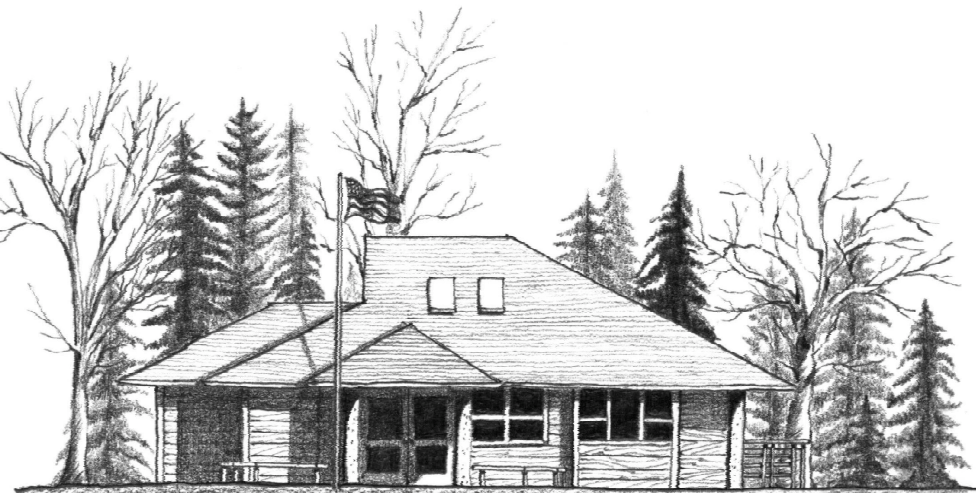


# TOWN OF YARROW POINT BUDGET

# 2016

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MAYOR DICKER CAHILL  
FINANCE COORDINATOR JOHN JOPLIN  
CLERK-TREASURER ANASTASIYA WARHOL

# Introduction

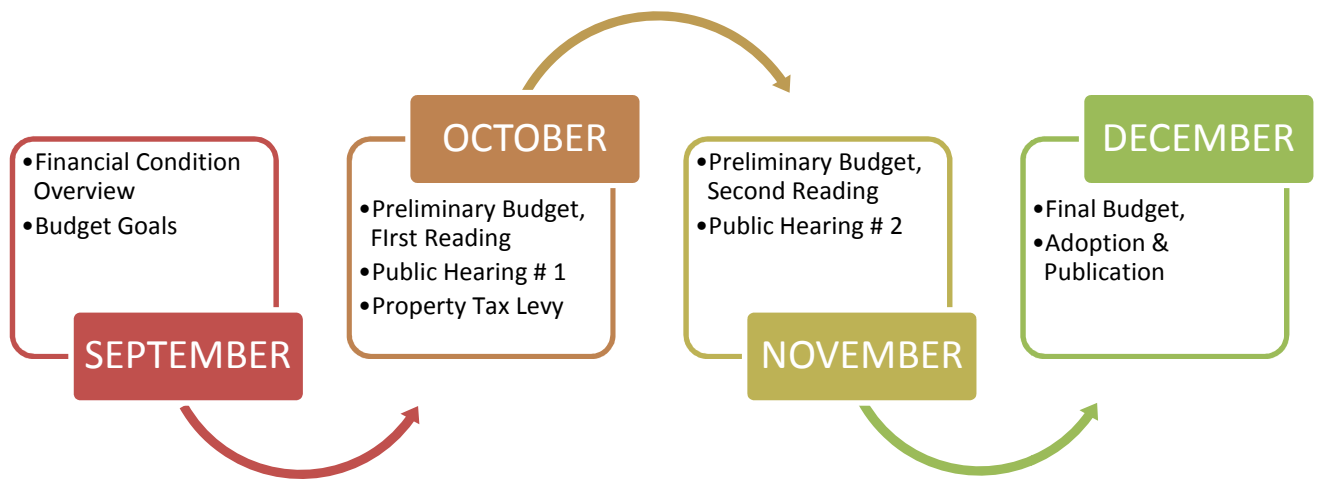
The Town of Yarrow Point is a small municipality and home to approximately 996 residents. It's an entirely residential area with no commercial development. The residents enjoy peaceful living with breathtaking water views of Lake Washington and surrounding mountains. The Town provides essential services such as administrative, police, fire, public works, building, code enforcement, and street maintenance services within the confines of the budget.

The Town derives approximately 50% of its operating revenue from property taxes. The Town collects the remainder of its operating revenue from a combination of sources including sales tax, development revenue, investment income, wireless communication facility leases, and utility and franchise taxes.

## Budget Purpose and Process

The purpose of this budget is to provide essential services to our community and whenever possible, improve quality of life. Financial sustainability, public safety, economic development, and maintenance of park and municipal assets continue to guide the budget as a policy document.

