



I am pleased to submit the 2019-2020 Biennial Budget. The budget continues to support the work the community has completed over the past two years to develop and prioritize the city's park and trail system; grow the local economy; draw visitors from around the region; and maintain taxpayer owned assets. I am looking forward to working with the city council, city staff, residents, business owners and all community stakeholders to continue building Stanwood as a great place to live, work and play.

Please join me in recognizing the professionalism and dependability of all of the dedicated officers on our police force; January 9th is National Law Enforcement Appreciation Day, so when you see our officers, please let them know they are appreciated! Also, if you haven't had an opportunity to visit the Veteran's Memorial constructed by the Stanwood Historical Society then head on over to the Floyd and check it out. And finally, remember to like and follow the City of Stanwood at www.ci.stanwood.wa.us and sign up for the monthly e-newsletter and follow www.discoverstanwoodcamano.com for family fun and activities in 2019.

- Leonard Kelley

What does the 2019-2020 budget accomplish?

This budget continues the prior biennium focus on investments and improvements to attract and retain young families. Our efforts have a strong emphasis on sustainability. For example, as we work with the community to decide how and when to develop newly acquired parklands, we are also considering what each park's on-going maintenance and operation costs would be and how we can afford to maintain them. Below are some key issues we will be working on in 2019 and 2020.

Parks and Trail Improvements. Since 2014, the city has purchased Ovenell Park, Hamilton Landing and most recently the Johnson Farm in order to provide community access to the Stillaguamish River, Port Susan Bay and Skagit Bay.

In 2015, the city hired local consultant, Theresa Metzger, to facilitate meetings with community members to develop conceptual plans for the parks. The conceptual plans for Hamilton and Ovenell were adopted in mid-2016. In 2019, as the boat launch construction gets under way at Hamilton, the city is updating our Parks Master plan, to include Heritage Park, Hamilton Park, Ovenell Park and Johnson Farm, so it is a great time to get involved in this effort. The Parks Master Plan, will include a maintenance plan that will prioritize improvements at all city parks and outline the increased costs to maintain a larger and more robust park system. The city council formed a Parks and Trails Advisory Committee to assist in these efforts, especially in prioritizing parks projects. During this biennium we will pursue a funding structure that will ensure the parks system is well-maintained and available.

Vision

Create a family-oriented community with great parks and recreation activities, fun year-round events for residents and visitors and a diverse economy

The city recently updated its Non-motorized Trail Plan and the Parks and Trails Committee is also charged with recommending bike, sidewalk and trail priorities. The 2019- 2020 budget includes funds to close gaps in the city's trail and sidewalk system, which may include bike lanes and will hopefully improve connections between the neighborhoods in East Stanwood and downtown.

Economic Development. There were significant commercial investments in Stanwood in 2017-2018, including construction of the new Designs Northwest Building, new Eco Car Wash and the second phase of the Maple Court Apartment Complex. The Mod Pizza building complex is very near completion. Economic development initiatives are supported by the city's comprehensive plan and zoning code. We have updated the zoning to make Stanwood an attractive place to build quality housing, open a new business or expand an existing enterprise. At city hall we are focused on helping business owners be successful while building a city we can be proud of.

Key economic development initiatives in 2019 and 2020 include:

- Developing and implementing a Business Retention and Expansion Program – to support our local Stanwood businesses
- Develop and implement a Business Recruitment Program that includes pursuing a formal hotel feasibility study by developing and marketing the opportunity to potential developers/investors.
- Completing acquisition of right of way and constructing Viking Way to connect 88th Ave NW to 94th Ave NW to encourage new development between Rite Aid and QFC. The city has secured nearly \$2 million of grant funding for this project.
- Building a bike and pedestrian berm on SR532 and preserving farmland to protect the city from flooding and the potential for sea-level rise.

Tourism Promotion and Marketing. The city's 2010 Economic Development Plan recommended promoting Stanwood as a tourist destination. In 2017 and 2018, the city re-branded the "Discover Port Susan" marketing initiative and encompassed Silvana, Kayak Point, Warm Beach, Stanwood, Camano Island and Conway into a regional and destination marketing initiative called "Discover Stanwood Camano" through a magazine and website. In 2014, we started the city's first summer concert series designed to bring world-class entertainment to downtown Stanwood on Saturday afternoons throughout the summer. Since then we've added several other family events including Touch-a-Truck in the spring, Movies at Church Creek Park during the summer and our annual holiday events in November and December. In 2019 and 2020, the city has earmarked \$49,500 to continue to publish and enhance the *Discover Stanwood Camano magazine and website*, bring more visitors to our area, and grow our popular family-friendly activities.

