

City of Buckley

2016 Budget Request



Mayor

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City Council

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MAYOR'S MESSAGE 2016

As we close out the books on 2015 and look forward to planning for 2016, we find ourselves in the pleasant position of having a period of time with increasing revenues. Even though we are still juggling to balance all the funds and replace reserve funds that were used during the recession plus adding additional employees to help with the work load, this year's budget has been less "painful". The question now is being able to sustain any new expenditures.



Revenues have increased across the board most notably in sales tax. During the last Legislative session, the Legislature restored some of the liquor tax money that was taken away from cities during the recession to help fund schools. Also, they decided to share some of the tax revenue from the sale of marijuana. Marijuana tax money is restricted in what we can use it for, but we plan on using our share to help fund an additional police officer. Buckley now has one of the lowest sales tax rates in Pierce and King Counties and it is helping to attract new businesses into our city so, hopefully, we will continue to see sales tax revenues increase. Even though interest rates are still at historical lows, the \$5 million dollars that the Council set aside from the sale of the natural gas company in 2015 are beginning to reap income into the general fund.

2016 should see the completion of the Hwy. 410, Hwy. 165 and Ryan Road realignment (as long as WSDOT does not request another review!). We will have a completely refurbished skate park in 2016. We continue to work with Pierce County to get the Foothills Trail completed from South Prairie to Buckley and to get a bridge across the White River to continue the trail to Enumclaw. Throughout this budget document you will see other projects by departments that are either in the planning stage or construction stage. Sustainability is the goal. Can we afford it and then can we maintain it?

This budget document is a constantly changing document and revenues and expenditures are always changing numbers and this one is no exception. We usually do at least one budget amendment each year as monies come in and out above or below estimates since no one can see what the future holds.

Again, staff has done a great job on keeping expenditures to a minimum and making sure that the city runs smoothly.

Mayor Patricia Johnson

BUDGET SUMMARY 2015 - 2016

The City of Buckley is a Mayor-Council form of government that provides an extensive array of services to the community. The total City budget encompasses twenty-nine (29) individual funds each having an expense and revenue category. From these accounts the City currently administers programs and services for finance and administration, legislative, executive, legal, municipal court, fire control and EMS, law enforcement, contract law enforcement services, building and planning, parks, senior center, youth center, recreation, community hall, streets, cemetery, utilities (stormwater, water, sewer and garbage) and capital replacement.

The 2015 Budget anticipated and reflected continued economic improvement throughout the business and housing sectors. End of year projections based on current numbers support many of the assumptions made in the budget. New housing starts remain strong and we anticipate continued strength in this area for at least the next 2-3 years, staff has seen an uptick in interest from commercial developers during 2015 with the strong possibility that there will be at least two (2) commercial site plans submitted for development in the next couple of years, and real estate excise tax (REET), which reflects activity in the real estate market, remains strong. We continue to see improvement in the economic sector and sales and use taxes are up 19.05% over higher 2015 projections; however, this improvement does not extend into the downtown core where businesses continue to struggle.

Revenue projections for 2016 remain fairly consistent with 2015. Expenditures for 2016 will see an increase in the general fund due to departmental staffing requests and small increases in operating costs that are primarily related to employee wages and benefits. Utilities and enterprise funds remain stable with the exception of the cemetery fund where revenues continue to fall short of operational costs. The City successfully completed the sale and transfer of the Natural Gas Utility to Puget Sound Energy in 2014 and reconciled all accounts early in 2015 allowing the City Council to allocate proceeds of the sale to various fund categories that will be discussed within individual sections in this report.

In the next section we'll summarize activity for 2015 in the various fund categories.

General Operating Fund

The general fund (current expense), considered the “*workhorse*” of the budget, derives revenue from a variety of sources, including property taxes, sales and use taxes, public and private utility taxes, license and permit fees, gambling taxes, excise taxes from liquor and marijuana, rentals and leases, user fees, service contracts (law enforcement, building inspection, I.T. and fire), grants, fines and forfeitures and investment interest. Although the general belief is that property taxes from real property in the City fund the largest share of services, they do in fact “*only*” represent 18.4% of the revenue to the City’s general expense fund. Utility taxes are the largest contributor at 20.2% with sales and use tax revenue coming in third with 11.8%.

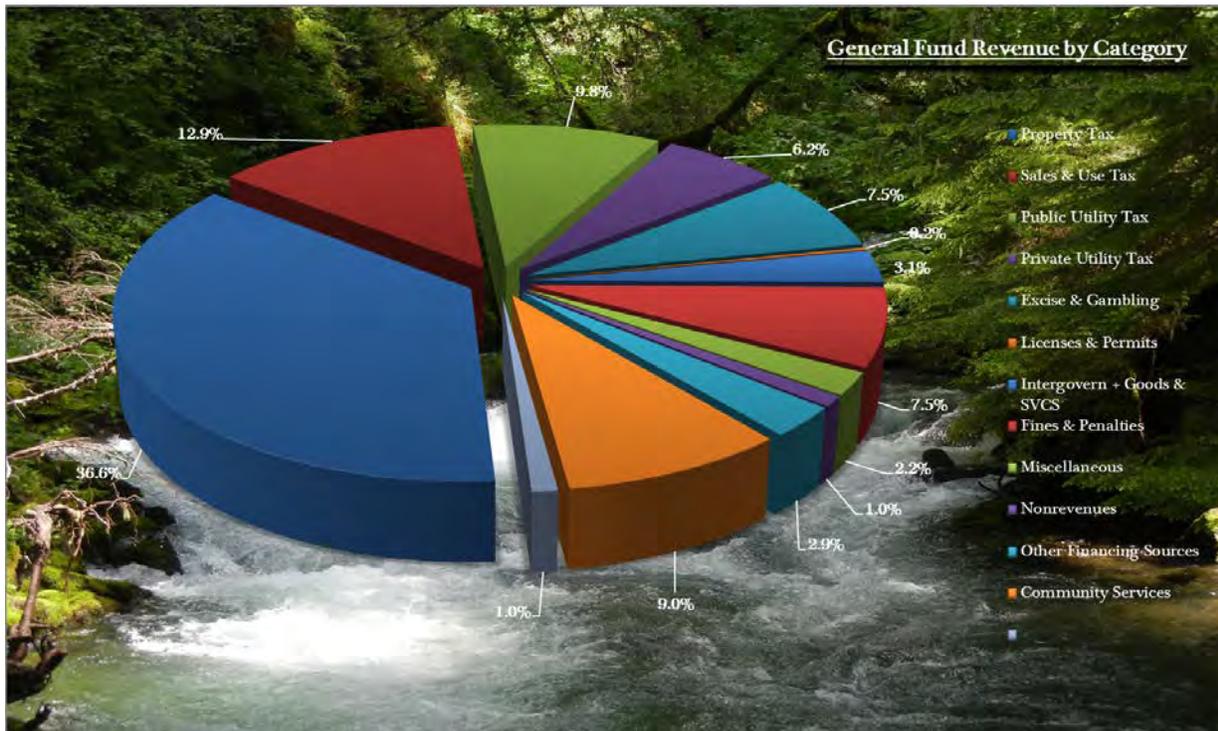
2015 General Fund Revenue: Total revenue for the general fund for 2015 was budgeted at \$10,544,250 which included proceeds from the sale of the natural gas system, that once all accounts had been reconciled ended up being \$6,444,612. By factoring in and reducing the estimated proceeds of the natural gas sale from the total, the budget reflects that the City

anticipated collecting \$3,860,985 in revenue to the general fund. Based on current projections we are estimating that we will end the year with \$4,074,487 which is a 5.53% or \$213,502 increase over budget projections. General fund revenue for 2015 is illustrated in Table 1 below:

Table 1 – 2015 General Fund Revenue

Category	2015 Budget	2015 Projected	% of GF
Taxes	\$2,278,197	\$2,396,070	22.08%
- Property Tax	\$825,000	\$825,000	7.99%
- Sales & Use Tax	\$529,559	\$703,683	5.13%
- Public Utility Tax	\$388,590	\$395,403	3.77%
- Private Utility Tax	\$516,538	\$458,762	5.01%
- Gambling & Leasehold Tax	\$12,000	\$11,477	0.12%
Licenses & Permits	\$143,050	\$266,093	1.39%
Intergovernmental + Goods & SVCS	\$462,334	\$511,727	4.48%
Fines & Penalties	\$142,450	\$126,395	1.38%
Miscellaneous	\$47,100	\$56,218	0.46%
Non-revenues (pass through)	\$214,300	\$186,125	2.08%
Other Financing Sources & Transfers	\$6,966,509	\$6,922,825	67.51%
Community Services	\$71,934	\$53,647	0.70%
Total	\$10,319,364	\$10,517,352	100.00%

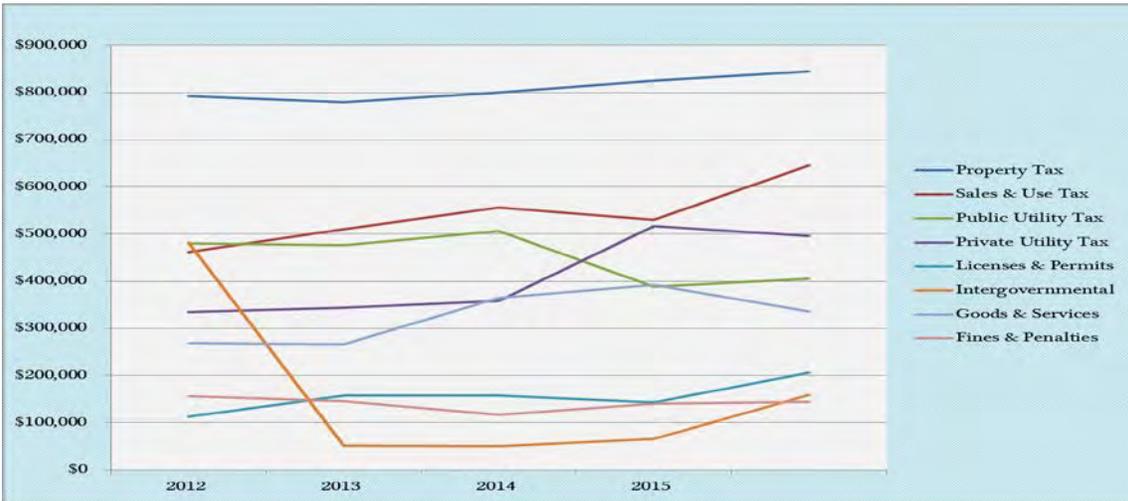
While overall revenues are projected to be up by 5.53% in 2015 we did experience shortfalls in specific areas such as private utility taxes (-11.2%), excise & gambling taxes (-4.4%), fines & penalties (-11.3%), municipal court non-expenditures (-13.1%) and Community Services (-25.4%).



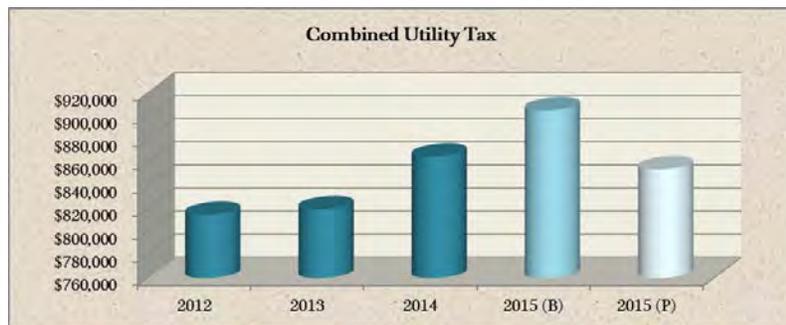
Primary general fund revenue comes from the sources identified above. In the Tables below we will illustrate historical trends by listing multi-year comparisons for eight (8) of the major revenue sources.

Table 2 - Revenue Comparisons

Multi-Year Revenue Comparisons					
Category	2012	2013	2014	2015	2016
Property Tax	\$792,651	\$779,087	\$799,684	\$825,000	\$845,363
Sales & Use Tax	\$461,696	\$509,773	\$556,795	\$529,559	\$645,000
Public Utility Tax	\$480,215	\$475,943	\$506,516	\$388,590	\$405,553
Private Utility Tax	\$334,524	\$343,676	\$358,582	\$516,538	\$496,381
Licenses & Permits	\$113,441	\$157,045	\$158,255	\$143,050	\$205,800
Intergovernmental	\$481,410	\$51,297	\$50,129	\$65,168	\$158,617
Goods & Services	\$268,830	\$266,913	\$364,218	\$397,166	\$336,272
Fines & Penalties	\$156,283	\$146,199	\$116,439	\$142,450	\$144,450

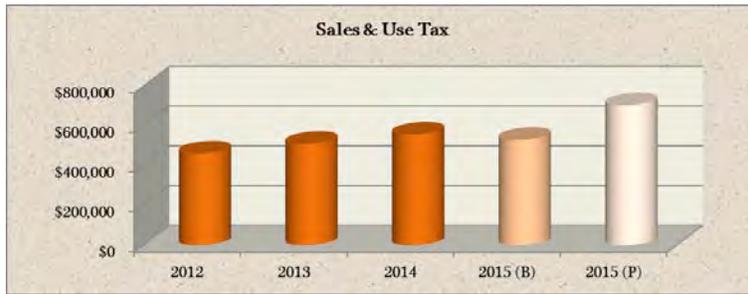


Utility Taxes: Taxes are levied on all utilities both public and private under the City's taxing authority and subject to the standards outlined in Buckley Municipal Code (BMC) 3.96. Revenues from these sources account for approximately 21.63% of



of the total revenue to the general fund. The 2015 Budget forecast that utility taxes would bring in \$905,128 in revenue, but current projections indicate that tax revenue from this source will fall short at \$854,165 which is (-17.76%) or (-\$50,963).

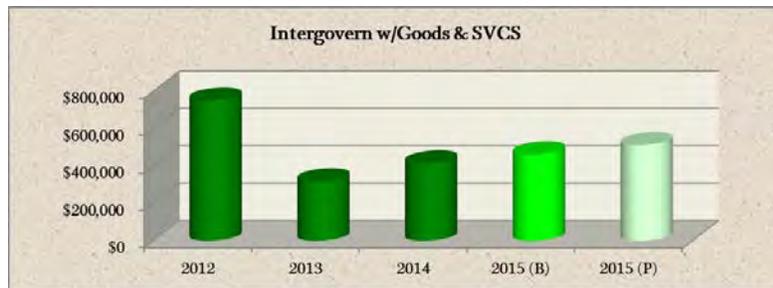
Sales & Use Tax: Is a tax imposed upon every taxable transaction, as defined in RCW 82.14.020, occurring within the City. The tax shall be imposed upon and collected from those persons from whom the State sales or use tax is collected pursuant to Chapters 82.08 and 82.12 RCW. The City



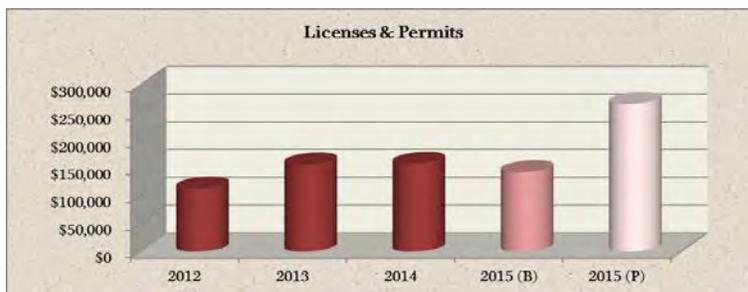
administers this tax through the policies and provisions of BMC 3.12 and RCW 82.14.050. Revenues from this source are the third largest contributor to the general fund and account for approximately 15.47% of the total revenue. As stated previously, we continue to see

improvement in the economic sector and sales and use taxes are up significantly at 32.88% over 2015 raised projections. Revenue for 2015 was forecast at \$529,559, but year-end projections utilizing September closeouts forecast that sales tax revenue will be \$703,683. Based on this increased activity we anticipate that revenue from sales and use tax will remain strong in 2016, so we're projecting revenue from sales tax at \$645,000, which is a 21.8% increase over the 2015 budgeted amount.

