctuations will have to be constantly monitored to make future adjustments when necessary.

Water Department:

Water sales for 2007 came in significantly lower than anticipated by about 20.64%, and expenditures lower by 7.88%. Revenue was lower than expected because of what we believe is twofold; 2007 experienced more rainfall and cooler temperatures than normal decreasing demand; and second higher rate increases passed by the City Council in December, 2005 began to have an impact on consumption inadvertently

assisting the City with conservation efforts.

In 2003, the Washington State Legislature passed the Municipal Water Supply – Efficiency Requirements Act, Chapter 5, Laws of 2003, First Special Session, referred to as the Municipal Water Law. It directed the Department of Health (DOH) to develop significant new water use efficiency regulations for municipal water suppliers. The key components of the new requirements are: mandatory provisions for conservation plan; standards for water distribution system leakage; establishment of conservation goals in a public forum; and a conservation performance reporting system to show progress towards meeting conservation goals. The New Water Use Efficiency Rule Went Into Effect January 22, 2007.

Prior to 2007 water consumption per household (gpd) throughout the City began to creep up from an average of 266 gpd in 2002 to 306 gpd in 2006. Ordinarily a small fluctuation year to year is to be expected, however in this case the trend from one year to the next was consistently higher than the last resulting in an overall increase of 40 gpd per household. This translates into over 20 million gallons of “extra” water per year. This increased demand is directly contrary to State directives to implement appropriate conservation measures that ensure that water is used efficiently.

One of the most effective tools for water conservation is the rate structure. As indicated under Municipal Research guidance “rate structures and practices that promote the efficient use of water should be the goal to ensure sufficient resources to meet competing uses.” The rate increases imposed by the City Council last year seemed to have an affect and helped to implement this goal. In 2008 the City Council is proposing to implement additional rate measures including tier and seasonal structuring to encourage less wasteful and more efficient use of our resource. The proposed new base rate and seasonal structure is listed below in Tables 8-A.1 and 8-A.2;

Table 8-A.1: Proposed Base Water Rate Structure

Meter Size	2007 (Current)	2008	2009	2010
	Within City	Within City	Within City	Within City
5/8"	8.29	Eliminate	Eliminate	Eliminate
Up to 3/4"	11.02	13.22	14.55	14.98
1"	13.98	16.78	18.45	19.01
1-1/2"	20.09	24.11	26.52	27.31
2"	27.96	33.55	36.91	38.01
3"	41.52	49.82	54.81	56.45
4"	67.34	80.81	88.89	91.56
6"	129.90	155.88	171.47	176.61
8"	318.26	381.91	420.10	432.71

In addition to the base rate identified in Table 8-A.1 customers will pay a usage charge per CCF (100 cubic feet) of water consumed as illustrated in Table 8-A.2 below;

Table 8-A.2: Proposed Seasonal Rate Structure

Effective Beginning		1/1/2008	1/1/2009	1/1/2010
Winter				
	2 - 7 CCF	1.75	1.80	1.85
	7.01 - 15			
Single-family & Multifamily residential	CCF	1.93	2.03	2.13
	Over 15			
	CCF	2.12	2.28	2.45
Commercial		1.80	1.85	1.91
Manufacturing/ industrial		1.70	1.75	1.80
Schools		1.70	1.75	1.80

Winter rates will be reflected on bills covering October 1st through May 31st

Summer

	2 - 7 CCF	1.75	1.80	1.85
	7.51 - 15			
Single-family & Multifamily residential	CCF	2.01	2.16	2.31
	Over 15			
	CCF	2.31	2.59	2.89
Commercial		1.80	1.85	1.91
Manufacturing/ industrial		1.70	1.75	1.80
Schools		1.80	1.85	1.91

Summer rates will be reflected on bills covering June 1st through September 30th

In addition to ensuring the quality and efficient use of our existing resource, the City is diligently pursuing additional supplies for future needs.