Financial Sustainability. The city council is always looking for new ways to ensure the city's finances are secure and sustainable. In 2015, Stanwood residents voted in favor of a levy lid lift to support police and fire services. The levy lid lift raised an additional \$105,329 in property tax revenue in 2017, but was not levied by council in 2018. Even with the lid lift, property taxes and sales taxes are not covering public safety costs, thus council has taken action to levy the 2018 "banked capacity" and implement the lid lift in 2019 as approved by voters. This enables the city to balance the budget using current resources and transfer to the building fund to defray future borrowing costs related to the new city hall and police station. The city council approved placement of a ballot measure asking residents to consider annexation of fire and emergency medical services with the North County Regional Fire Authority. City staff will continue to evaluate public safety contracts to look for ways to keep costs in alignment with available revenues.

Since becoming Mayor in 2014, we have leveraged limited tax dollars to repave and repair numerous roadways. The budget dedicates approximately \$349,000 in property taxes over two-years for street maintenance, in addition to \$600,000 in funding sources from the Transportation Benefit District 0.2% sales tax. We continue to aggressively pursue grant money as well, to offset the costs of the capital investments that the city needs to make and the budget includes \$2.9 million in secured grants. The 2019-2020 budget anticipates applying for an additional \$6.8 million in grants for street, drainage and park projects. We are working to use city staff to save money by doing more small construction and repair projects in-house. We are continuing our efforts to maintain taxpayer-owned assets. Since 2012, we have made much needed repairs to City Hall, the Stanwood Library, Police Station and Fire Station 99. In 2019, \$70,000 is allocated to update City Hall furnace and air conditioning, which will improve the building's energy-efficiency.

Budget Themes

The biennial budget is the Mayor and City Council's financial roadmap and plan for aligning proposed expenditures with City Council adopted budget themes and initiatives. In June, the city council reaffirmed five budget themes to guide the city's overall investment in the community for the next two years.

1. **Public Safety** – continue to evaluate contracts for police and fire services. Invest in emergency preparedness. Use technology to increase public safety by leveraging limited tax dollars.
2. **Economic Development** – Invest in public infrastructure to spur private development. Ensure that building and zoning codes align with desired use to attract new development. Support a marketing campaign to attract new residents, businesses and residents to Stanwood.
3. **Park and Recreation Assets** – Continue public and private investment in park and recreation facilities. Improve recreation facilities to support economic development. Develop parks, trails and opens spaces that connect Stanwood's neighborhoods. Increase public access to the water. Preserve natural resources and protect farmland surrounding the city.
4. **Municipal Facilities** – Maintain taxpayer owned assets. Seek opportunities to remodel and/or reuse existing facilities to efficiently serve customers. Evaluate alternatives to flood proof or relocate essential public facilities in the floodplain.
5. **Financial Stability** – Match one-time revenues with one-time expenses. Look for opportunities to reduce expenditures. Ensure rates for services and impact fees cover an appropriate portion of service costs.

What policies have changed?

The city council considered several policy questions during budget discussions:

1. Water, Wastewater and Stormwater Utility Rates for the period 2019-2024 were adopted by Ordinance 1461 on October 11, 2018.
2. The Capital Improvement Plan was updated to cover 2019-2024.
3. Council adopted Ordinance 1463 levying the six percent lid lift and banked capacity authorized by Stanwood voters in 2015. This will enable a 2019 transfer of \$276,804 to the Building Improvement Fund to defray future borrowing costs to finance the new Police Station and City Hall.
4. Reinstated transfers from the general fund, street fund and water, sewer and drainage utilities to equipment reserves to provide stability to financing fleet maintenance. These transfers were temporarily reduced during the economic recession.
5. Approved allocating \$70,000 to update the furnace and install air conditioning at city hall.

