

A Message from the Mayor



Mayor Leonard Kelley

2015-2016 Budget Message

Building for the City's Future

This budget represents a couple of milestones. It is my first budget as your newly elected mayor and it is the city's first 2-year budget. Adopting a two year budget will reduce staff time needed to prepare an annual budget. A two-year budget will also help the city better manage the ups and downs of business cycle connected to building construction and permit revenue. The 2016 budget will be the first budget in the city's history without a contract for library services thanks to overwhelming voter support to annex into the Sno-Isle Library District. This will allow the city to set aside \$172,000 beginning in 2016 to support street maintenance and the remaining savings will be put toward police services which will increase about \$85,000 in 2015 and 2016.

One of my goals as your mayor is to use the city's park and recreation facilities to improve our quality of life and attract visitors to Stanwood to support our business community. This year, with the help of Joane McIntyre and other volunteers, we organized the city's first summer concert series showcasing both local and national musicians. Next year we plan to add outdoor movies at Church Creek Park. We also made significant progress toward reaching several of the city's long-range goals. In 2013 the city received \$1.6 million in grant funding to purchase the 15 acre Ovenell Farm and 2 acre Hamilton Mill site on the Stillaguamish River for future park, open space and river access. The city was able to secure both sites in 2014.



Budget Themes

The key purpose of any budget is to provide essential services to the community and whenever possible improve quality of life. The two year budget is moderately conservative. The budget includes funding to maintain city parks, ensure our kids can walk to school safely, promote tourism, and protect our community from future flooding. The two year budget is designed to implement five themes adopted by the city council to guide the city's financial and staff resources for the next three years:

1. Public Safety –Evaluate contracts for police and fire services; invest in emergency preparedness; and use technology to increase public safety by leveraging limited tax dollars.
2. Economic Development – Invest in public infrastructure to spur private development.
3. Park and Recreation Assets – Use park and recreation facilities to improve the quality of life for Stanwood residents
4. Municipal Facilities - Maintain taxpayer owned assets
5. Financial Sustainability – Adopt policies and programs that support long-term fiscal health.

Revenues

The city’s revenue picture continues to improve as the economy recovers. New businesses have opened in Stanwood filling formally vacant storefronts. We are pleased to welcome Mission Motors, Klesick Family Farms, and Sharkey’s Seafood to Stanwood. The two-year budget anticipates continued slow but steady economic growth. Overall, we think revenues will remain flat during the next two years. Property taxes are limited by state law to a 1% increase plus new construction.

Table 1 – General Fund Revenue Summary

Description	2013 Actual	2014 Budget	2015 Estimated	2016 Estimated	Comment
Beginning Cash & Investments	\$ 1,860,614	\$ 1,833,377	\$ 1,614,615	\$ 1,568,224	Reserved \$967k, per policy
Taxes	\$ 4,290,141	\$ 4,438,400	\$ 4,615,585	\$ 4,520,300	8% of ppty tax to Streets in 2016
License & Permits	\$ 305,927	\$ 211,120	\$ 160,500	\$ 239,050	0 SFR permits in 2015 and 50 in 2016
State Revenues	\$ 224,820	\$ 229,730	\$ 501,000	\$ 198,200	\$300k IPG grant from DOE in 2015
Charges for Service	\$ 613,230	\$ 522,789	\$ 496,150	\$ 525,550	conservative CD revenue projections
Fines & Forfeitures	\$ 34,575	\$ 40,350	\$ 34,850	\$ 35,150	Lowered Ct fines by \$7,400
Misc Revenues	\$ 50,401	\$ 6,000	\$ 13,700	\$ 13,700	mostly interest
Total Funds Available	\$ 7,379,708	\$ 7,281,766	\$ 7,436,400	\$ 7,100,174	

We expect property taxes to increase by \$70,000 in 2015 due in part to new commercial construction. Sales tax revenue is expected to be \$1,100,000 - slightly less than the 2014 budget to account for one-time sales tax revenues from construction activities. Revenue from permit fees for new construction is expected to decrease by 24% in 2015 from \$211,120 to \$160,000. The city does not expect to receive any single family residential building permits in 2015. Overall, the 2015 budget is up \$200,000 in part because the city expects to receive \$300,000 in grant funding for hazard materials clean up. Revenues will decrease by \$330,000 in 2016 because the city is transferring 8% of property taxes to the street fund for street maintenance.

Utility Rates

A recent survey showed the city has the lowest combined utility rates for water, sewer and stormwater compared to surrounding communities in Snohomish and Skagit counties. In 2013, the city council approved a five year schedule of small (3.5%-5%) rate increases for water and sewer. Effective January 1, water and sewer rates will increase \$2.40 per month. This will allow the city to fund repair and replacement projects without borrowing money. New debt may be needed to fund large capital investments to serve current residents and future growth.

Expenditures

City expenditures include police, fire, library, streets, parks and utilities. The water, sewer and stormwater utilities are funded through utility rates. All other services are funded from property, sales and utility taxes, fees for service and state shared revenues. Contracts for service including police, fire and library account for 57% of general fund expenditures. Salaries, wages and

benefits for city employees are 28% of the budget. Services and supplies are the remaining 15 percent. Total general fund expenditures are \$5.8 million in 2015 and \$5.4 million in 2016.

During the economic recession the city cut staffing levels and deferred maintaining city facilities. Since 2013 we have added temporary seasonal staff during the summer months to maintain the city's streets, parks and utilities. The 2015 budget reduced the senior accountant position to .75 FTE and shifted the planner position from community development to public works. The city has a total of 33.75 FTE. The two-year budget funds projects that will help build the city's future including adopting a new 20-year comprehensive plan; changing the city's urban growth area boundary to grow east towards Interstate 5; working with stakeholders to master plan the recently purchased Ovenell and Hamilton properties; and updating the city's non-motorized trail plan to connect residents with the city's historic commercial district.

Capital Improvements

One of the primary ways the city can use its budget to build the future is through investments in streets, parks, utilities and public facilities. The city is planning over \$10 million in capital improvements in 2015-2016. The city expects to receive approximately \$2.3 million in grant funds. Projects include \$935,000 to protect the community from flooding; \$769,000 in bike and pedestrian trail improvements; \$1,000,000 for new roads and park improvements; and \$7,201,504 to maintain existing facilities including city hall, library, parks and utilities.

Economic Development

I ran my campaign on filling vacant storefronts in Stanwood. In the last 12 months new businesses including Mission Motors and Klesick Family Farms have opened in Stanwood. The city has been working closely with the Chamber of Commerce, local business owners, Snohomish and Island Counties, Washington State Parks and others to bring new visitors and customers to our region. We will continue the city's special event small grant program in 2015 and 2016. We are coordinating with the Snohomish County Tourism Bureau to host a regional sporting event in 2015. We are working with our partners to develop a logo and way-finding signs to promote recreation tourism throughout the Stanwood/Camano area. I am confident we have a budget that is built on moderately conservative revenue and expenditure assumptions. I look forward to working with the city council, staff and community to build for the city's future. Sincerely,

Leonard Kelley

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