

CITY OF MERCER ISLAND

2023-2024 BIENNIAL BUDGET

The 2023-2024 Budget document serves two distinct purposes:

1. To present the City Council and Mercer Island residents with a clear picture of City services, the funding and cost of those services; and
2. To provide City management with an operating and capital plan that can be implemented and monitored using the City's financial system.

The budget document is divided into six sections:

A. City Manager Message & Budget Overview

In this section, the City Manager transmits the budget document to the City Council and Mercer Island residents in a transmittal letter outlining the budget strategies for the upcoming biennium. The Budget Snapshot provides a high-level summary of the budget, followed by the General Fund summary, personnel, positions, full-time equivalent (FTE) count by Fund, and the overarching budget strategy.

B. Recap by Fund

The City accounts for all its operating and capital activities within different "Funds," each of which is considered a separate accounting entity with varied rules and requirements. This section is organized by Fund and includes revenues, expenditures, and fund balances.

C. Revenue Sources

This section focuses on the City's major revenue sources, providing useful background information, historical data, and 2023-2024 projections.

D. Operating Budget by Department

This section breaks down the City's operations by department. Each department sub-section is organized to include a department description, organizational chart, work plan, staffing summary, and revenue and expenditure summaries for the upcoming biennium.

E. Capital Improvement Program

The Capital Improvement Program (CIP) encompasses all planned capital projects for a six-year period (2023-2028), with the first two years proposed as part of the 2023-2024 Budget. This section is organized into six sub-sections:

1. Introduction
2. Program Summary
3. Individual Project Sheets
4. Capital Program by Funding Source

F. Appendix

The section provides information about this history of Mercer Island, a glossary of budget related terms, and an explanation of accounting basis and budgeting.

CITY MANAGER'S MESSAGE

September 27, 2022

Honorable Mayor and Members of the City Council
Members of the Mercer Island Community

Dear City Councilmembers and Community:

I am pleased to present to you the 2023-2024 Budget. Guided by the City Council's priorities identified earlier this year and with critical input from the City's staff team, a great deal of deliberation has gone into crafting this policy document for Council review and approval.

The Budget sets forth the financial and staffing resources required to accomplish work plan goals outlined over the next two years. It assumes that key revenue sources will remain relatively flat and proposes a combination of limited enhancements, fee adjustments, and the use of planned one-time funding sources as a bridge for the next two years. Staff will continue to evaluate City finances and business processes to ensure we are delivering services as efficiently as possible and will seek opportunities to leverage technology and other best practices to reduce costs.

Mercer Island has weathered uncertainty these past few years and the conservative and cautious approach in the most recent biennial budget has paid off. City departments were re-organized and stabilized providing more efficient service delivery and improved operations. Cost saving measures helped reduce operating costs while services that were suspended during the Pandemic were methodically restored. New financial management policies were adopted, providing clear direction in the near-term as part of an ongoing multiyear strategy to enhance City services in the years ahead. This focused work coupled with federal support has resulted in year-over-year growth of the City's Fund balances and reserves.

These one-time resources will be instrumental in Mercer Island creating a financially sustainable course and holding to it.

Employee Compensation and Retention

With inflation increasing at a pace unseen in over 40 years, increases to employee compensation pose a unique challenge this coming biennium. Employee salaries are adjusted annually based on the CPI-W for the Seattle region, resulting in cost-of-living adjustments that range from 6% to 9% in 2023 for City employees. This investment recognizes the value public servants bring to Mercer Island, particularly at a time when recruiting and retaining staff is a considerable challenge.

A focus over the next two years is to improve the City's recruitment and retention strategies while recognizing the shared responsibility between the City and its employees to retain talented public servants and maintain a sustainable balanced budget.

Pivotal Capital Work Ahead

Over the past two years, the capital team stabilized and refocused to deliver a capital reinvestment program that occurs only once in a generation. Many of the projects proposed in the next two years and beyond include major re-investments in utilities, parks, open spaces, and transportation.

Work ahead for the Island's underground utilities is tremendous. Use of Federal funds accelerated design work for many water and sewer projects, positioning staff teams to complete major construction over the next two years. Critical investments in Mercer Island's water distribution system – including the meter replacement program, booster chlorination system, and water reservoir improvements – will come online. Implementation of the advanced software and hardware systems that manage the City's 17 sewer pumps stations will go-live as work to rehabilitate and replace this crucial conveyance infrastructure gets underway.

Staff teams understand the value and complexity of the work ahead. We know what needs to be done and are poised to see through the most aggressive capital program in recent City history.

2023-2024 Budget

The 2023-2024 Expenditure Budget is \$98.8 million in 2023 and \$102.6 million in 2024. This budget includes diverse services, projects, and activities provided by the City of Mercer Island for organizational investments, public safety, quality of life, infrastructure enhancements, transportation, and development-related services.

The two largest components of the budget are the General Fund and Enterprise Funds. Much of the budget balancing work has centered on the General Fund where most municipal services are housed. The General Fund expenditure budget is \$34.8 million in 2023 and \$36.2 million in 2024.

The General Fund is challenged in several ways. First, revenues that are tied to swings in economic activity – such as shared state revenues and local sales tax – are forecasted to slow in the coming biennium. An operating deficit of \$1.6 million in 2023 and \$3.7 million in 2024 in which General Fund expenditures exceed anticipated revenues, is forecasted with the primary driver being increases to employee compensation due to the rate of inflation. The City is prepared to absorb this in the near-term and will carefully monitor City finances and economic activity to adjust as needed during the biennium.