Budget by the Numbers

The two-year budget begins with a beginning balance (all funds) of \$15.1 million in 2019. Excluding interfund activity, the city anticipates revenues of \$19.4 million and spending \$9.2 million on operating requirements and \$11.6 on capital projects. In 2020, anticipated revenue of \$19.9 million and spending \$7.8 million on operating, and \$11.2 million on capital. The 2020 combined ending balance for all funds is estimated to be \$11.4 million.

Table 1 – 2019-2020 Budget Overview (all funds)

	2019	2020
Estimated Beginning Balance	\$15,043,893	\$12,299,005
Estimated Revenues*	\$19,399,997	\$19,459,707
Proposed Operating Expenditures	\$9,221,567	\$7,844,951
Proposed Capital Expenditures	\$11,612,559	\$11,178,193
Proposed Debt Service	\$1,310,759	\$1,312,765
Ending Fund Balance	\$12,299,005	\$11,422,803
*Excludes Fund Transfers		

General Fund

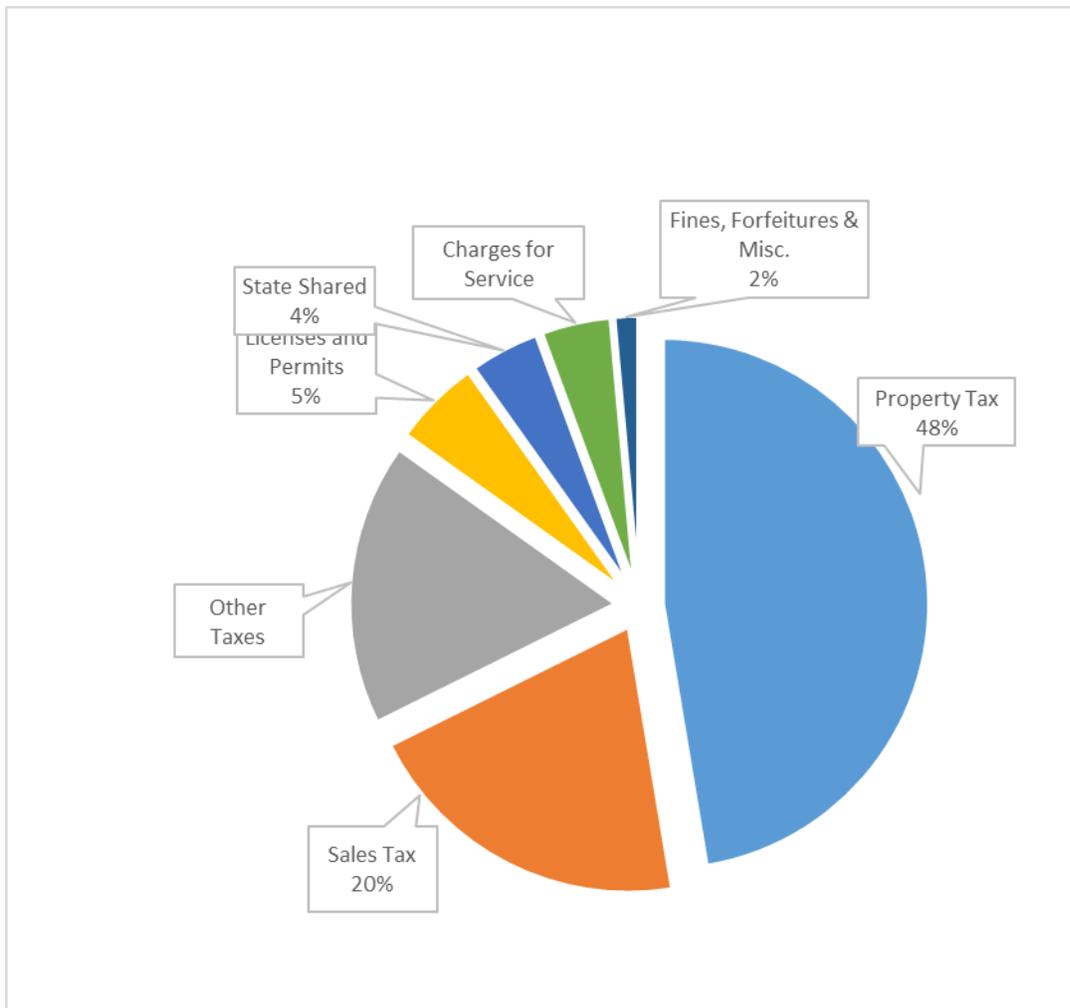
The General Fund, the main operating fund, collects property tax, sales tax, and permit fees for general governmental services including community development, parks, and public safety. In 2015, the voters approved a levy lid lift for public safety. This raised the levy or “mil” rate for 2017 to \$3.10/\$1,000 of assessed value – the maximum allowed by state law. The council did not levy this full amount in 2018, but approved the levy for 2019, and the money will be used to partially offset the increases in police and fire service costs.

