



**CITY OF STANWOOD
2015-2016 BUDGET**

Capital Budget



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DISCUSSION

Adopting the annual capital improvement budget is one of the most important actions the city council takes during the budget process. It signals to the community the city’s priorities and can either encourage or discourage private investment in different areas of the city.

While the city council adopts a capital budget each year, the planning and actual expenditure of funds for capital projects generally occurs over a period of years. The city’s Comprehensive Plan, Capital Facilities Plan, Transportation Improvement Plan, Water System Plan, General Sewer Plan, Park and Recreation Open Space Plan and

Stormwater Management Plan identify the capital improvements needed to serve existing residents and maintain levels of service as new residents and businesses move into the city. The city council also adopts a set of community improvement goals as a part of the annual budget process. The Mayor’s Recommended Capital Budget meets the following council goals:

2015-2016 Council Budget Goals

Maintain existing city facilities and equipment	\$7,201,504
<ul style="list-style-type: none"> • Fire Safety Equipment (Impact Fees) \$31,204 • Street maintenance using TBD Funds \$248,200 • Sidewalk and Street Repair Projects \$100,000 • Wayfinding Signs \$30,500 • 270th (94th to 96th) Sewer Main \$205,000 • Church Creek Bathrooms/Shelter \$125,000 • City Hall Renovation/Elevation \$750,000 • New City Hall \$503,100 • Maintain Other City Buildings \$128,500 • Sewer Projects \$3,015,000 • Water Projects \$2,065,000 	
Restore community access to Stillaguamish River \$70,000	
<ul style="list-style-type: none"> • Ovenell and Hamilton Property Master Plan \$70,000 	
Protect the Community from Flooding \$935,000	
<ul style="list-style-type: none"> • Drainage Improvement Projects \$935,000 	
Develop Bike and Pedestrian Trail System \$769,000	
<ul style="list-style-type: none"> • 68th Street Safe Routes to Schools \$694,000 • Non-motorized Trail plan \$75,000 	
Support Economic Development \$1,010,000	



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- 90th (271st to SR 532) \$980,000
- New Neighborhood park \$30,000

The mayor and city council work together to prioritize capital improvements within existing city resources. When additional resources are needed to fund capital projects, the mayor and council evaluate whether to raise additional revenues by increasing user fees, reducing expenses or reprioritizing the capital budget.

The city is currently reviewing stormwater utility rates and connection fees in part to generate sufficient revenues to fund future stormwater improvements. The current rate structure is not sufficient to fund both operating and capital expenses.

What is the Capital Budget?

The City of Stanwood defines capital improvements as investments in infrastructure costing more than \$5,000 with a useful life of more than one year.

This may include everything from major renovations in Church Creek Park to new road construction or road reconstruction. The capital program is generally financed by sources of revenue dedicated to capital improvements including Real Estate Excise Taxes, Impact Fees, Plant Investment fees and borrowing.

The Capital Budget differs from the city's Operating Budgets. The operating budgets cover the day-to-day operations and are financed by property, sales and utility taxes, and fees for service.

In 2015-2016, about 77% of the capital budget is funded with city revenue, and the rest is supported by state and federal grants. City revenues include funds borrowed by issuing bonds.

The benefit of issuing bonds to pay for capital projects is to spread the cost of facilities over the life of the project and ensure both current and future residents who benefit from the project share equally in the cost of the project.

Through October 31, 2014 the city has expended about \$1.9 million of the \$2.75 million 2011 water revenue bond proceeds. By the end of 2014, staff estimates another \$300,000 of bond proceeds will be spent, bringing the 12/31/2014 total expended amount to \$2.2 million (leaving \$550,000 of the bond proceeds unspent).

The city has funded one project, Bryant Well #2 Replacement, in 2015-2016 totaling approximately \$550,000 from the remaining revenues in the 2011 Water/Sewer Revenue bonds. The principal and interest payments on the 2011 Water and Sewer Revenue Bonds (\$2.88 million) will be paid out of the water reserve fund (Fund 451) with monies transferred from the water operating fund (Fund 421).