Intergovernmental and Charges for Goods & Services: Are revenues derived from State tax distributions for liquor and marijuana and fees for passports, copies, municipal court and land use planning and zoning, and charges for outside service contracts for law enforcement services to Rainier School, Wilkeson and Carbonado, fire and EMS service to Rainier School, Carbonado and Wilkeson, building services to Edgewood and I.T. & Communication services to SS911. Revenue for 2015 was forecast at \$462,334; however, due to the 1st State excise tax distributions to the City from marijuana retail sales, we're projecting that we will exceed this amount by 10.67% or \$49,393 with an end of year projection of \$511,727. In 2016 the City will lose its building service contracts to Edgewood and our shared I.T. position with SS911 so revenue is reduced by \$115K; however, with State excise tax distributions from marijuana sales projected at slightly over \$100K a large portion of this will be offset. For 2016 we're projecting that revenue will be slightly lower (-0.53%) at \$459,889.



Fees for Licenses & Permits: Are revenues derived from fire permits, business licenses, building



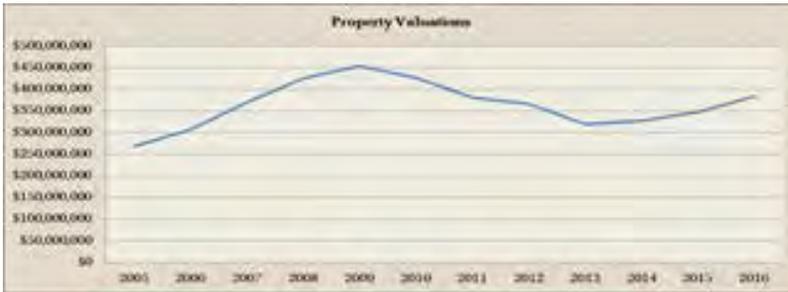
permits and animal licenses. As mentioned in the summary, new housing starts remain strong and we anticipate continued strength in this area for at least the next 2-3 years. Due to a slowdown in 2014 we projected lowered revenue

projections for 2015; however, spring housing starts were much stronger than expected and continued throughout the summer and early fall which has led to a 122.8% increase in revenue

from permits over budgeted revenue. For 2015 we projected receiving \$100,000 in building permit fees, but with utilizing September closeout numbers we're projecting ending the year with \$222,774 in revenue. For 2016 we're anticipating that building activity will remain steady due to new developments which are currently under construction so revenue for 2016 is projected to be \$160,000.

Property Tax: Is a tax assessed on real property by the local government. The tax is based on the value of the property (including the land) you own. Real property (also called real estate or realty) means the combination of land and improvements.

The law requires the Assessor-Treasurer's Office to value property at 100% of the true and fair market value. True and fair market value is defined as the price a willing buyer will pay a willing seller. Assessed values are affected by the local real estate market and the real estate market is directly influenced by supply and demand. This affects the cost of materials, labor, and other incidentals required to build, market, and sell a home. Pierce County is required to conduct an annual statistical update of assessed values based on real estate transactions. Even if no improvements are made to a home, the value continues to follow the market activity in the neighborhood and/or area in which it is located.



The housing downturn that resulted from the recession had significant impacts on property valuations. Property value within the City reached a peak in 2009 as Table 3 below illustrates. Overall values continued to

decline in consecutive years until bottoming out in 2013 when values once again began to recover.

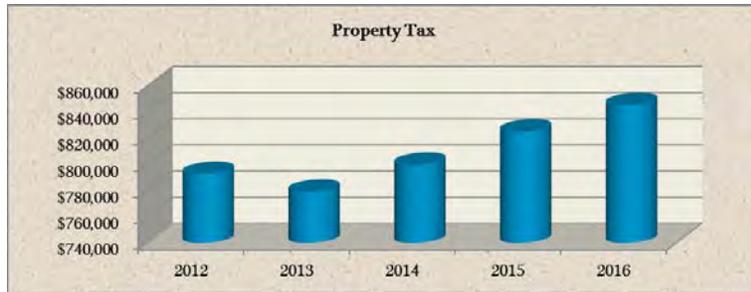
Table 3: Citywide Property Valuations

	New Construction Value	Property Valuation w/o New Construction	Total Valuation	% Change w/o New Construction	% Change with New Construction
2005	\$2,106,758	\$266,875,189	\$268,981,947	3.29%	3.24%
2006	\$2,939,735	\$304,192,434	\$307,132,169	13.98%	14.18%
2007	\$2,814,582	\$368,084,949	\$370,899,531	21.00%	20.76%
2008	\$5,795,422	\$419,908,430	\$425,703,852	14.08%	14.78%
2009	\$17,766,205	\$435,994,377	\$453,760,582	3.83%	6.59%
2010	\$9,281,572	\$418,305,191	\$427,586,763	-4.06%	-5.77%
2011	\$9,581,402	\$372,013,776	\$381,595,178	-11.07%	-10.76%
2012	\$1,226,500	\$365,470,656	\$366,697,156	-1.76%	-3.90%
2013	\$2,873,843	\$316,041,139	\$318,914,982	-13.52%	-13.03%
2014	\$5,824,012	\$322,388,401	\$328,212,413	2.01%	2.92%
2015	\$5,843,815	\$342,379,280	\$348,223,095	6.20%	6.10%

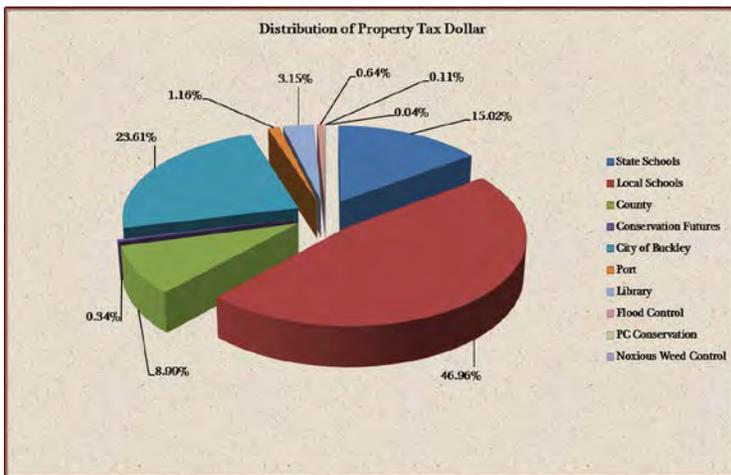
2016	\$5,960,403	\$378,434,356	\$384,394,759	10.53%	10.39%
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Since hitting a citywide peak of \$453,760,582 in 2009, valuations are still down by (-15.29%). This includes the seven (7) year new construction total of \$40,591,547. Despite seeing double digit gains in the last couple of years, it will still take quite some time before valuation reaches levels equal to what the valuation reached at its peak.

Property tax limits set by Referendum 47, and later confirmed by legislative action, have been set at 101%, which in affect limits any property tax increases to 1%



of the amount collected in the previous year. However, the value of any new construction that occurred in the previous year is added to the City's total valuation. Multiple jurisdictions such as the County, State, and School Districts, etc. may tax the same property.

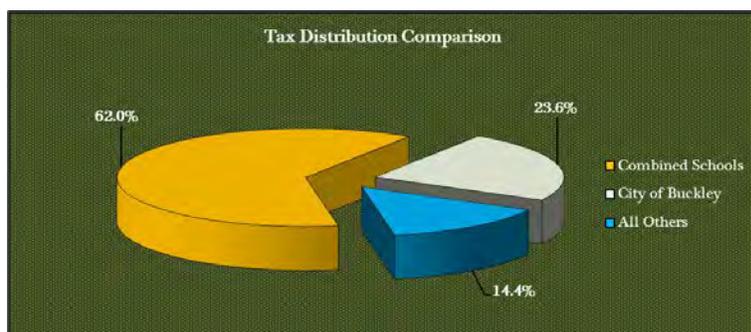


The regular property tax limit for 2015 was \$824,027 (including new construction and refunds), which was the full levy amount of 101% as allowed by law. Revenue from property taxes for 2015 was forecast at the full \$824,027 and projections are that we will meet this total by the end of the year.

When property owners inspect their annual tax statements they will see that the total tax is distributed between several government agencies including State Schools, Local School District, Pierce County, City of Buckley, Conservation Futures, Port District, Library District and County for Noxious Weed Control. When comparing your overall property tax bill, the portion that is allocated solely to the City through the tax levy is only a fraction of the total property tax bill. The chart above illustrates the distribution of each dollar of assessed property tax to be paid to Pierce County for the 2016 tax year.

When property owners inspect their annual tax statements they will see that the total tax is

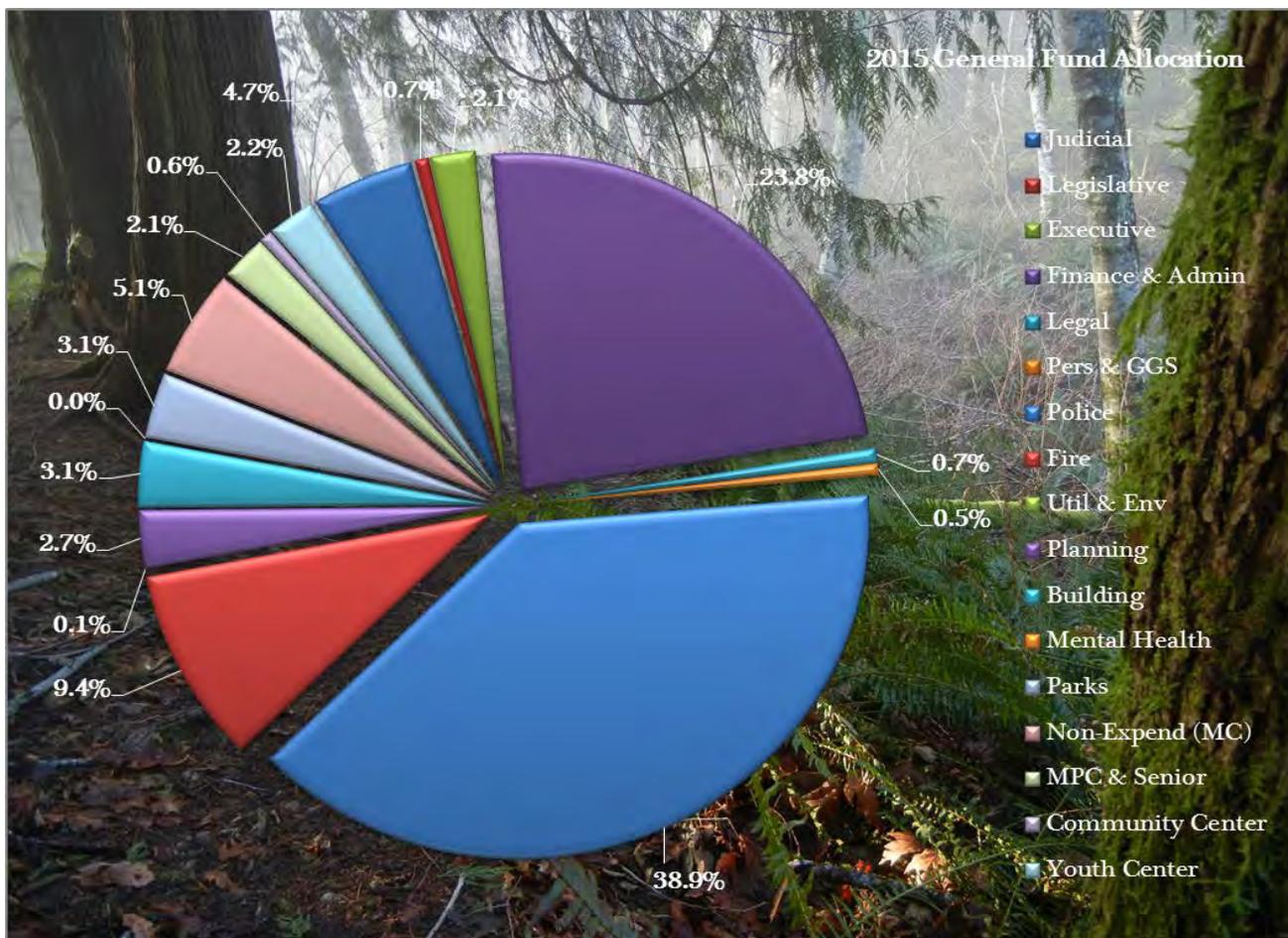
As the chart to the right illustrates, the City receives \$0.24 of every property tax dollar to use towards providing the vast array of services to the community such as police, fire, parks, senior center, youth center, etc. This portion also includes the levied amount that was approved by the voters to construct the new fire station. The largest recipient of your tax dollars



is the local school district, which receives \$0.47 of every tax dollar. Together the combination of both state schools and local schools receive \$0.62 or 61.98% of every property tax dollar paid.

The City portion of your property tax is set annually through a levy enacted by the City Council. This levy rate is governed by State statute as to how much the City can assess against properties within the City. As identified above, for 2015 the regular property tax limit was estimated at \$824,027, which was calculated at the full levy amount of \$2.3625/1,000 of assessed property valuation. Assessed valuation of property within the City totaled \$348,223,095, which includes \$5,843,815 of new construction valuation. The \$824,027 levy amount 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 4 below illustrates how each dollar of property tax was apportioned throughout 2015 in the general fund for the provision of these services.

Table 4: 2015 General Fund Property Tax Distributions



As the table above illustrates, the largest area of expense within the general fund, at approximately 48.3%, is related to public safety which combined encompasses law enforcement (38.9%) and fire control (9.4%).

In addition to revenue from the eight (8) primary sources described above, the City's general fund receives revenue from user fees such as Buckley Hall or Multi-Purpose Center (MPC) rentals and any grants the City may receive.

2015 General Fund Expenditures: General fund expenditures are segregated into seventeen (17) categories as illustrated in Table 4 above; however, some of these seventeen have been consolidated incorporating smaller subcategories such as mental health, environment, personnel and utilities. These categories also exclude any expenditures for transfers out to other funds such as allocation of the proceeds from the natural gas system sale and/or any subsidies to other operating funds such as for streets, cemetery and capital improvements.

As anticipated, in January, 2015 the City Council adopted an Ordinance transferring \$5,440,000 of the natural gas operations fund and the ending balance of \$1,004,612 of the natural gas capital project fund to the general fund. Following the transfer of these funds to the general fund the City Council in a public meeting in February, 2015 decided upon the following allocation (spending plan) of these resources:

1. **Cumulative Reserve - \$5,000,000** – Per the 2015 Budget \$5,000,000 is transferred into the cumulative reserve fund for long term investment.
2. **Create “Rainy Day” Contingency - \$130K** – As discussed by the Council the creation and funding of this new account would have less use restrictions than the cumulative reserve fund but would be limited by State law to a total not to exceed the equivalent of \$0.375 per \$1,000 of assessed valuation of property within the city at the time, which based upon 2015 valuations is \$130,455.
3. **General Fund Operational FD Staffing Hours - \$50K** – As discussed in the 2015 Budget, funding for the Assistant Fire Chief exceeded revenues of the general fund and therefore relied on a portion of the sale proceeds to maintain the position for this fiscal year.
4. **Parks Capital - \$150K** – This is the approximate cost for renovation and reconstruction of the skatepark. Allocation of full funding for this project eliminates risk associated with the current condition and retains the fund balance in Parks Capital for future use for such things as matching grant funds, playground amenity replacement, etc.
5. **Priority #5 Public Safety Capital Equip Reserves \$50K**
 - **Police Reserves - (Funds for PD)** – rather than put additional funds into 007 to replace those used during the recession the suggestion is to transfer \$200K to the City capital improvement fund to support expansion of the police station in 2016. This would aid the PD by allowing them to not have to borrow and repay funds.
 - **Fire Reserves \$50,000** – full replacement of funds used to support the general fund during the recession total approximately \$124,000; however, the FD is already getting the benefit of some of the proceeds by funding the Assistant Fire Chief position. In addition this reserve fund is very healthy and has an adequate “permanent” source of revenue.
6. **Priority #6 Capital Imp Projects (N Parking Lot & PD Expansion) \$250K** – As discussed above \$200K of this amount would be set aside for expansion of the PD and the remainder would go towards reconstruction of the North parking Lot which is currently budgeted for 2015.

7. **Priority #7 General Fund Reserves \$814,611** – remaining balance kept in reserves until revenue projections for the general fund become more in line with expenditures.

Table 5 below shows a comparison between 2015 budgeted expenditures and what we are currently projecting through year's end. Overall general fund expenditures are currently projected to be over budget by approximately 3.4% or \$311,598; however, this is solely due to the allocation and transfer out of the natural gas proceeds identified above. Allocation of these proceeds will be reconciled through a budget amendment that is scheduled to occur in December, 2015; in order to illustrate "actual" cost, the amounts identified in the approved spending plan, with the exception of the \$200K for a police station expansion, have been included in the projected 2015 general fund expenditures. When the allocation of these proceeds are eliminated from the calculation, expenditures are actually projected to be under budget by less than (-1.0%).