Charges for Service include zoning and building permit revenues. Permit revenues are the most volatile and least predictable revenue source in the General Fund. The General Fund charges for service revenue forecast is based on the assumption the city will process 60 single family residential permits in both 2019 and 2020. Permit revenue is used to off-set expenses to process permits.

Table 2 – General Fund Revenues

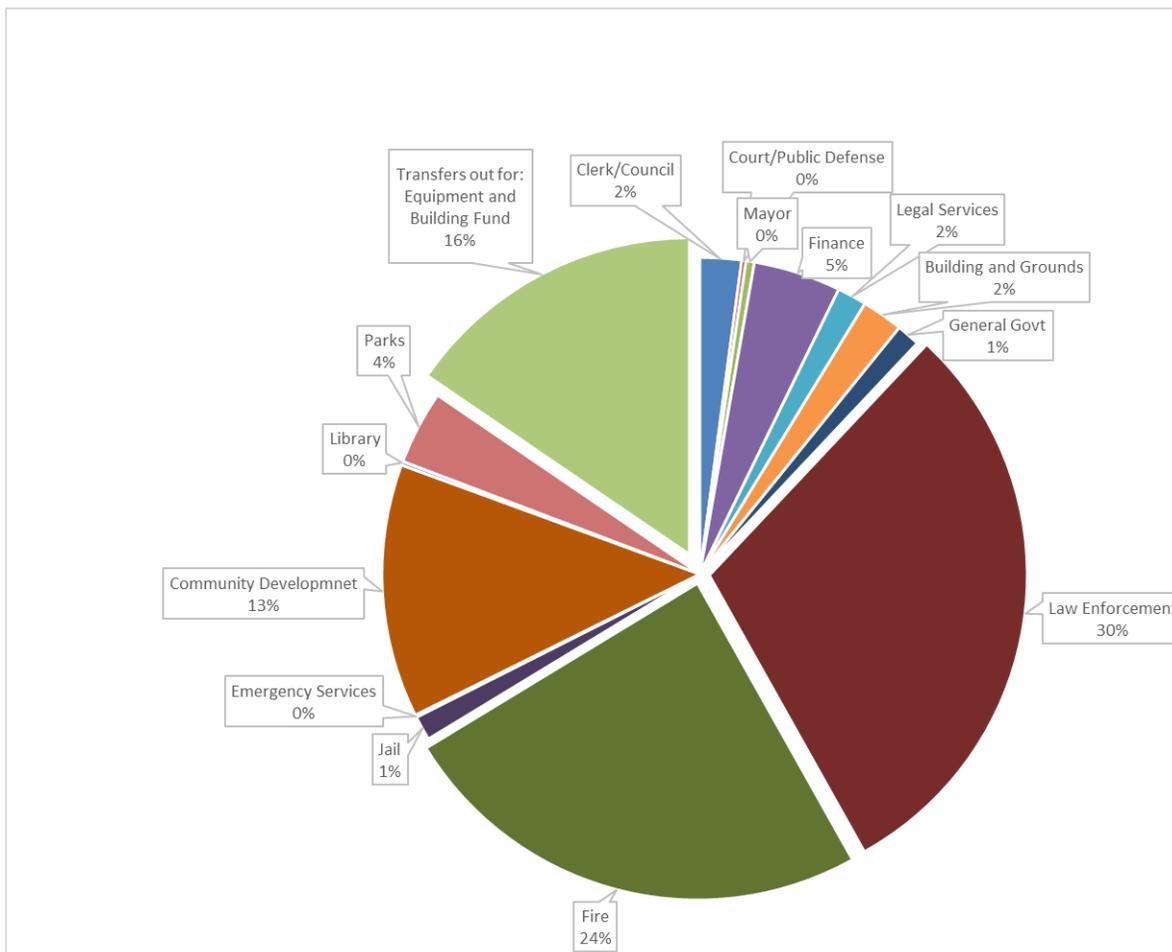
	2017	2018	2019	2020
Beginning Balance	\$ 2,959,136	\$3,169,377	\$3,320,590	\$2,630,130
Taxes	\$ 4,849,497	\$5,031,630	\$5,437,006	\$3,893,778
Licenses and Permits	\$ 244,625	\$ 412,004	\$ 339,450	\$ 331,650
State Shared Revenue	\$ 242,100	\$ 225,280	\$ 269,913	\$ 282,595
Charges for Service	\$ 638,366	\$ 587,545	\$ 269,070	\$ 279,170
Fines and Forfeitures	\$ 30,500	\$ 30,500	\$ 25,400	\$ 25,700
Miscellaneous	\$ 139,720	\$ 10,165	\$ 66,050	\$ 66,065
Total	\$ 9,103,944	\$9,466,501	\$9,727,479	\$7,509,088