The Water, Sewer, and Storm Water Utilities Funds combined expenditure budgets are \$39.4 million in 2023 and \$38.1 million in 2024. A portion of the utility budget represents unspent dollars slated for major capital improvements that have been delayed but are now moving forward as part of the capital work ahead.

Conclusion

The budget is a starting point, carefully built during a time of challenge and change. It will guide the organization as we work to deliver services in a fiscally responsible manner.

I continue to be impressed by the strong commitment of our residents, businesses, and community partners striving for healthy neighborhoods, vibrant parks and open spaces, and an active Town Center with balanced economic activity, all of which make possible the breadth and wealth of services we provide.

I also want to recognize the high degree of professionalism, commitment, and effort the City Council provides our community, without which, Mercer Island could not thrive in challenging times. It is under the

City Manager's Message

policy leadership of the City Council that the City has successfully weathered the challenges of the pandemic.

And finally, a heartfelt thank you to the Mercer Island community for standing by the City government as we navigate an immense amount of change and uncertainty. We appreciate your support, encouragement, and participation, for without it we would not be where we are today.

Thank you,

Jessi Bon
City Manager
City of Mercer Island

BUDGET OVERVIEW

This section provides an overview of the 2023-2024 Budget for the City of Mercer Island, including summary detail and changes that have occurred since the last budget. The budget overview section is divided into seven sub-sections with an appendix:

1. City Organization – *how the City is organized.*
2. Budget Strategy – *approach to building the budget.*
3. Budget Snapshot – *overview of revenues, expenditures, and all funds.*
4. Staffing – *who provides the services.*
5. Utility Rates – *overview of utility rates.*
6. City Debt – *purpose and status of City debt.*
7. General Fund at a Glance – *high level information about the General Fund.*
8. Appendix – *all Fund summary with Fund balance through the biennium.*

For a more in-depth understanding of the budget, continue to the more detailed information found in the *Recap by Fund, Revenues, Operating Budget by Department, and Capital Improvement Plan* sections.

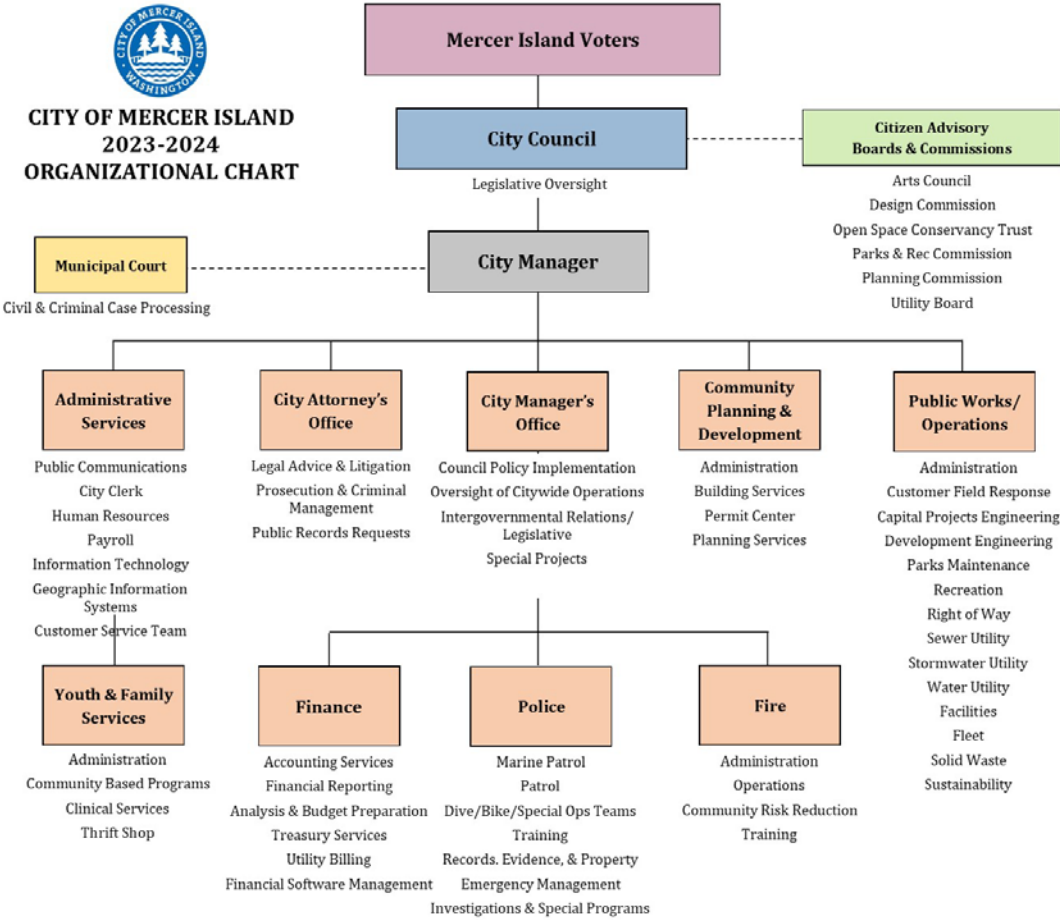
City Organization

The City of Mercer Island has a Council-Manager form of government. In this form, the City Council, comprised of seven elected members, hires a City Manager to serve as the Chief Executive Officer of the City. The City Manager reports directly to the City Council and implements adopted policies. City Council members listen to their constituents, the Mercer Island residents, and receive recommendations on policy matters from the Council-appointed Boards and Commissions.

Managing the day-to-day activities of the City is the responsibility of the City Manager who oversees the nine departments shown on the chart on the following page. For a description of the functions supported by these departments, see Section D (*Operating Budget by Department*) of the budget document.