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In 2013 the city paid off two sewer Public Works Trust Fund (PWTF) loans early totaling \$378,139 ($\$247,931 + 130,208 = \$378,139$). Then again in 2014, the city paid off two water PWTF loans early totaling \$303,144 ($\$224,737 + \$78,407 = \$303,144$). In total, the city has paid off four (4) Public Works Trust Fund Loans totaling \$681,283.

The purpose and net effect of these early payoffs was to reduce the on-going expense of annual debt service payments and free up funds for current expenses and future capital projects.

FINANCIAL IMPACT

The Mayor's Recommended 2015-2016 Capital Budget (Attachment A) totals nearly \$10 million.



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2015-2016 Budget Summary

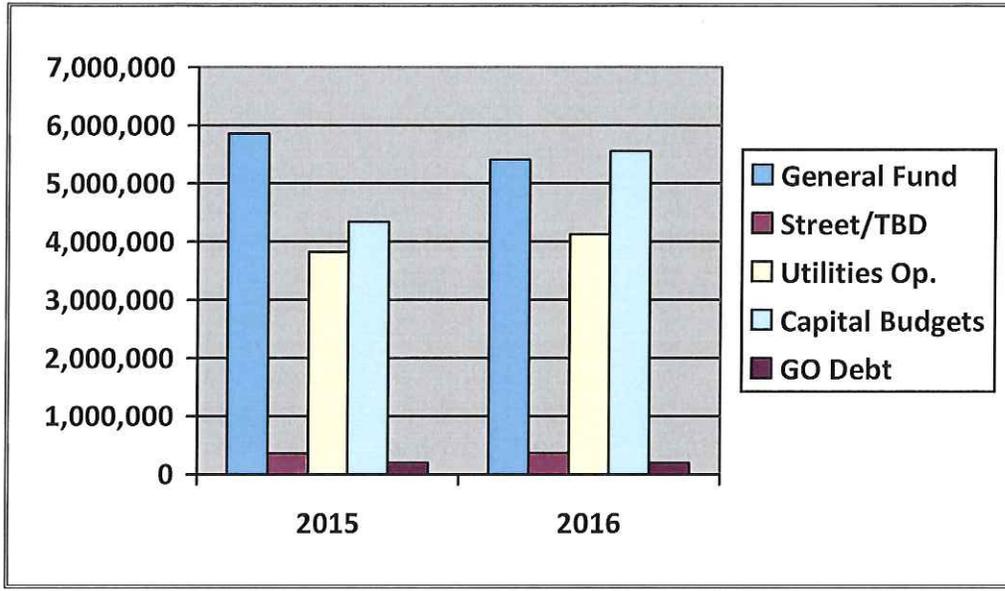


Table 21 – 2015-2016 Budget Summary

Description	2015	2016	Total
General Fund	5,857,252	5,407,821	11,265,073
Street/TBD	362,269	369,132	731,401
Utilities Op.	3,823,556	4,124,853	7,948,409
Capital Budgets	4,339,204	5,554,100	9,893,304
GO Debt	\$203,050	\$196,650	399,700
Totals	14,585,331	15,652,556	30,237,887

Revenue Sources

Revenues to support the capital budget come from real estate excise taxes, plant investment fees, impact fees related to new growth, bond proceeds, grants and loans.

Revenue sources for capital projects tend to be restricted to specific uses with the exception of Real Estate Excise Tax (REET 1 and REET2) which can be used for capital improvements listed in the city’s adopted capital facilities plan.

The following revenue sources and expenditure’s table summarizes the 2014 capital budget. Additional detail is available in Attachment A which lists the proposed city projects. Attachment B is the capital budget reports from the city’s financial software system.