Figure 1 2019 General Fund Revenues



General Fund Budgeted Expenditures				
Department	2017	2018	2019	2020
Clerk/Council	\$ 151,580	\$ 168,610	\$ 149,317	\$ 151,832
Judicial	\$ 39,000	\$ 15,000	\$ 16,000	\$ 17,000
Mayor	\$ 26,120	\$ 26,640	\$ 30,069	\$ 30,317
Administration	\$ 688,618	\$ 721,715	\$ 317,548	\$ 354,656
Legal	\$ 86,820	\$ 112,690	\$ 106,500	\$ 106,500
Buildings	\$ 142,075	\$ 147,045	\$ 149,238	\$ 167,847
General Government	\$ 72,422	\$ 75,588	\$ 83,293	\$ 84,050
Law Enforcement	\$2,004,535	\$2,064,278	\$2,124,802	\$2,173,397
Fire	\$1,498,479	\$1,679,600	\$1,724,838	\$ -
Emergency Management	\$ 8,145	\$ 8,370	\$ 88,580	\$ 91,237
Jail	\$ 86,000	\$ 86,000	\$ 8,750	\$ 9,013
Community Development	\$ 758,742	\$ 874,935	\$ 919,726	\$ 963,512
Library	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,360
Parks	\$ 278,195	\$ 270,120	\$ 267,043	\$ 293,087
Transfers Out	\$ 773,862	\$ 389,962	\$1,097,645	\$ 255,394
Total Expenditures	\$6,628,593	\$6,654,553	\$7,097,349	\$4,712,202

Figure 2 2019 General Fund Expenditures



The city manages three utilities or “enterprises” – water, sewer and drainage. The activities of each must be accounted for separately from the General Fund, similar to how accounts for businesses are maintained. Revenue collected from rate payers must be sufficient to fund utility personnel, operations and utility capital improvements. The city council approved several changes to utility rates for 2019 and 2020. Note, the previous city council had adopted annual rate increases in water (5%) and sewer (3.5%) effective January 1, 2019. During 2018, council directed staff to conduct rate analyses, which resulted in council adoption of rate increases extending out six years. The Drainage Utility Rate basis was recalculated and is based on an equivalent residential unit of 3,500 square feet of impervious surface. This resulted in an increase of approximately 20 percent and was necessary to fund capital projects designed to reduce the risk of flooding events.

Table 4 – Drainage Rates Effective January 1, 2019

Drainage Utility Rate Class Per Unit	Monthly Rates 2008-2016	Monthly Rates 2017-2018	Monthly Rates Effective 2019	Monthly Rates Effective 2020
Residential	\$12.25	\$12.25	\$14.20	\$17.39
Multi-family	\$6.10	\$9.45	\$14.20	\$17.39
Businesses < 2 units	\$18.30	\$25.40	N/A	N/A
Businesses > 2 units	\$6.10	\$8.45	N/A	N/A
Non-Residential	N/A	N/A	\$14.20	\$17.39
Improved Land	\$12.25	\$25.40	\$14.20	\$17.39
Revenue from Rates		\$480,142	\$702,573	\$860,651

