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November 7, 2022

Honorable Mayor, City Council, and Ellensburg Community:

We are pleased to present to you the preliminary 2023-2024 Biennial Budget for the City of Ellensburg. The purpose of this transmittal letter is to provide the Council and public a summary of the general issues addressed in the budget and to highlight significant changes in projected revenues and expenditures. This document as presented represents a continued commitment to provide effective fiscal management and professional service delivery, while maintaining a high quality of life for our community members. The budget reflects a financial plan to move us forward toward achieving the priorities and milestones in the Ellensburg City Council Strategic Vision 2023-2028 and goals identified in the City's Comprehensive Plan. It allocates resources to a variety of programs necessary to protect the community, maintain the city's infrastructure, and continues levels of service that our people have come to expect.

Budget Development

The Biennial Budget preparation takes a significant amount of time and commitment on behalf of all departments every other year beginning in June of even years. As noted below, staff prepare the budget with City Council's Vision and Milestones in mind as the foundation of the budget development. This budget serves as a policy document, an operations guide, a financial plan, and a communications device for the coming biennium. It helps guide our decisions and discussions about operations and capital programs throughout each year of the biennium. This budget maintains current levels of service, programs, and required reserve balances. The budget pursues strategic opportunities to address Council priorities, and to the extent possible, addresses individual department requests.

Financial Opportunities

The long-term revenue picture remains positive, and although national economic forecasts are cloudy, we will continue investing in maintenance and improvement of our infrastructure systems and shaping operations to expand capacity for achieving the Council's vision. The balance of federal COVID-19 relief dollars are directed to fund development of Unity Park, wastewater transmission system improvements and efficiencies, and project management capacity. Bond funded investments continue in wellhouse infrastructure, water distribution system, and wastewater collection and treatment systems.

Circumstances have changed since the last budget was adopted during a transformative global pandemic with uncertainty about economic impact. Recent economic conditions, a City Manager transition, and elucidation of a City Council Strategic Vision present opportunities to move forward.

The City's General Fund ending fund balance policy threshold is set at 15% of ongoing operating expense. For 2023 and 2024, reserve levels are at 25.54% and 15.39% respectively when including the sales tax reserve. While the projected fund balance in 2022 is near the 15% reserve threshold, it is anticipated that prudent management of the General Fund and Sales Tax Reserve Fund will result in a larger cash balance

than budgeted and these expenditures will be closely monitored through continuing oversight activities to ensure a healthy bottom line at the end of 2024.

Budget Summary

The 2023/2024 Biennial Budget totals \$117,210,483 for 2023 and \$106,007,479 for 2024 excluding ending fund balance. The City's General Fund operating revenues are conservatively projected to exceed budgeted 2021 levels, and increase slightly between 2023 and 2024. The projected operating revenue for fiscal years 2023 and 2024 are \$17,312,891 and \$17,491,610 respectively. Combined with the projected carryover from 2022 the total available resources in the General Fund operations are \$21,884,894 for 2023 and \$20,121,770 for 2024.

Total projected tax revenue (property taxes, sales taxes, business and occupation tax, and utility taxes) in for general governmental purposes are \$14,098,111 for 2023 and \$14,565,897 for 2024. Regular property tax receipts incorporate a 1.0% property tax increase as allowed under current law. This increase produces approximately \$34,134. Retail sales tax activity projection for most sectors anticipates taxable sales growth. Taxable sales in the Construction sector are more volatile and are conservatively projected lower based on 2022 experience to date. The 2023/2024 Biennial Budget includes Council adopted increases to customer utility rates.

Budget Highlights

The 2023/2024 Biennial Budget includes a number of important capital projects. We continue to make progress in meeting and enhancing capital investment needs. Utility expansions included in this budget are focused upon preservation of existing systems and expansions to improve resiliency of existing service and ensure redundancy in the event of outages or service interruptions on the various utility systems. The budget for new service connections and development-driven activity is derived from an estimate of anticipated activity.

The personnel portion of the budget includes salary increases governed by the various labor contracts. Non-represented personnel expenditures are budgeted to accommodate a 3% cost of living adjustment in each year. Employees who have not reached the top of the pay scale for their position(s) will receive step increases within the allowable pay range subject to satisfactory performance and available revenue. The budget also funds anticipated health insurance premium increases for the City's self-insured benefits program in 2023 and 2024 of 5% each year. Included in the budget are requests for additional positions to add capacity to meet Council priorities: 1 FTE Crime Analyst position in the Police Department; 1 FTE Arts and Economic Development Manager, 1 FTE Information Technology Director, and 1 FTE Human Resources Specialist in the Administration Department; 1 FTE Financial Analyst position and upward reclassification of an Account Clerk II to Sr. Account Clerk in the Finance Department; two seasonal 0.5 FTE Park Maintenance Tech positions to support athletic field rentals and complete the conversion from AmeriCorps volunteers to Recreation Aide at the Stan Bassett Youth Center in the Parks and Recreation Department; increase of hours for Summer Reading program in the Library Department; 1 FTE Sustainability Coordinator, 1 FTE Facilities & Warehouse, and Engineering Intern and Gas Engineering Intern positions in the Public Works & Utilities Department; and 1 FTE Housing Coordinator/Grants Manager in the Community Development Department.