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Table 22– 2015-2016 Capital Budget

2015-2016 Revenue Sources and Expenditures (all amounts X \$1,000)							
Funding Sources	Streets (103)	Parks (104)	Bldg Imp (110)	Sewer (403)	Drainage (411)	Water (422)	Total
Beginning Funds	867	930	600	2,862	329	1,531	7,119
Impact Fees	176	32	-	-	-	-	208
Connection Charges	-	-	-	20	10	30	60
Plant Investment Fees	-	-	-	324	33	371	728
Grants	1,279	-	525	-	500	-	2,304
Performance Bonds	205	-	-	100	-	-	305
Transfers	30	170	250	287	133	420	1,290
TBD	400	-	-	-	-	-	400
Interest	6	1	7	14	2	6	36
Total Resources	2,963	1,133	1,382	3,607	1,007	2,358	12,450
Expenditures	2,258	325	1,382	3,015	935	2,065	9,980
Ending Funds	705	808	-	592	72	293	2,470

Real Estate Excise Taxes (REET 1 and REET 2)

Description of Real Estate Excise Taxes

The real estate excise tax is levied on all sales of real estate, measured by the full selling price. The state levies this tax at the rate of 1.28 percent. A locally-imposed tax is also authorized. All cities may levy a quarter percent tax (referred to as “the first quarter percent of the real estate excise tax” or “REET 1”).

Cities that are fully planning under GMA are given the authority to levy a second quarter percent tax (“REET 2”).

How Can REET Proceeds Be Spent?

Cities with a Population of 5,000 or More That Fully Are Planning Under GMA (this applies to the City of Stanwood). These jurisdictions must spend the first quarter



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percent (REET 1) of their real estate excise tax receipts solely on capital projects that are listed in the capital facilities plan element of their comprehensive plan.

The second quarter percent (REET 2) may only be levied by cities that are required to or choose to fully plan under the Growth Management Act. All cities that levy this tax face the same provisions, whether their population is greater or less than 5,000.

In 2011 the state legislature expanded, for a limited period of time, the uses of REET 1 by amending RCW 82.46.010, and the uses of REET 2 by amending RCW 82.46.035, so that both REET 1 and REET 2 may now be used for a portion of operations and maintenance of existing capital projects.

Assumptions – 2015-2016 Real Estate Excise Taxes

For 2014, staff projected about \$80,000 in REET 1 revenues and another \$80,000 REET 2 revenues (\$160,000 total). It now appears that actual 2014 REET revenues will come in pretty close to projections, based on about \$32 million in gross sales (\$32 million X .0025 = \$80,000). Based on an assumption of slower growth in the economy for 2015-16, staff is conservatively projecting that the city will receive just \$120,000 in total REET revenues (\$60,000 REET 1 plus \$60,000 REET 2) in 2015 and the same amount of REET revenues in 2016 (i.e. \$60,000 apiece, for a total of \$120,000).

Revenues and Transfers – 2015-2016 Real Estate Excise Taxes

The 2015-2016 proposed budget includes transfers from REET funds to support new and existing capital projects as follows:



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Table 23 - Summary of REET 1 Fund Activity (Fund 120)

Description	2013 Actual	2014 Budget	2015 Proposed	2016 Proposed
Beginning Cash	723,479	684,232	328,232	220,232
REET 1 Revenues	103,874	80,000	60,000	60,000
Misc. Revenues	2,050	2,000	2,000	2,000
Total Revenues	105,924	82,000	62,000	62,000
Transfer to Park Improvement	120,000	120,000	120,000	50,000
Transfer to Bldg Fund	-	318,000	50,000	200,000
Transfer to Debt Service	3,021	-	-	-
Transfer to Street Operations	22,150	-	-	-
Total Transfers	145,171	438,000	170,000	250,000
Ending Cash	684,232	328,232	220,232	32,232

Table 24 - Summary of REET 2 Fund Activity (Fund 121)

Description	2013 Actual	2014 Budget	2015 Proposed	2016 Proposed
Beginning Cash	501,852	476,734	442,234	383,734
REET 2 Revenues	103,874	80,000	60,000	60,000
Misc. Revenues	1,192	1,500	1,500	1,500
Transfer in from Contingency	102,300	-		
Total Revenues	207,366	81,500	61,500	61,500
Debt Service - 800 Mh Comm	129,463	-	-	-
Transfer to Street Operations	100,000	116,000	120,000	-
Transfer to Debt Service	3,021	-	-	-
Total Transfers	232,484	116,000	120,000	-
Ending Cash	476,734	442,234	383,734	445,234

Note: Assuming library annexation passes, after 2015 there will no longer be transfers from REET funds to street operations. Street operations will be funded by a portion (8%) of the property tax levy with savings due to the fact that there will no longer be an annual \$300,000 contract payment to Sno-Isle Library District.



