

# **A Message from the Mayor**



I am pleased to submit the 2017-2018 Biennial Budget. The biennial budget supports the work the community has done over the past two years to improve the city's park and trail system, grow the local economy, draw visitors from around the region, and maintains taxpayer owned assets. I am looking forward to working with the city council, city staff, residents and business owners to continue building Stanwood as a great place to live, work and play.

*Leonard Kelley*

## What does this budget accomplish?

This budget has a particular focus on investments and improvements to attract and retain young families. We have a great start with the opening of the new YMCA in September of this year. The city played a supporting role in bringing the YMCA to Stanwood. In 2015, the city agreed to waive up to \$50,000 in permit fees for the facility. In return, the YMCA agreed to organize adult softball and other sports leagues at Heritage Park for five years beginning in 2017. The new adult leagues are scheduled to begin next spring. The agreement also opens the YMCA pool to non-members several times per year.

This is just one example of the partnerships the city is forming with businesses and non-profits to make Stanwood a great place to live. Below are some key issues we will be working on in 2017 and 2018.

**Parks and Trail Improvements.** In 2014, the city purchased Ovenell Park and Hamilton Landing to provide community access to the Stillaguamish River, Port Susan Bay and Skagit Bay. The city spent the last two years gathering data about the properties including condition of the structures, wetlands and critical areas, and access alternatives.

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. The next phase of city's park plan is to prioritize improvements at all city parks and evaluate funding options in 2017. The city council approved forming a Parks and Trails Advisory Committee to assist in this effort. The goal is to craft a plan to fund needed park and trail improvements. Ideally, we will have a funding plan in place by the end of 2017 that will lead to visible changes to our park and trail systems in 2018 and beyond.

The Parks and Trails Committee is also charged with recommending bike, sidewalk and trail priorities. The city completed and adopted its first Non-motorized Trail Plan in 2016. There is funding in the 2017 and 2018 budgets to install signs to identify existing trails and close gaps in the city's trail and sidewalk system. The city's first bike lanes may be created along 271<sup>st</sup> Street in 2017. The next phase will hopefully improve connections between the neighborhoods in East Stanwood and downtown.

### Vision

CREATE A FAMILY-ORIENTED COMMUNITY WITH GREAT PARKS AND RECREATION ACTIVITIES, FUN YEAR-ROUND EVENTS FOR RESIDENTS AND VISITORS AND A DIVERSE ECONOMY

**Economic Development.** There have been significant commercial investments in Stanwood in 2016 – the Grocery Outlet and Petco building opened in June. The YMCA cut the ribbon on its new facility in September. Each of these developments was 10-years in the making. We are planning the next 10 years today. The effort begins with the city’s 20-year plan and zoning code. There are some changes planned to help 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 initiatives in 2017 and 2018 include:

- Completing the hotel/motel study in partnership with the Stanwood Chamber of Commerce.
- Review uses within each zoning district and update the Traditional Neighborhood Zone to attract new housing and commercial development to Stanwood.
- Constructing Viking Way to connect 88<sup>th</sup> Ave NW to 94<sup>th</sup> Ave NW to encourage new development between Rite Aid and QFC.
- 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 2014, the city lead an effort to create a regional brand, “Discover Port Susan” encompassing Silvana, Kayak Point, Warm Beach, Stanwood, Camano Island and Conway. The city published the first 15,000 copies of the “Discover Port Susan” magazine in 2014. That same year I 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 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. This year we launched our visitor information website - [discoverportsusan.com](http://discoverportsusan.com). In 2017 and 2018, the city has earmarked \$50,500 to continue to publish the *Discover Port Susan* Magazine, 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 is expected to raise an additional \$105,329 in property tax revenue in 2017 and \$114,330 in 2018. Even with the lid lift, property taxes and sales taxes are not covering public safety costs. The 2017 and 2018 budgets are using \$160,000 in beginning fund balances (money in “savings”) to pay for police, fire, and Emergency Medical Services. The city council is committed to evaluating the public safety contracts and look for ways to bring costs into alignment with available revenues.

Since I became Mayor in 2014, we have leveraged limited tax dollars to repave and repair numerous roadways. The Street Fund is finally healthy. The budget dedicates \$401,495 in property taxes over two-years for street maintenance. We continue to aggressively pursue grant money. The 2017 budget includes \$2.9 million in secured grants. The 2018 budget anticipates \$8.9 million in grants for street 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 2017 the city will paint the interior and exterior of the fire station. The building is 10 years old. Scheduled maintenance is important to ensure the building will last well into the future.

