



Memo

To: Honorable Mayor Farivar, City Council Members and City Administrator Joel Walinski

From: Finance Director/City Clerk, Chantell Steiner

Date: December 27, 2011

Re: 2012 Final Budgets for the City of Leavenworth and the Leavenworth Transportation Benefit District

Included in this packet is the final 2012 Budget documents for the City of Leavenworth and the Leavenworth Transportation Benefit District. I have separated these documents with an insert sheet identifying the beginning location of the Transportation Benefit District (TBD) document.

You may notice that the City Budget has been condensed by Departments in various funds for the public's ease of understanding; however, a detailed line by line budget is available as was previously presented to the Council for the Preliminary Budget. If you would like a full copy of that document, please do not hesitate to contact me.

It has been my pleasure to work with each of you this year on the development of these budgets and I look forward to meeting with you in early 2012 to begin the process for the 2013 budget priorities at our annual Council Budgeting Retreat.

CITY OF LEAVENWORTH 2012

FINAL

CITY COUNCIL
BUDGET TRANSMITTAL & PLANNING
DOCUMENT

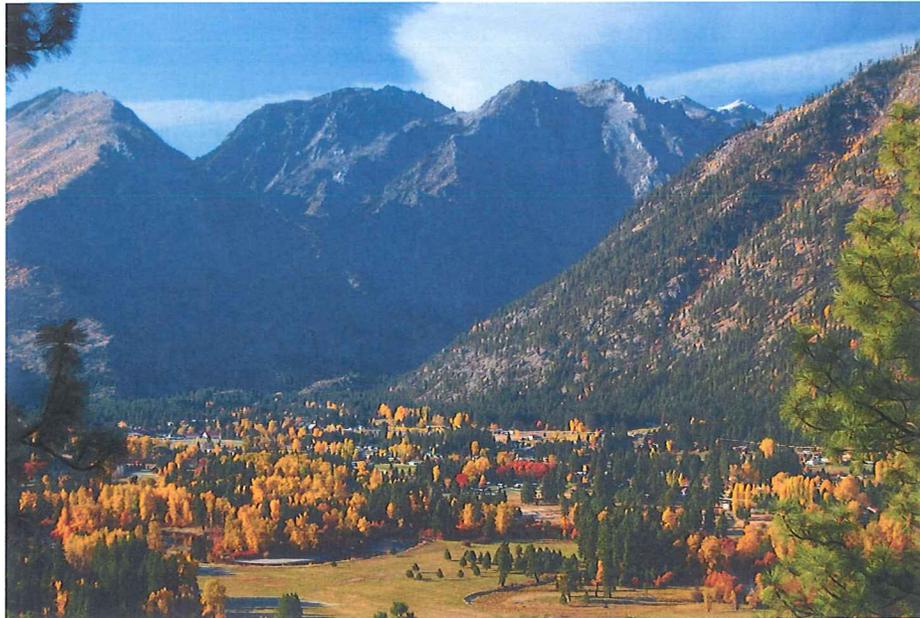
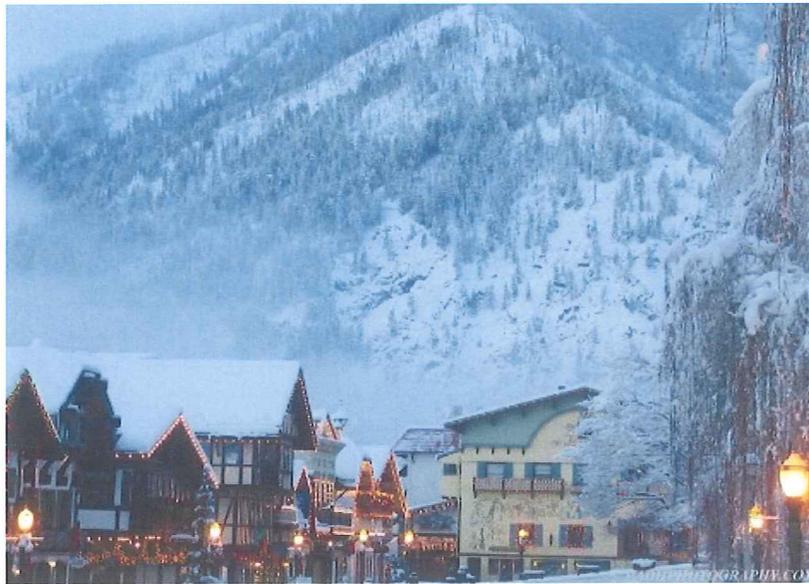


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LEAVENWORTH CITY COUNCIL

The City of Leavenworth is a community of creative people dedicated, as partners, to effectively serving the diverse needs of City residents, business interests, visitors, and our upper valley neighbors. - CITY OF LEAVENWORTH MISSION STATEMENT

