

Budget 2011

Table of Contents

City Manager's Transmittal Letter	i-vii
Introduction	
◆ Vision Statement	1
◆ City Council Goals	2
◆ Organization Chart	3
◆ Councilmembers & Staff	4
◆ Council Committees & Advisory Commissions	5-6
◆ Budget Process and Policies	6-12
◆ Steps in the Budget Process	13
◆ 2011 Budget Calendar	14
◆ 2011 Budget Ordinances	15-17
Budget Summary	
◆ 2011 Revenues by Fund & Source	18
◆ 2011 Expenditures by Fund & Source	19
◆ Revenue/Expenditure Graphs	20-23
◆ Total Budget Revenue/Expenditure Analysis	24-25
◆ Statement of Revenue, Expenditure and Change in Ending Fund Balance - All Funds	26-29
◆ Ending Fund Balance Comparison - All Funds	30
General Fund	
◆ Statement of Revenue, Expenditure and Change in Ending Fund Balance	31
◆ Graph of General Fund Revenues	32
◆ General Fund Revenue Explanations	33-35
◆ General Fund Revenue Detail	36-37
General Fund Expenditures by Department	
◆ City Council	38-40
◆ City Manager	41-43
◆ Finance	44-46
◆ City Clerk	47-49
◆ Legal Services	50-52
◆ Human Resources	53-55
◆ Central Services	56-60
◆ Non-Departmental	61-63
◆ Law Enforcement	64-67
◆ Community Development	68-75
◆ Parks	76-79
◆ Operating Transfer	80-82

Budget 2011

◆ Ending Fund Balance	83
Other Funds	
◆ Street Fund	84-90
◆ Strategic Reserve Fund	91-94
◆ Park Impact Fee Fund	95-98
◆ Traffic Mitigation Impact Fee Fund	99-102
◆ Municipal Capital Reserve – REET1 Fund	103-106
◆ Municipal Capital Reserve – REET2 Fund	107-110
◆ Civic Center Bond Fund	111-113
◆ Capital Projects - General Government Fund	114-115
◆ Capital Projects - Parks Fund	116-120
◆ Capital Projects - Roads Fund	121-123
◆ Capital Projects - TIB Fund	124-126
◆ Sewer Utility Fund	127-132
◆ Surface Water Fund	133-137
◆ Equipment Rental Fund	138-140
◆ Transportation Improvement Program (TIP)	141-143
Salary/Staffing	
◆ 2011 Salary Step Plan	144
◆ 2011 Staffing Level	145
◆ 2011 Personnel Complement	146
Glossary/Profile	
◆ Glossary of Terms	147-150
◆ Community Profile	151



City of Edgewood

Phone (253) 952-3299 Fax: (253) 952-3537

2224 104th Avenue East, Edgewood, Washington 98372-1513

January 1, 2011

RE: TRANSMITTAL OF THE 2011 ANNUAL BUDGET

Dear City Council and Citizens of Edgewood:

It is a pleasure to present the City of Edgewood's 2011 Annual Budget, covering the fiscal period January 1, 2011 through December 31, 2011. A great deal of planning and preparation is expressed in this budget, both through considerable efforts of the City Council and the guidance of the staff. This budget describes one year's objectives and authorizes the funding limits of those objectives.

The 2011 Budget marks the fifteenth year of providing municipal service to the community. Delivery of major governmental services, such as law enforcement, court, jail, street and surface water maintenance, animal control, emergency services, and legal services, continue to be provided under contract.

This Budget Message, in accordance with State law, includes a Statement of Assumptions and Policies, a Budget Overview, a discussion of Budget Highlights, and summaries of Revenues and Expenditures. It also addresses priorities identified by the Council, capital projects and fiscal challenges facing the City in the coming year. The Budget Document contains background information, goals and objectives, revenue and expenditure detail, and an appendix.