## **Budget Themes**

The biennial budget is a time for the city to consider how to align proposed expenditures with the city council adopted budget themes and initiatives. In July, the city council adopted five budget themes. The Budget Themes will guide the city's overall investments for the next 2-4 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 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. Approved increasing drainage utility rates for commercial and multi-family properties to fund operations and capital improvements effective January 1, 2017. The last drainage utility rate increase was approved in 2008.
2. Approved charging utility customers the State Public Utility Tax and State Business and Occupation tax for water, sewer and drainage services to fund capital improvements effective January 1, 2017.
3. Reduced transfers from water, sewer and drainage utilities to equipment replacement to fund capital projects.
4. Approved allocating \$6,635 (\$1/capita) in 2017 to help fund the Snohomish Health District
5. Disapproved allocating \$50,000 to install air conditioning at city hall.

## Budget by the Numbers

The 2-year budget has a beginning fund balance (all funds) of \$11,573,214 in 2017. The city anticipates collecting approximately \$14.7 million in revenue and spending \$16.2 million in 2017. This includes grant funding and beginning balances in revenue funds such as Real Estate Excise Tax and Impact Fee accounts. In 2018, the beginning fund balance is \$10,104,055. The city anticipates receiving \$15.1 million in revenue and spending \$16.2 million. The ending fund balance is \$9,058,768.

Table 1 – 2017-2018 Budget Overview (all funds)

	2017	2018
Est. Beginning Balance	\$11,573,214	\$10,104,055
Estimated Revenues	\$14,747,192	\$15,167,968
Proposed Expenditures	\$16,216,351	\$16,213,255
Ending Fund Balance	\$10,104,055	\$9,058,768

## General Fund

The General 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 money will be used to fund the city’s police and fire service contracts.

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 is built on the assumption the city will process 20 single family residential permits in 2017 and 22 residential permits in 2018. No commercial permits are expected in either year. Permit revenue is used to off-set expenses to process permits.

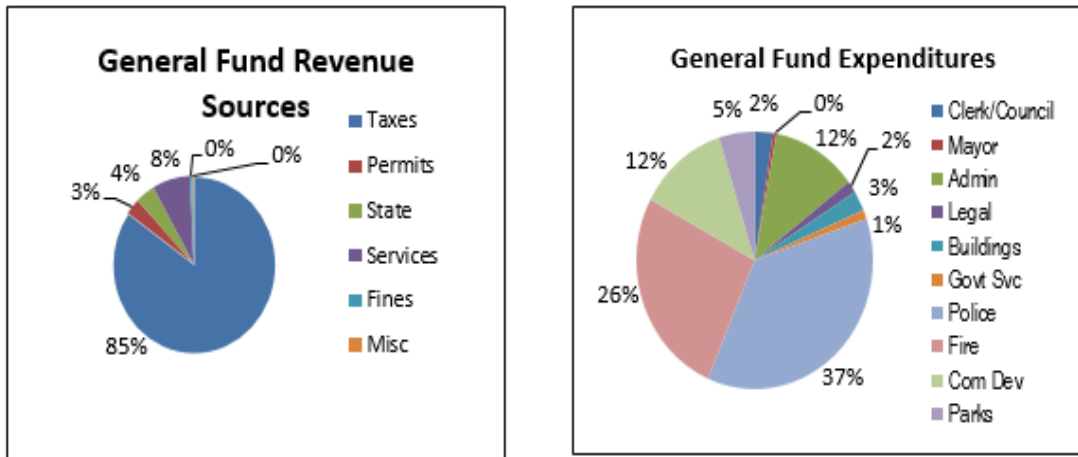
**Table 2 – General Fund Revenues**

	2015	2016	2017	2018
	Actual	Budget	Budget	Budget
Beginning Balance	\$ 1,704,200	\$ 2,077,495	\$ 2,124,036	\$ 1,957,271
Taxes	\$ 4,711,513	\$ 4,599,600	\$ 4,849,497	\$ 4,994,686
Licenses and permits	\$ 232,272	\$ 178,000	\$ 167,025	\$ 171,504
State Shared Revenue	\$ 205,540	\$ 214,900	\$ 223,400	\$ 225,280
Charges for Service	\$ 662,403	\$ 524,042	\$ 435,300	\$ 428,100
Fines and Forfeitures	\$ 26,442	\$ 34,650	\$ 30,500	\$ 30,500
Misc Revenues	\$ 25,560	\$ 9,300	\$ 10,050	\$ 10,065
Non Revenues	\$ 1,469	\$ -	\$ -	\$ -
Other Revenues	\$ 425	\$ -	\$ -	\$ 100
<b>Total</b>	<b>\$ 7,569,824</b>	<b>\$ 7,637,987</b>	<b>\$ 7,839,808</b>	<b>\$ 7,817,506</b>