The 2023/2024 Budget expands capacity and aligns resources with the Council's Strategic Vision 2023-2028 through the following enhancements:

Housing Affordability

- Expands capacity with a Housing Coordinator/ Grants Manager planner position in the Community Development Department. This position focuses on partnerships and projects to implement the Housing Action Plan and track progress on housing and affordability, staffs the Affordable Housing Commission, coordinates City efforts to address homelessness, and manages related grants. This allows the City to be proactive and seek additional funding for projects that could ease the pressures on housing and achieve progress toward goals.
- Funds site improvements for a year-round sleep center in partnership with Kittitas County for people experiencing homelessness.

Economic Vitality

- Infrastructure system maintenance and investment program aligned with utility and transportation system plans to adequately serve forecasted future residential, commercial, and industrial uses.
- Adds an Arts and Economic Development Manager position to advance City economic vitality initiatives. The position would support local efforts to expand the creative sector, staff the Art's Commission, apply for the State's Creative District designation, and coordinate implementation actions outlined in the City/County economic development strategic plan, currently underway. The position coordinates alignment and partnerships with Central Washington University, Kittitas County, Ellensburg Downtown Association, CenterFuse (EBDA), Chamber of Commerce, and other organizations.
- Complete Unity Park construction at the center of downtown Ellensburg funded primarily with federal COVID-19 relief grant dollars.

Safe and Inclusive Community

- Adds capacity with a new Human Resources Specialist to improve safety culture and implement diversity, equity, and inclusion initiatives.
- Provides for modest investment in communications budget to increase accessibility including translation and signing for events as appropriate.
- Updates the Rotary Park Master Plan to include future addition of family-friendly sports and recreation uses in partnership with other entities.
- Funds summer reading program expansion to address demand.
- Supplements Police Department efforts to use data analytics and other administrative processes to facilitate crime reduction with the addition of a Criminal Analyst position.
- Replaces aging portable radios used by the Police Department and partners with other local government agencies to replace the City's current ballistic-rated Peacekeeper vehicle.
- Continues to provide resources to host cultural events and community-building programs.
- Prepares to fund public defense services within the County's new office.

Energy & Resource Management

- Addition of a Sustainability Coordinator position to work across City services to implement actions in the City's Sustainability and Energy Plan, currently underway.

- Structured budgeted operations and infrastructure investments to meet milestones and targets of Clean Energy Transformation Act (CETA), Climate Commitment Act, building codes, and other state and federal mandates.
- Funds preparation of Zero Emissions Transit Plan for Central Transit.
- Anticipates completing replacement of the City's utility billing software in 2023.
- Provides resources for development of a comprehensive Urban Forestry plan, tree inventory, and tree code update.
- Continues renewable energy and conservation incentives in the energy utilities.

Sustainable Infrastructure

- Continues investment in infrastructure to support community's present and future needs.
- Imposes second one-quarter-of-one-percent Real Estate Excise Tax (REET 2) to develop dedicated funding for investments in Parks and Recreation capital facilities.
- Creates a new "General Facilities" Internal Service Fund to structure sustainable funding for general governmental facility maintenance.
- Prepares for and replacement of the City's enterprise resource planning (ERP) software system including intentional investment to improve data management, operational efficiency, and cybersecurity.
- Intentionally budgets for capital project contingencies for transportation infrastructure projects to address unforeseen costs within the adopted financial program.
- Completes Gateway I stormwater investments, plans for Gateway II – Vantage Highway stormwater investments, and Reecer Creek Levee Extension flood mitigation to improve community resiliency.

Other Major Projects, Programs, and Issues

- Maintains service levels for Police, Parks, Library, Transportation, Transit, Community Development, Finance Department, and Utilities.
- Invests in transportation and utility systems, including:
 - Anderson Road sewer project, funded with federal COVID-19 relief grant dollars
 - Pfenning Road shared use pathway
 - Main Street and Wildcat Way pavement overlays
 - Brick Road improvements
 - Sidewalk repair programs
 - Design of Helena Avenue extension – Water Street to Cora Street
 - Redundancy, safety, maintenance, and reliability investments for utility systems
 - System expansions as needed
 - Substation investments for the Electric Utility
 - Well construction and inspection for the Water Utility
- Additional bus shelters for Public Transit.

A table of all budget enhancements and capital projects is attached, including impacts to the fund and transfers (which amplify some expenditures).

Acknowledgments

The proposed 2023/2024 Biennial Budget is formulated with the intent to grow strategically. Every effort has been made to assure consistency with the leadership vision and direction of the City Council. As the City of Ellensburg moves forward, our focus will continue to be on fiscal stability, effectiveness, efficiency, transparency, accountability, stewardship. I wish to express my sincere appreciation for the teamwork and support provided by department directors, and their staff. A special note of thanks is given to Jerica Pascoe, Finance Director, Keith Bassett, Assistant Finance Director and Finance staff who have served as the main budget preparers and coordinators.

A special thanks to the City Council for their vision and priority setting that forms the framework of the budget. Council's clear direction and policy insight enabled staff to bring forward solid budget proposals, resulting in a sound financial plan for operations of the City in the next biennium and for the long-term future of the community.

Respectfully,

Heidi Behrends Cerniwey
Ellensburg City Manager