Other factors affecting the budget are increased construction costs and need within the system for capital improvements. Current City policy stipulates that at a minimum 15% of all water revenues are to be transferred to Fund 406 water capital improvement. For 2008 this minimum amount would be \$97,500; however, based on the schedule of improvements the City Council is increasing this amount to \$250,000. Although we haven't completed our Water Plan with Capital Improvement Schedule, we do know that we have several large ticket items that must be completed for reliability of our system as illustrated in Table 8B below;

Table 8B: Water Capital Improvement Projects

Water System	
Transfer Water Rights	\$30,000
New Well Construction	\$1,300,000
Rehabilitate Wells 2 & 4	\$50,000
Replace Transmission Main	\$10,000,000
Rehabilitate & Expand Sandfilter	\$1,500,000
New 1.0 MG Reservoir	\$1,400,000
Construct Tacoma Water Inter-tie Booster Station	\$750,000

Sewer Department:

The sewer section of Fund 402 serves as a combined budget which functions to provide funding for the two sections of city-wide waste treatment (collection and treatment). The collection portion focuses mainly on conveyance pipes and lift stations throughout the City and the wastewater treatment plant, located on Hatch Street, serves to treat the waste. The two sections are operated and maintained independently of one another. The collection section is maintained by the water/sewer section of the Public Works Department and the WWTP separately by staff members assigned to the facility. Revenue for the two sections is derived from the monthly sewer rates charged to customers throughout the City.

Rates have been raised fairly aggressively within the last 5-6 years to generate the funds necessary to upgrade the outdated facility. During 2007 the City began construction on the new sewer plant and in May we received legislative approval for Rainier School to become a direct partner into construction of the new plant, contributing \$4.2 million to the overall project. This joint effort results in a win-win situation for all to include the taxpayer, the State and the City.

The current phase of construction is approximately \$8.2 million and is scheduled for completion in July, 2008. Upon completion of Phase II of the project the City will still have to complete Phase III before the overall upgrade is complete. Phase III will include Anaerobic Basins and associated piping, chemical feed and existing control building remodel; for biological and/or chemical phosphorus removal, paving, fencing, drainage around existing mechanical building and chlorine contact at an estimated cost of approximately \$3,500,000. Completion of Phase III will be necessary to meet State and Federal water quality standards in the White River primarily for phosphorous removal.

Expenditures in 2008 for sewer operation are anticipated to increase for both sewer

collection and for waste treatment. Sewer collection is expected to increase significantly at 66.49% due to increased need for maintenance of existing infrastructure. A staff shortage over the last few years has left the City with limited resources to keep up with this aspect of the operation. The 2008 budget reflects changes that place new emphasis on this area without adding new staff, except for the two seasonal, part-time, utility workers discussed above. Waste treatment is anticipated to increase 12.72% primarily due to waste disposal costs and increased utility services resulting from operation of the new plant. Overall increase to the sewer budget is anticipated to be 1.3%.

Table 9 below illustrates overall changes in the 2008 budget;

Table 9: Sewer Operations

Sewer Operations			
EXPENDITURES	2007	2008	Change
Administration	\$130,996	\$133,554	1.95%
Sewer Collection	\$61,205	\$101,899	66.49%
Sewer Treatment	\$329,553	\$371,485	12.72%
Transfers	\$571,110	\$499,963	-12.46%
	\$1,092,864	\$1,106,901	1.28%

The City Council has reviewed the budget for 2008 and determined that based upon current funding levels, the larger increases imposed during the last few years should be over and rates will begin to stabilize. For 2008 the City Council is proposing a minimum CPI increase of 3% that will adjust the single ERU rate as follows in Table 10 below;

Table 10: Sewer Rates

Sewer Rates	Current	Proposed (3%)
For a single-family residence	\$57.21/month	\$58.93/month
for multi-family residences	\$48.34 per unit, per month	\$49.79 per unit, per month
For mobile homes	\$57.21/month	\$58.93/month
Non-System Sewage Disposal	\$200.68/105 cubic feet	\$208.31/105 cubic feet
Commercial users	\$57.21/900 cubic feet +\$2.23/100 cubic feet excess	\$58.93/900 cubic feet +\$2.31/100 cubic feet excess

Streets/Storm Department:

Street operations continue to be a challenge because of the lack of adequate funding. Monthly maintenance payments to PSE for street and parking lot lighting are approximately \$3,708 per month or \$44,500 annually. This amount paid for lighting is equal to 37% of the total street operations budget. Maintenance and operations will continue to be constrained until other funding measures are developed by the Legislature.

In order to continue to protect the streets budget the level of funding for salaries and benefits has been steadily decreased over the last few years. Therefore, the 2008 budget has been prepared based upon a breakdown of FTE's (Full Time Employees) that it takes to perform operation and maintenance of both the street and storm departments. FTE costs for street and storm were calculated using the following employee breakdown for combination of both sections; Public Works Superintendent (1/4), Utility Lead (1/4), Utility Worker (1), Utility Mechanic (1/5) and two seasonal Utility Workers at 425 hours each. The cost to be charged per section was then calculated by arriving at a multiplier based on the amount of time we estimate will be spent in each section, which for this budget is perceived at 35% streets and 65% storm. This percentage was determined by looking at the actual workload anticipated understanding that mowing of shoulders and ditches as well as street sweeping is as much a function of stormwater as it is streets.

