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January 1, 2007

Honorable Mayor, Councilmembers and Citizens of Fircrest:

It is my pleasure to present the City of Fircrest 2007 Budget. This document addresses the critical issues and mandates facing Fircrest within the limits of the City's resources. As the principal policy statement, the budget is a tool for management, accounting, communications, and planning decisions. In addition, it provides a financial plan and operations guide for implementing the various City programs and services.

What the City of Fircrest does:

- Protects people, homes, businesses
- Manages impacts of growth
- Builds capital facilities
- Collects garbage and recycling
- Maintains and manages streets
- Provides park and recreation activities
- Manages water, sewer, and storm sewer
- Protects the environment

Strong effort has been made to maximize the level of public services while minimizing the level of debt and maintaining necessary reserves. 2007 operations are to be funded from 2007 revenues. Expenditures have been budgeted conservatively and revenues have been more aggressively projected. The preliminary budget includes new construction as follows:

- The second of two commercial buildings in the Emerson Courtyard project,
- Three new in-fill homes,
- 50% of the units to be constructed on Orchard Street and,
- Village Square redevelopment project,
- Three short plats,
- Miscellaneous remodels.

In the past Council has used excess cash balances to fund capital and one-time or non-recurring items. Capital expenditures proposed in the General Fund include \$29,800. Capital is included in the Street, Water, Sewer, and Storm budgets for necessary infrastructure repairs and improvements.

Council requested a status quo expenditure budget for 2007. Throughout the budget cost containment has been implemented.

2007 BUDGET OVERVIEW

- Provides services at existing levels.
- Continues full time staffing at existing levels.
- Includes investment interest at the rate of 5.5%.
- Includes 4.6% COLA for employees.
- Includes 5.5% medical insurance increase.
- Includes a 5% employee contribution for medical premiums.
- Includes 2% dental insurance increase.
- Includes an increase in pension rates.
- Increases Municipal Court Judge pay by 4.6%.
- Increases City Attorney/City Prosecutor pay by 4.6%.
- Increases insurance cost by 10% over actual 2006 costs.
- Includes a 4% increases to recreation fees and charges.
- Includes a \$2.00 per month sewer utility rate adjustments per customer.
- Includes capital expenditures in General, Street, Water, Sewer, Storm and ERR Funds.
- Provides detailed Swimming Pool, Street Light, and Beautification budgets.

Local government is a labor-intensive service industry and to maintain expected service levels, meet State mandates, perform required preventive infrastructure maintenance, and complete public works projects, the City must have adequate staffing. Council has indicated services are to be maintained at current level. There is an increase in pool manager hours for added supervision at the pool and an increase in seasonal and casual for the building supervisor to allow the Recreation Building to be open on Friday nights.

The COLA increase for salaries and wages is based on the Consumer Price Index (CPI-W) for Urban Wage Earners and Clerical Workers. This year the CPI is 4.6% for non-represented and I.B.E.W. represented employees. The current contract for the Police Department expires 12/31/06. The I.B.E.W. contract expires in 2008.

GENERAL FUND

- Includes a 1% increase in property tax revenue plus new construction.
- Transfers 15% of property tax collections to the Street Fund.
- Transfers \$60,000 from General Fund Light money for Street Light Maintenance.
- Transfer for Street Capital \$485,125 from Light money.
- Transfers \$10,000 for Street Beautification (banners, baskets, traffic islands, & bulb-outs).
- Anticipates swimming pool expenses of \$114,373 and revenue totaling \$73,840.
- 4.6% increase applied to the Fire/EMS contract with Tacoma.
- Includes library reimbursements at the full rate charged by the City of Tacoma.
- Includes funding to publish 5 Town Topics newsletters.

- Includes Time & Temperature Sign advertising/replacement \$650/month payment expiring 2010
- Includes Cable TV at a utility tax rate of 6%.

2007
Budgeted revenues:
 \$4,428,264

2006
Budgeted revenues:
 \$4,195,712

2007
Budgeted operating expenditures:
 \$4,416,449

2006
Budgeted operating expenditures:
 \$4,099,455

Expenditures by department are summarized on page twenty of the budget. You can see on page twelve that this year it was not necessary to use beginning fund balance for operating costs.

CITY BOND FUNDS

The City has one bond outstanding: a Limited Tax General Obligation bond. The principal, interest, and reserves of the bond fund follow. The City Hall bond expires in 2008

	Principal	Interest	Other Costs	Ending Reserves
Limited Tax GO Bd. (City Hall)	50,000	3,700	400	27,449

CUMULATIVE RESERVE FUNDS

The City also has a cumulative reserve fund that was set up by ordinance. This fund has emergency reserves set aside for three major funds. A breakdown follows.