**CITY OF MERCER ISLAND
2023-2024
ORGANIZATIONAL CHART**



Budget Strategy

The 2023-2024 Budget reflects a measured approach to planning for the next biennium. The overall budget strategy uses one-time resources as a bridge to the next biennium while supporting actions to strengthen the City's financial position. Compared to prior years, staffing levels were bolstered to tackle the aggressive work plan involving reinvestment in various components of the City's aging infrastructure. This two-year budget:

- Maintains core municipal services and supports ongoing emergency response efforts.
- Identifies opportunities and resources to improve operational services.
- Establishes new best practices for implementing capital improvements.
- Reinvests in the maintenance of the City's critical infrastructure.

There is significant work ahead for the capital program. Aided by one-time use of ARPA funds and REET-2 reserves, staff will accelerate work on infrastructure improvements to the City's aging facilities while making notable improvements to parks. Critical components of the water distribution system and sewer conveyance system will also undergo major enhancements that will serve the island community for decades to come.

Long-Term Financial Forecast

The City's Biennial Budget is informed by a six-year forecast completed for each of the City's funds. The General Fund forecast serves as a risk assessment tool that contemplates the impact of economic conditions on the City's budget. The forecast accounts for several factors that influence the City's anticipated revenues and expenses, particularly impacts of inflation on long-term operations and potential recession conditions.

The six-year forecast includes baseline increases in salary and benefits, healthcare, and workers' compensation costs. The long-term forecast is presented to the City Council for review and consideration annually, and more often when circumstances warrant.

Budget Overview

Fund Summary

Total revenues and total expenditures by fund for the period 2021-2024 are summarized in the tables below.

Summary of Revenues by Fund for 2021-2024

Fund No.	Description	2021 Actual	2022 Forecast	2023 Budget	2024 Budget
001	General Fund	\$ 35,270,393	\$ 36,852,436	\$ 34,796,307	\$ 36,220,358
037	Self Insurance Fund	55,000	10,000	10,000	10,000
061	Youth Service Endowment Fund	285	289,469	-	-
Subtotal General Purpose Funds		\$ 35,325,678	\$ 37,151,905	\$ 34,806,307	\$ 36,230,358
104	Street Fund	\$ 4,945,810	\$ 5,568,002	\$ 5,170,584	\$ 9,658,917
130	Contingency Fund	32,246	150,000	150,900	151,805
140	1% For the Arts Fund	30,314	17,000	25,000	25,000
160	Youth and Family Services Fund	2,638,075	3,404,995	3,325,282	3,368,606
170	ARPA Fund	3,617,660	3,617,659	1,983,672	1,259,017
Subtotal Special Revenue Funds		\$ 11,264,104	\$ 12,757,656	\$ 10,655,438	\$ 14,463,345
208	Bond Redemptiion (Voted)	\$ -	\$ -	\$ -	\$ -
239	Bond Redemption (Non-Voted)	847,200	234,100	142,800	-
Subtotal Debt Service Funds		\$ 847,200	\$ 234,100	\$ 142,800	\$ -
342	Town Center Parking Facilities	\$ 14,670	\$ 222,975	\$ -	\$ -
343	Capital Improvement Fund	5,133,009	8,380,188	10,664,404	11,121,741
345	Technology and Equipment Fund	280,000	1,061,000	495,186	268,000
350	Capital Reserve Fund	-	169,999	-	-
Subtotal Capital Funds		\$ 5,427,679	\$ 9,834,162	\$ 11,159,590	\$ 11,389,741
402	Water Fund	\$ 10,028,387	\$ 21,362,965	\$ 30,176,636	\$ 20,738,920
426	Sewer Fund	10,622,450	13,008,948	14,120,007	13,678,876
432	Storm Water Fund	2,372,460	3,382,231	3,192,949	3,676,021
Subtotal Enterprise Funds		\$ 23,023,298	\$ 37,754,144	\$ 47,489,592	\$ 38,093,817
503	Equipment Rental Fund	\$ 2,546,570	\$ 2,497,469	\$ 2,180,484	\$ 1,935,631
520	Computer Equipment Fund	1,297,669	1,388,593	1,410,061	1,558,736
Subtotal Internal Service Funds		\$ 3,844,239	\$ 3,886,062	\$ 3,590,545	\$ 3,494,367
606	Firefighters Pension Fund	\$ 164,095	\$ 168,210	\$ 100,000	\$ 103,000
Subtotal Trust Funds		\$ 164,095	\$ 168,210	\$ 100,000	\$ 103,000
TOTAL REVENUES		\$ 79,896,292	\$ 101,786,239	\$ 107,944,272	\$ 103,774,627