Table 5: 2015 General Fund Expenditures

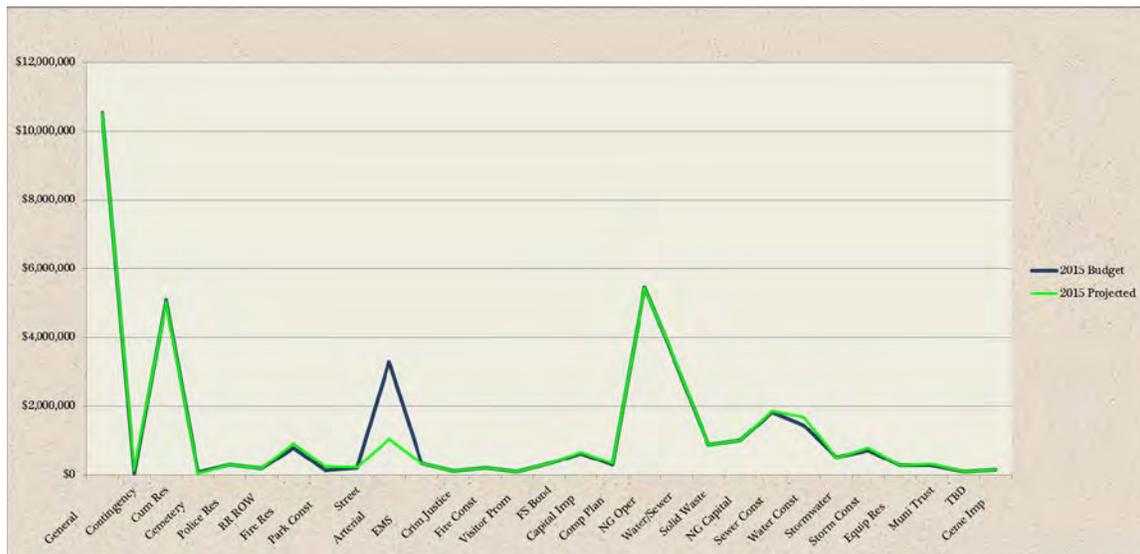
General Fund Expenditures			
Department	2015 Budget	2015 Actual	% + or -
Judicial	\$194,591	\$169,075	-13.1%
Legislative	\$26,857	\$33,734	25.6%
Executive	\$86,229	\$78,415	-9.1%
Finance & Admin	\$978,276	\$945,389	-3.4%
Legal	\$28,500	\$29,986	5.2%
Pers & GGS	\$22,350	\$16,462	-26.3%
Police	\$1,599,736	\$1,595,155	-0.3%
Fire	\$385,700	\$372,434	-3.4%
Util & Env	\$4,001	\$2,705	-32.4%
Planning	\$112,927	\$142,477	26.2%
Building	\$127,864	\$146,591	14.6%
Mental Health	\$1,000	\$722	-27.8%
Parks	\$127,559	\$121,065	-5.1%
Non-Expend (MC)	\$209,000	\$244,507	17.0%
Debt Svcs - TO	\$5,050,500	\$5,380,955	6.5%
MPC & Senior	\$88,128	\$75,954	-13.8%
Community Center	\$24,350	\$23,894	-1.9%
Youth Center	\$90,181	\$89,826	-0.4%
Total	\$9,157,749	\$9,469,347	3.4%

The table above illustrates that most categories/departments are projected to be under budget at the end of the year. Exceptions are legislative where a one-time expense was made for laptop computers for all of the City Council members; legal due to additional cost; planning, where land development application processing exceeded budget projections; building due the loss and

payout for the long term Building Official; non-expenditures which is related to court fees which are a basic pass through; and debt services related to the transfer out of gas sale proceeds.

2015 Citywide Revenues: The remainder of the overall City budget, other than the general expense fund, encompasses equipment and capital reserve accounts established to purchase high dollar equipment (patrol cars, fire trucks, etc) for the various departments, and/or to complete specific identified capital infrastructure improvements in the City such as the SR410/SR165 Realignment Project, Elk Heights overlay project, Collins Road repair, North Parking Lot repair, Water System repairs, etc. In addition, the City operates and maintains the street/roadway system, the City cemetery and four (4) utilities consisting of water, sewer, solid waste and stormwater, which includes all the necessary appurtenances (piping, wells, lift stations, treatment facilities, process controls pumps, etc.) needed to provide service to the community. Revenue for the operation, maintenance and improvement of these operations comes directly from public user fees charged for each specific service. Revenues from each of these utilities and/or enterprises are restricted by State law to be self supporting and cannot be used to fund services outside of their approved categories.

Table 6: 2015 Revenue Comparisons



Overall revenues for 2015 are currently projected to be short of the budgeted projection by approximately (-4.0%) or (-\$1,549,874), but this shortfall can be attributed to project delays in capital construction funds such as receiving grant funds for the SR410/SR165 Realignment Project and Transmission Main Stream Crossing Project. Revenue comparisons between 2015 budgeted versus actual for each fund are listed in Table 7 below.

Table 7: 2015 Overall Revenues

FUND		2015 Revenue w/BFB	End Projection Using Actual	Revenue + or - difference
001	General	\$10,544,247	\$10,522,395	-0.2%
002	Contingency	\$0	\$130,455	0.0%
003	Cum Res	\$5,092,000	\$5,050,000	-0.8%

004	Cemetery	\$78,165	\$45,606	-41.7%
007	Police Res	\$306,391	\$301,213	-1.7%
008	RR ROW	\$181,164	\$183,202	1.1%
030	Fire Res	\$791,214	\$915,024	15.6%
035	Park Const	\$135,228	\$244,199	80.6%
101	Street	\$216,102	\$225,837	4.5%
102	Arterial	\$3,303,703	\$1,051,039	-68.2%
105	EMS	\$329,254	\$328,616	-0.2%
109	Crim Justice	\$107,228	\$111,603	4.1%
134	Fire Const	\$208,781	\$205,214	-1.7%
136	Visitor Prom	\$103,427	\$95,732	-7.4%
202	FS Bond	\$339,198	\$335,440	-1.1%
307	Capital Imp	\$632,358	\$659,560	4.3%
308	Comp Plan	\$304,072	\$341,827	12.4%
401	NG Oper	\$5,460,386	\$5,447,310	-0.2%
402	Water/Sewer	\$3,214,086	\$3,244,619	0.9%
403	Solid Waste	\$873,113	\$876,106	0.3%
404	NG Capital	\$1,004,503	\$1,004,612	0.0%
405	Sewer Const	\$1,826,914	\$1,863,284	2.0%
406	Water Const	\$1,444,716	\$1,686,097	16.7%
407	Stormwater	\$522,367	\$492,078	-5.8%
408	Storm Const	\$718,416	\$789,659	9.9%
430	Equip Res	\$282,346	\$284,923	0.9%
631	Muni Trust	\$283,814	\$308,683	8.8%
632	TBD	\$91,177	\$99,953	9.6%
701	Ceme Imp	\$154,487	\$154,695	0.1%
TOTALS		\$38,548,857	\$36,998,983	-4.0%

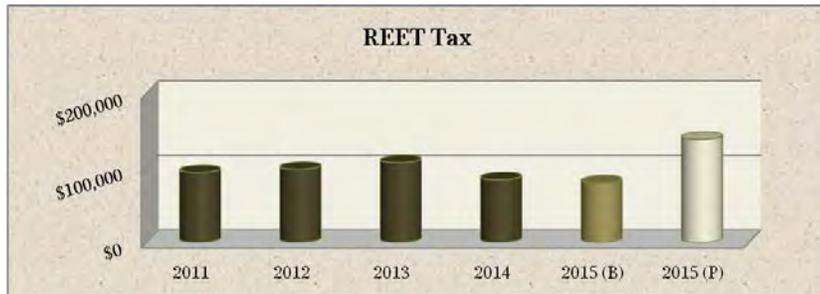
Funds listed in Table 7 that project shortfalls are the general fund, cumulative reserves, cemetery operations, police equipment reserve, street arterial construction, EMS, fire construction, visitor promotion, fire station bond, natural gas operations and stormwater operation. Of these shortfalls, capital reserve and construction accounts had either lower BFBs than was anticipated or had delays in implementing construction projects and therefore didn't receive grant funding. Accounts funded through taxes like EMS and the Fire Station bond were short due to lower BFBs as was the general fund because of the delay in transferring proceeds from the sale of the natural gas system. Accounts that are directly related to funding operations such as cemetery operations and stormwater operations are of a greater concern and will be discussed separately in individual sections under the 2016 Budget Projection that begins further along in this narrative.

The general fund plays a larger role in the provision of services throughout the City and a shortfall can end up impacting the level of public services that the City provides. As discussed in the general fund section, and illustrated in Table 7 above, the general fund is projected to be (-0.2%) or (-\$21,852) short of anticipated budget revenues. However, as discussed in the general fund revenue summary above, by factoring in and reducing the estimated proceeds of the natural gas sale from the total, the budget reflects that the City "actually" anticipated collecting \$3,860,985 in revenue, and based on

current projections we are estimating that we will end the year with \$4,074,487 which is a 5.53% or \$213,502 increase over budget projections.

Real Estate Excise Tax:

Revenue from real estate excise taxes (REET) is a good indicator or barometer of the pace of housing market recovery. At the height of the building boom in 2006 the City peaked at



Since this peak we watched this source of revenue decline over the next five year period by approximately (-72.7%), but beginning in 2012 we saw a slight uptick, which carried through 2013 as illustrated in the chart above. However, the housing starts experienced a slowdown in 2014 and we saw a slight decrease in REET revenue. Based on the slowdown we lowered projections for 2015 to match 2014 with anticipated revenue of \$80,000; however, spring housing starts were much stronger than expected and continued throughout the summer and early fall which has led to a 73.13% increase in projected revenue through the end of the year. With a number of new developments in the pipeline and housing sales remaining strong we're anticipating revenue from REET to remain above normal for 2016.

Table 8 below provides a full citywide summary of the revenues and expenditures for 2015.

Table 8: 2015 Budget Summaries

2015 Budget Analysis							
FUND	2015 Revenue w/BFB	2015 Expenditures w/o EFB	Budgeted EFB	2015 Projected Revenue	2015 Projected Expenditure	2015 Projected EFB	
001 General	\$10,544,250	\$9,157,748	\$1,386,501	\$10,522,395	\$9,469,347	\$1,053,049	
002 Contingency	\$0	\$0	\$0	\$130,455	\$0	\$130,455	
003 Cum Res	\$5,092,000	\$75,000	\$5,017,000	\$5,050,000	\$50,000	\$5,000,000	
004 Cemetery	\$83,659	\$83,506	\$152	\$45,606	\$35,236	\$10,371	
007 Police Res	\$306,391	\$97,250	\$209,141	\$301,213	\$95,751	\$205,462	
008 RR ROW	\$181,164	\$32,354	\$148,810	\$183,202	\$15,105	\$168,097	
030 Fire Res	\$791,214	\$791,214	\$0	\$915,024	\$169,297	\$745,727	
035 Park Const	\$135,228	\$61,100	\$74,128	\$244,199	\$162,301	\$81,898	
101 Street	\$216,103	\$183,630	\$32,472	\$225,837	\$197,728	\$28,109	
102 Arterial	\$3,303,703	\$2,750,644	\$553,059	\$1,051,039	\$232,207	\$818,833	
105 EMS	\$327,254	\$186,450	\$140,804	\$328,616	\$185,878	\$142,738	
109 Crim Justice	\$107,228	\$60,000	\$47,228	\$111,603	\$55,994	\$55,610	
134 Fire Const	\$208,781	\$100	\$208,681	\$205,214	\$279	\$204,935	

136	Visitor Prom	\$103,327	\$21,231	\$82,096	\$95,732	\$9,686	\$86,047
202	FS Bond	\$339,198	\$301,338	\$37,860	\$335,440	\$301,338	\$34,102
307	Capital Imp	\$632,358	\$251,200	\$381,158	\$659,560	\$16,340	\$643,220
308	Comp Plan	\$304,072	\$153,732	\$150,339	\$341,827	\$118,954	\$222,873
401	NG Oper	\$5,460,386	\$5,460,386	\$0	\$5,447,310	\$5,440,914	\$6,396
402	Water/Sewer	\$3,214,087	\$2,569,014	\$645,073	\$3,244,619	\$2,699,778	\$544,841
403	Solid Waste	\$873,113	\$849,239	\$23,874	\$876,106	\$873,025	\$3,081
404	NG Capital	\$1,004,503	\$1,004,503	\$0	\$1,004,612	\$1,004,612	\$0
405	Sewer Const	\$1,826,914	\$866,989	\$959,925	\$1,863,284	\$752,241	\$1,111,043
406	Water Const	\$1,444,716	\$765,639	\$679,077	\$1,686,097	\$1,275,358	\$410,739
407	Stormwater	\$522,367	\$493,018	\$29,349	\$492,078	\$491,389	\$689
408	Storm Const	\$718,416	\$362,974	\$355,442	\$789,659	\$211,622	\$578,037
430	Equip Res	\$282,346	\$275,300	\$7,046	\$284,923	\$13,324	\$271,599
631	Muni Trust	\$283,814	\$0	\$283,814	\$308,683	\$297,151	\$11,533
632	TBD	\$91,177	\$80,647	\$10,531	\$99,953	\$80,647	\$19,306
701	Ceme Imp	\$154,487	\$1,000	\$153,487	\$154,695	\$0	\$154,695
TOTALS		\$38,552,258	\$26,935,207	\$11,617,050	\$36,998,983	\$24,255,498	\$12,743,485

As illustrated above, we anticipated ending the year with approximately \$11,617,050 in total end fund balances (EFB), which includes capital equipment reserves that are shown as expenditures, but were not intended to be expended. Current projections show that we are exceeding expectations by projecting a 2015 EFB of \$12,743,485. This projection includes all funds including capital and equipment reserves.

The City continues 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 2015 the City has been successful in obtaining \$218,768 worth of grants/funding/donations for project completion, equipment/material purchase and/or program funding. Those that the City has either received a notice of award or have actually received funding for are listed in Table 9 below.

Table 9: 2015 Grants/Funding/Donations

Department	Agency	Amount
Building/Planning	State L&I – OJT Award	\$5,876
	Total	\$5,876
Parks & Recreation	PC Violence Prevention	\$12,500
	Tacoma PC Health Dept Healthy Youth Grant	\$3,500
	Total	\$16,000
Senior Center	Aging and Disability Resource Grant	\$7,956

	Pierce County – CDBG	\$10,678
	Total	\$18,654
Fire/EMS	AFG - 2013 - Grant	\$128,238
	Total	\$128,238
Utilities/Streets	DOE – Stormwater NPDES Capacity Grant	\$50,000
	Total	\$50,000
TOTAL ALL GRANTS/FUNDS/DONATIONS		\$218,768

During the past year, City staff has spent considerable time and effort focusing on the completion of ongoing construction projects such as the Trail Well Project, Skatepark Reconstruction and Water Transmission Main Stream Crossing Project.

In addition to these projects a large amount of time and energy was spent on the following:

- Emergency Management Planning
- Phase II NPDES Stormwater Permit Compliance
- City Comprehensive Plan (update)
- Zoning Code (update)
- Water System Plan (update)
- Sewer System Plan (update)
- National Night Out
- Summer Youth Programs
- RR ROW Master Plan Development
- Spiketon Ditch Culvert Replacement Design
- Perkins Prairie Subdivision Construction
- Phase II SR410/SR165 Project Design
- Various Short Plats and other Land Use Application Processing

We continue to move forward with implementation of the highest priority infrastructure improvements, all of which continue to be impacted by limited revenue and grant sources. 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 and wastewater 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 2016 summary.

Coming together is a beginning. Keeping together is progress. Working together is success.
~ Henry Ford

2016 BUDGET PROJECTIONS

The 2016 budget proposes to expend an overall total of **\$16,062,426** on projected revenue of **\$26,370,351**. Revenue projections for 2016 are based upon assumptions related to anticipated building and land use development activity, generation and distribution of property and excise taxes, grants and proposed increases in utility usage charges, license/permit fees and service contracts. 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 2016 budget anticipates a beginning fund balance (BFB) of **\$12,743,485** and after projected expenditures is forecast to end the year with an end fund balance (EFB) of **\$10,298,078**. This reflects expenditures of any proposed capital infrastructure projects and equipment reserves for police, fire and utilities.