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Plant Investment Fees

Description of Plant Investment Fees

Plant investment fees are charged to recover an equitable share of the costs of water, sewer and drainage facilities from those properties within the utility service areas which, as a part of their development and use, create needs for those facilities. Plant investment fees were designed and calculated to be of such amount as will eventually create reasonable reserves to pay the public's fair share of basic and essential service facilities as the need arises.

The city has determined that the capital cost of the city's current and future water system, including pumps, wells, distribution lines, reservoirs and rights-of-way is \$43,820,345. The capital cost of such system has been borne by the city and its water system users. Such water system will be utilized by newly connecting properties, and the capital cost, as applied to buildings presently served, is \$6,122 per each three-quarter-inch water meter.

In order to recover capital costs of water system improvements in the Cedarhome area (\$2,732,000), additional water plant fees are charged as follows:

The city has determined that the capital cost of the city's current and future sewer system, including pumps, collection pipelines, sewer treatment plant, and rights-of-way, is \$26,293,050. The capital cost of such system has been borne by the city and its sewer system users. Such sewer system will be utilized by newly connecting properties and the capital cost, as applied to buildings presently served, is \$6,476 per each three-quarter-inch water meter.

The city has determined that the capital cost of the city's drainage system, including pumps, collection pipelines and rights-of-way, is \$3,270,401. The capital cost of such system has been borne by the city and its drainage system users. Such drainage system will be utilized by newly developed properties, and the capital cost, as applied to buildings presently served, is \$665.00 per each equivalent unit.

Currently the city charges plant investment fees as follows:



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Table 25 – Summary of Plant Investment Fees

Service Connection Size	Equivalent Connection	Water Plant Inv. Charge	Cedar Home Plant Inv. Charge	Sewer Plant Inv. Charge
Up to 3/4"	1.00	\$5,280	\$2,570	\$6,476
1"	1.67	\$8,818	\$4,292	\$10,815
1-1/2"	3.33	\$17,584	\$8,558	\$21,565
2"	5.33	\$28,144	\$13,698	\$34,517
3"	10.00	\$56,342	\$25,700	\$64,760
4"	16.67	\$88,024	\$42,842	\$107,955
6"	33.33	\$175,995	\$85,658	\$215,845
8"	53.33	\$281,603	\$137,058	\$137,058

Assumptions Plant Investment Fees

Presented below is plant investment revenue data since 2012. Note that year-to-date total 2014 plant investment fees are only \$34,178, which is significantly less than the \$960,024 plant investment fees received in 2013. This is due to the fact that the city issued sixty residential housing permits in 2013 (twice the amount budgeted). In 2014 the city's permit activity has slowed dramatically to almost zero.

2015, staff projects no residential building permits, and then fifty (50) permits in 2016. Of course, if actual permits (and corresponding plant investment fee revenues) come in higher than expected, budget amounts can always be adjusted upward through the budget amendment process.

Table 26 – Five Year Comparison of Plant Investment Fees

Description	2012 Actual	2013 Actual	2014 YTD	2015 Budget	2016 Budget
Sewer PIF	278,356	414,399	23,954	-	323,800
Drainage PIF	28,795	42,625	-	-	33,250
Water PIF	226,198	338,520	10,224	-	306,100
Water PIF - Cedarhome	110,510	164,480	-	-	65,000
Total Plant Invest Fees	643,859	960,024	34,178	-	728,150

Revenues and Transfers – 2015-2016 Plant Investment Fees



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The 2015-2016 proposed budget includes transfers from plant investment fee funds to support new and existing capital projects as follows:

Table 27 - Summary of Sewer Plant Investment Fee Activity (Fund 405)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	537,445	759,701	761,521	762,621
Plant Investment Fees	414,399	23,954	-	323,800
Misc. Revenues	2,136	2,567	1,100	4,000
Total Revenues	416,535	26,521	1,100	327,800
Transfer to Sewer Const. Fund	194,280	145,710	-	491,307
Total Transfers	194,280	145,710	-	491,307
Ending Cash	759,701	640,511	762,621	599,114