Budget Overview

Summary of Expenditures by Fund for 2021-2024

Fund No.	Description	2021 Actual	2022 Forecast	2023 Budget	2024 Budget
001	General Fund	\$ 31,380,027	\$ 35,325,977	\$ 34,796,307	\$ 36,220,358
037	Self Insurance Fund	55,000	10,000	10,000	10,000
061	Youth Service Endowment Fund	-	289,469	-	-
Subtotal General Purpose Funds		\$ 31,435,027	\$ 35,625,446	\$ 34,806,307	\$ 36,230,358
104	Street Fund	\$ 3,845,628	\$ 5,568,002	\$ 5,136,091	\$ 9,658,917
130	Contingency Fund	-	-	-	-
140	1% For the Arts Fund	29,211	15,000	15,000	15,000
160	Youth and Family Services Fund	2,386,100	3,404,995	3,325,282	3,368,606
170	ARPA Fund	126,274	2,318,130	1,983,672	1,259,017
Subtotal Special Revenue Funds		\$ 6,387,212	\$ 11,306,127	\$ 10,460,045	\$ 14,301,540
208	Bond Redemption (Voted)	\$ -	\$ -	\$ -	\$ -
239	Bond Redemption (Non-Voted)	847,200	234,100	142,800	-
Subtotal Debt Service Funds		\$ 847,200	\$ 234,100	\$ 142,800	\$ -
342	Town Center Parking Facilities	\$ 14,670	\$ 222,975	\$ -	\$ -
343	Capital Improvement Fund	1,873,450	8,380,188	10,664,404	11,121,741
345	Technology and Equipment Fund	110,318	1,044,740	495,186	145,250
350	Capital Reserve Fund	-	169,999	-	-
Subtotal Capital Project Funds		\$ 1,998,437	\$ 9,817,902	\$ 11,159,590	\$ 11,266,991
402	Water Fund	\$ 8,238,807	\$ 21,362,965	\$ 22,052,286	\$ 20,738,920
426	Sewer Fund	8,987,816	13,008,948	14,120,007	13,678,876
432	Storm Water Fund	2,372,460	3,382,231	3,192,949	3,676,021
Subtotal Enterprise Funds		\$ 19,599,084	\$ 37,754,144	\$ 39,365,242	\$ 38,093,817
503	Equipment Rental Fund	\$ 1,616,745	\$ 2,111,404	\$ 1,610,914	\$ 1,377,116
520	Computer Equipment Fund	918,273	1,258,414	1,155,078	1,316,488
Subtotal Internal Service Funds		\$ 2,535,018	\$ 3,369,818	\$ 2,765,992	\$ 2,693,604
606	Firefighters Pension Fund	\$ 88,774	\$ 94,500	\$ 100,000	\$ 103,000
Subtotal Trust Funds		\$ 88,774	\$ 94,500	\$ 100,000	\$ 103,000
TOTAL EXPENDITURES		\$ 62,890,752	\$ 98,202,037	\$ 98,799,975	\$ 102,689,310

Staffing

The following two charts show the number of Full Time Equivalent (FTEs) and Limited Term Equivalent (LTEs) positions in 2017-2024. Limited Term Equivalent employees are hired when there is a short-term need for a position. LTEs are just like regular FTEs, except their positions are time limited.

For the coming biennium, the City is continuing its approach on the use of LTE (contract) positions. LTE positions that have been in place for more than one biennium have been converted to FTE (regular) positions. Staff positions will be classified as LTEs when the staff assignment is short-term, generally two years or less, or the position is tied to grant funding or other one-time funding.

Position History by Department

Full Time Equivalents (FTEs)	2017	2018	2019	2020	2021	2022	2023	2024
Administrative Services				3.00	3.00	4.70	4.70	4.70
Human Resources	3.00	3.00	3.00	3.00	3.50	4.00	4.00	4.00
Information & Geographical Svcs	6.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00
City Attorney's Office	3.30	3.30	3.30	3.30	2.30	2.30	2.30	2.30
City Manager's Office	4.70	4.70	5.00	3.00	3.00	3.00	3.00	3.00
Community Planning & Development	20.00	21.00	20.40	20.40	14.00	18.00	18.00	18.00
Finance	7.00	7.00	7.00	7.00	8.00	9.00	9.00	9.00
Fire	32.00	32.00	32.00	32.00	32.00	31.50	31.50	31.50
Municipal Court	3.45	3.45	3.30	3.30	3.30	3.30	3.10	3.10
Police	35.00	35.00	35.50	35.50	35.50	37.50	37.50	37.50
Public Works								
Capital and Engineering	5.00	5.00	5.00	5.00	14.05	14.05	16.05	15.05
Support Services/Administration	8.00	8.00	8.00	8.00	14.80	14.80	14.80	14.80
Right of Way	4.50	4.50	4.50	4.50	4.35	4.35	4.35	4.35
Utilities	16.50	16.50	16.50	16.50	19.25	19.25	19.25	19.25
Park Maintenance					10.35	10.35	10.35	10.35
Parks & Recreation	29.75	29.75	25.75	25.75	0.75	10.25	10.25	10.25
Youth & Family Services	16.33	16.46	15.63	14.68	13.23	13.43	13.43	13.43
Total FTEs	194.5	196.7	191.9	191.9	187.4	205.8	207.6	206.6
Limited Term Equivalents (LTEs)	2017	2018	2019	2020	2021	2022	2023	2024
Administrative Services / Human Resources	-	-	-	-	-	2.00	1.00	-
City Manager / Non-Departmental	-	0.50	0.50	0.50	-	1.00	0.50	-
Community Planning & Development	3.50	3.50	4.50	4.50	1.00	1.50	-	-
Information & Geographical Svcs	1.00	1.00	-	-	-	-	-	-
Public Works	2.10	2.10	1.80	1.80	-	3.00	3.00	3.00
Parks & Recreation	1.25	1.25	3.05	3.05	2.00	-	-	-
Youth & Family Services	5.50	7.20	11.24	13.24	1.60	10.53	10.53	9.70
Total LTEs	13.4	15.6	21.1	23.1	4.6	16.0	15.0	12.7
Total FTEs & LTEs	207.9	212.2	213.0	215.0	192.0	221.8	222.6	219.3

In addition to Full Time Equivalent (FTEs) and Limited Term Equivalent (LTEs) employees, the City utilizes casual labor, consultants, and contractors to address workload needs that exceed the capacity or expertise of the City’s regular staff and that are time limited or seasonal.