General Fund	2,000,000
W/S Fund (Sewer Department)	380,763
Street Fund	150,000
Total	\$2,530,763

STREET FUND

- Transfers in from General Fund include 15% Property Tax \$205,557, \$60,000 (street light maintenance), \$10,000 (beautification), \$483,125 (Street capital projects)
- Includes beautification (banners, baskets, traffic islands and bulb-outs)
- Capital total of \$485,125:
 - \$2,000 paths and trails,
 - \$74,135 to overlay 1200 block Del Monte & Eldorado Avenues
 - \$260,080 to overlay of San Juan Avenue from Ramsdell Street to Electron Way.
 - \$148,910 to reconstruct Drake St. from Alameda Avenue to Contra Costa.
- Reserves will be increased by \$46,227.

2007
Budgeted revenues (with transfers):
\$942,308

2006
Budgeted revenues (with transfers):
\$732,104

2007
Budgeted expenditures with Capital:
\$896,081

2006
Budgeted expenditures with capital:
\$805,143

WATER/SEWER FUND

Water Department

Water capital consists of \$105,000 for Telemetry System to monitor wells and tanks, and \$15,000 for service transfers from old mains to new mains.

2007
Budgeted revenues:
(with loans and capital contributions)
\$1,075,520

2006
Budgeted revenues:
(with loans and capital contributions)
\$1,129,774

2007
Budgeted expenditures with capital:
\$933,416

2006
Budgeted expenditures with capital:
\$929,621

Sewer Department

- Sewer Revenue includes a \$2.00 per month rate increase for all customers.
- Capital improvements include \$105,000 for expanded Telemetry System to monitor Lift Stations; \$135,000 for main replacement on Berkeley, Electron and Dartmouth and \$15,000 to extend sewer mains across Drake to Buena Vista and

Berkeley; \$59,925 for Project Engineering for costs related to the planning of the backyard sewer main relocation project; and \$200,000 to correct cross connections.

- Reserves will be decreased by \$455,450.

2007	2006
Budgeted revenues: (with loans, capital contributions, REET)	Budgeted revenues: (with loans, capital contributions, REET)
\$1,638,600	\$1,658,398

2007	2006
Budgeted expenditures with capital:	Budgeted expenditures with capital:
\$2,094,050	\$1,543,653

STORM SEWER FUND

- Capital consists of \$12,000 for ongoing upgrades to the existing storm water conveyance and treatment system including replacement of up to five catch basins and associated piping at various locations
- Reserves will be decreased by \$26,775.

2007	2006
Budgeted revenues:	Budgeted revenues:
\$288,220	\$291,789

2007	2006
Budgeted expenditures with capital:	Budgeted expenditures with capital:
\$314,995	\$261,235

EQUIPMENT RENTAL AND REPLACEMENT FUND

The Equipment Rental and Replacement Fund provides a central fund from which to acquire and replace needed vehicles and equipment having a value in excess of \$1,000. Each department is annually charged a year's replacement contribution toward the replacement of their equipment. Thus, when a piece of equipment has expended its useful life, funds should be available for its replacement.

The purchases budgeted in Equipment Rental and Replacement in 2007 consists of:
 Police: \$30,000 new police vehicle, \$10,200 two laptops and, \$1,100 Fax machine
 Administration: \$1,500 Computer for Administrative Assistant
 Info Systems: \$5,500 Exchange server
 Planning: \$1,500 Computer for Planning/Building Director
 Parks: \$20,000 mower and \$2,500 Pool vacuum

SUMMARY

In summary, the 2007 Adopted Budget is balanced and includes programs and services that Council and citizens expect. Department managers have been prudent in planning their budgets and all departments have tried to balance available funds with expected service levels. They have also implemented cost containment wherever and whenever possible. Council's request to have a status quo expenditure budget has been used as a budget guideline.

Staff has tried to assure accuracy; however, it should be kept in mind that unanticipated economic, legislative, or operational events may occur which would cause projections to be inaccurate.

There are factors imposing real limits on the City's future ability to respond to community needs and wants. The Strategic 5-Year Financial Plan has been used to serve as a guide through severe General Fund reductions associated with the elimination of the State Motor Vehicle Excise Tax, loss of sales tax equalization funding, and an annual restriction of 1% of property tax levy increases. The plan also addresses the extensive Public Works infrastructure repairs and improvements that have been identified. Economic sustainability is needed to continue the ability to provide quality services and amenities. Due to being predominately residential and the loss of state shared revenues, there is a need to grow and diversify the City's revenue base. While revenue limitations on Fircrest are significant, by clearly targeting resources and visioning for the future, the City will be able to continue quality services at a basic level to meet community needs.

This budget is the result of many hours of preparation and financial projections by department managers and their staff who all worked exceptionally hard to have a balanced budget. On behalf of the entire City staff we thank you Council and citizens for all your help and the opportunity to be of service to the City of Fircrest.

Sincerely,

Bill Brandon
City Manager