The PW Department once again focused on maintaining drainage ditches around the City significantly improving the ability to convey runoff. In order to set up a preventive maintenance schedule on the system, and a rotation schedule, additional resources are needed.

Arterial revenue historically is limited to revenue received from grants and transfers in from the general fund and fund 101 for capital projects. Staff continues to work on funding for several of the large capital street projects throughout the City. In 2007 we were fortunate to receive an award for \$500,000 from the Puget Sound Regional Council to add to the funding we already have to complete the SR165/SR410/Ryan/112th Realignment Project. Depending upon design completion and environmental permitting, we are hoping to begin Phase I of the project in 2008. Other lesser projects proposed for next year include the following;

- ◆ 2008 Sidewalk Replacement Project
- ◆ 2008 Chip Seal Maintenance Program
- ◆ West Main Street Overlay (TIB)
- ◆ Phase I SR165/SR410/Ryan/112th Realignment

Stormwater funding continues to be a concern, as well. Due to soil conditions and flat topography, drainage is one of the biggest issues in the community. The City receives more complaints concerning standing water and localized flooding than

any other issue. The biggest constraint to solving this problem is money. Cost to install conveyance lines large enough to transport the runoff are expensive. Added to that is the cost to replace and/or restore roadways and infrastructure impacted by these projects, which escalates the overall projects even further. The City's consultants are continuing to work on the Comprehensive Stormwater Plan which will finalize the major capital projects needed to the system. Along with capital projects the plan specifically addresses basin planning in the City and incorporates funding recommendations to implement the plan. We had intended to have the plan adopted before the end of 2007 but due to major design changes the plan had to be modified delaying the adoption. Currently we are intending to have the final draft before the City Council for adoption in February or March, 2008.

In anticipation of these large costs, the City Council has been aggressive in implementing rate increases for stormwater utility fees. In 2007 the City imposed a 45% increase which adjusted the standard rate to \$8.88/month. For 2008 the City Council is continuing to move forward this goal of implementation and is once again proposing an aggressive increase of 42%, adjusting the standard rate \$12.61/month. This amount provides the necessary funding for maintenance of the system and allows a \$90,000 transfer to the stormwater capital fund to build reserves for the large projects.

The 2008 budget reflects one large \$100,000 capital project that has yet to be identified. This funding may or may not be used depending upon final identification of projects within the storm plan. If no project is identified then the funds will be allowed to build along with any reserves to be used on a future project. In addition minor projects such as culvert replacement and NPDES compliance has been budgeted for next year.

Overall the 2007 budget for Street/Storm Operations reflects a combined increase of 29.0%.

Solid Waste:

Revenues from solid waste are coming in slightly higher than projected due to new growth, which is reflected in the actual cost for service, as well. Under service contract terms D&M Disposal is permitted to make a CPI adjustment in March, 2008 which is limited to 80% of the CPI up to a maximum of 2.5%. Based on the current CPI figures we are anticipating that the increase will be the maximum 2.5%.

In addition to increases in service contracts the fund is impacted by other inflationary cost such as wages and benefits for administration, utilities and communication. Overall increases in expenditures are anticipated to be 3.1%. In order to offset the costs the City Council is proposing an inflationary adjustment of 3.8% to the current

rates.

PARKS & RECREATION DEPARTMENT

Once again 2007 demonstrated that continued expansion of City park and recreation facilities and related maintenance is creating an increased demand upon our resources. The 2008 budget shows an increase in salaries for parks in response to this demand. As we continue to add facilities such as the Elk Heights Park, Foothills Trail extension and potential Miller property these increases will rise proportionately.

The primary focus in 2008 will be the construction and development of the Youth Center. The project has currently been awarded to Interwest Development and is in the permitting phase. Once permits have been issued construction is set to commence with a tentative completion date of April, 2008 with the Center hopefully being available for use by the time that school is out for the year. It is our intent to continue to seek additional grants and funding to help furnish and support the programs offered in the Youth Center. Also, in the works is applying for 501 ©3 non-profit status through a Youth Center Board of Directors to open up other opportunities for grants and funding for the Center.