MAYOR CHERYL KELLEY FARIVAR

PETER DEVRIES

TIBOR LAK

MICHAEL MOLOHON

ELMER LARSEN

ROBERT FRANCIS

LARRY MEYER

CAROLYN WILSON

SECTION 1



Budget Message



SECTION 1: MAYOR'S AND ADMINISTRATOR'S BUDGET MESSAGE

Honorable City Council and Citizens of Leavenworth
City of Leavenworth, Washington

Submitted herein is the 2012 City of Leavenworth Annual operating Budget. This budget is submitted consistent with RCW 35.33.051 and continues a change initiated in the previous budget years of incorporating planning initiatives into the budget priorities. The enclosed financial data has been reviewed by both the City Council and Staff toward final adoption of the 2012 budget by Ordinance at the December 2011 City Council meeting. In addition to representing the legal authority to expend public funds, this document describes the 2012 budget process and resulting programs and services. It is noted that two funds are being closed, these funds being the Water/Sewer Fund and Water/Sewer Bond Reserve Fund, as of December 31, 2011 and separated into four new funds as of January 1, 2012. In 2012, 3 of the 16 funds will have no operational costs in 2012; the remaining 13 funds of the City's 2012 Budget expenses total \$11,979,589.

In developing the City's operating budget for the 2012 fiscal year, the City Council, Administration and City staff continue to work diligently, employing conservative financial practices and policies with the resources available, focused on providing effective and efficient service to the citizens of Leavenworth. As the economy stabilizes on a national, state wide and local level, the City will need to continue to implement their strategic plan which focuses on revenue growth for the local business community and for the City to insure the financial health of the residents and businesses. This includes the implementation of long-term planning goals, founded on community values and priorities, a balanced approach of moving on strategic opportunities with fiscal restraint, and promoting innovation and continuous improvement. The 2012 budget addresses a number of these issues, putting the City in the best position to provide a high level of services and opportunities for its residents and businesses.

The intent of these budget documents are to not only lay out the spending plan of the City, but to also make the budget straightforward, readable, and easy to understand. One goal is to help citizens better understand how the City works, where the money comes from, and where it goes.

READER'S GUIDE TO THE BUDGET / Explanation of the Budget Document

The budget document incorporates the City Council's priorities from the City Council Retreat, City Council Committee work and various Council discussions and adopted City plans. The goal of this document is that the average citizen should be able to read the budget and know what services and projects are provided in the budget. This budget document attempts to do just that. I hope you find it readable and informative. While this budget is technically a budget for 2012, the development and decision making process does include forecasting of expenditures and revenue streams for 2013. The City of Leavenworth's Operating Budget contains a great deal of information for all levels of users. The following is a brief description of each section of the budget.

Budget Preparation Timeline

The City’s budget is prepared with the input of the Mayor, City Council, and Staff. The 2012 Budget development process incorporated a number of City Council Study Sessions, Council Committee work, and a Budget Planning Retreat. As the City’s budget process continues to advance, so too will the development of this budget document. Progress of the 2012 Budget was provided regularly to the City Council at Council meetings throughout the fall of 2011.

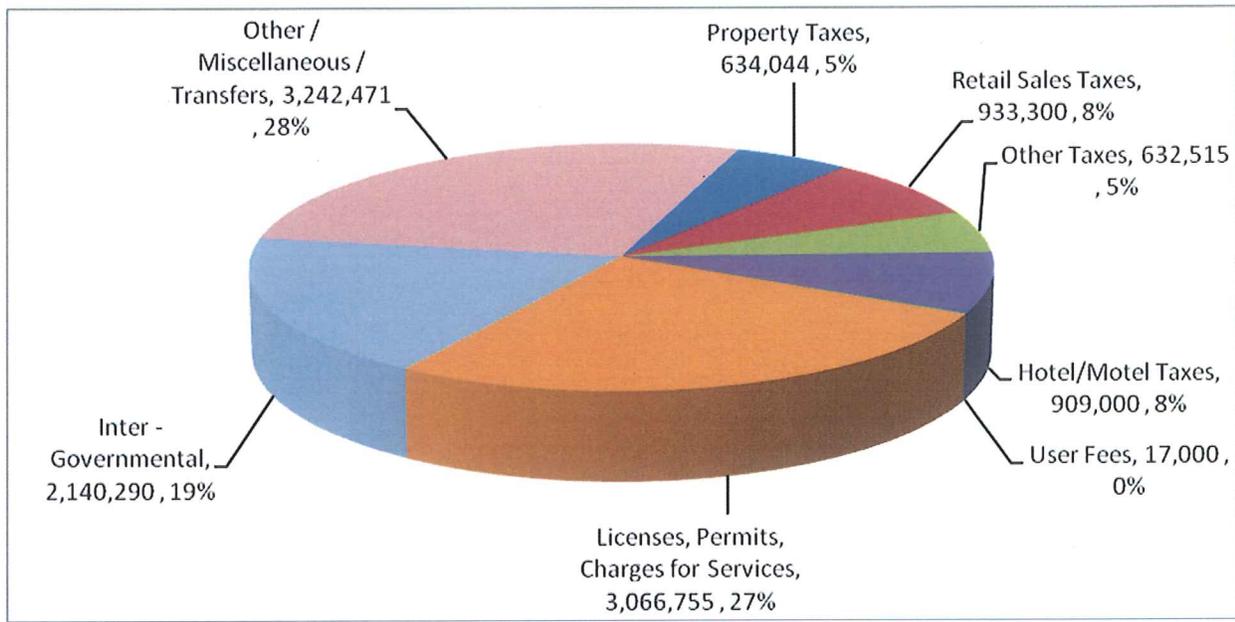
Key Budget Issue: Law Enforcement and Public Safety Contracts