Benefit costs for employee healthcare are anticipated to increase by 5% in 2016 and the State has notified the City that increases for L&I are going up for various position categories. The level of employee contribution towards their healthcare premium remains a large factor in the City's ability to contain healthcare costs.

Overall taxes received by the City continue to rise as property valuation and building activity levels continue to increase. Combined tax revenue in 2015 is projected to be up by 5.2% with the largest gain coming from sales and use tax at 32.9%. In 2016 we're anticipating that revenue will remain steady and as such we're projecting that it will match 2015's end of year projections.

General Fund expenditures for 2016 are expected and proposed to increase by 6.9% with the largest increases being generated from legal, police, parks, planning and senior and youth programs. Table 10 below illustrates the percentage proposed budget changes from each department/section. Increased costs within each department will be discussed in separate sections below. Overall spending citywide for such items as supplies, repair and maintenance services, professional services, and travel and training is consistent with prior years.

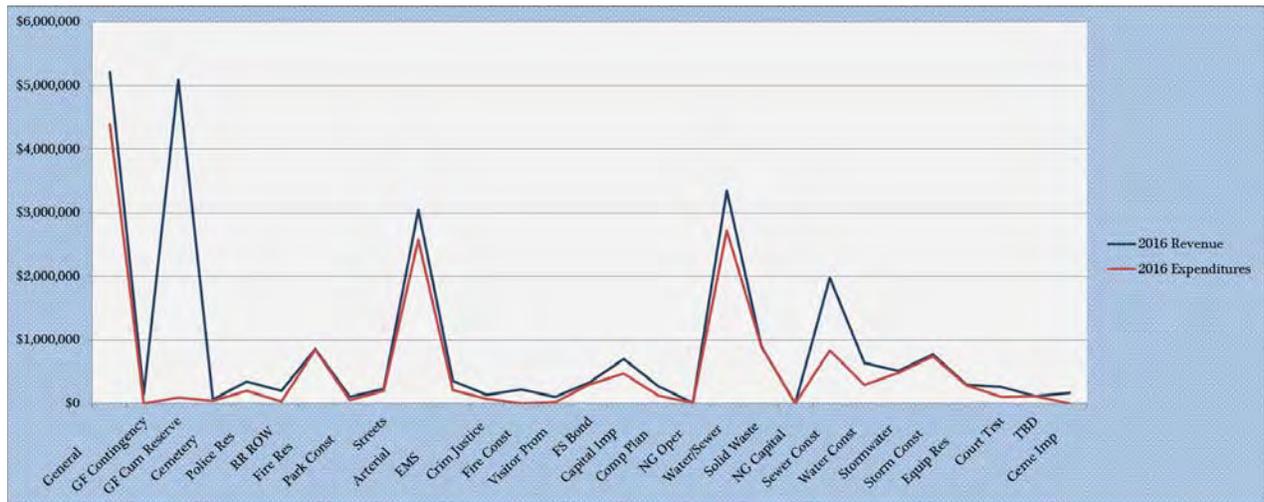
Table 10: 2016 General Fund Departmental Requests

2016 General Fund Departmental Requests			
Department	2015 Budget	2016 Proposed	Difference from 2015
Judicial	\$194,591	\$198,722	2.1%
Legislative	\$26,857	\$27,232	1.4%
Executive	\$86,229	\$86,229	0.0%
Finance & Admin	\$978,276	\$960,987	-1.8%
Legal	\$28,500	\$30,500	7.0%
Pers & GGS	\$22,350	\$22,850	2.2%
Police	\$1,599,736	\$1,708,715	6.8%
Fire	\$385,700	\$404,600	4.9%

Util & Env	\$4,001	\$3,950	-1.3%
Planning	\$112,927	\$160,533	42.2%
Building	\$127,864	\$121,743	-4.8%
Mental Health	\$1,000	\$1,000	0.0%
Parks	\$127,559	\$189,791	48.8%
Non-Expend (MC)	\$209,000	\$214,000	2.4%
Debt Svcs - TO	\$5,050,500	\$107,296	21.8%
MPC & Senior	\$88,128	\$24,350	0.0%
Community Center	\$24,350	\$114,582	27.1%
Youth Center	\$90,181	\$198,722	2.1%
Total	\$9,157,749	\$4,391,272	-52.0%

Comparisons of budget-wide expenditures and revenues for 2016 are illustrated in Table 11 below:

Table 11: 2016 Expenditure and Revenue Comparisons

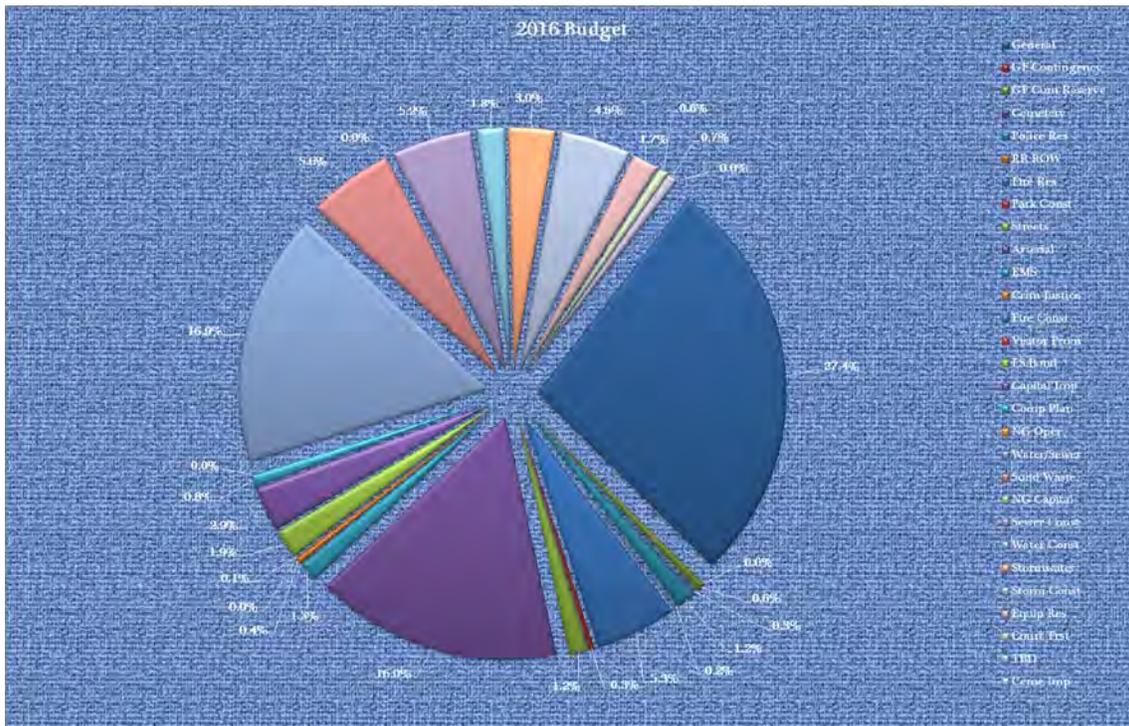


A summary of the 2016 budget request is listed in Table 12 below.

Table 12: 2016 Budget Summaries

Fund	Projected Beginning Fund Balance	2016 Budget		Projected End Fund Balance
		2016 Revenue Total	2016 Expenditures	
001 General	\$1,053,049	\$5,207,452	\$4,391,272	\$816,180
002 GF Contingency	\$130,455	\$144,148	\$0	\$144,148
003 GF Cum Reserve	\$5,000,000	\$5,092,000	\$92,000	\$5,000,000
004 Cemetery	\$10,371	\$55,621	\$42,627	\$12,993
007 Police Res	\$205,462	\$338,512	\$193,000	\$145,512
008 RR ROW	\$168,097	\$200,535	\$31,338	\$169,197

030	Fire Res	\$745,727	\$860,027	\$847,940	\$12,087
035	Park Const	\$81,898	\$106,608	\$52,700	\$53,908
101	Streets	\$28,109	\$229,080	\$195,511	\$33,569
102	Arterial	\$818,833	\$3,042,886	\$2,572,119	\$470,767
105	EMS	\$142,738	\$352,188	\$205,550	\$146,638
109	Crim Justice	\$55,610	\$129,300	\$67,000	\$62,300
134	Fire Const	\$204,935	\$213,498	\$0	\$213,498
136	Visitor Prom	\$86,047	\$103,897	\$19,028	\$84,869
202	FS Bond	\$34,102	\$335,440	\$298,450	\$36,990
307	Capital Imp	\$643,220	\$696,720	\$469,000	\$227,720
308	Comp Plan	\$222,873	\$273,373	\$124,107	\$149,267
401	NG Oper	\$6,396	\$6,896	\$6,000	\$896
402	Water/Sewer	\$544,841	\$3,348,892	\$2,714,230	\$634,662
403	Solid Waste	\$3,081	\$898,792	\$895,453	\$3,339
404	NG Capital	\$0	\$0	\$0	\$0
405	Sewer Const	\$1,111,043	\$1,973,818	\$835,981	\$1,137,837
406	Water Const	\$410,739	\$633,255	\$290,008	\$343,247
407	Stormwater	\$689	\$507,524	\$482,199	\$25,325
408	Storm Const	\$578,037	\$777,086	\$735,572	\$41,514
430	Equip Res	\$271,599	\$289,599	\$276,800	\$12,799
631	Court Trst	\$11,533	\$261,533	\$102,500	\$159,033
632	TBD	\$19,306	\$109,306	\$108,219	\$1,087
701	Ceme Imp	\$154,695	\$159,695	\$1,000	\$158,695
TOTALS		\$12,743,485	\$26,347,681	\$16,049,603	\$10,298,078

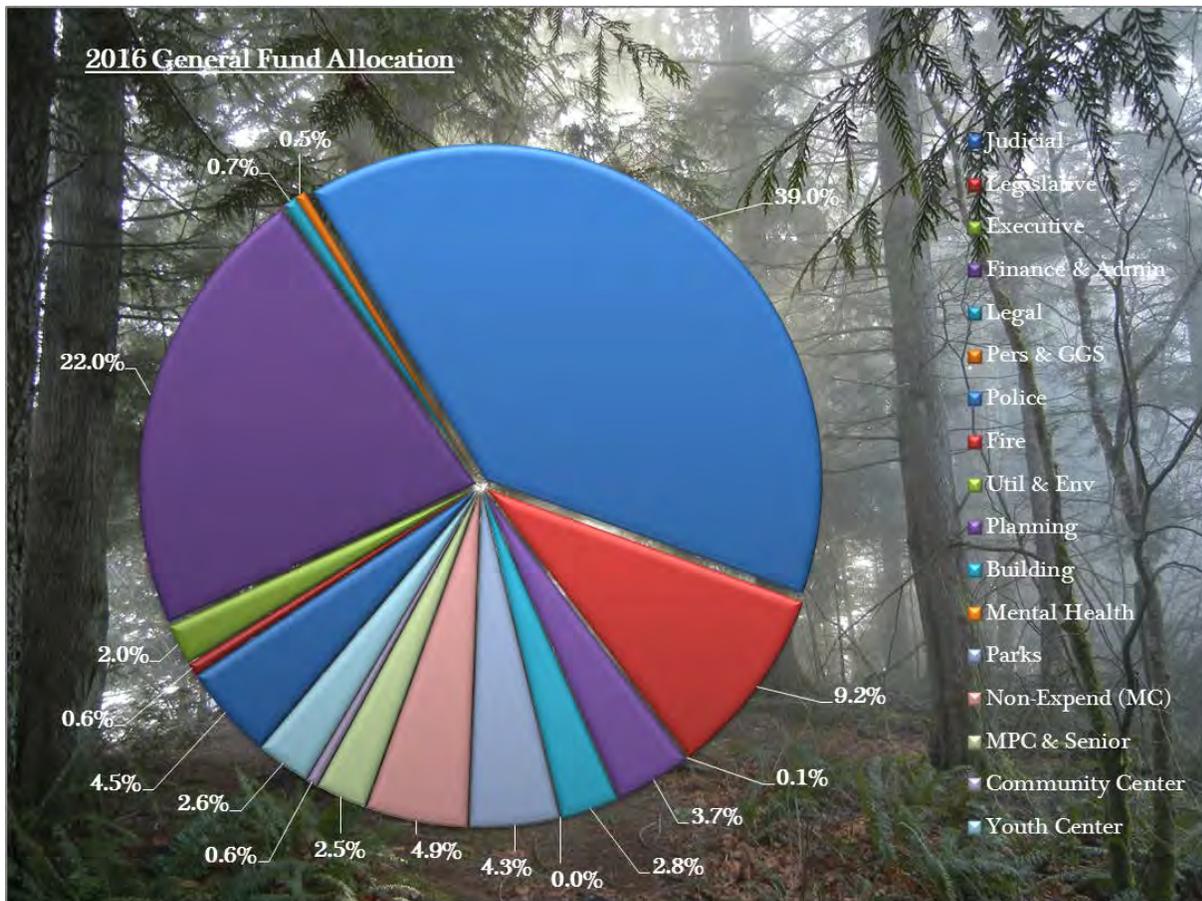


2016 Property Tax Levy. The regular property tax limit for the coming year is \$845,363 (including new construction and refunds), which is the full levy amount of 101% as allowed by law. The EMS levy, which was approved by the community through the general election in 2010, will be at the 100% level of \$0.50/1,000 and will total \$192,197.

Assessed valuation of property within the City totaled \$384,494,759, which includes \$5,960,403 of new construction valuation. Last year's levy resulted in a regular property tax of \$2.3601/1,000 of assessed property valuation and as a result of the value of new construction and overall Citywide property value increase the amount next year will be slightly lower at \$2.1962/1,000 for property tax.

This \$845,363 levied as property tax is 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 13 below illustrates how each dollar of property tax is apportioned throughout the proposed 2016 Budget for the provision of programs and services.

Table 13: 2016 Property Tax Distributions



Property tax limits set by Referendum 47, and later confirmed by legislative action, have been set at 101%, which in affect limits any property tax increases to 1% of the amount collected in the previous year. With operational costs consistently rising year after year and revenue streams failing to keep pace, local governments struggle to maintain basic levels of service, especially for higher cost areas like public safety.

The City has very limited options available to mitigate this. The primary means consist of cost containment through cuts to programs and services or by increasing fees and services such as permit fees, service contracts, utility taxes and user fees. This works as long as building and new development are in a consistent growth pattern. Utility tax and user fee increases only increase the burden on taxpayers who are currently suffering from the past economic conditions and stagnation of wages. Other longer term options involve voter support and approval of measures such as an increase in the levy lid which raises property taxes.

With the passage of initiatives, there are only two ways for the City to increase property taxes by more than one (1%) percent; #1 is from the use of “banked capacity” which is reserved for jurisdictions that have taken less than the maximum increase they could have in the past; and #2 is to enact a voter approved levy lid lift under [RCW 84.55.050](#).

Cities, along with counties, are senior taxing districts and their maximum tax rates differ depending on whether they have a firemen’s pension fund or whether they are annexed to a fire district and/or a library district. The maximum regular property tax levy for most cities is \$3.375 per thousand dollars assessed valuation. Cities with a firemen’s pension fund can levy an additional \$0.225 per thousand dollars assessed valuation, resulting in a maximum levy of \$3.60 per thousand dollars.

For cities that belong to a fire district and/or a library district, the rules are a little more complicated. Nominally they have a maximum rate of \$3.60 per thousand dollars, but they can never collect that much because the levy of the special districts must be subtracted from that amount. The library district levy has a maximum rate of \$0.50 per thousand dollars and the fire district levy can be as high as \$1.50. Therefore, if a city belongs to both a fire district and a library district, and if these districts are currently levying their maximum amount, then the local levy can be no higher than \$1.60 ($\$3.60 - .50 - 1.50 = \1.60).

The City of Buckley has no “banked capacity” and currently has a maximum levy lid of \$3.10, which is the amount authorized after deductions for participation in junior taxing districts such as for the library. Fire services are fully funded from property tax dollars and have therefore not resulted in a deduction for a fire district. As indicated above, a junior fire district can impose up to \$1.50/1,000 for services, but Buckley is staffed almost totally by excellent volunteers. Beginning in 2015 the City added an Assistant Fire Chief position that brought paid staff levels up to two full time positions, including the Chief, and two part time positions. Total budgeted cost to the general fund for fire services was \$385,700 in 2015, which when calculated as a percentage of all operations in the general fund translates into 9.4% of every dollar the City receives from property tax distribution. For 2016 the funding level drops slightly to 9.2% due to an increase in general fund revenue and reassignment of some expenditures to EMS after seeing some recovery in property tax revenue from the EMS levy.