- **Casual labor** is used primarily to address seasonal workload needs and short-term workload issues created by special projects or position vacancies. Compared to an LTE position, a casual labor position has limited benefits and is filled for a shorter period (1-3 months, 6 months, or 9 months). The departments that utilize casual labor the most are Parks & Recreation, Public Works, and Youth & Family Services.
- **Consultants and contractors** are hired when the City’s regular staff does not have the capacity or expertise to perform specialized work that is usually short-term in nature (i.e., less than a year). Consultants are considered experts in their fields, providing specialized legal, engineering, technology, financial, or other professional services. Contractors, on the other hand, are highly skilled in the trades, providing specialized repair and maintenance services (e.g., electrical, plumbing, and heating/cooling system repairs) and bidding on public works projects (e.g., re-surfacing a road). Consultants and contractors are often more expensive on an hourly basis than regular or contract employees; however, they are generally more cost effective than trying to perform the specialized work “in-house.”

Utility Rates

The Water, Sewer, and Stormwater Funds are completely self-supporting utilities that are operated like a not-for-profit enterprise. They are primarily funded by customer charges, not taxes. The City purchases its water from the City of Seattle as do many neighboring communities. The Wastewater Treatment Division of King County provides treatment for all the sewage in the King County area, including Mercer Island.

The 2022 actual, 2023 adopted, and 2024 proposed bi-monthly utility charges for water, sewer, storm water, and Emergency Medical Services (EMS) are broken down in the table below for a typical single family residential customer. This table excludes utility taxes, which are a General Fund revenue source.

Utility Rate Component	2021 Adopted	2022 Adopted	2023 Adopted	2024 Proposed	\$ Change 2023	\$ Change 2024	% Change 2023	% Change 2024
Water	\$116	\$122	\$132	\$142	\$9.77	\$10.55	8.00%	8.00%
Sewer Maintenance (City)	\$60	\$63	\$65	\$68	\$2.82	\$2.95	4.50%	4.50%
Sewer Treatment (King County)	\$94	\$99	\$104	\$110	\$5.67	\$5.99	5.75%	5.75%
Storm Water	\$38	\$40	\$43	\$46	\$3.18	\$3.44	8.00%	8.00%
EMS (estimate)	\$10	\$10	\$11	\$11	\$0.55	\$0.58	5.54%	5.54%
Total	\$318	\$333	\$355	\$379	\$21.99	\$23.51	6.6%	6.6%

City Debt

The City has issued a modest amount of debt over the years, maintaining a sizable debt capacity and consistently following a conservative fiscal management policy. This is reflected in the highest possible bond rating from Moody's: Aaa (“triple A”) rating on the City’s unlimited tax general obligation (UTGO), or voted, bonds and limited tax general obligation (LTGO), or non-voted (i.e., Councilmanic) bonds. A high bond rating enables a city to secure lower interest rates, thereby reducing debt service costs.

The City can issue five types of debt which have legal limits set by the State. The five types of debt include: voted and non-voted general obligation bonds, revenue bonds, lease debt, and loans. For the purposes of the legal limit debt calculations, leases and loans are included with the non-voted general obligation debt limits. A schedule of all the City debt classified by type is included later in this section.

Voted Debt

Voted debt must be approved by registered voters via a ballot measure, with an additional (i.e., excess) property tax levy dedicated to paying the annual debt service costs. Voted debt has typically been used to fund large public buildings and to buy land or open space. The City currently has no outstanding voted debt.

Non-Voted Debt

Non-voted debt must be approved by the City Council, with the general tax revenues of the City used to pay the annual debt service costs. Non-voted debt includes bonds, loans, and lease obligations of the City. The active issues are described below:

- **2004 LTGO MICEC Construction**

In 2004, the City issued \$2.0 million in councilmanic bonds to partially pay for the construction of a new community center. The new center was completed in December 2005. To save on interest costs, this bond issue was refunded (i.e., refinanced) in 2013. The final principal payment on the refunded bonds will be made in 2023.

- **2009 LTGO Sewer Lake Line**

In 2009, the City issued \$9,405,000 in LTGO bonds to fund a portion of the sewer lake line replacement project. To save on interest costs, this bond issue was refunded in 2017. Sewer utility rates are being used to repay the long-term debt. The total principal outstanding on the refunded bonds at the end of 2024 will be \$2,920,000.

- **2011 LTGO First Hill Water Improvements**

In 2011, the City issued \$1.5 million in LTGO bonds to fund a portion of a water system improvements project in the First Hill neighborhood. Water utility rates are being used to repay the long-term debt. The total principal outstanding at the end of 2024 will be \$570,000.

- **2015 Fire Apparatus Lease (Mini Pumper)**

In 2015, the City Council authorized the purchase of Mini Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for \$341,295. The remaining principal will be paid off in 2024.

- **2018 Fire Apparatus Lease (Enforcer Pumper)**

In 2018, the City Council authorized the purchase of an Enforcer Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for \$732,778. The total principal outstanding at the end of 2024 will be \$270,293.

- **NEW: 2023 Water System Improvement Projects**

In 2023, the City plans to issue up to \$15.9 million in limited tax general obligation bonds to fund significant reinvestment into the City's aging water system infrastructure. The City considers projects that have at minimum a 20-year useful life and can be completed in the next three fiscal years as attractive candidates to fund with debt. Examples of projects that meet these criteria include Water Reservoir Improvements, Pressure Reducing Valve Station Replacements, and the 2024 Asbestos Cement Main Replacement (Gallagher Hill Road, Greenbrier and SE 40th), among others. Water utility rates are being

Budget Overview

used to repay long-term debt overtime. The total principal balance outstanding at the end of 2024 will be as high as \$15,092,685.