**Table 3 – General Fund Expenses**

	2015	2016	2017	2018
	Actual	Budget	Budget	Budget
Clerk/Council	\$ 126,224	\$ 159,416	\$ 151,580	\$ 168,610
Court/Public Defense	\$ 28,297	\$ 39,000	\$ 39,000	\$ 39,000
Mayor	\$ 21,023	\$ 28,700	\$ 26,120	\$ 26,640
Finance	\$ 571,191	\$ 650,109	\$ 663,118	\$ 719,205
Legal Services	\$ 75,838	\$ 85,000	\$ 86,820	\$ 88,690
Building and Grounds	\$ 103,928	\$ 162,775	\$ 148,710	\$ 147,045
General Government	\$ 60,847	\$ 62,400	\$ 65,787	\$ 68,803
Law Enforcement	\$ 1,871,643	\$ 1,987,555	\$ 2,004,535	\$ 2,064,278
Fire	\$ 1,293,602	\$ 1,289,400	\$ 1,498,479	\$ 1,679,600
Jail	\$ 48,036	\$ 86,000	\$ 86,000	\$ 86,000
Emergency Services	\$ 7,537	\$ 7,920	\$ 8,145	\$ 8,370
Tourism Promotion	\$ 1,609	\$ -	\$ 50,500	\$ 50,500
Community Developmnet	\$ 632,599	\$ 649,939	\$ 649,710	\$ 640,370
Liquor Board Tax	\$ 1,495	\$ 1,400	\$ 1,500	\$ 1,510
Library	\$ 325,314	\$ 12,000	\$ 14,000	\$ 14,000
Parks	\$ 179,400	\$ 251,781	\$ 278,195	\$ 270,120
Machinery/Equipment	\$ 25,409	\$ -	\$ -	\$ -
Transfers to Streets/ Contingency and Water Fund	\$ 118,337	\$ 110,337	\$ 110,337	\$ 110,337
<b>Total Expenditures</b>	<b>\$ 5,492,329</b>	<b>\$ 5,583,732</b>	<b>\$ 5,882,536</b>	<b>\$ 6,183,078</b>

Figure 1 2017-2018 General Fund Sources of Revenue and Expenditures



## Enterprise Funds

The city manages three utilities or “enterprise funds” – water, sewer and drainage. Revenue collected from rate payers must be sufficient to fund personnel, operations and capital improvements. The city council approved several changes to utility rates for 2017 and 2018. First, the city council has previously adopted annual rate increases in water (5%) and sewer (3.5%) effective 2014-2019.

Next year’s water, sewer and drainage rates will also include new charges for the State Public Utility Tax for water (5.029%) and sewerage collection (3.852%) and a 1.5% Business and Occupation (B&O) Tax for drainage. The money raised by the state public utility and B&O tax will be used to repair and replace aging water and sewer infrastructure.

Table 4 – Drainage Rates Effective January 1, 2017

Drainage Utility Rate Class Per Unit	Monthly Rates 2008-2016	Monthly Rates Effective 2017
Residential	\$12.25	\$12.25
Multi-family, per unit	\$6.10	\$9.45
Businesses < 2 units	\$18.30	\$25.40
Businesses > 2 units per unit	\$6.10	\$8.45
Improved Land, per 20,000 SF	\$12.25	\$25.40
<b>Revenue from Rates</b>	<b>\$415,317</b>	<b>\$480,142</b>

The city council also passed the first Drainage Utility rate increase since 2008. The rate increase is based on the original study done by HDR Engineering in 2006. The new rates were one of two options presented to the city council. One of the goals of the new rates is to ensure that commercial and multi-family properties are covering their share of the total cost of operating the Drainage Utility.

Rate studies for water, sewer and drainage are included in the 2018 budget.

**Table 5 -- 2017-2018 Water and Sewer Funds**

<b>Water Revenues</b>	<b>2017</b>	<b>2018</b>
Beginning Balance	\$404,072	\$429,793
Rates	\$1,650,250	\$1,732,413
Miscellaneous	\$41,900	\$41,900
Transfers	\$75,917	\$75,917
<b>Total Rev</b>	<b>\$1,768,067</b>	<b>\$1,850,230</b>
Expenditures		
Salaries/Benefits	\$569,720	\$592,875
Operations	\$603,625	\$574,192
Bond Payments	\$326,801	\$325,242
Equipment	\$25,000	\$25,000
Transfers	\$217,200	\$214,200
<b>Total Expenditures</b>	<b>\$1,742,346</b>	<b>\$1,731,957</b>
Single Family Residential Water Rates	\$25.59	\$26.87