When assessed valuations in the City rise or fall, the levy rate for EMS stays fixed at the maximum amount approved under the ballot measure, which for the EMS levy is \$0.50/1,000 assessed valuation. For the majority of the 6 year levy we have seen the amount of EMS tax revenue fall, but for 2016 we’re seeing valuations approach the same level that they were in 2010 when the levy was approved so revenue from the EMS tax will approach the amount that was initially set.

In Table 3 we illustrated that the City “only” receives \$ 0.24 of every tax dollar paid to the County Assessor by a property owner. Out of the City’s portion of property tax revenue approximately 9.2% or \$0.02 is used for fire operations. This translates into currently costing the taxpayer less than two cents of every property tax dollar for their fire protection services.

As stated above, the City's maximum levy lid is \$3.10, but as discussed earlier the current rate for 2016 is \$2.1962/1,000 which is 70.84% of the maximum. At the 2016 levy rate the City is projected to collect \$845,363. If the City were to seek a levy lid lift through ballot measure for the maximum amount authorized, and the community were to support such a measure, the amount that the City collects would increase from \$845,363 to \$1,191,624 resulting in an additional \$346,261 for operations and services.

Capital Improvement Projects: Utilities and subsequent rate evaluations will be discussed separately in individual categories below. For 2016 the City intends to move forward with a few of the highest priority capital infrastructure and planning projects listed in Table 14 below. Capital improvement projects for streets and utilities will be discussed in their respective sections; however, the two categories not within either of these categories are Funds 307 (Capital Improvement) and Fund 308 (Capital Improvement Planning) both of which are funded primarily from REET Tax revenue and any grants and/or transfers from other funds for specific projects. As discussed earlier, REET Tax revenue has been much higher due to the strong housing market. This has allowed the City to continue to accumulate much needed reserves in both of these funds. Fund 307 is projected to have a 2015 EFB of \$643,220 and for 2016 anticipates expenditures of \$469,000 on revenue of \$696,720, which includes any BFB reserves. Projects proposed in 2016 from Fund 307 are listed in Table 14 and include the MPC Remodel Project, North Parking Lot Reconstruction and Public Works Administration Building Renovation. Projects proposed in 2016 from Fund 308 are directed towards completing GMA required Comprehensive Plan and Development Regulation's update. In addition the Fire Department will continue to work on the City's Emergency Management Plan and staff will continue to work with consultants to complete the SR410 Subarea Plan.

Table 14: 2016 Capital Projects

Capital Accounts (Primary Projects for 2016)			
Fund	Name	Expenditures	Projected EFB
SA - 102	Street Capital Improvements	\$2,572,119	\$470,767
~	2016 Sidewalk Project		
~	TIB Pavement Preservation Project (dependent on grant funding)		
~	Phase II SR410/SR165 Realignment Project Construction		
~	Elk Heights Roadway Paving		
CI - 307	Capital Improvement	\$469,000	\$227,720
~	Building/Planning/Court Office Remodel		
~	North Parking Lot Reconstruction		
~	PW Admin Bldg. Const.		
CPI - 308	Capital Plan and Improvements	\$124,107	\$149,267
~	Emergency Management Plan		
~	Complete City Comprehensive Plan & Critical Area Reg's Update		
~	Update Zoning Code to Comply w/Comp Plan		
~	Update City Park, Recreation & Open Space Plan		
~	Adopt RR-ROW Master Plan and Overlay		
WWC-405	Sewer Construction	\$835,981	\$1,137,837
~	Debt Repayment		

~	Collins Road Repair Project		
WC-406	Water Construction	\$290,008	\$343,247
~	Water Transmission Main Stream Crossing Project		
~	Raw Water Distribution Main (Ag Property)		
~	Well & System Telemetry Upgrade		
~	Naches Well Investigation & Rehabilitation		
SW-408	Stormwater Construction	\$735,572	\$41,514
~	Spiketon Culvert Replacement – Design & Construction		
~	Regional Detention Study		
~	Phase II NPDES Stormwater – L.I.D. Review		
UER-430	Utility and Park Equip Res	\$276,800	\$12,799
~	Small tools and equipment		
~	Utility Truck Replacement		
~	Replace 1994 Graco 5900series Crosswalk and Curb painter		
~	Purchase PW Mobile Vehicle Shop Hoist		

2016 DEPARTMENTAL SUMMARY

CURRENT EXPENSE (GENERAL) FUND



The general fund serves as the central core for most of the public services that the City provides, and provides funding for local government administration and finance, law enforcement, fire control, planning and building, municipal court, parks, recreation programs, youth center and the senior center. Prior steps taken by the City Council in the past along with continuous recovery in the economic and housing sectors is helping to significantly improve the City's financial picture. The housing

market continues to be strong and we're experiencing double digit growth in housing valuations. The increase in building and development interest has led to a surge in permit activity. Sales and use tax continues to climb which is a leading indicator that business activity is growing, as well.

As discussed in the 2015 summary on pages 3 & 4, total revenue for the general fund for 2015 was budgeted at \$10,544,250 which included proceeds from the sale of the natural gas system that once all accounts had been reconciled, ended up being \$6,444,612. By factoring in and reducing the estimated proceeds of the natural gas sale from the total, the budget reflects that the City anticipated collecting \$3,860,985 in revenue to the general fund. Based on current

projections we are estimating that we will end the year with \$4,074,487 which is a 5.53% or \$213,502 increase over budget projections.

We had anticipated starting 2015 with a Beginning Fund Balance (BFB) of \$218,373; however, we ended with an EFB significantly lower at \$3,297, once again starting the year far below where we anticipated being. The 2015 Budget projected that we would end the year with an EFB of \$1,386,501, which relied in large part on the sale of the gas system, but did not consider the allocations under the spending plan approved by City Council and discussed earlier. After taking these transfers into account we currently project an end of year balance (EFB) of \$1,053,049 in the general fund.

General fund revenue for 2016 is projected to be \$5,207,452, which includes the BFB of \$1,053,049; however, actual revenues without the BFB factored in are projected to be \$4,154,403. As illustrated in Tables 10 and 12 general fund expenditures are proposed to increase by 6.9% to \$4,391,272 with the largest increases being generated from legal, police, parks, planning and senior and youth programs. With the exception of legal, the increases in the other departments are all primarily due to requests for additional staffing. The additional 6.9% increase results in an overall deficit of (-\$236,869) to the general fund when taking "actual" revenue into account. The 2016 budget proposes to utilize BFB reserves to cover the deficit to fund current staffing levels after the loss of shared service contracts and to add needed positions. The use of BFB reserves to cover the deficit would result in a projected 2016 EFB of \$816,180, which is slightly over what was anticipated under the natural gas sale spending plan discussed under 2015 General Fund Expenditures on page 10.

While individual staffing needs will be discussed in each department section below, it is important to note that the departments have been absorbing increased workloads during the entire recovery process and this was after reductions were made during the recession. Along with the recovery have come increased building and land use activity, expanded parks and recreation programs and facilities, added police service contracts and petty crimes. In order to continue down this path of sustainability that the City Council has envisioned it will require that we add to current staffing levels to maintain adequate service to the public.

Based on this premise the new budget proposes to add the following positions to be funded from the general fund: full-time parks & building maintenance position that was reduced to ½ during the recession; and one new patrol officer for the police department; and an increase to the planner position from 87.5% to full-time to deal with the increased building and land use activity; a seasonal intern position to finance & administration to assist with records management tasks that have been backlogged due to inadequate staffing levels; and increasing the youth coordinator position from 35 hours/week to 40 hours/week.

Daily workloads on City staff in most departments have increased to the point that we are unable to keep up with the demands. With the pace of building and business activity, along with the addition of revenue from marijuana excise distributions, the hope is that general fund revenue will continue to see increases in revenue in the next 2-3 years that will allow us to fund and sustain the additional positions for the near term.

Benefit costs for employee healthcare are anticipated to increase by 5% in 2016 and the State has notified the City that increases for L&I are going up for various position categories. The level of employee contribution towards their healthcare premium remains a large factor in the City's ability to

contain healthcare costs. Overall spending for such items as supplies, repair and maintenance services, professional services, and travel and training are consistent with prior years.

Employee salaries for 2016 were reviewed based on existing Bargaining Unit Agreements and CPI comparison data and as a result the 2016 Budget along with the proposed 2016 City Salary Ordinance attached as an Appendix A to this report reflects a COLA increase of 2.0% for City exempt and hourly staff.

ADMINISTRATION & FINANCE



Administration and Finance reflects a reduction of **(-1.8%)** from \$978,276 to \$960,987. The decrease comes primarily due to the reclassification of the I.T. manager position after the loss of Ms. Loye to SS911. The position description for the vacant I.T. position will entail new duties with a salary that is lower per survey comparisons. This results in a cost savings in wages and benefits. While we are gaining a cost savings from this position we are requesting in the budget to add one part-time seasonal intern to assist the City Clerk in resolving backlogged

records management work. We are also anticipating a 5% increase in citywide general liability insurance premiums and benefits.

With the exception of other minor reassignments and rearrangements of certain line items, the finance and administration budget proposes no other changes for 2016 except the increased costs mentioned above.

For informational purposes we are including Table 15 in the budget document, which reflects the number of both full and part-time employees along with total monthly payrolls and annual benefit costs for each department proposed for 2016. The table also incorporates the proposed increase in staffing to finance/admin, police, planning, parks and community services (senior & youth). A detailed breakdown of employee positions within the City is included under Appendix D and E found at the end of this report.

Table 15: 2016 City Employment Payroll

City employment and payroll (w-proposed staffing increases)					
Function	Full-time employees	Monthly full-time payroll	Annual Benefit Costs	Part-time employees/pd volunteers	Monthly avg part-time payroll
Finance & Admin	6.0	\$39,188	\$196,456	1	\$533
Judicial and Legal	1.0	\$4,431	\$61,027	3	\$4,537
Police	12.0	\$75,242	\$478,415	0	\$0
Fire & EMS	2.75	\$19,684	\$91,488	77	\$8,410
Building/Planning	2.0	\$11,719	\$60,905	0	\$0

Community SVCS	4.0	\$11,534	\$92,627	6	\$1,778
Cemetery	0.0	\$447	\$4,289	1	\$600
Streets	0.6	\$3,218	\$23,017	1	\$650
Water	3.3	\$17,251	\$131,467	2	\$1,572
Sewer Collection/	5.1	\$27,226	\$185,253	0	\$0
Stormwater	2.0	\$10,970	\$75,110	1	\$650
Totals	38.75	\$220,909	\$1,399,861	92.0	\$18,730

MUNICIPAL COURT

It is satisfying to report that the court continues to run smoothly due in large part to the changes made over the last three years. And, we continue to implement new policies to address the changes in technology and the procedural law.

The online payment system started on September 24, 2015. Although a long time coming, it is proving to be a valuable customer service and a lucrative system for the court. In today's world, people are much more apt to pay on time and in full if they have the convenience of paying online.

We have adopted the new public defense standards, which allows us to be considered for grant funding and the Court Administrator is always on top of grant opportunities and works hard to obtain them when available.

The recording equipment in the courtroom and council chambers is dated but we are looking forward to new equipment in December of this year with the implementation of a new program scheduled for January 2016. The cost of the new equipment and program will be shared by the court, city council, and planning departments.

It has been a great pleasure for the court to work with the police department and the prosecutor to affect a change in our criminal filing system to be more in line with current law and the procedures of other courts in Pierce County. To the extent possible, the police will not be filing directly to the court and instead the prosecutor is filing all criminal charges after thorough review. This saves time for the police and allows for fewer dismissals for lack of evidence or prosecution. Communication on this issue has been productive and we thank Assistant Chief Northam for all his cooperation. We are hopeful that in 2016 the prosecutor will be able to attend SECTOR training so that all cases may be filed electronically and the exchange of information will be much more efficient.

The harmony in the court office and in the courtroom continues. We are proud of the relationships we have forged and our performance both in and out of the courtroom. We invite anyone interested in watching the process to visit us on any Thursday when court is in session. The brevity of this report is another indication of the smooth operation of the court. We no longer have more problems than successes.

The Honorable Marjorie Tedrick

LAW ENFORCEMENT

2015 has been a busy year for the Buckley Police Department, calls for service and demands of the job have kept officers on more of a reactive mode than a proactive mode. As stated in the 2015 budget narrative the addition of the (DSHS) Rainier State



School contract has greatly increased calls for service and added duties to the operations of the department. The workload added by this contract is equivalent to or exceeds one full time officer.

The 2016 general fund portion of the budget reflects the addition of a full time police officer. The addition of this officer is reflected in the salary line item as well as benefits. No other increases to the general fund portion of the police budget changed. Funding for the new officer will come from delaying the transfer of capital funds from the general fund and the new marijuana tax money that the City will receive from the State. Per the new Marijuana Act, the tax money is to be spent on public safety and/or marijuana enforcement.

The Chief has budgeted to buy a new patrol vehicle out of reserve fund 007. There has been much discussion about the purchase of a side by side ATV outfitted for use at the Buckley Police Department. This vehicle will be used for special events such as the log show when traffic is at its worst. In addition the city has areas/properties not easily accessible such as along the Flume, White River, leased property around the Rainier State School and inclement weather spots such as Elks Heights, Wilkeson, and Carbonado. Other Capital purchases and expenditures reflected in Fund 007 are for design of the Police Station expansion should the City Council decide to move forward with this project once the feasibility study has been completed by Helix Design Group.

Grant funding to replace patrol officers bulletproof vests has been secured for the 2016 budget year. As always, the Chief and his staff will continue to look for any grant opportunities that should arise. The Police Chief will be assessing all contracts through-out the year and re-negotiating any of them that are expiring.

FIRE & EMS

The citizens and City of Buckley continue to benefit greatly from the services of a very dedicated core of volunteers who serve as Firefighters, EMTs, and Paramedics.

During the previous 12-month period, ending October 31st, our volunteers have provided 27,223 personnel hours of service as follows: 18,167 hours of staffing and station work assignments, 6,022 hours of training, and 3,034 hours responding to incidents.

An hour of volunteer time in Washington State is established by the Independent Sector as having a value of \$27.54 per hour. Given this figure our volunteers contributed an economic value of \$749,721 to our community. Without the commitment, dedication and professionalism of our volunteer responders we could not provide the high level of service our community appreciates.



A significant change for the fire department in 2015 was the doubling of the fire department's fulltime staff with the addition of a fulltime paid Assistant Fire Chief. Assistant Fire Chief Eric Skogen assumed his fulltime role on January 1st. The addition of a second fulltime leadership position within the fire department was long overdue with the continuous growth of the fire department in especially the past 7 years. Because the fire department is comprised of predominantly volunteer members who generally aren't viewed as employees, it is often overlooked of the need to manage and supervise an organization of 75 or more personnel operating 24/7 – 365 days per year.



City Council Swearing In of Assistant Chief Skogen

The 2016 budget proposes no changes in fire department staffing levels. The fire department continues to recruit and train new volunteer firefighters to maintain a volunteer staffing level of approximately 75 personnel. Our greatest need is for volunteers who reside within our community and this will be our focus of recruitment in the coming year.

Our fire department members are actively engaged in our community. Regular visits to the schools within the city give our firefighters the opportunity to interact with staff and students in building strong and positive relationships while delivering fire prevention and emergency preparedness education in an environment where the message is well received and a lot more fun than being in a more structured setting one time a year. Our firefighters regularly visit Glacier Middle School and Elk Ridge Elementary School to have lunch with the kids and probably stay to join them in recess.



Firefighters at lunch recess at Elk Ridge Elementary School

The fire department is diligent in seeking grant funding opportunities to assist the department in meeting financial needs. In 2015 the fire department was successful in several competitive grant processes and received funding. The 2015 grant awards received by the fire department are:

- \$1,335 Washington State Department of Health Pre-Hospital Trauma Grant for EMS equipment
- \$128,238 Federal Assistance to Firefighters Grant (AFG) for Self-Contained Breathing Apparatus
- \$4,000 Georgia-Pacific Company “Bucket Brigade” Grant for Bunker Gear
- \$26,071 Federal AFG for Bunker Gear



New Self-Contained Breathing Apparatus



Georgia-Pacific Company Grant Presentation

In 2015 the fire department began working toward solutions to several challenges that have a significant impact on the fire department and community. One of these challenges is the negotiation of agreeable terms between the City of Buckley and State of Washington for the agreement through which the city provides fire protection and emergency medical services to Rainier School. The State Department of Enterprise Systems (DES), who now oversees all state contracts, has developed a proposed “standard rate” for service that is unfair to the City of Buckley taxpayer. Attempted negotiations with DES, initiated by the City, have been ongoing since June with no permanent resolution reached. If agreeable terms are not reached it could mean a significant loss of revenue to the City which funds fire department capital needs. A second extension of the expired agreement is in place through December 31st, 2015 – by which time we hope to reach a resolution with DES.