Public Work Trust Fund Loans

In addition to the above debt, the City will have one outstanding long-term loan at the end of 2024, with \$805,515 in principal due for a Public Works Trust Fund loan used to fund a sewer lake line maintenance project. Public Works Trust Fund loans are low-interest loans (about 1% interest) administered through the State of Washington Department of Commerce. In 1985, the state legislature made provisions for this program using the Public Works Assistance Account, which is funded by the Motor Vehicle Excise Tax (MVET) collected by the State. To qualify, jurisdictions are required to do the following:

1. Impose the ¼ of one percent real estate excise tax.
2. Have developed a long-term plan for financing Public Works' needs.
3. Be using all local revenue sources which are reasonably available for funding public works.
4. Have an adopted comprehensive plan.

- **NEW: 2023 Booster Chlorination System**

In November 2022, the City was awarded \$3.28 million in Public Works Trust Fund loan to fund the Booster Chlorination System project. Water utility rates are being used to repay long-term debt. The total principal balance outstanding at the end of 2024 will be \$2,952,000.

Schedule of Outstanding Debt

Description (\$ in thousands)	Date Issued	Original Amount	Balance Outstanding January 2023	2023 Debt Payments	2024 Debt Payments	Balance Outstanding December 31, 2024
Non-Voted Debt:						
2011 LTGO First Hill Water Improvements	03/23/11	\$1,500	\$735	\$80	\$85	\$570
2013 Refunding (CCMV Construction)	02/06/13	1,140	140	140	0	0
2017 REFUNDING LTGO Sewer Lake Line	08/17/17	5,870	3,960	510	530	2,920
2023 Water System Improvement Projects	12/31/23	15,980	15,980	435	452	15,093
Total Non-Voter Approved		\$24,490	\$20,815	\$1,165	\$1,067	\$18,583
Voted Debt:						
Total Voter Approved		\$0	\$0	\$0	\$0	\$0
Lease Obligations						
2015 Fire Mini Pumper	06/01/15	341	82	41	42	0
2018 Pierce Enforcer Pumper	04/19/18	733	435	81	84	270
Total Lease Obligation		\$1,074	\$518	\$122	\$126	\$270
Public Works Trust Fund Loans						
Sewer Lake Line Loan	01/31/05	7,000	1,611	403	403	806
Booster Chlorination Station	12/31/23	3,280	3,280	164	164	2,952
Total Public Works Trust Fund Loan		\$10,280	\$4,891	\$567	\$567	\$3,758
Total Outstanding Debt		\$35,844	\$26,224	\$1,853	\$1,760	\$22,610

General Fund at a Glance

Fiscal Year 2023 General Fund

Revenues	\$34.79 million
Expenditures	\$34.79 million

Fiscal year 2023 General Fund revenues are projected to be \$34.79 million, which is \$1.68 million, or 5.1 %, more than the fiscal year 2022 forecasted actual.

The City receives its General Fund revenues from a variety of revenue sources. Property Taxes, which account for 38.8% of revenues in 2023, are the largest revenue source by a wide margin at \$13.51 million. Sales Tax and Business & Utility Taxes are the second and third largest sources at \$5.60 million and \$5.15 million, or 16.1% and 14.8% of total revenues, respectively.

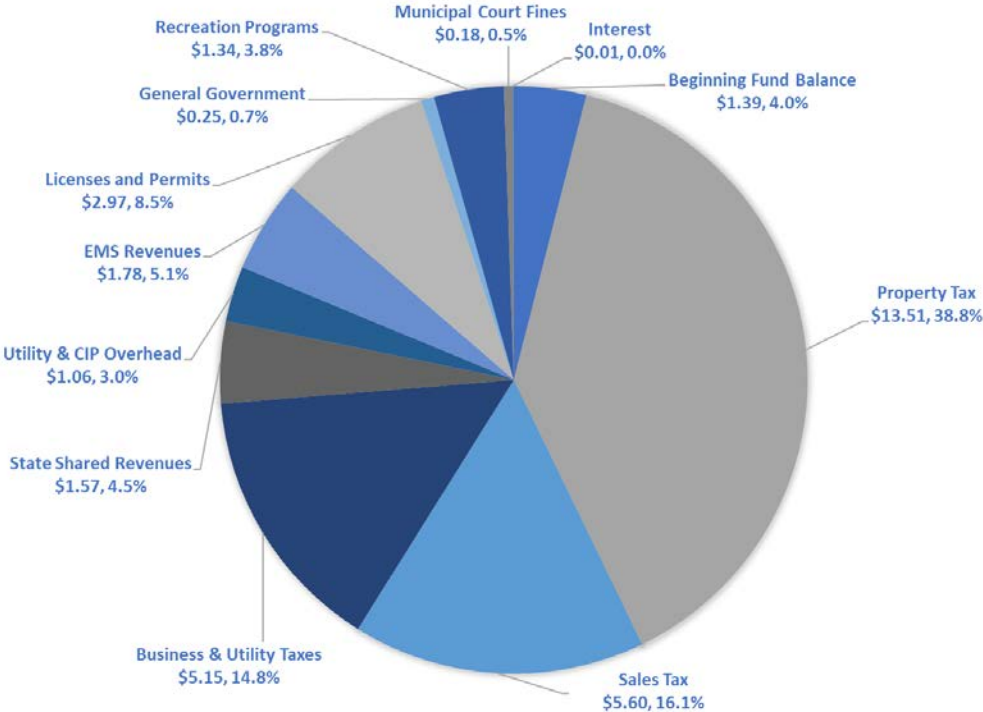
General fund expenditures for fiscal year 2023 are projected at \$34.79 million. Salaries & Wages and Benefits collectively account for 71.1%, or \$24.75 million of total expenditures.

Expenditures are also broken down by respective departments in the table above.