ASSUMPTIONS AND POLICIES

The major assumptions for the 2011 Budget include the following:

1. The population of Edgewood is 9,625. This figure is important for State revenues distributed on a per capita basis.
2. We will have a Beginning Fund Balance in the General Fund of \$1,370,250.
3. We will have a Property Tax levy of \$1.2095 on an assessed value of \$1,124,916,206, and a delinquency rate of approximately four percent (4%) in collections.
4. We will receive \$500,000 in Sales Tax revenues.
5. We will receive \$250,310 in Community Development revenues, including land use and building permits, and plan review fees.
6. Any excess year-end revenues over expenditures in any fund will be used to increase the fund's Ending Fund Balance.
7. We will receive a total of \$138,200 in Real Estate Excise Tax (REET) revenues.
8. The Equipment Rental and Replacement Fund will be used to accrue replacement moneys for vehicles, and other equipment valued over \$5,000.
9. All projects outlined in the City's adopted Capital Improvement Plan (CIP) are funded.
10. All funds are treated on a modified accrual basis; revenues are entered as cash when received and expenses as accruals.

The major cost assumptions for the 2011 Budget include the following:

1. Contract cost of \$1,133,240 with Pierce County Sheriff's Office for police services.
2. The staffing level in 2011 is 9.80 FTE's, representing a decrease from the original 2010 budget of 1.50 FTE's.
3. The Street Fund will receive transfers from the General Fund and the Strategic Reserve Fund in the amount of \$50,000 for general street maintenance.
4. The 2011 road maintenance effort represents a decrease of approximately 5% in funding as provided in 2010 for operations. The second ¼% REET will fund \$10,000 of the Chip Seal Program.
5. General Fund transfers to the Capital Projects Fund – Parks will total \$19,520, representing the amount received from Local Parks Sales and Use Tax less General Fund park maintenance expenditures.
6. Design completion and beginning construction for the realignment of Jovita Boulevard with funding from the Transportation Improvement Board will occur.
7. Implementation of Phase I of the General Sewer Plan, including final construction of a sanitary sewer system, is funded.
8. Design and construction of Phase I of the Interurban Trail will occur.

The major policies this Budget incorporate:

1. Expenditures and revenues are in balance, with the use of some reserve funds.
2. Long-term, high priority City Council goals are funded.
3. 24/7 emergency police protection is provided to the community.
4. No new taxes are proposed.
5. Reliable, efficient, and timely customer service is provided while ensuring development pays for development.
6. Municipal services are contracted when feasible.
7. Fiscal constraint has been exercised.

COUNCIL PRIORITIES

In 2011, Council will continue to focus on the implementation of the City's first sanitary sewer infrastructure along the Meridian Corridor and creation of an economic development strategy. Construction contracts were awarded in November 2009 and completion is anticipated in March 2011. The City will be working with Lakehaven Utility District in Federal Way as the sewer purveyor for the sanitary sewer project.

With the sewer project underway, Council has set economic development as a high priority and has formed an Economic Development Advisory AdHoc Committee. The Committee is a seven-member citizen advisory board that will make recommendations to the Council on economic development opportunities, incentives, existing regulatory road blocks to economic development, and marketing strategies specifically targeted at the Meridian Commercial Corridor within the Sewer LID boundary. Proposed updates to the Development Code for this area will be presented to Council in 2011 through recommendations from EA|Blumen and the Planning Commission. City staff, Council, the Economic Development Advisory AdHoc Committee, and the development community will continue to coordinate efforts in 2011 to ensure the City is ready for development along the Meridian Corridor.

The City will continue to work in coordination with the Washington State Department of Transportation (WSDOT) in 2011 throughout the construction phase of the SR161 Widening Project from 8th Street East to 24th Street East. The City was granted federal funding in the amount of \$1.9 million to be used for multi-modal transportation, and will be used in part to underground utilities along the corridor. The project is anticipated to go to bid in early 2011.

Maintaining service levels in law enforcement and road maintenance continue to be a challenge due to reductions in state-shared revenues and tax limitations that support these vital functions. The 2011 Budget staffing level in law enforcement is one chief and five deputies, which represents a reduction of one deputy from the staffing level approved in the 2010 Budget. The reduction was made in mid-2010 after the 3.5% Utility Tax was repealed by the voters. The current staffing level falls below 24/7 coverage in the City however, the Council approved an amendment to the Pierce County Sheriff's Office contract to provide emergency response coverage when an Edgewood deputy is not available.

CAPITAL PROJECTS

In addition to the Sanitary Sewer Project and Meridian SR161 Widening Project, other critical capital projects will continue to progress in 2011. In 2006, Conservation Futures Funds were granted to the City to purchase the Puget Sound Energy (PSE) right-of-way for development of the Interurban Trail. The project, which has been divided into three phases, received funding in the amount of \$714,920 from the Recreation Conservation Office (RCO) in 2008. Together with an additional \$456,000 in Federal funding allocated by the Puget Sound Regional Council (PSRC), the City will be able to complete Phase I which consists of development of Jovita Crossroads Trailhead Park and construction of a segment of the trail.