The Town's budget process and procedures are consistent with the guidelines set forth under RCW 35.33. Annual appropriated budgets are adopted at the fund level. The Budget may be amended as required during the fiscal year to provide for unanticipated expenses or for grant funds received during the year. Prior to amending the adopted budget, the Council holds a public hearing on the amending ordinance.



## TOWN FUNDS AND BUDGET

### **Fund 001 – Current Expense Fund/ General Fund**

The General fund is used to pay for the Town's operating expenditures. This is the largest Town fund and generally has no funding restrictions. There are three main departments funded by the General Fund: administration, community development, and public works. Revenues include property tax, real estate excise tax, utility taxes, franchise fees, liquor taxes and vehicle tab taxes. Expenses include Police, Fire & EMS services, jail and court costs, Animal Control services, and street maintenance.

### **Special Revenue Funds (100):**

These funds account for revenues that are legally restricted or designated to finance specific activities within the Town. Included here are the Street Fund (#101), the Contingency Fund (#103), and the Community Development Fund (#104). Beginning 2015, *construction vehicle fees (heavy vehicle fees)* were routed from Fund #104 directly to Street Fund (#101).

### **Debt Service Funds (200):**

These funds account for the accumulation of resources to pay principal, interest, and related costs on general long term debt. Included here is the Bond Redemption Fund (#211) which was created to capture the LGTO Bond issued to complete the Utility Underground and Pathway Extension Project.

### **Capital Project Funds (300):**

These funds account for financial resources designated for construction of capital projects. These projects include, park improvements, capital projects, and supplement stormwater system improvements. These funds include the Capital Improvement I Fund (#301), Capital Improvement IV (#304), and Current Year Capital Improvements Fund (#311).

### **Enterprise Funds (400):**

Enterprise funds account for operations that provide goods or services to the general public and are supported primarily through user charges. This includes the Stormwater Fund (#401).

### **Accounting Systems & Software**

The Town uses the *cash method* as opposed to the *accrual method* of keeping track of the Town's income and expenses. These two methods differ only in the timing of when transactions are credited or debited from Town accounts. Under the Town's cash method, the revenue isn't counted until the cash or check is physically received. Similarly, expenses are not logged or counted until they are actually paid. By using this method, the Town has an accurate picture of

current revenues and expenses. The Town uses Caselle Government Accounting Software to input and track revenues and expenditures. Additionally, the Town uses Permit-N-Force as the primary community development software, thereby tracking community development permits.

### **Auditing Town Finances**

The State Auditor is required to examine the affairs of the Town once every three years. The examination includes, among other things, the financial conditions and resources of the Town, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the Town. Reports of the auditor's examinations are filed with the office of the State Auditor. The most current financial audit report for fiscal years 2012-2014 will be available October, 2015.

### **Local Government Investments**

It is the policy of the Town of Yarrow Point to invest public funds in a manner which provides maximum security with the highest investment return while meeting the daily cash flow demands. The Town conforms to all state and local statutes governing the investment of public funds. The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), a fund that invests money on behalf of more than 450 cities, counties, and special taxing districts. In managing the LGIP, the State Treasurer is required to adhere to the following principles: the safety of principle, the assurance of sufficient liquidity to meet cash flow demands, and to attain the highest possible yield within the constraints of the first two goals.

### **Debt**

On February 10<sup>th</sup>, 2015, the Town adopted Ordinance No. 656, providing for the issuance and sale of a Limited Tax General Obligation Bond in the aggregate principal amount of \$750,000 to be used for utility purposes. The initial interest is 2.7% though the rate may be adjusted six years from the Date of Delivery of the bond. The Town pays semi-annual installments on the bond in the amount of \$42,803.57.

### **Current Taxes and Rates:**

- Property Tax: Based on Assessment – Paid to King County, Town receives less than 8 cents of every dollar collected.
- Sales Tax: **.095%** with State receiving .065% and County and Local share .030%
- Real Estate Excise Tax: **1.78%** with **0.50%** for Local Municipality
- Yarrow Point Utility Tax: **6%** telephone, electricity, natural gas, telephone, cable television, garbage, water and sewer.
- Yarrow Point Stormwater Utility Fee: **\$13.10**, per month, on all *developed* parcels.