<b>Sewer Revenues</b>	<b>2017</b>	<b>2018</b>
Beginning Balance	\$889,230	\$979,995
Rates	\$1,753,360	\$1,788,507
Miscellaneous	\$5,845	\$5,904
<b>Total Revenues</b>	<b>\$1,759,206</b>	<b>\$1,794,411</b>
Expenditures		
Salaries/Benefits	\$482,680	\$501,585
Operations	\$95,750	\$407,090
Interfund Payments	\$67,718	\$172,162
Bond Payments	\$577,296	\$576,761
Equipment	\$25,000	\$25,000
Transfers	\$20,000	\$40,000
<b>Total Expenditures</b>	<b>\$1,668,441</b>	<b>\$1,722,598</b>
Single Family Residential Sewer Rates	\$41.18	\$42.63

## Capital Budgets

### Capital Improvements

The city's capital improvement plan is intended to maintain and improve taxpayer owned assets. Investments include city facilities, parks, streets, sidewalks, water, sewer and drainage utility infrastructure.

**Table 6 – Capital Expenditures**

	<b>Total Cost</b>	<b>2017</b>	<b>2018</b>
<b>Facilities</b>	\$475,000	\$475,000	\$0
<b>Parks</b>	\$2,590,000	\$260,000	\$2,330,000
<b>Streets</b>	\$3,005,595	\$2,280,595	\$725,000
<b>Sewer</b>	\$2,005,000	\$1,090,000	\$915,000
<b>Drainage</b>	\$820,000	\$505,000	\$315,000
<b>Water</b>	\$275,000	\$160,000	\$115,000
<b>Total</b>	<b>\$9,170,595</b>	<b>\$4,770,595</b>	<b>\$4,400,000</b>

The city council has a goal of leveraging limited city revenues with grant funding. Since 2012, the city has received over \$6,500,000 in grant funding. Grant funded projects include:

- 68<sup>th</sup> Ave Safe Routes to Schools
- Design and Right-of-Way Acquisition for 90<sup>th</sup> Ave NW and Viking Way extension
- Permitting for the SR532 Berm
- Acquisition of Ovenell Park and Hamilton Landing
- Overlay of Pioneer Highway and 272<sup>nd</sup> Ave NW/72<sup>nd</sup> Ave -82<sup>nd</sup> Ave NW



**Table 7 - 2017 Grant Revenues**

Source of Funding	2017 Grant Revenues	Project
WSDOT Safe Routes to Schools	\$157,750	68 <sup>th</sup> Ave SRTS
Dept of Commerce Safe Routes to Schools	\$316,370	68 <sup>th</sup> Ave SRTS
PSRC – Rural Towns Corridors	\$350,000	Viking Way/90 <sup>th</sup> -88 <sup>th</sup> Ave NW
CHAP – Pioneer Hwy	\$300,823	Pioneer Hwy/SR532-south city limits
TIB	\$186,747	88 <sup>th</sup> Ave/SR532-Florence Rd Overlay
TIB	\$222,088	271 <sup>st</sup> Street/94 <sup>th</sup> -SR532Overlay
TIB	\$181,255	Pioneer Hwy/72 <sup>nd</sup> -City Limits
Dept of Commerce Legislative Proviso	\$85,000	SR532 Berm and Ped Path
Dept of Commerce Legislative Proviso	\$300,000	City Hall
Dept of Commerce Legislative Proviso	\$485,000	Irvine Slough Stormwater Separation Pump Station Design
<b>2017 Total Revenues</b>	<b>\$2,585,033.00</b>	

**Table 8 - 2018 Grant Revenues**

Source of Funding	2018 Grant Revenues (Requested)	Project
Washington Wildlife Recreation Program (WWRP)	\$1,250,242	Hamilton Phase I
Aquatic Lands Enhancement Account (ALEA)	\$500,000	Hamilton Phase I
Floodplains by Design	\$1,600,000	Johnson Acquisition Floodplain/Farmland protection
Rural Towns Corridors (RTCC)	\$1,849,600	Viking Way/90 <sup>th</sup> -88 <sup>th</sup> Ave NW
WSDOT Legislative Proviso	\$2,700,000	Ovenell Access
WSDOT Legislative Proviso	\$300,000	Hamilton Access
TIB	\$225,000	102 <sup>nd</sup> St NW/SR532-No. City Limits Overlay
Floodplains by Design	\$504,000	Irvine Slough Stormwater Separation West Stanwood conveyance system
<b>2018 Total Revenues</b>	<b>\$8,928,842.00</b>	