Table 28 - Summary of Drainage Plant Investment Fee Activity (Fund 412)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	77,269	100,227	42,000	42,200
Plant Investment Fees	42,625	-	-	33,250
Misc. Revenues	283	289	200	200
Total Revenues	42,908	289	200	33,450
Transfer to Drainage Const Fund	19,950	28,000	-	33,250
Transfer to Water Const Fund		37,500		
Total Transfers	19,950	65,500	-	33,250
Ending Cash	100,227	35,016	42,200	42,400



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Table 29 - Summary of Water Plant Investment Fee Activity (Fund 424)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	236,735	418,022	216,922	217,422
Plant Investment Fees	338,520	10,224	-	306,100
Misc. Revenues	1,167	823	500	500
Total Revenues	339,687	11,047	500	306,600
Transfer to Water Const Fund	158,400	180,000		510,795
Total Transfers	158,400	180,000	-	510,795
Ending Cash	418,022	249,069	217,422	13,227

Table 30 - Summary of Water PIF - Cedarhome (Fund 423)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	110,608	275,715	213,596	74,377
Plant Investment Fees	164,480	-	-	65,000
Misc. Revenues	627	550	300	300
Total Revenues	165,107	550	300	65,300
Transfer to Water Const Fund	-	104,639	139,519	139,519
Total Transfers	-	104,639	139,519	139,519
Ending Cash	275,715	171,625	74,377	158

Impact Fees (Traffic, Park and Fire)

Description of Impact Fees

New residential and nonresidential development causes increased demands on public facilities, including streets, roads, parks, open space, recreational facilities, fire facilities and schools. To the extent that new development places demands on the public facility infrastructure, impact fees are imposed to shift a proportionate share of the cost of such new facilities from the public at large to the developments actually creating the demand.



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Traffic Impact Fees

Transportation impact fees are imposed upon all new developments that generate new additional traffic within the city based on the estimated number of additional trips generated.

Traffic impact fees are paid by new development to mitigate the impacts of new development on the city's existing transportation network. Impact fees cannot be used for operating expenses.

Based on a lack of planned development for 2015, Street Impact Fee revenue is budgeted at \$0 which is based on the current transportation impact fee rate of \$3,523 per single family unit. The city expects to issue permits for fifty (50) more single-family residential units in 2016 for a total impact fees of \$176,150 (50 X \$3,523 = \$176,150).

In 2015, \$385,750 is budgeted to be transferred to Fund 103, Street Construction, which represents the city's local 20% match for 90th Street (\$150,000) and the city's local match for the Safe Routes to Schools project (\$235,750) on 68th for sidewalks on 68th Street.

Table 31 - Summary of Traffic Impact Fee Activity (Fund 102)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	613,705	780,492	765,992	527,000
Traffic Impact Fees	150,325	3,062	-	176,150
Grant Revenues	18,101	-	-	1,500
Misc. Revenues	2,031	2,541	1,500	
Total Revenues	170,457	5,603	1,500	177,650
Capital Projects/Transfers	3,670	76,117	240,000	385,750
Total Transfers	3,670	76,117	240,000	385,750
Ending Cash	780,492	709,978	527,492	318,900

Park Impact Fees

Park impact fees are imposed upon all new developments that generate new additional demand on city park facilities.



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The park improvement fund accounts for revenues (including park impact fees) and expenditures associated with city park capital improvements. As of September 30, 2014 this fund had a balance of \$100,020.32.

Per the Impact Fee revenue schedule, 2015 park impact fees are budgeted at \$0 which is based on the current park impact fee of \$640.80 per equivalent residential unit (ERU), but no activity in 2015. In 2016, the city has budgeted park impact fees of \$32,040 based on an estimated fifty (50) permits for single family residences (50 X \$640.80 = \$32,040).