## TOWN ACCOMPLISHMENTS

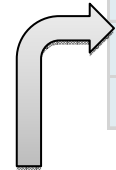
Town finances reflect signs of positive economic activity. Under the leadership of Mayor Dicker Cahill and the policy support the full Council, the Town made some notable progress in areas of economic development, community building, and preservation of natural spaces. The following projects furthered the Town’s mission and goals:

<b>92<sup>nd</sup> Avenue Pathway Extension and Utility Undergrounding</b>	After a productive goal-setting Council retreat, the Council unanimously agreed to complete Phase 2 of the Pathway Extension on 92 <sup>nd</sup> Avenue, Phase 1 was completed around 2002. In tandem, the Town will underground utility poles as part of this project. The project is the culmination of monthly study sessions, generous public input, comments provided during a well-attended Open House and deliberate one-on-one meetings with affected property owners. Construction began fall of 2015.
<b>Comprehensive Plan</b>	The Town’s Planning Commission and Council updated the 2004 Comprehensive Plan through extensive editing, input during Public Hearings, and Staff collaboration. The new Comprehensive Plan was adopted by Council in September 2015
<b>SR520 Roundabout Completion</b>	The Town has finally moved through the final construction season of the Roundabout. The Town is currently engaged in creating a maintenance agreement with WSDOT.
<b>Town Entry Sign</b>	The Council delegated the task of designing a new Town entry sign to the Park Board. The Park Board dedicated many meetings to creating a sign that enhances the new entry landscape.
<b>42<sup>nd</sup> Street Stormwater Project</b>	The project upgraded the current stormwater pipes and enhanced current landscape on the lake-access strip. Given the opportunity, the Town created a new 42 <sup>nd</sup> Street water access Park as part of the project.
<b>42<sup>nd</sup> Street Paddleboard Storage</b>	The Town has provided 9 slots for paddleboard storage as an amenity to Town residents.
<b>Wetherill Clean-Up Day</b>	The Town hosted the annual clean-up day in the Wetherill Nature Preserve. Approximately 50 volunteers from Yarrow and Hunts Point attended.
<b>Community Events</b>	The Town continued to sponsor the LifeSpring Day of Giving Event, Yarrow Point Children’s Egg Hunt, and Town Hall movie night as part of the community building initiative.

## SECOND QUARTER FINANCIAL REVIEW

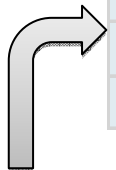
The following is a discussion of the town’s budget performance for the second quarter of 2015. In summary the town has experienced revenues higher and expenses lower than expected. This can guide the council in evaluating expenditures for the 2016 budget.

CURRENT EXPENSE FUND #001						
				2015		
		YTD ACTUAL	BUDGET	UNEARNED	PCNT	
	REVENUE	562,279.99	1,025,723.00	463,443.01	54.8	
	EXPENDITURES	437,562.41	946,273.00	508,710.59	46.2	
	NET	124,717.58	79,450.00	-45,267.58	157	



Current Fund revenue is 5 % above budget. This is largely due to a significant uptick in sales tax. Based on recent experience we budgeted 176,000 for 2015; we have already collected 114,000 through June.

STREET FUND #101						
		YTD ACTUAL	BUDGET	UNEARNED	PCNT	
	REVENUE	263,625.02	268,976.22	5,351.20	98	
	EXPENDITURES	70,385.83	169,504.23	99,118.40	41.5	
	NET	193,239.19	99,471.99	-93,767.20	194.3	



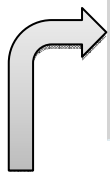
Operating expenses in the street fund are ahead of projected revenues. The revenue originates from REET transfers, Fuel tax, and the Heavy Vehicle Fee. Both the Heavy Vehicle Fee and REET revenues are exceeding budget projections; however, both sources are unpredictable and unsustainable.

COMMUNITY DEVELOPMNT FUND #104					
		YTD ACTUAL	BUDGET	UNEARNED	PCNT
	REVENUE	192,735.33	255,807.00	63,071.67	75.3
	EXPENDITURES	118,048.15	280,205.00	162,156.85	42.1
	NET	74,687.18	-24,398.00	-99,085.18	306.1



There has been an increase in building revenues though building activity is slowly plateauing. 113 permits were issued in 2012, 143 in 2013, 168 in 2014, and 57 through June of 2015. Expenditures are below budget but this is always a lagging number. For conservative purposes, revenue is under-estimated, whereas expenses are over-estimated.

CAPITAL IMPROVEMNT I FUND #301					
		YTD ACTUAL	BUDGET	UNEARNED	PCNT
	REVENUE	135,244.60	120,042.00	-15,202.60	112.7
	EXPENDITURES	222,500.00	222,500.00	0	100
	NET	-87,255.40	-102,458.00	-15,202.60	-85.2
CAPITAL IMPROVMNT IV FUND #304					
		YTD ACTUAL	BUDGET	UNEARNED	PCNT
	REVENUE	135,241.65	120,094.00	-15,147.65	112.6
	EXPENDITURES	226,146.59	222,500.00	-3,646.59	101.6
	NET	-90,904.94	-102,406.00	-11,501.06	-88.8



These two funds are the repository of our real estate excise tax. Through June we have already collect 114% of the amount we expected to collect for the entire year. Again, REET is an unpredictable revenue source. Expenses are primarily for upcoming 92<sup>nd</sup> Ave pathway project.

