



CITY OF ELLENSBURG
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December 7, 2020

The Honorable Mayor,
City Council, and
Citizens of Ellensburg, Washington

We are pleased to present to you the 2021/2022 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 citizens. The budget reflects a financial plan to move us forward toward achieving the goals identified in the City's Comprehensive Plan and priorities established by the City Council. It allocates resources to a variety of programs necessary to protect the community, maintain the city's infrastructure, and continue to provide a level of service that our community has come to expect.

COVID-19

The budget before you reflects the realities and uncertainties the global COVID-19 pandemic has brought to the City of Ellensburg. 2020 has been challenging for residents, business, and employees of the city, requiring changes to the way the City operates and services are delivered. Many of these modifications will continue in to 2021. However, the budget provides for full resumption of in-person city services when it is permitted by public health guidance at the state and county levels.

The economic impact of COVID-19 will drag on the city for some time. Even once economic activity resumes at pre-pandemic levels, lost business income and individual earnings will blunt the rebound and economic stress continues for many.

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 develops the budget with City Council's goals and objectives 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 also includes modest increases to address Council priorities, and to the extent possible, addresses individual department requests.

Financial Opportunities

The long-term revenue picture remains positive, and while we remain cautious of the impacts of COVID-19 we have included an ambitious program of capital investment in this budget.

Historically low interest rates allow for necessary enhancements to utility infrastructure to be completed at bargain rates, with a combined \$11.92 million in utility revenue bond financed capital projects in 2021 and 2022, funding construction of the Reecer Creek flood control project, Bull Road utility loop project, and necessary investments in wellhouse infrastructure, water distribution system, and wastewater collection system.

The City's targeted General Fund reserve is set by resolution at 20% of ongoing operating expense, and by resolution is not to fall below 15%. For 2021 and 2022, reserve levels are at 25.81% and 17.74% respectfully when including the sales tax reserve. While the projected fund balance in 2022 is below the 20 % reserve target, it is anticipated that prudent management of the General Fund will result in a larger cash balance than budget and these expenditures will be closely monitored to ensure a healthy bottom line at the end of 2022.

Budget Summary

The 2021/2022 Biennial Budget totals \$105,276,289 for 2021 and \$86,573,456 for 2022 excluding ending fund balance. The City's General Fund operating revenues are projected below the adopted 2020 level, and increase slightly between 2021 and 2022. The projected revenue for fiscal years 2021 and 2022 are \$19,674,560 and \$20,119,006 respectively. Combined with the projected carryover from 2020 the total available resources in the General Fund are \$26,220,012 for 2021 and \$24,866,149 for 2022.

Total projected tax revenue (property taxes, sales taxes, business and occupation tax and utility taxes) in the General Fund are \$12,038,648 for 2021 and \$12,109,660 for 2022. Regular property tax receipts incorporate a 1.0% property tax increase as allowed under current law. This increase produces approximately \$31,315. Retail sales tax activity projection for most sectors anticipates weak taxable sales growth. Taxable sales in the Construction sector are more volatile and are conservatively projected lower based on 2020 experience to date. The 2021/2022 Biennial Budget does not include changes to customer utility rates.

Budget Highlights

The 2021/2022 Biennial Budget includes a number of capital projects, and 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 existing service and ensure redundancy in the event of outages or service interruptions on the various utility systems.

The personnel portion of the budget includes salary increases governed by the various labor contracts. Non-represented personnel are not scheduled to receive a market adjustment in either year. However, I encourage the Council and administration to closely monitor revenue during the biennium, and if the economic picture improves it would be advisable to provide some level of increase for non-represented employees. Represented groups receive regular increases and have outpaced the advancement of the non-represented group. 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 increases in 2021 and 2022 of 5% each year. Included in the budget are requests for additional staff hours in the Police Department Records unit, to meet anticipated workload related to records requests, and restructuring of hours in the Street,

Stormwater, and Sewer funds to consolidate several seasonal positions into two full time positions which will streamline delivery of Stormwater Utility funded operations.

Following is a summary of major projects included in the budget. A tabular list of all budget enhancements and capital projects can be found on page 178.

Major Projects, Programs, and Issues

- Maintains service levels for Police, Parks, Library, Transportation, Community Development, and Utilities.
- Anticipates replacement of the City's 17-year-old utility billing software.
- Purchase of body-worn and in-car camera system for the Police Department.
- Extensive transportation & utility investments, including:
 - Gateway Project (University Way).
 - Gateway II Project (Vantage Highway).
 - Several traffic signal projects, including new signals and signal enhancements.
 - Helena Avenue Complete Streets improvements.
 - West Ellensburg Flood Control Phase II.
 - Continue to complete John Wayne Trail reconnection route.
 - Sidewalk repair programs.
 - Redundancy and reliability investments for utility systems.
 - System expansions as needed.
 - Substation investments for the Electric Utility.
 - Well construction and inspection for the Water Utility.
- Care and expansion of Community Spaces
 - Continued investment in the Downtown Park.
 - Rotary Park and Irene Rinehart Riverfront Park parking lot chip sealing.
- Additional bus shelters for Public Transit.

Acknowledgments

The proposed 2021/2022 Biennial Budget is formulated with the thought that we will resume delivering City services at the pre-pandemic level. Every effort has been made to assure consistency with the leadership direction of the City Council. As the City of Ellensburg moves forward, our focus will continue to be on fiscal stability, effectiveness, efficiency, transparency, and accountability. 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, Senior Financial Analyst/Budget Officer and Finance staff who have served as the main budget preparers and coordinators.

A special thanks to the City Council for input and priority setting that forms the framework of the budget. Council's direction and policy insight enabled staff to bring forward sound 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 City and its citizens. This is my last biennial budget as your City Manager, and it is my extreme pleasure to have been given the opportunity to serve you, our employees, and the citizens of Ellensburg. Best wishes for continued success and keep doing the

hard work of governing. Being a City Councilperson is a thankless endeavor and you should be commended for your dedication to the City and the residents you serve.

Respectfully,

A handwritten signature in blue ink, appearing to read "John Akers", written in a cursive style.

John Akers
City Manager