EXPENDITURES	2023
Description	Budget
Administrative Services	\$ 1,146,339
Human Resources	822,303
City Attorney's Office	931,671
City Council	54,727
City Manager's Office	685,912
Community Planning & Development	3,229,273
Finance	1,333,731
Fire and EMS	7,526,847
Municipal Court	519,208
Non-Departmental/Intergovernmental	2,839,217
Public Works/Operations	5,120,270
Parks and Recreation	2,127,581
Police	8,459,228
Total Budgeted Expenditures	\$ 34,796,307

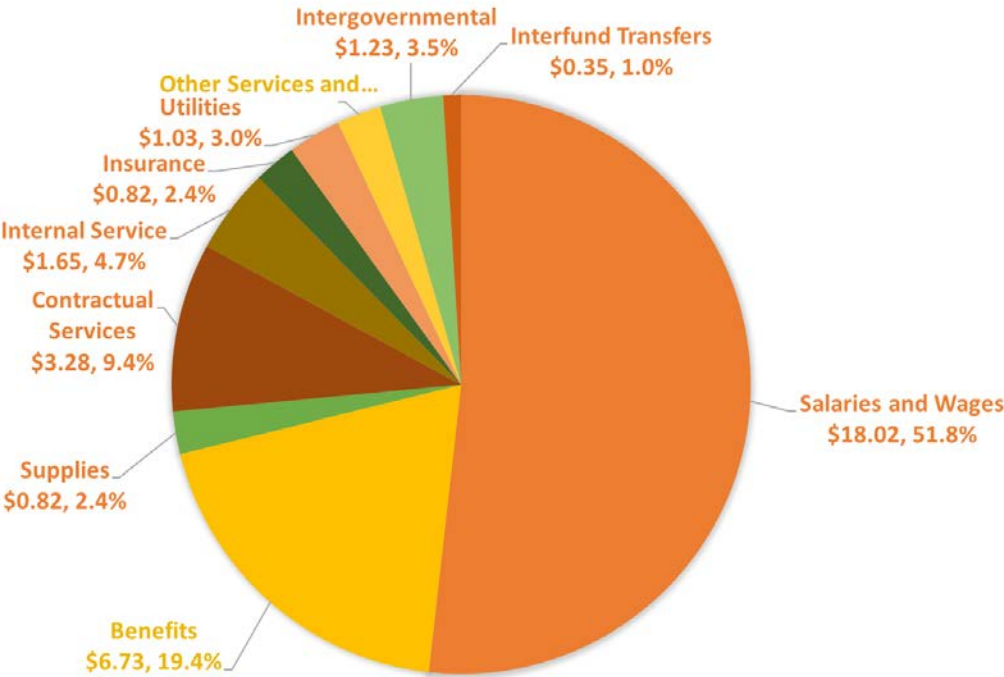
Where does the money come from?

2023 General Fund Revenues Total: \$34.79 (in millions)



Where does the money go?

2023 General Fund Expenses Total: \$34.79 (in millions)



Budget Overview

Fiscal Year 2024 General Fund

Revenues **\$36.22 million**
Expenditures **\$36.22 million**

Fiscal year 2024 General Fund revenues are projected to be \$36.22 million, or 9.4%, above fiscal year 2022 projected year-end revenues.

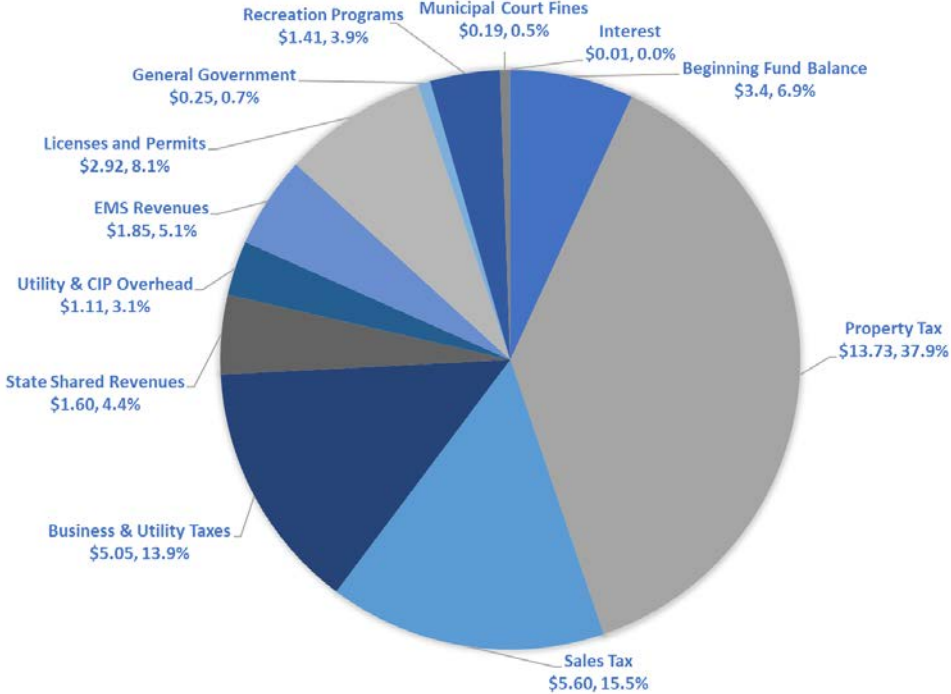
The General Fund expenditure budget for 2024 is \$36.40 million. General Fund expenditures increase 4.1% compared to the 2023 expenditure budget primarily due to cost-of-living adjustments in salaries & wages and market adjustments in benefits.

Expenditures are broken down by their respective departments in the table shown to the right.