Table 5 - 2019-2020 Water and Sewer Funds

Water Revenues	2019	2020
Beginning Balance	\$675,000	\$634,776
Rates	\$1,853,053	\$1,899,204
Miscellaneous	\$59,300	\$59,300
Transfers	\$97,344	\$99,513
Total Revenue	\$2,009,687	\$2,058,017
<u>Expenditures</u>		
Salaries/Benefits	\$595,163	\$642,044
Operations	\$626,835	\$631,002
Bond Payments	\$323,682	\$322,123
Equipment	\$25,000	\$25,000
Transfers	\$479,241	\$372,492
Total Expenditures	2,049,921	1,992,661
SFR Water Rates	\$28.21	\$29.06

Sewer Revenues	2019	2020
Beginning Balance	\$1,200,000	\$482,400
Rates	\$1,917,806	\$2,061,666
Miscellaneous	\$27,550	\$27,555
Total Revenues	\$1,945,356	\$2,089,221
<u>Expenditures</u>		
Salaries/Benefits	\$595,991	\$647,042
Operations	\$427,600	\$443,334
Interfund Payments	\$153,476	\$160,459
Bond Payments	\$576,227	\$575,692
Equipment	\$25,000	\$25,000
Transfers	\$884,662	\$284,226
Total Expenditures	\$2,662,956	\$2,135,753
SFR Sewer Rates	\$44.12	\$47.43

Capital Improvements

Capital investment costs make up a significant portion of the budget expenditure requirements. The city's capital improvement plan (CIP) is a long-term financial planning tool, intended to maintain and improve taxpayer owned assets. Investments include city facilities, parks, streets, sidewalks, water, sewer and drainage utility infrastructure.

Table 6 - 2019-2020 Capital Improvement Plan

	2019	2020	Total Cost
Facilities	370,000	0	370,000
Parks	1,680,000	2,080,000	3,760,000
Streets	3,577,133	2,693,193	6,270,326
Sewer	1,862,000	1,717,000	3,579,000
Drainage	1,951,200	2,140,000	4,091,200
Water	798,000	2,130,000	2,928,000
Totals:	<u>10,238,266</u>	<u>10,760,193</u>	<u>20,998,526</u>

Grant Sources Assist with Project Funding

The city council has a goal of leveraging limited city revenues with grant funding. From 2012 through 2017, the city has received over \$2,600,000 in grant funding. It is anticipated by the end of 2018 we will have received another \$1,645,480 in grant funding. Grant funded projects include:

- 68th Ave Safe Routes to Schools
- Design and Right-of-Way Acquisition for 90th Ave NW and Viking Way extension
- Permitting for the SR532 Berm
- Acquisition of Ovenell Park and Hamilton Landing
- Overlay of Pioneer Highway and 272nd Ave NW/72nd Ave -82nd Ave NW
- 7 Tubes FEMA reimbursement
- Cedarhome Elementary Safe Routes to School

Table 7 - 2019 Grant Revenues

Source of Funding	Project	2019
Department of Ecology	Solid Waste Clean Up	4,000
Puget Sound Regional Council (Rural Towns & City Centers)	Viking Way	1,437,000
WSDOT	Viking Way	500,000
Transportation Improvement Board (requested)	102nd Ave & 276th St Overlay	720,000
RCO Youth Athletic Facilities	Heritage Park	350,000
DOE-Floodplains by Design	Johnson Farm Improvements	375,000
Department of Ecology, Integrated Planning Grant	Raplee & Hamilton Properties	275,000
DOE-Floodplains by Design	Irvine Slough Stormwater Separation	1,000,000
Department of Commerce	Berm 532	911,200
	2019 Total Revenues	5,572,200

Table 8 - 2020 Grant Revenues

Source of Funding	Project	2020 Requested/to be requested)
Department of Ecology	Solid Waste Clean Up	4,000
State Grants	Various overlay & sidewalk	1,400,000
Transportation Improvement Board	68th Ave & 72nd Ave SR 532 to Pioneer Hwy Overlay	900,000
Recreation Conservation Office - WWRP	Heritage Park	500,000
Recreation Conservation Office	Heritage Park	500,000
DOE-Floodplains by Design	Johnson Farm	375,000
Department of Commerce	Non-motorized Trail	250,000
DOE-Floodplains by Design	Irvine Slough Stormwater Separation	200,000
	2020 Total Revenues	\$4,129,000