Management of the program and new facility will be through expansion of the Senior Center Coordinator's duties to encompass this program as well, making this individual the Recreation Services Director. Once the building is completed the new Recreation Services Director will begin implementing programs in the facility. With the aid of a 30 hour per week Recreation Coordinator, the Youth Center will be staffed during after-school and weekend hours for youth activities and community special events. As the programs grow and there are more youth participants, it is our intention to use high school students, and work-study participants to assist the paid staff in program operations.

In addition to the Youth Center the budget proposes to fund the following projects in 2008;

- ◆ Foothills Trail Extension
- ◆ 2 New Trail Lights
- ◆ Skatepark Picnic Pad Shelters
- ◆ White River Bridge Design
- ◆ City wide Trail Plan and update to the Parks Plan

CEMETERY

In 2007 the City created the position of Cemetery Caretaker and filled the position to provide a minimum of 30 hours per week of dedicated maintenance to the facility. Preliminary results seem to indicate that this idea was the right one. The number of complaints has dropped off to almost none and the City has received numerous compliments stating that the Cemetery looks better than it has in a long time. In addition to the direct gains the City has benefited in other ways, examples of which are, our full time parks worker has been able to focus more on the parks instead of being split between facilities which has led to better conditions within the parks, it reduced our need for 3-4 seasonal part time employees to a maximum of 3, and the individual performs most of the graveside ceremonies with assistance from the Parks crew reducing costs by not having utility workers do this work.

The Cemetery fund is experiencing increases similar to those throughout the rest of the budget such as in wages, benefits, administration and utilities. In order to offset the costs the City Council is proposing an inflationary adjustment of 3.8% to the current rates.

Projects being planned for Cemetery Improvement Fund 301 in 2008 are Niche Wall design, electrical power installation, roadway pavement repair and entrance landscaping.

UTILITY RESERVES

Proposed equipment purchases for 2008 include;

- ◆ Mechanic Shop Tools
- ◆ Mower - X-Mark - FR25KO, 25HP, Kabota – 2008 (Parks & Cemetery)
- ◆ Small tools and equipment
- ◆ Trailer - Tandem Axle 7 ton tilt
- ◆ Backhoe (small) - Typical John Deere 4300, 4WD (Parks & Cemetery)
- ◆ Sander for Ford Dump (Snow Conditions)

We will continue to allocate a portion of each department's budget toward building our equipment reserve fund and transferring a portion from each utility fund to build capital reserves for major improvements or upgrades to existing facilities.

CONCLUSION

As the Mayor indicated early in 2007, the goal for this year was to minimize major projects to give the City a chance to catch its breath and finish those projects that had already been started. For the most part this has been achieved,

although we are still pressuring the contractor to do the final miscellaneous items on the Ryan Road/Main Street Project and the Foothills Trail Extension. Hopefully, the remaining items will be completed prior to the end of the year allowing the City Council to make final acceptance of the projects. Planning ended up being a major focus in 2007 and we have several projects ongoing in an attempt to prepare the City for the onslaught of growth that is anticipated once sewer and water capacity become available.

I believe that this budget, as in years past, demonstrates the administration's commitment to accountable and responsible governance. We look forward to the coming year with enthusiasm and excitement, dedicated to the commitment of service to this community.

The 2008 budget takes into consideration the ideas, priorities and goals of the Mayor and City Council, as well as those projects/programs identified throughout the community and in the Comprehensive Plan. This budget continues to fund all programs and services that have been provided in the past, yet operates in a climate of constraint due to an erosion of taxing authority and pressure from the increased cost of doing business. The cost of completing the most recent construction projects has depleted a significant portion of the various capital reserves and the City must look to increased rates to keep pace with the cost of funding additional improvements. Despite this fact the City remains in fairly good financial shape and through responsible spending, accountability, vigilance and caution we will remain that way.

The City's decision to increase selected utility rates as a result of the increased costs, as always, was not an easy one. Our rates continue to be competitive with other jurisdictions. The City in an effort to minimize hardship to those least able to afford it are continuing to provide relief by offering one of the most generous low-income discount rate programs throughout the State. This program is designed to make eligible those individuals/families struggling to make ends meet on less than a "living wage".

Through open communication, consensus and cooperation we can look forward to the challenges facing us in the coming year. We will continue to exercise restraint, build reserves when possible and explore every alternative that presents itself to find a more cost effective solution to providing quality service. Through these efforts we will continue to progress.

In closing I would like to once again express my gratitude to the elected officials, staff and volunteers for helping to make 2007 another successful year. Thanks to everyone for their time, commitment and input into the development of this 2008 budget request.

City Administration