Table 32 - Summary of Park Impact Fee Activity (Fund 104/106)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	98,687	170,998	160,000	35,250
Park Impact Fees	41,011	-	-	32,040
Grant Revenues	-	1,285,617	-	-
Misc. Revenues	373	532	250	350
Transfers-In	120,000	90,000	120,000	50,000
Total Revenues	161,385	1,376,149	120,250	82,390
Capital Projects/Transfers	89,074	1,455,437	245,000	80,000
Total Transfers	89,074	1,455,437	245,000	80,000
Ending Cash	170,998	91,710	35,250	37,640

Fire Impact Fees

Fire impact fees are imposed upon all new developments that generate new additional demand on fire protection services.

The fire impact fund accounts for revenues (including fire impact fees) and expenditures associated with fire capital improvements and equipment. As of September 30, 2014 this fund had a balance of \$27,205.

Per the Impact Fee revenue schedule, 2015 fire impact fees are budgeted at \$0 which is based on the current fire impact fee of \$200.00 per equivalent residential unit (ERU), but no permit activity. Staff is working with the city attorney to explore the idea of



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eliminating the fire impact fee and closing out this account. This topic will be presented to council for discussion at a future meeting.

Table 33 - Summary of Fire Impact Fee Activity (Fund 105)

Description	2013 Actual	2014 Actual YTD	2015 Proposed	2016 Proposed
Beginning Cash	12,184	25,194	25,194	-
Fire Impact Fees	12,950	1,995	6,000	-
Misc. Revenues	59	16	10	-
Total Revenues	13,009	2,011	6,010	-
Capital Expenditures	-	-	31,204	-
Total Expenditures	-	-	31,204	-
Ending Cash	25,194	27,204	-	-

Bond Proceeds

Description of Bond Proceeds

In 2011 the city issued \$2,880,000 revenue bonds to finance certain water utility capital improvements as identified in the capital improvement plan. Bond proceeds of \$2,734,682 (net of issuance costs) were deposited into the water construction fund, and have been expended as follows:



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Table 34 - Summary of 2011 Revenue Bond Activity

Description	2011 Actual	2012 Actual	2013 Actual	2014 Projected	12/31/2014 Total Proj.
PZ-1 297 Zone to 400 Zone	98,951	376,214	604	-	475,770
Bryant Well #3	-	2,082	175,858	932	178,872
F9 Hatt Slough Collection	482	-	40,805	-	41,288
Cedarhome Well	-	-	72,130	230,000	302,130
PZ-1 125 & 242 to 245	-	-	85,109	22,108	107,217
Brayant Well #2 Replacement	-	-	-	150,000	150,000
PZ-2	-	-	-	1,040,000	1,040,000
F11 Hatt Slough Rehab	-	-	-	562	562
		-			
Totals	99,434	378,297	374,505	1,443,603	2,295,838
Revenue Bond Proceeds					(2,734,682)
Remaining Balance					438,844

As the table shows, all but \$438,844 of the original bond proceeds are projected to be expended by the end of 2014. The remainder will be expended in 2015 for the Bryant Well #2 replacement project (\$550,000 budgeted in 2015).



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Grants

The city expects to receive \$2,603,750 in grant revenues as follows:

Table 35 - Budgeted Grant Revenues and Uses

Grant Description	Fund	2015 Budget	2016 Budget	Total Budget	Project Description
DOE - IPG Grant	001	300,000	-	300,000	Integrated Planning Grant
WSDOT Safe Routes	103	120,000	297,000	417,000	68th Street Sidewalks
Dept of Comm - SRTS	103	31,000	140,750	171,750	68th Street Sidewalks
FWHA - STP	103	140,000	550,000	690,000	90th Ave (Viking Way)
HMPG Grant - Federal	110	75,000	375,000	450,000	Raise City Hall (Hazard Mitigation Planning Grant)
HMPG Grant - State	110	12,500	62,500	75,000	Raise City Hall (Hazard Mitigation Planning Grant)
DOE Grant	411	300,000	-	300,000	Stormwater Separation
DOE Grant	411	-	200,000	200,000	Sheetpile Walls (50/50 Water and Drainage)
Totals		978,500	1,625,250	2,603,750	-