Our greatest challenge is determining the best direction regarding the future delivery of Advanced Life Support (ALS) paramedic and ambulance transport services.



In 2007 the City of Buckley entered into a Cooperative Operating Agreement with American Medical Response (AMR) through which the City of Buckley Fire Department and AMR work in cooperation to provide ambulance

transport and ALS service to the City of Buckley. As a means of making the cooperative operation sustainable the service coverage is extended to Carbonado, Wilkeson, Greenwater, Crystal Mountain, and areas of Mt. Rainier National Park through governmental Interlocal agreements. The program has been a success, and until this past June – each and every time

officials from the City of Buckley Fire Department and AMR met to discuss the operations of the program, there was never an indication otherwise.

In June 2015, two-weeks prior to the agreement between the City of Buckley and AMR was to expire, AMR informed us they could no longer continue to operate under the current terms of the cooperative operating agreement as the program was no longer cost effective for AMR. AMR has informed the City of Buckley for the program to be sustained it will require a financial subsidy paid to AMR to reduce or eliminate their financial operating loss associated with the program.

In response to AMR's position the fire department developed nine different service alternatives, one of which includes a continued agreement with AMR where a subsidy is paid. The nine alternatives were evaluated and reduced to what are considered to be four viable options; and a continued agreement with AMR remains one of those options. The fire department is currently working with our partners from Carbonado, Greenwater, Crystal Mountain, and Mt. Rainier National Park to identify funding capacity to meet a subsidy demand. For the City of Buckley this could mean needing to fund as much as an additional \$70,000 - \$75,000 per year to continue a cooperative operating agreement.



The fire department continues discussions with AMR with the intent of reaching agreeable terms for a successor agreement. However, recognizing this may not occur the fire department is also continuing to build out operations under one of the other three options. In either case, a resolution is necessary by midnight on December 31st, 2015 – as AMR has provided the City with written notice to terminate their service effective at that time if terms of a new agreement are not reached by then.

Regardless of being presented with challenges like these, the men and women who serve the City of Buckley Fire Department are always ready to meet the needs and expectations of the community – doing so with the highest level of knowledge, skill and professionalism you will find in any fire department anywhere. We look forward to 2016 being nothing but another successful year.

BUILDING & PLANNING

Building - New construction in 2015 has been much more active than last year at this time. In 2015 the Building Department to date has issued approximately 95 permits to the 64 permits issued last year. In 2014 we had issued permits 18 new single-family residences by this time and in 2015 had issued 9 new single-family residences. So far this year new residential activity has significantly increased and we have issued 27 permits for new single-family residences. A breakdown of all of the permits issued so far is as follows:

Permit Types	Permit Qty
New Single Family Dwellings	27
Residential Demolitions	4
Mobile Home Siting's in Park	4
Single Family Remodels	5
Residential Garages	4
Single Family Fire Restorations	2
Single Family Decks/Porches	4
Commercial Remodel	4
Rainier State School	11
Mechanical	20
Total	95

For 2016 we're anticipating that building activity will remain steady due to new residential developments and commercial site plans which are currently under construction and/or in the approval process.

The operating budget for the Building Department will be comparable to the 2015; however, due to the loss of our long-term Building Official, Dean Mundy, the shared service contract with the City of Edgewood is no longer in place. This results in the Building position moving back to a full-time status with the City and a loss of revenue from the contract.

In October, 2015 the Mayor appointed Mike Deadmond as the City's new Building Official. Mike comes to us with 24 years of experience after working with both the Town of Eatonville and Bonney Lake in similar capacities. Mike actually trained under Dean as one the City's first OJT's. We're excited to have him and look forward to working with him for many years. Please join me in welcoming him to the position.

Planning - is broken into two major fields: current and long range.

Current planning. As the economy improved, current planning activity increased. Current planning is the rubber-meets-road planning in which uses, setbacks, and lot coverage calculations are applied before construction occurs. These reviews are conducted for residential building permits as a part of the building permit fee.

More substantial development requires planning permits. These permits include building permit reviews for single family structures, external building additions, commercial sign permits, and anything that requires design review or a calculation of setbacks; zoning permits that include commercial/multifamily site plan reviews, conditional use permits, variances and home occupations; ecological permits including shoreline, land disturbing permits, and critical area permits; public works-type of permits including subdivisions (both long and short), , and right-of-way permits. In all of these permits, more than the planning department is involved. To make the costs fair for the citizens, the applicant is billed an hourly cost for each reviewer, such as the planner and city engineer.

By the end of September, the planner received at least the following current planning permits:

Number	Type
43	Building permit reviews/consultations

8	Land Disturbing Activities permit (LDA)
5	Sign permits (design review)
2	Conditional use permits (CUP)
1	Rezone
2	Boundary line adjustment (BLA)
1	Final subdivision (Perkins' Prairie phase 1)

Costs for current planning are in the general fund.

Long Range Planning. Long range planning includes comprehensive plan development and creation or amendment of the city's land use regulations. The planner is the staff for the planning commission.

The city continued work on the application to the county for a larger urban growth area (UGA) that should be carved out of county land adjacent to the city for future annexation. The city applied in 2014, but the city continued work on the proposal. The mayors of Buckley and Bonney Lake succeeded in delaying the decision on their two cities' proposal until 2016. In 2016 part of the planner's schedule will be continuing work on this proposal with the mayor.

In 2015, the planning commission completed recommendations to the city council for five of the eight elements of the city's comprehensive plan: the land use element, the housing element, the economic development element, the urban development element, and the parks element. The commission also developed the goals and policies for the transportation element, which is still in development with the engineer, as are the utilities element, and the capital facilities element. The parks element is slated for adoption late 2015 and the park plan will be adopted from that element to be used in grant applications. Unlike any comprehensive plan element, the park plan will be able to be updated when the need arises.

The commission sent recommendations to the city council about land use regulations concerning marijuana and rezoning certain districts to conform to the proposed comprehensive plan map. The commission is currently working on an ordinance to correct some anomalies in the zoning regulations; by resolving some of these anomalies, the code should be easier to use and/or understand. This type of ordinance is intended to be a yearly function of the department.

The long range and comprehensive plan costs are found in fund 308. Included in this fund are \$2,800 from the Department of Commerce 2014 grant for the comprehensive plan. The remainder of the 308 fund is obtained from a series of funds.

2016 - Next year, current planning foresees increased applications for boundary line adjustments, short and long plats, land disturbing permits, right-of-way permits, site plan reviews, conditional use permits, and design review.

Long range planning foresees the following:

1. Continued work on the comprehensive plan by conducting hearings on the outstanding engineering elements.
2. The commission will develop and conduct hearing on ordinances for development code revision:
 - a. The commission will complete a review of permitting decision-making authority and forward a recommendation to the council early in the year.

- b. Design review for the 410 corridor and a general update to the existing design guidelines.
 - c. An updated State Environmental Policy Act (SEPA) code.
 - d. An updated subdivision code.
 - e. A reorganized Title 20 that segments topics into chapters and works better with the subdivision code.
 - f. An updated critical area ordinance.
 - g. An update to the administrative portion of the Shoreline Management Program, together with an amendment to the SMP.
 - h. A second re-start of the planned unit development (PUD) ordinance, which is to combine BMC 19.23 and 19.24 and provide for commercial PUDs as well as residential PUDs, and to create a method to preserve critical areas while retaining density allowance in subdivisions.
3. Begin a shoreline trail review to locate first trail segment (2016 to 2017)

Staffing. The city is currently staffed by one .85-FTE planner, an increase over the .8-FTE employee in 2014 and the half-time planner in 2012 and 2013. Next year, the city will increase the planner's time to 1 FTE.

Also included in staffing is the permit technician. The permit technician is to review applications and plans for counter completeness, answer certain building and planning process questions at the counter, assist with code enforcement complaints, calculate fees, respond to requests for documents, and write planning commission minutes. This is in addition to utility billing work.

In addition to all the planning permits received, by the end of September the permit technician also received the following permits:

<u>Number</u>	<u>Type</u>
24	Right-of-way permits

COMMUNITY SERVICES DEPARTMENT

The City's Community Services Department encompasses the Youth Center, Senior Center, and Parks programs. The Youth Center and the Senior Center maintain public/private partnerships with 501(c) 3 non-profit organizations to help to subsidize programming costs.

The City offers adult recreational activities including Zumba, Square Dancing, and Yoga. These activities take place at Buckley Hall and are represented in a separate fund category from the Community Services Department.



The City's Community Services Department is composed of ten employees in total. This accounts for four full time staff members (the Recreation Services Director, Parks Maintenance/Custodial worker, Parks and Building Maintenance Worker, and Activities

Coordinator and Youth Program Lead), and six part-time employees (the Senior Center Cook, Youth Activities Assistant, one seasonal worker in the cemetery, two seasonal workers in the park, and the Parks Seasonal Senior Aide). The distribution of this staff funding is taken from five separate fund areas within the City's budget—that is, the Youth Center, Senior Center, Parks, Cemetery, and Railroad Right-of-Way fund.

Senior Program: The Buckley Senior Activity Center will be staffed by the City's Recreation Services Director, Cook, and Activities Coordinator and Youth Program Lead. With 60% of the Recreation Services Director's time, 100% of the Cooks time (at 10 hours per week), and 30% of the Activities Coordinator and Youth Program Lead's time. This allocation of time represents the equivalent of 1.15 full time staff. In 2016 Senior Center Budget shows an increase of 82%. This increase is reflective of the reallocation of the Activities Assistant



and Youth Program Lead's time and the benefit costs associated with it. The Center has zero allocation in the budget from the City for any programs or classes that occur in the Senior Center. The City also does not pay for any operations or maintenance of the senior van because it is owned by the Buckley Senior Citizen's non-profit organization, not the City. Thus, all monies spent on programs, classes, and transportation at the Center are funded by tuitions, donations, fundraisers, and any grants obtained by the Buckley Senior Citizens.

Youth Program. The Buckley Youth Activity Center is staffed by the Activities Coordinator and Youth Program Lead and Youth Activities Assistant year-round. The Recreation Services Director contributes ongoing support for these programs throughout the entire year.



This allocation of staff time represents 1.65 full time staff. The budget for 2016 was increased by 78% to reflect increases in salaries and benefits. Pierce County Community Connections recommended the Center receive \$15,088 through the County's competitive grant process. This funding will

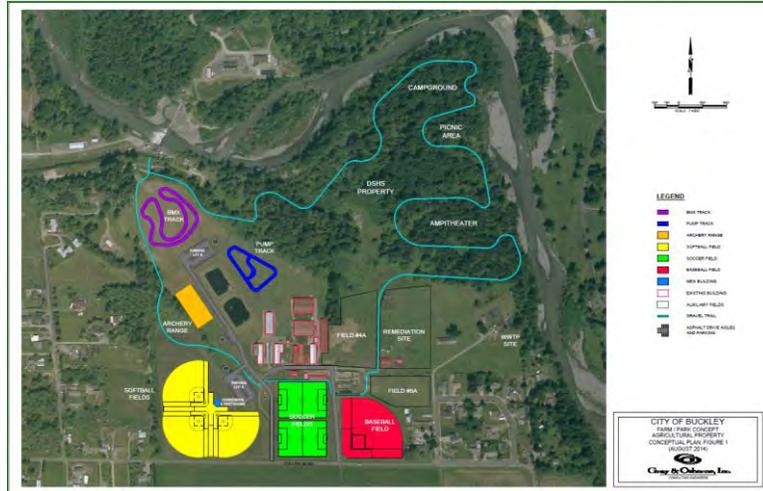
come from the Youth Violence Prevention (YVP) grant- \$12,500 of that funding will help offset the cost of salaries and wages for the Youth Activities Assistant.

Parks. The Parks will be staffed by a full-time Parks Maintenance Worker (funded 70% by Parks and 30% by RRW) , a full-time Parks Maintenance and Custodial worker (funded 80% by Parks, 1% by Cemetery, 5% by Water, 2% from the Waste Water Treatment Plant, 5% by Sewer, 2% by Street, and 5% by Storm), the City Mechanic (funded 7.5% by Parks), the Public Works Superintendent (funded 10% by Parks), two seasonal employees, and a Parks Seasonal



Senior Aide position. This allocation of staff time represents 1.72 full time staff being paid from the Park fund. The Parks Seasonal Senior Aide position is intended to provide support in bringing our level of operations back to what they were in 2010 prior to the Parks Maintenance Worker position being cut in half. This position will be responsible for oversight of the two summer seasonal workers. The budget for 2016 budget reflects increases in salaries and benefits and the addition of time allocated to the Parks Maintenance Worker to once again make this a full-time position. Additionally, this funding reflects monies allocated to support a concert in the park series.

Unique to the Parks Capital fund this year is the allocation of \$44,000 to support equipment cost and surface level materials for a new playground on River Ave. behind Wally's Drive-In. In addition the 2016 budget adds a \$5,000 project to construct a new masonry façade around the Skatepark restroom.



Cemetery. The Cemetery will be going through a significant change in 2016. Due to a steady decrease in revenues over the past few years, the City is planning to potentially contract maintenance and operations of the Buckley Cemetery out to a third party, which will eliminate the Cemetery Caretaker position. The 2016 budget reflects funding of one seasonal part-time worker to assist with maintenance while this process and possible transition occurs.

Museum. The Foothills Historical Society began as a partnership with the City of Buckley in 1981. The museum occupies a city-owned building between Cottage Street and River Avenue. Outdoor exhibits are located opposite the museum on River Avenue and include a lookout tower, log cabin, bunkhouse, saw shop and steam donkey. Various logging and farm equipment is displayed in the farm shed. The Foothills Historical Society owns the collection and staffs the museum with volunteers. City funding comes from the budget's Visitor Promotion and Development Fund 136, which obtains revenue from the Hotel/Motel tax. The museum also serves the city as a visitor center for information about the local area. Through this partnership, local history is made available for research and preserved for future generations.



The museum is open Tuesdays, Wednesdays and Thursdays from 12:00 PM to 4:00 PM, and Sundays from 1:00 PM to 4:00 PM. The museum is open additional hours during most city-wide events and schedules public school and other special tours.

From January through October, 2015, the museum hosted 1,268 visitors. Of these, 73 were local school students in class tours. Visitors came from 53 cities in Washington, 16 states and 4 foreign countries. Student and adult volunteer hours totaled 2,531.

The Foothills Historical Society holds an annual rummage sale to fund archival materials, exhibit developments, docent classes and other operational expenses. A benefit dinner was added to fundraising efforts this year. The Society is a 501(c)3 organization and receives additional funds through donations.

Expenditures for 2016 are consistent with the last few years. No major projects are scheduled for 2016, but several outbuildings are in need of new roofing in 2016. Although construction of a building addition is several years away, initial planning began in 2015.

UTILITY/ENTERPRISE SERVICES

The City owns and operates three separate utilities, the Wastewater Treatment System, the Stormwater System and a shared Water System with Rainier School. In addition to the three 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 City Administrator and Public Works Supervisor and staff consisting of the following:

<p>Wastewater Treatment Plant (WWTP) - 1 WWTP Supervisor 2 WWTP Operators</p> <p>Water/Sewer Collection - 1 Assistant PW Supervisor 2 Utility Workers 1 Seasonal P/T Utility Worker</p> <p>Streets/Stormwater - 2 Utility Workers 2 Seasonal P/T Utility Worker</p>	<p>Parks, Recreation, Buildings and Cemetery - 1 Building/Parks Maint Worker (vacant) 1 Building/Parks Maint Custodial Worker 1 Half-time Cemetery Caretaker 4 Seasonal P/T Parks Workers</p> <p>Shared - 1 Utility Mechanic (shared)</p> <p>Natural Gas – N/A</p>
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Natural Gas Department:

The 2015 Budget anticipated that the City would reconcile all Natural Gas System accounts and declare remaining balances as surplus to the needs of the utility. This would then allow the City Council to transfer assets to the general fund for allocation based on City needs. The 2015 budget anticipated total revenue from the sale of the system as well as receipt of any outstanding balances at \$5,460,386 for Fund 401 (operations) and \$1,004,503 in Fund 404 (capital) for a total of \$6,464,889; however, upon balancing of all accounts the actual amount in Fund 401 was \$5,447,310 or approximately **(-\$13,076)** less than projected and the amount in Fund 404 was \$1,004,612 or \$109 more than anticipated.