The realignment of Jovita Boulevard has been listed as Council's number one priority on the City's Transportation Improvement Program (TIP) for the last several years. This project received funding from the Transportation Improvement Board (TIB) in 2006 and is a collaborative effort with the City of Milton. The project involves the relocation of the intersection of Jovita Boulevard and Meridian Avenue East, north to the intersection of Meridian Avenue East and Emerald Street in Milton. Design and right-of-way acquisition are expected to be complete in 2011, with construction beginning later in the year. TIB funding totals \$4,092,000 for the project.

In the fall of 2009, an update to the stormwater assessment rate was adopted by Council which included an allocation of the new funds for several capital projects. The City Drainage Infrastructure Program was identified, which replaces the old Stormwater System Spot Improvement Program. The new program estimates \$120,000 in minor capital improvements which is about twice the amount of funding of the old program. A major city-wide Surface Water Management Plan is also anticipated to begin in 2011.

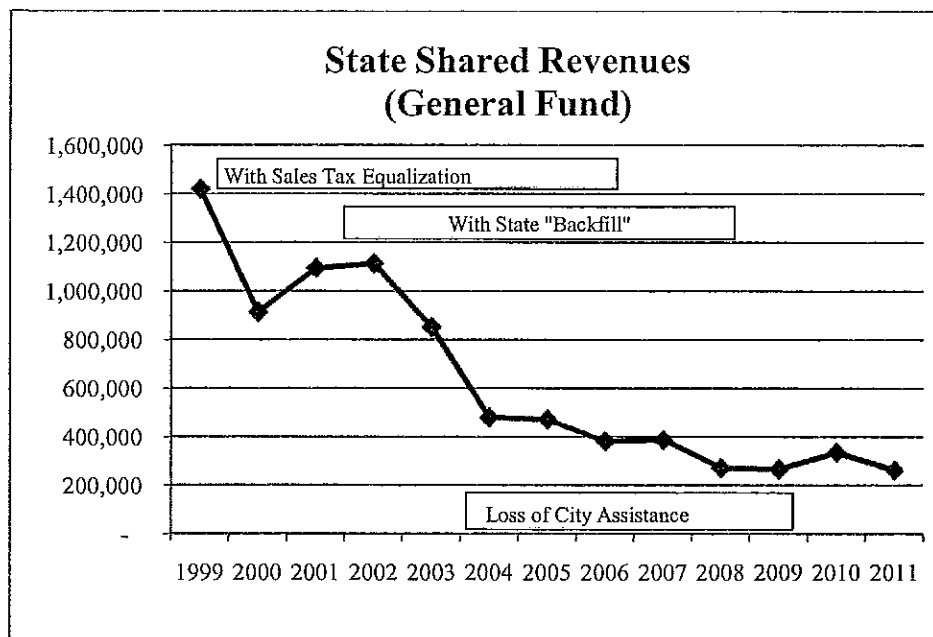
FISCAL CHALLENGES

Responding to the losses of General Fund revenue due to the impacts of citizen initiatives continues to be one of the greatest challenges for the City of Edgewood. In 2005, the Legislature passed ESSB 6050 which distributes a portion of the State Real Estate Excise Tax (REET) to counties and cities hardest hit by the effects of Initiative 695. Annual distributions to cities are

capped at \$100,000, plus annual inflation; however this represents only a fraction of the dollars lost by most cities. Following is a list of major revenue impacts to the City of Edgewood:

- In 2008, 2009 and 2011, the City per capita assessed valuation exceeded the statewide average, which eliminated State assistance from ESSB 6050. (The City was eligible to receive funding in 2010.)
- The economic recession has severely impacted revenues from sales tax, building permits, Real Estate Excise Tax (REET), Park Impact Fees and Traffic Mitigation Impact Fees.
- Declines in interest rates, especially since 2008, have affected the revenues received for investment earnings.

The following graph illustrates reductions in State Shared Revenues in the General Fund:



This graph does not reflect losses to Sales Tax, development fees, interest or revenues received in other funds.