CURRENT YEAR CAPITAL					
		YTD ACTUAL	BUDGET	UNEARNED	PCNT
	REVENUE	1,046,870.00	1,005,000.00	-41,870.00	104.2
	EXPENDITURES	204,211.63	978,290.00	774,078.37	20.9
	NET	842,658.37	26,710.00	-815,948.37	3154.8



Current year expenditures are well below budget but most of the funds are intended for the 92<sup>nd</sup> street extension. It is anticipated that about 30 % of the amount budget in 2015 will actually be paid in 2016.



## 2016 CHANGES

### General Fund Revenues

Property tax revenues are projected to increase by approximately 3% (1% plus new construction.) As assessed value increases, property tax rates decrease (inverse relationship. Because the assessed value increases, the Town’s portion of the tax should decline. The number of permits issued has slowly declined from 2014, though the development fees collected continue to climb compared to previous years. This suggests that this year has presented fewer, but more “valuable” projects. The Town is currently negotiating a cell-site lease with AT&T, which will result in revenue increase.

### General Fund Expenditures

Operating Expense	Estimated Cost
City of Clyde Hill Police -TBD	\$435,306
City of Bellevue Fire& EMS Services -2.6% decrease	\$204,305
City of Bellevue LEOFF 1	For Discussion
The Town is considering purchasing a new community development permit module for Caselle, in order to replace the current Permit-N-Force Software.	\$6,000
The Town is beginning to digitize permit files through a negotiated rate with Digital Reprographics Services.	\$13,000

### Staffing & Benefits

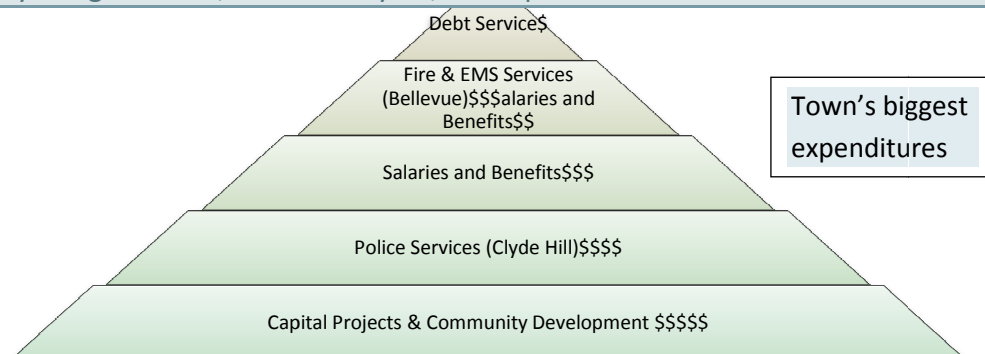
Staffing levels are anticipated to remain generally the same. At the same time, 5% Increase AWC, the Town’s medical benefits provider estimates a rate increase.

### Policy Initiatives

The Town anticipates the adoption of the Shoreline Master Program in 2016. \$7,500  
 \*May be eligible for DOE reimbursement

### Culture and Recreation

The Town continues to support the Town Parks and Open Spaces For Discussion  
 \*Previously budgeted \$13,000.00. Only \$2,000 expended to date.



### **Capital Project Expenditures**

The following projects were selected to be initiated in 2015 as part of the Town’s Capital Improvement Plan, *Ordinance No. 657*:

<b>Type</b>	<b>Project Name</b>	<b>Estimated Cost</b>
<b>Transportation</b>	92 <sup>nd</sup> AVE NE Grind and Overlay including restriping (Completed after pathway extension Project).	\$160,000
<b>Stormwater</b>	95 <sup>th</sup> AVE CIP Design and Construction – replace 85LF of 12” pipe with 15” pipe	\$50,000
<b>Stormwater</b>	94 <sup>th</sup> Ave NE Final Engineering and Design Only (815LF)	\$30,000
<b>Underground Conversion</b>	91 <sup>st</sup> AVE NE 20% of Final Engineering Design and Construction (800LF single-phase) CONDITIONAL Requires Neighbor Funding @ 80%	\$20,000

### **Challenges**

Given the residential nature of the community, the Town does not have a diversified tax base and has limited revenue sources from which to deliver the services it is charged to provide.

## **DISCUSSION ITEMS**

- Do we see any new or alarming patterns based on the Quarterly Financial Condition Report (Attached)?
- Is the current stormwater utility fee appropriate, given the approved Capital Improvement Plan (Attached)?
- Will the Town Consider building a public shared activity space (Playground, etc.)?
- When will the Council review the current Development Fee Resolution?
- How will we ensure that our Budget reflects the goals of the Mayor and Council, as well as the mission of the Town?