As illustrated in the 2016 general fund summary, in January, 2015 the City Council adopted an Ordinance transferring \$5,440,000 of the natural gas operations fund and the ending balance of \$1,004,612 of the natural gas capital project fund to the general fund. Following the transfer of these funds to the general fund the City Council in a public meeting decided upon the following allocation of these resources:

- Priority #1 Cumulative Reserve - \$5,000,000; and
- Priority #2 Create “Rainy Day” Contingency - \$130K; and
- Priority #3 General Fund Operational FD Staffing Hours - \$50K; and
- Priority #4 Parks Capital - \$150K; and
- Priority #5 Public Safety Capital Equip Reserves (Fire) \$50K; and
- Priority #6 Capital Imp Projects (N Parking Lot & PD Expansion) \$250K; and
- Priority #7 General Fund Reserves \$814,611.

Due to a number of outstanding delinquent accounts the City is keeping Fund 401 active in order to account for any collections that are received. Surplus funds not needed for keeping the fund active will be surplused and transferred each year as part of the budget process. For 2016 we’re anticipating a BFB of \$6,396 with potential revenue from collections of \$500 for a total of \$6,896. The budget proposes to surplus and transfer \$6,000 of the revenue to the general fund leaving an EFB of \$896.

Table 16: Natural Gas Operations

2015 Operations Analysis					
Utility	Revenue		Expenditures		EFB
	2015 Budgeted Revenue w/BFB	2015 Projected Revenue w/BFB	2015 Budgeted Expenditures	2015 Projected	Projected
Natural Gas (401)	\$5,460,386	\$5,447,310	\$5,460,386	\$5,440,914	\$6,396
Natural Gas (404)	\$1,004,503	\$1,004,612	\$1,004,503	\$1,004,612	\$0

2016 Operations				
Utility	2016 Projected BFB	2016 Projected Revenue w/BFB	2016 Proposed Expenditures	Projected EFB
Natural Gas (401)	\$6,396	\$6,896	\$6,000	\$896

Water Department:

Water system operations are funded through Fund 402 which derives revenue from the sale of domestic water to local residents, businesses, government agencies and outside service contracts.

Expenditures for 2015 were budgeted at \$727,830 on revenue of \$806,498. Actual revenues are currently being projected to be over by 4.6% at \$843,862 and expenditures over by 29.9% at \$945,094. The additional expense was authorized by City Council action to assist with funding of the Water Transmission Main Stream Crossing Project, which came in approximately \$140,000 higher than estimates. The City Council authorized a transfer of up to \$300,000 from Fund 402’s reserves which

increased the capital transfer that was originally budgeted by \$194,107. If this transfer were not factored into the calculation then expenditures would have been 1.9% over at \$741,987 which was primarily due to the higher taxes related to increased revenue.

Table 17: Water Operations

2015 Water Operations				
Utility	Revenue		Expenditures	
	2015 Budgeted Revenue	2015 Projected	2015 Budgeted Expenditures	2015 Projected
Water Operations (402)*	\$816,998	\$864,550	\$727,830	\$936,094
Water Capital (406)	\$2,156,762	\$1,011,287	\$2,156,762	\$847,356
*Note: Revenue for water and sewer does not include BFB because of comingled utility.				
2016 Water Operations				
	2016 Projected Revenue	2016 Proposed Expenditures	EFB	Change in Rates Needed
Water Operations (402)*	\$892,510	\$829,371	\$63,139	>3.5%
Water Capital (406)	\$633,255	\$290,008	\$343,247	N/A

Expenditures for 2016 are projected to increase by 14.0% to \$829,371. This large jump is due to a number of factors such as higher billing costs, increased state and local taxes from higher revenue, employee's salary & benefit costs, additional supply and public utility costs due to the addition of facilities, a larger capital transfer amount due to higher revenue and the addition of one new staff position.

The addition of more technological advanced systems within the operations has led to the need for a more specialized technical position that is skilled in electronics, telemetry, pumps and hydraulics. Within the last 3-4 years the City has added the Elk Heights Booster Station, Emergency Booster Station Intertie and new Trail Well with manganese treatment all of which require a higher level of technical maintenance that exceed current skill levels. Due to this fact the Public Works Department is requesting funding for a new position in 2016. This is the 1st new position that has been requested for several years even though a significant amount of growth has occurred including the addition of new facilities.

The 2015 budget discussed the fact that revenue projections from water sales for 2015 had been reduced from 2014, despite the fact that expenditures remained steady. This was due primarily to the additional revenue that the fund had received from new home assessments in Elk Heights during the two previous years. Because of this additional revenue the City Council chose to leave water rates unchanged for 2015. Although this trend has continued through 2015 with additional homes being built in Elk Heights the City Council has expressed concern that assessment funds were to be used for long term maintenance of the facility and not ongoing operations of the entire system. Therefore in order to meet the needs of operations and 17.7% increase in operating costs being projected for 2016, it is recommended that base rates be increased by 3.5% as reflected in Tables 17-A.1 and 17-A.2 below.

Table 17-A.1: Proposed Base Water Rate Structure

Meter Size	2015	2016
	Within City	
Up to 3/4"	19.81	20.50
1"	25.12	26.00
1-1/2"	36.10	37.36
2"	50.24	52.00
3"	74.60	77.21
4"	121.01	125.25
6"	233.43	241.60
8"	571.90	591.92

In addition to the base rate identified in Table 17-A.1 customers will pay a usage charge per CCF (100 cubic feet) of water consumed as illustrated in Table 14-A.2 below;

Table 17-A.2: Proposed Seasonal Rate Structure

Effective Beginning		1/1/2015	1/1/2016
Winter			
Single-family & Multifamily residential	2 - 7 CCF	1.96	2.03
	7.01 - 15 CCF	2.31	2.39
	Over 15 CCF	2.72	2.82
Commercial/Industrial		2.03	2.10
Schools		1.91	1.98
Winter rates will be reflected on bills covering October 1st through May 31st			
Summer			
Single-family & Multifamily residential	2 - 7 CCF	1.96	2.03
	7.01 - 15 CCF	2.56	2.65
	Over 15 CCF	3.29	3.41
Commercial/Industrial		2.03	2.10
Schools		2.03	2.10
Summer rates will be reflected on bills covering June 1st through September 30th			

By factoring in the recommended increase identified above forecasts for 2016 anticipates revenue of \$892,510.

Water Capital:

Each year we emphasize the critical needs of the water system and list concerns over the vulnerabilities. While we have made much progress in recent years by constructing the emergency intertie and booster station with connection to Tacoma Water's pipeline #1 and constructing the new Trail Well there is still much to do.

The City obtains its water supply from two primary sources, surface water and groundwater. Surface water is diverted and transported from South Prairie Creek, through 6 miles of older pipe, before going through a sand filter treatment cell where it is purified, chlorinated and delivered to City customers. This water transmission pipeline was constructed over 70 years ago and is steadily deteriorating. Due to its age, location and vulnerabilities it remains one of the primary infrastructure concerns for the community. Both the water transmission main and access road experienced significant damage from consecutive major storm events in 2006 and 2009. Combined cost for repair of the facility from both events came in at just under \$1,000,000. We were fortunate that in each case the events were declared Federal disasters and funding through FEMA and State DEM was authorized for repair. While in each case 87.5% of the cost was grant funded, the City was still required to provide the local match in order to complete repairs.

This pipeline once again experienced damage during 2011 that remains a major source of concern. A portion of the transmission main crosses South Prairie Creek in the open stream bed. This section has been protected for years by concrete reinforcement; however, in 2011 flood waters caused the streambed to move washing away the concrete and leaving the pipe exposed and suspended in the stream where it's extremely vulnerable to future damage. Minimal repairs were made to temporarily support this pipe section, but there remains significant risk.

In 2013 the State Legislature awarded the City a \$350,000 grant under line appropriation in the budget to make repairs to this "Stream Crossing." The City Council awarded bid of this project in the summer of 2015 and construction is currently underway. Completion of the project should be done by the end of the year and once done will replace the most vulnerable section of the transmission pipeline.

The City's second source of supply comes from four groundwater wells owned by the City and one owned by the State on Rainier School's campus. Each of these wells was originally developed to supplement the City's and Rainier School's water supplies and not intended to be used for permanent supply sources. However, in recent years with the condition of the surface water transmission main the City has had to rely more and more on these sources for primary withdrawals.

The City's water supply issues were the subject of a study commissioned by the City Council and performed by the City's engineers that resulted in the City Council's decision to prioritize both short and long term actions to take to address the problems listed as follows:

Short Term:

- Complete FEMA Hazard Mitigation repair of the transmission pipeline;
- Move forward with design and construction of the Emergency Intertie and Booster Station;
- Seek funding for development of the Trail Well.

Long Term:

- Explore obtaining additional water rights for potentially locating a new supply source either from the White River, CWA Flume or groundwater well next to the White River;
- Attempt to obtain sufficient financing to replace the City's water transmission main from South Prairie Creek; and
- Potentially purchase some percentage of permanent water supplies from Tacoma Water through the Four Cities Agreement.

In 2012 the City completed the project to repair/replace 2,700 lineal feet of the water transmission pipeline funded in large part by a Hazard Mitigation Grant from FEMA. The City also applied and received approval for a State of Washington Public Works Trust Fund (PWTF) loan to construct the Trail Well and Emergency Intertie and Booster Station.

In 2014 the City completed construction of the new Booster Station Intertie, which was designed to connect the City to Tacoma Water for emergency usage, and completed construction of the Trail Well in the summer of 2015.

In addition to the two major construction projects, the City conducted an evaluation of Wells #2 and #4 which revealed severe pitting on the well shafts. As a result of this investigation the City moved forward with rehabilitation of both wells which was completed in the summer of 2014.

Water capital projects identified for 2016 are listed in Table 18 below.

Table 18: 2016 Water Capital Projects

Fund	Name	Expenditures	Projected EFB
WC-406	Water Construction	\$290,008	\$343,247
~	Water Transmission Main Stream Crossing Project		
~	Raw Water Distribution Main (Ag Property)		
~	Well & System Telemetry Upgrade		
~	Naches Well Investigation & Rehabilitation		

Sewer Treatment & Collection:

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, manholes and lift stations throughout the City and the wastewater treatment plant (WWTP), 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 is operated and maintained 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.

The City completed the last phase of construction for overall upgrade to the WWTP in 2009. In 2010 the City moved forward with installation of the sewer conveyance line from River Avenue to Shay Estates, which was completed in February, 2011. This line now connects the City's WWTP to Rainier School and our facility is currently receiving and treating the waste from this facility. Rainier School is now a permanent sewer customer of the City.

Completion of the WWTP upgrade moved the City a giant leap forward toward meeting Federal and State water quality standards through our NPDES Effluent Discharge Permit to the White River. One last hurdle that will eventually have to be addressed has to do with the removal of phosphorus from our effluent, once the State Department of Ecology establishes threshold limits within our permit. The new system has been designed to reduce phosphorus levels below those

previously discharged; however, if limits are set too low we may find the new limits challenging to meet.

Overall 2015 expenditures in sewer operations are on track to be under budget by (-4.3%) and revenue from sewer service is projected to be slightly higher than anticipated by 1.2%. The increased revenue is primarily attributable to additional collections from DSHS for higher volumes of waste from Rainier School and continued recovery in the housing sector.

Expenditures for 2016 are projected to increase 2.4% primarily due to employee salary and wage increases and public utilities. Capital contributions must remain fully funded to ensure enough funding is available to make loan payments and grant contribution matches. In order to ensure that adequate capital reserves are available to implement large, high cost improvement projects a rate increase of 3% is being recommended to account for increased construction costs. Table 19 below illustrates the budget analysis for 2015 and overall changes in the proposed 2016 budget.

Table 19: Sewer Operations

2015 Sewer Operations				
Utility	Revenue		Expenditures	
	2015 Budgeted Revenue	2015 Projected	2015 Budgeted Expenditures	2015 Projected
Sewer (402)*	\$1,817,273	\$1,838,967	\$1,841,184	\$1,762,543
Sewer (405)	\$1,826,914	\$1,863,284	\$1,826,913	\$752,241
Note: Revenue for water and sewer does not include BFB because of comingled utility.				
2016 Sewer Operations				
	2016 Projected Revenue	2015 Proposed Expenditures	EFB	Change in Rates Needed
Sewer (402)*	\$1,911,541	\$1,884,859	\$26,682	>3%
Sewer (405)	\$1,973,818	\$835,981	\$1,137,837	N/A

Sewer Capital:

Fund 405 Sewer Capital Fund is established for construction and/or purchase of capital projects and/or equipment used in the treatment and collection of waste. The fund also is responsible for any debt payments for outstanding loans taken out by the City for capital projects.

Funding for this account comes from a minimum 25% transfer of all revenues derived from sewer service charges throughout the community.

For 2016 the budget proposes to complete the repair to Collins Road that had damage resulting from trench failure due to the DSHS Sewer Conveyance Line Project.

Table 20: 2016 Sewer Capital Projects

Fund	Name	Expenditures	Projected EFB
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WWC-405	Sewer Construction	\$835,981	\$1,137,837
~	Debt Repayment		
~	Collins Road Repair Project		

Street Operations:

Funding for street operations continues to improve with the assistance of funding from the Transportation Benefit Districts (TBD). 2015 was the 1st full year of funding and the additional revenue has resulted in immediate benefits to the City’s roadway system. The struggle to fund transportation maintenance and improvements has been discussed in numerous past budgets and by the Legislature granting Cities the ability to create Transportation Benefit Districts and adopting fees to mitigate local impacts to the transportation system, we now have a tool to help offset some of the revenue losses from voter initiatives and declining gas tax distributions. Since peaking in 2003 the City had seen over a 30% drop in revenue due to initiatives and lower tax distributions.

Prior to implementation of the citywide vehicle fee, revenue to the Street Fund came from two main sources with the primary being from per capita gas tax distributions from the State, derived from the sale and consumption of fuel Statewide. The second source was direct support from the general fund. Gas tax distribution is no longer a reliable source of funding for “fixed” operational costs. As the price/gallon fluctuates, along with the societal movement and shift towards more energy efficient vehicles, fuel consumption drops off, cutting distributions to local governments. Each year we lower our revenue projections for per capita distributions and the trend has been that the actual revenue that we receive for the year is lower than projections. This has been the case over the last several years; however, for 2015 it appears that we’ve lowered expectations so many times that we may actually hit it this time. Based on preliminary estimates from MRSC the City projected 2015 revenue from gas tax distributions to be \$91,305, and as of the September closeout we’re anticipating to hit revenue of \$91,239, which is pretty close.

The 2015 budget anticipated that the TBD would contribute \$75,000 towards operation, maintenance and capital projects, which is a \$25K increase over 2014. Since 2015 was the 1st full year of collections our projection was that the TBD would generate approximately \$80,000 in vehicle fees. Projections utilizing the end of September monthly closeouts project that revenue will be slightly higher at \$88,836.

Because of the additional revenue from the TBD the City built upon the maintenance that was performed in 2014 and in 2015 was able to restripe arterial streets and major crosswalks and repaint restricted parking areas throughout the City. In addition, the 1st sidewalk repair project in 10 years is ongoing and should be completed within the next month or two. The PW Department plans to gradually increase the level of maintenance and continue to implement smaller capital projects such as local access pavement preservation and sidewalk construction as additional revenue becomes available.

Street operations for 2015 were budgeted at \$183,630 and are currently projected to be \$197,728, which is 8.0% or \$14,098 over budget. Additional costs were related to higher than anticipated street and parking lot charges and engineering costs for street use permits and project estimates. Revenue, including support from the TBD, was budgeted at \$216,102, but is projected to be slightly over by 4.5% at \$225,837. The 2015 budget anticipated ending the year with an EFB of \$32,472 but is currently projected to end slightly under with \$28,109.

Expenditures for 2016 are projected to be slightly higher by 6.0% at \$195,511 as we attempt to manage the new revenue source and begin to structure the maintenance and project workload and analyze staffing levels to ensure that we are meeting community needs and absorb the higher cost of street and parking lot lighting. Revenue for street operations is estimated to be 2.49% higher over 2015 at \$229,080.