Options for increasing General Fund revenues include enacting a Utility Tax and asking voters to approve a Levy Lid Lift. A 3.5% Utility Tax was enacted in December 2009; however, the ordinance was subject to referendum and was subsequently repealed by voters in April 2010. A Levy Lid Lift requires a vote of the people and allows the City to raise the Property Tax rate up to a maximum of \$1.60 per \$1,000 of assessed valuation. The statutory limit for cities is \$3.60 which is allocated as follows:

- \$1.50 for Fire Districts (not including EMS levy)
- \$0.50 for Library Districts
- \$1.60 for City Tax

The 2011 Property Tax rate is \$1.2095 per \$1,000 of assessed valuation, which is about \$0.39 less than the statutory limit for the City.

Other revenue options available to cities include Business and Occupation (B&O) Taxes and creation of a Transportation Benefit District (TBD). Although TBD revenue would be receipted in the Street Fund, the additional funding could reduce the support needed from the General Fund. Neither B&O Taxes nor TBD's have been considered by the City Council.

To avoid an operating deficit in the General Fund, the Council made reductions to the 2010 Budget, which were incorporated in to the 2011 Budget. The major reductions include:

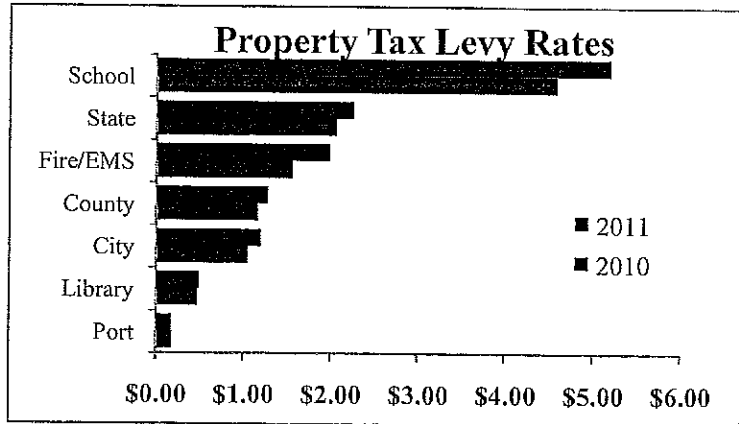
- Elimination of one Deputy in Law Enforcement (loss of 24/7 coverage)
- Elimination of the Deputy City Clerk Position
- Reduction of Associate Engineer from 1.0 FTE to 0.5 FTE
- Elimination of Employee Travel
- Elimination of city-wide newsletter
- Reduction of Operating Transfer to Street Fund for maintenance operations
- Reduction of Operating Transfer to Capital Projects – Parks Fund for capital improvements (funded by Local Parks/Zoos – Sales and Use Tax)

It is the hope of the Council that the economy will improve and development will occur along the Meridian Corridor, bringing in additional revenue to the City. At that time, the budget will be reassessed and the Council can redefine the levels of service they want to provide to citizens.

BUDGET OVERVIEW

A conservative spending pattern has been incorporated into the 2011 Budget. The 2011 Budget funds a staffing level of 9.80 full-time equivalents (FTE's), which represents a decrease of 4.25 FTE's since 2009. Building inspection services continue to be provided through an interlocal agreement with the City of Buckley. The City of Edgewood pays a monthly fee to the City of Buckley for use of their Building Official for 20 hours per week.

The 2011 operating revenues in the General Fund are estimated to be \$2,607,340, with property tax accounting for just over 50% of the total. The budget reflects an estimate of \$1,306,700 in property tax revenues for 2011. This is based on a levy rate of \$1.2095 per \$1,000 assessed value on approximately \$1.1 billion assessed valuation, including new construction, with a deduction for delinquencies. Although there was an increase in the levy rate of \$0.1626 per \$1,000 assessed value in 2011, Property Tax revenue was only increased by 1.78% (1% statutory maximum plus banked capacity from 2010). The increase in the rate was primarily due to the decrease in assessed value.



The Retail Sales and Use Tax revenue source is estimated to be \$500,000 in 2011. This total represents an increase of approximately 6% over last year's receipts. Anticipated development along the Meridian Corridor is the reason for the projected increase. As development continues to occur in the coming years, the City should see some significant increases in Retail Sales and Use Tax.

The Ending Fund Balance in the General Fund is estimated at \$1,386,740 in 2011. Interfund loans of \$172,500 from the Traffic Mitigation Impact Fee Fund and \$250,000 from the Municipal Capital Reserve – REET2 Fund will be repaid to the General Fund over the next three years.