EXPENDITURES		2024
Description		Budget
Administrative Services	\$	1,155,462
Human Resources		861,493
City Attorney's Office		988,464
City Council		55,404
City Manager's Office		681,492
Community Planning & Development		3,411,393
Finance		1,410,476
Fire and EMS		7,898,317
Municipal Court		549,259
Non-Departmental/Intergovernmental		2,658,704
Public Works/Operations		5,353,668
Parks and Recreation		2,217,919
Police		8,978,307
Total Budgeted Expenditures	\$	36,220,358

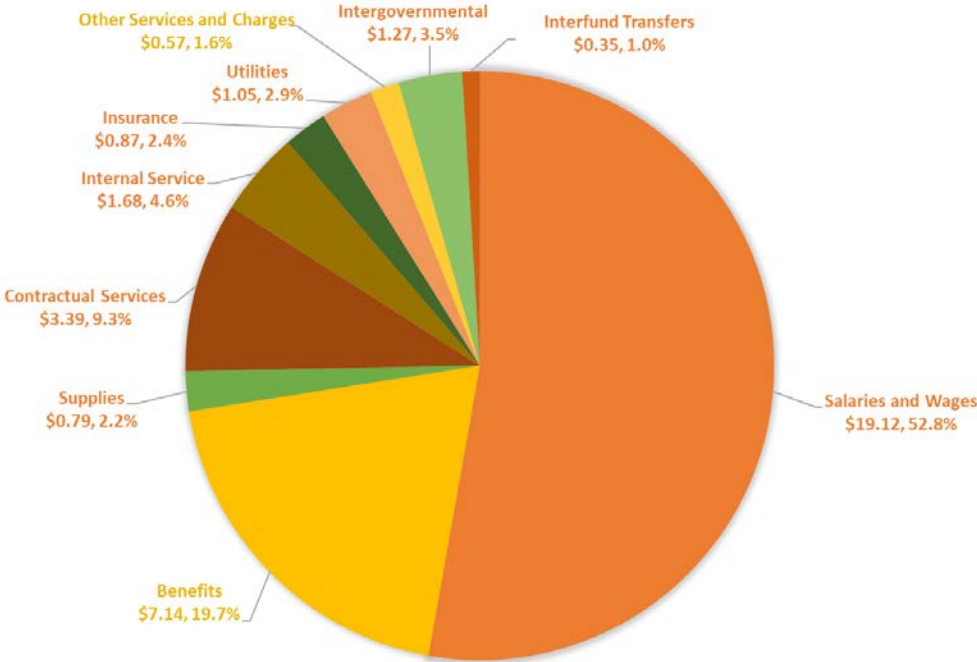
Where does the money come from?

2024 General Fund Revenues Total: \$36.22 (in millions)



Where does the money go?

2024 General Fund Expenses Total: \$36.22 (in millions)



2023-2024 All Fund Summary with Fund Balance

The 2023-2024 budget summary table is provided below. It provides an overview of the beginning Fund balances, proposed revenues, proposed expenditures, and ending Fund balances across all Funds for the biennium, respectively.

FUND NAME (\$ IN THOUSANDS)		2023 Estimated Beginning Fund Balance	2023-2024 Proposed Revenues	2023-2024 Proposed Expenditures	Estimated Ending 2024 Fund Balance	Budgeted Incr. (Decr.) in Fund Balance
General Purpose Funds	001 - General	5,435	71,017	71,017	107	(5,328)
	037 - Self-Insurance Claim Reserve	55	20	20	55	0
	061 - Youth Services Endowment Fund	0	0	0	0	0
	General Purpose Funds Subtotal	5,490	71,037	71,037	162	(5,328)
Special Revenue Funds	104 - Street Fund	4,727	14,830	14,795	1,271	(3,456)
	130 - Contingency Fund ¹	4,032	303	0	4,335	303
	140 - 1% for the Arts Fund	161	50	30	181	20
	160 - Youth and Family Services Fund	442	6,694	6,694	442	0
	170 - ARPA Fund	4,791	3,243	3,243	1,506	(3,284)
Special Revenue Funds Subtotal	14,154	25,119	24,762	7,736	(6,418)	
Debt Service	208 - Bond Redemption Fund - Voted	19	0	0	19	0
	239 - Bond Redemption Fund - Non-Voted	5	143	143	5	0
Debt Service Funds Subtotal	24	143	143	24	0	
Capital Funds	342 - Town Center Parking Facilities Fund	492	0	0	492	(0)
	343 - Capital Improvement Fund	4,766	21,786	21,786	1,416	(3,351)
	345 - Technology & Equipment Fund	778	763	640	684	(94)
	350 - Capital Reserve Fund	0	0	0	0	0
Capital Project Funds Subtotal	6,036	22,549	22,427	2,592	(3,444)	
Enterprise Funds	402 - Water Fund	17,891	50,916	42,791	4,959	(12,932)
	426 - Sewer Fund	6,587	27,799	27,799	4,655	(1,932)
	432 - Storm Water Fund	3,787	6,869	6,869	1,614	(2,173)
Enterprise Funds Subtotal	28,265	85,583	77,459	11,227	(17,038)	
Internal Service Funds	503 - Equipment Rental Fund	3,597	4,116	2,988	3,618	21
	520 - Computer Equipment Fund	699	2,969	2,472	797	99
Internal Service Funds Subtotal	4,296	7,085	5,460	4,416	120	
Trust Funds	606 - Firefighter's Pension Fund	1,016	203	203	949	(67)
Trust Funds	1,016	203	203	949	(67)	
All Funds Totals		\$59,281	\$211,719	\$201,489	\$27,106	(\$32,175)

¹ Contingency Fund Balance is 12.2% of total 2024 General Fund expenditure budget.

² Differences may occur due to rounding.