Table 21: Street Operations

2015 Street Operations & Capital Analysis					
Fund	Revenue		Expenditures		EFB
	2015 Budgeted Revenue w/BFB	2015 Projected w/BFB	2015 Budgeted Expenditures	2015 Projected	Projected
Street Operations (101)	\$216,102	\$225,837	\$183,630	\$197,728	\$28,109
Street Capital (102)	\$3,303,70	\$1,051,03	\$2,750,64	\$232,207	\$818,833

2016 Street Operations & Capital Budget					
Fund	2016 Projected BFB	2016 Projected Revenue	2016 Total Revenue w/BFB	2016 Proposed Expenditures	Projected EFB
Street Operations (101)	\$28,109	\$200,971	\$229,080	\$195,511	\$33,569
Street Capital (102)	\$818,833	\$2,224,053	\$3,042,886	\$2,572,119	\$470,767

Street Capital:

Arterial revenue historically is limited to revenue received from grants, impact fees from new development and transfers-in from both the general fund and fund 101 for capital projects.

In 2012 the City completed Phase I of the SR165/SR410/ Ryan/112th Realignment Project and because of funding limitations we had to wait on potential new grant funding in order to complete Phase II. In late 2013 the City was awarded \$1.6 million in federal transportation dollars to complete Phase II of the project. The project is currently in the design phase and we had hoped to go out to bid and begin construction in 2015; however, due to federal and state review and approval requirements, and their historically slow response in completing the review process, construction has been delayed until the spring of 2016.

Applications for additional pavement preservation projects have been submitted to the State TIB, but for now we have simply listed general project line items until such time that the City has been notified of successful award. Projects proposed for 2016 are listed in Table 22 below.

Table 22: 2016 Street Capital Improvements

Fund	Name	Expenditures	Projected EFB
SA - 102	Street Capital Improvements	\$2,572,119	\$470,767
~	2016 Sidewalk Project		

~	TIB Pavement Preservation Project (dependent on grant funding)
~	Phase II SR410/SR165 Realignment Project Construction
~	Elk Heights Roadway Paving

Stormwater Operations (“Surface Water Utility”):

The City established the surface water utility in 1992 with the primary purpose of creating a funding method to provide financing for planning, development, management, operation, maintenance, use, and alteration of the surface water management system in the drainage basins of the City in order to maintain their hydrologic balance, minimize property damage, promote and protect the public health, safety, and welfare of the community, minimize water quality degradation by preventing siltation and erosion of the City’s waterways, ensure the safety of the City streets and rights-of-way, increase educational and recreational opportunities, encourage the retention of open spaces and foster any other beneficial public use.

Since its inception the system has been developed and enlarged and as a result has completed several “large” significant stormwater drainage projects that have ultimately aided in reducing seasonal flooding in large parts of the City. In recent years the program has come under increased pressure from the State Department of Ecology (DOE) as a result of falling under the DOE’s Phase II NPDES Stormwater Permit and all of the “systematic” increases in regulations that have resulted from such.

The City has managed to stay in compliance with all of the required steps and components up until now; however, with each year these become more complex and difficult to meet with current resources. The 2015 budget reflected changes and increases in the operation that were implemented as the 1st step to aid the City in meeting the demands of the Phase II NPDES Stormwater Permit requirements. The new organizational structure has helped tremendously and the PW staff was able to complete many of the tasks under the Stormwater Management Plan that had been neglected without adequate resources.

Overall 2015 expenditures in stormwater operations are on track to be under budget by (-0.33%), and revenue is projected to be lower than anticipated by (-5.8%). Revenue is coming in under budget due to lower than projected stormwater utility receipts and a delay in receiving the DOE grant that the City applied for to assist for NPDES compliance.

Expenditures for 2016 have been reduced slightly by (-2.38%) at \$481,264 due to the shortfall in revenues. Overall we’ve attempted to lower operating costs generally in areas where we believe we have some flexibility; however, the reduction cannot be permanent due to the expanding NPDES requirements and amount of work that is necessary to satisfy compliance. We’ve also been relying on grant funding for the last 2-3 years in order to subsidize operations as we’ve ramped up our stormwater program. This source is always subject to legislative approval through the State budget process and is not a reliable source of revenue for “fixed” operational costs. Stormwater utility income from service charges was budgeted to be \$447,849 in 2015; however current projections to the end of the year show that we’ll be short of this by (-0.65%) at \$444,938. Revenue projections using a simple escalation rate of 1%, from new growth, generates stormwater utility income of approximately \$450K. At current rates this leaves us with a deficit of (-\$31,264) and there are no reserves to fall back on in order to balance funding levels.

Utility rate structures must produce enough money to operate in a financially sound manner. With expenditures reduced as much as possible the only recourse is to consider increasing rates in order to ensure adequate funding for the program. In order to generate enough revenue to offset the (-\$31,264) shortfall the utility would need a minimum of a 7% rate increase. However, this 7% increase only brings the operational level up to the reduced budget amount that already is at a substandard level. Therefore the City Council should consider increasing the stormwater utility rates in the range of 7% - 10% to adequately fund operations, NPDES compliance and capital improvements. The 2016 budget reflects a mid-range increase of 8.5%; however, this may change subject to City Council confirmation.

Table 23: Stormwater Operations

2015 Stormwater Operations & Capital Analysis					
Utility	Revenue		Expenditures		EFB
	2015 Budgeted Revenue w/BFB	2015 Projected Revenue w/BFB	2015 Budgeted Expenditures	2015 Projected	Projected
Storm Drainage (407)	\$522,367	\$492,078	\$493,019	\$491,389	\$689
Storm Drainage (408)	\$718,416	\$789,659	\$362,974	\$211,622	\$578,037

2016 Stormwater Operations & Capital					
Utility	2016 Projected BFB	2016 Projected Revenue w/BFB	2016 Proposed Expenditures	Projected EFB	Change in Rates Needed
Storm Drainage (407)	\$689	\$507,524	\$481,264	\$26,261	>8.5%
Storm Drainage (408)	\$578,037	\$777,086	\$735,572	\$41,514	No

Stormwater Capital:

The City Comprehensive Stormwater Plan identifies 13 high priority capital improvement projects throughout the City that when constructed will effectively convey runoff from the community to various points of discharge. The cost to implement all 13 projects in 2008 dollars is \$14,812,500, but after adjustments were made for inflation and schedule of implementation the cost increases to \$17,478,377. Funding for these projects is anticipated to come from a variety of sources to include grants, low interest loans, developer charges and a portion of rates. A complete list of these projects is identified below in Table 24.

Table 24: Stormwater System Capital Improvement Projects

Stormwater Capital Improvement			2008 Cost	Future Cost Adjusted
1	Spiketon Bridge	2010	\$243,750	\$243,750
2	Dundass Avenue	2011	\$77,500	\$77,500
3	Sheets Road Diversion	2012	\$672,500	\$733,025
4	Division Street (Ryan Diversion)	2012	\$277,500	\$302,475

5	Hinkelman East	2012	\$1,587,500	\$1,730,375
6	Regional Detention Facilities	2013	\$10,000	\$10,600
7	Regional Water Quality Facilities	2013	\$10,000	\$10,600
8	Hinkelman Extension/Ryan Extension	2014	\$2,276,250	\$2,617,688
9	Ryan Road	2014	\$3,771,250	\$4,336,938
10	McNeely	2016	\$438,750	\$530,888
11	Elk Meadows Ditch	2016	\$476,250	\$576,263
12	Spiketon Road	2017	\$173,750	\$215,450
13	Collins Road	2018	\$4,797,500	\$6,092,825
Totals			\$14,812,500	\$17,478,377

The numerical sequence and dates of the projects listed within the table are not necessarily intended to illustrate the priority or completion schedule of the projects. Projects listed will be completed as funding and opportunity presents itself. In 2011 and 2012 the City completed CIP #8 (Hinkelman Extension/Ryan Extension) as part of the SR165/SR410/RyanRd/112th St. E. Realignment Project. Construction of this project completed a vital drainage link for the community. In 2014 construction of the Clearwater Estates Subdivision completed another vital link by installing approximately 1,925 lineal feet of the Ryan Road CIP #9.

In 2015 the City Council approved design of the Spiketon Road Culvert Replacement Project and a Regional Detention Facility Feasibility Study all of which are listed in Table 25 below. Design of the Spiketon Road Culvert Replacement Project is ongoing and should be complete sometime in 2016. Depending upon construction cost estimates, timing and availability of funding the City may move ahead with construction of the project in 2016. A budget of \$500K has been reserved in Fund 408 for this possibility.

Table 25: 2016 Stormwater Capital Improvement Projects

Fund	Name	Expenditures	Projected EFB
SW-408	Stormwater Construction	\$735,572	\$41,514
~	Spiketon Culvert Replacement – Design & Possible Construction		
~	Regional Detention Study		
~	Phase II NPDES Stormwater – L.I.D. Review		
~	Comprehensive Stormwater Management Plan Update		

Solid Waste:

Revenues for 2015 are projected to be over budget by 0.3%, and expenditures over by 2.8% at \$873,025, leaving an EFB of \$3,081. The 2015 expenditures included an anticipated BFB of \$23,874, but actually ended up being \$17,930, which is (-\$5,944) under projected. When breaking down the separate categories, revenue from garbage fees “alone” was budgeted at \$856,087 and is coming in close to budget at \$857,752. Expenditures for the garbage contract with DM Disposal was budgeted at \$669,717, but is projected to be over by 3.9% at \$695,761 by year’s end. The expense for contractual payment to DM Disposal is the largest cost in the fund. Due to the higher cost of service any reserves that we’ve accumulated have been eroded.

Changes for 2016 include the expectation of another CPI increase coming from both DM Disposal and Pierce County for tipping fees again in March, 2016, which in conjunction with the higher costs from service in 2015 will necessitate consideration of a rate increase of 4.0% to 5.0% in January, 2016 to compensate for the additional charges. The 2016 budget calculations listed in Table 26 below reflect a 4.5% rate increase for consideration.

Table 26: Solid Waste Operations

2015 Solid Waste Operations Analysis					
Utility	Revenue		Expenditures		EFB
	2015 Budgeted Revenue w/BFB	2015 Projected Revenue w/BFB	2015 Budgeted Expenditures	2015 Projected	Projected
Solid Waste (403)	\$873,113	\$876,106	\$849,239	\$873,025	\$3,081

2016 Solid Waste Operations					
Utility	2016 Projected BFB	2016 Revenue w/BFB	2016 Proposed Expenditures	Projected EFB	Change in Rates Needed
Solid Waste (403)	\$3,081	\$898,792	\$895,453	\$3,339	>4.5%

UTILITY RESERVES

Proposed equipment purchases for 2016 include;

- ◆ Small tools and equipment
- ◆ Replacement of a 2003 Chevrolet Shortbed 4x4 Pickup
- ◆ Replacement of a 1994 Graco 5900series Crosswalk and Curb painter
- ◆ Purchase of a Mobile Vehicle Shop Hoist for PW Maintenance

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.

I am of the opinion that my life belongs to the community, and as long as I live it is my privilege to do for it whatever I can.
~George Bernard Shaw

CONCLUSION

The proposed 2016 Budget provides funding levels for all programs and services that the City provides. Because of steps taken by the City Council over the past few years we are fully able to fund core level services that have been identified.

The request being presented is a compilation of many hours of discussion and preparation. It represents the end of a long process of balancing wants, needs and forward projections with an acknowledgement of the reality of economic conditions. The process begins with input that reflects everyone's desire and hope for the coming year and from there the Mayor, City Council and department managers reach consensus by establishing priorities and balancing these against revenue forecasts.

With recovery we've encountered new problems that are not necessarily negative, but still challenging. It has been discussed throughout this document that business, building and land use activity has surged. Building permit issuance has increased over 40% and the City currently has over 350 new dwelling units either in approved plats or in some stage of processing waiting to move forward. In addition we're in some stage of processing at least three new commercial site



development plans. All of this translates into higher numbers of calls for service for both Fire and Police and increased demands on the utility systems.

While attempting to simply meet the daily needs we've spent a considerable amount of time satisfying State requirements under GMA to update our City Comprehensive Plan and individual Utility Plans. We've done the best that we could with the resources at hand, but we're behind on the updates and will need to focus

additional energy in 2016 to complete this planning effort.

One of the most challenging things in dealing with growth is that "new" revenue follows development, but does not precede construction. While this will eventually lead to higher citywide property valuation and tax dollars, there's always a delay. The increased revenue from building permit, land use fees and sales tax helps, but does not fully address the needs. We were fortunate that the legislature finally acted in 2015 with adoption of the new Marijuana Act that provided at least minimum levels of excise tax sharing and distributions to local governments. Based on retail sales at the two Buckley stores our 1st year distribution is anticipated to be over \$100K. By statute this funding level will continue through the biennium and then in 2018 it is supposed to triple. If retail sales stay strong then the City stands to receive upwards of \$300K per year in 2018 and beyond. While this revenue is restricted for public safety use or marijuana enforcement it directly aides the City in funding additional patrol staff that are needed to address needs in the community.

Meeting the daily needs of the City is critical to being able to provide the core level of services that the Mayor and City Council have spent so much time and energy identifying. Sustaining them becomes an even greater challenge, which is why it's usually very difficult to assess when and at what time do we need to consider adding personnel. However, we know that the City has not added any measurable amount of staffing to the organization within the last 10 years. To the contrary, with reductions made during the recession, closure of the jail and dispatch center and sale of the natural gas system we've reduced the overall City workforce by at least 12 full-time employees. Through the downsizing we have experienced quite a bit of development activity including new

subdivisions, short plats and commercial sites; constructed new utility facilities like the Elk Hts Booster Station, TPU Emergency Intertie and Trail Well; added new parks facilities & open space; and picked up new service contracts such as the police service contract with (DSHS) Rainier School. All of these things require additional energy and time to manage and maintain. Up to this point the departments have absorbed the additional workloads to the best of their ability and have done a stellar job doing so. However, this has begun to take its toll, which is why the 2016 budget proposes to begin to either expand existing part-time positions and/or add new positions to departments that are in the most need.

The Mayor's message emphasized that "sustainability is the goal." Can we afford it and then can we maintain it? To expound on this; the simplest and most fundamental definition of "sustainability" is: "the ability to sustain" or, put another way, "the capacity to endure." I think that it's safe to say that with the current forecast projecting strong growth in the next 3-5 years, the answer is "No" at current staffing levels. Yet, as I mentioned earlier revenue does not precede growth, it follows, so there has to be another alternative to resolving this problem. Thankfully there is because of the foresight on the Mayor and City Council. In February of this year the Mayor and City Council made, what I believe to be the tougher choice, which was to invest the bulk of the money from the sale of the natural gas system into interest bearing accounts to provide the City with a long term revenue stream that supports operations while continuing to protect the original principal for years



to come. As a result the City has over \$5,000,000 in a cumulative reserve account and another \$140,000 in a contingency reserve account both of which that are bearing interest that helps to support the general fund. In addition to these reserves the City's general fund has over \$1 million in reserves at the end of 2015, which is what we propose to utilize to address some of the staffing needs in 2016.

At the same time that we're attempting to address immediate staffing needs within City operations,

we're also trying to identify and implement steps to prepare for the so called "silver tsunami" where we have 12 employees approaching either early or full retirement age that represent 272 years of City experience and knowledge, the loss of which would impact City operations if all should retire within a short timeframe from one another. The City Council has taken some preliminary steps by adopting an Early Retirement Incentive Program (ERIP) to prepare for this, more is needed. The City cannot simply replace or fill the gap left after this amount of experience and knowledge goes away.

Much has been done, but more is needed. "Core services" and "sustainability" hasn't just been the most recent catch-word, but has formed the basis for decision making in planning efforts, program development, funding efforts and capital improvement project selection in charting a path forward. The Mayor, City Council and staff have worked hard to develop the various programs, mechanism's and projects that go towards building a sustainable future for the community.

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 sincere gratitude to the elected officials, staff and volunteers for the dedication and effort into making this community such a great place to live and work!

Thanks to everyone for their time, commitment and input into the development of this 2016 budget request.

City Administrator

We are here to add what we can to life, not to get what we can from it.
~William Osler



Appendix A: 2016 CITY EMPLOYEE SALARY SCALE

Appendix B: 2015 PUBLIC WORKS, PARKS AND CEMETERY FTE SCHEDULE

Appendix C: CURRENT CITY ORGANIZATIONAL CHART

Appendix D. 2016 BUDGET REQUEST "EXPENDITURES"

Appendix E: 2016 BUDGET REQUEST REVENUES”

Appendix F: Citywide Capital Improvement Program (Schedule)