In the Street Fund, expenditures for maintenance and capital improvements are expected to exceed operating revenues by approximately \$117,000 in 2011. Transfers from the General Fund, Strategic Reserve Fund and the Municipal Capital Reserve – REET2 Fund of \$110,000 will be made to cover the deficit in this fund.

It is anticipated that the Strategic Reserve Fund will end 2011 with \$871,330 in Ending Fund Balance, which is intended to be used for emergencies. An outstanding Interfund Loan of \$200,000 from the Municipal Capital Reserve – REET1 Fund will be repaid to the Strategic Reserve Fund by 2012.

Collection of Park Impact Fees based on an estimated 15 new dwelling units in 2011 will total \$44,085 in the Park Impact Fee Fund. Expenditures in this Fund are for principal and interest costs associated with the Interfund Loan from the Municipal Capital Reserve – REET1 Fund. Park Impact Fees must be used within six years of receipt.

A Traffic Mitigation Impact Fee ordinance was passed in 2007 with a fee of \$4,615 per peak hour trip. It is estimated that \$119,900 in Impact Fees will be received in 2011. Expenditures include principal and interest costs associated with the Interfund Loan with the General Fund.

Real Estate Excise Taxes of \$69,100 will be collected in both the Municipal Capital Reserve – REET1 and Municipal Capital Reserve – REET2 funds. The City collects both the first and second ¼% on sales of real estate property. An Operating Transfer of \$60,000 from the Municipal Capital Reserve – REET1 Fund to the Civic Center Bond Fund for debt service is anticipated in 2011. In the Municipal Capital Reserve REET2 Fund, an Operating Transfer of \$10,000 to the Street Fund is budgeted to help fund the annual Chip Seal Program.

The City issued \$5,565,000 in Non-Voted General Obligation Bonds in 2007 for the Civic Center Project. This remains the City's only outstanding general obligation debt and will be repaid by 2026. The principal balance of the bonds on December 31, 2010 was \$4,710,000.

The Surface Water Fund relies on annual assessments on the property owners in Edgewood, which are estimated at over \$746,000 in 2011. Expenditures include the City Drainage Infrastructure Program, a city-wide Surface Water Management Plan Update, general stormwater maintenance and costs associated with continued implementation of the National Pollutant Discharge Elimination System (NPDES) Phase II Municipal Stormwater Permit regulations.

BUDGET HIGHLIGHTS

The 2011 Budget marks the City's fifteenth full year of providing municipal service to the community. Priorities for service delivery include law enforcement services, land use planning and Comprehensive Plan implementing standards, surface water planning and maintenance, street maintenance, economic development planning, and initiation of focused planning on the Meridian Avenue Corridor, including development of the Sewer Utility and the widening of Meridian Avenue/SR 161.

The City Council's top priority is to build a city government that provides leadership and is responsible to its citizens' visions. They are assisted in that effort by the staff and the many community volunteers who serve on citizen advisory commissions and committees.

A goal of the City Council is to address the outside influences affecting the community by developing positive working relationships with other municipalities and governmental agencies. Memberships in regional organizations, such as the Association of Washington Cities, Puget Sound Regional Council, and Pierce County Regional Council, are funded in the budget. The Mayor, Councilmembers and staff will continue to be involved in these organizations, taking advantage of these forums to benefit our community.

For fire and emergency medical services, we are fortunate to have a positive working relationship with East Pierce Fire and Rescue and will continue to maintain that relationship during 2011 and beyond.

The City obtained a \$20 million variable line-of-credit from US Bank as interim financing for Sewer LID No. 1 in 2009. As of December 31, 2010, the City had drawn \$16,070,000 with the remainder anticipated in 2011. Repayment of the line-of-credit will occur at the completion of the project and after long-term financing has been secured.

SUMMARY

In 2011, the City Council and staff will focus on economic development issues and will work toward an economic development strategy for the City of Edgewood. Projects that will assist the City in reaching this goal include: development of the City's first sewer utility along the Meridian Corridor, construction of the Meridian Avenue (SR161) Widening Project, realignment of Jovita Boulevard and development of Phase I of the Interurban Trail. It is important that members of the community be deeply committed and heavily involved in the process as we continue to move forward and implement the policies set forth in the Comprehensive Plan.

Sincerely,



Mark D. Bauer
City Manager