The City of Leavenworth contracts a number of services related to law enforcements and public safety through other agencies. The largest being police services through a service contract agreement with the Chelan County Sheriff’s Department. In October of 2010, the Chelan County Commissioners issued a notice of termination for the contract currently in place with the cities contracting public safety with the Sheriff’s Department. In 2012 the City’s new contract with Chelan County will increase 20.7% for law enforcement service costs. This significant increase comes with no increase in the service level provided to the residents of Leavenworth. Thirteen percent (\$54, 610) of the increase can be attributed to the increased costs associated with 911 Dispatch Services, commonly referred to as RiverCom. Over seven percent (7.7%) is attributed to increased costs for Chelan County Deputy Services. For comparisons all other agencies which provide for a public safety related service have contained their costs to a modest 3 – 4 % increase. Included in the table below are the past service contract expenditures and estimated costs in the near term.

| Service Provided | 2009 Actual | 2010 Actual | 2011 Budget | 2012 Proposed Budget | 2013 Proposed Budget |
|-------------------------|-------------|-------------|-------------|----------------------|----------------------|
| Sheriff’s Public Safety | 368,192 | 381,079 | 394,416 | 478,500 | 520,197 |
| Jail Services | 25,946 | 20,360 | 30,000 | 25,000 | 25,000 |
| Prosecution Services | 14,525 | 13,800 | 11,600 | 11,000 | 12,000 |
| Emergency Mgmt. | 5,006 | 5,225 | 5,270 | 5,270 | 5,270 |
| Fire Protection | 176,328 | 176,526 | 180,000 | 185,000 | 186,850 |

Previously, the City was able to cover the costs of public safety contracts with the property taxes collected from City residents and business owners. In 2012, the City of Leavenworth will collect \$498,604 in Property Tax revenues; the Chelan County Sheriff’s Contract is \$478,500. In 2012, the General Fund Operating budget accounts for a twenty one percent (21%) expenditure increase in contracted Sheriff’s Law Enforcement Services. In 2013, the City will need to address an additional nine percent (9%) increase for law enforcement services. Given the limits to increasing City revenues, these levels of increases are not a sustainable service cost for the City of Leavenworth. In 2012 the City will need to explore different service models for providing law enforcement services.

2012 Revenue Sources



The City of Leavenworth’s economy is based on tourism; the continuous investment of improvements and maintenance in the City’s downtown infrastructure is of primary concern. These investments contribute to expanding the sales tax revenues and growing the City’s economic base, which helps Leavenworth moderate the dependence on property tax for funding city services. The graph above provides a breakout of the anticipated percentage of funds the City will receive from various sources in 2012. The City’s revenue for funding the General Fund and Street Maintenance Fund is derived primarily from five areas: Retail Sales Tax, Property Tax, Licenses and Permits, Charges for Services, and other taxes (Primarily Business and Operating Taxes on sewer, water, garbage, and other utilities/phone services/cable). A majority of the Charges for Services identified in the graph above are derived from the water, sewer and garbage utilities.

Utility Rate Study

In 2011, the City Council and City staff completed a Utility Rate Study with the help of HDR Engineering, Inc to review the monthly charges for water, sewer, and garbage services. The study included the review of ongoing capital maintenance and operational costs, a review of the current infrastructure improvements for the Wastewater and Water Infrastructure System, and future capital construction costs associated to those systems which are driven by development. The result of this rate study reaffirmed the current rate structure the City has implemented over time. Although increases are needed to sustain the level of service and ongoing maintenance, those increases are limited to 3-4% in 2012.

The significant changes to utility fees in 2012 will be the implementation of a consumption based water billing system and the implementation of a Stormwater Utility Fund. Revenues collected for the stormwater utility will be used to maintain and improve the current stormwater structures and to address other stormwater issues that include wetland mitigation and annual surface drainage issues. Both the water consumption charges and the Storm Water Utility

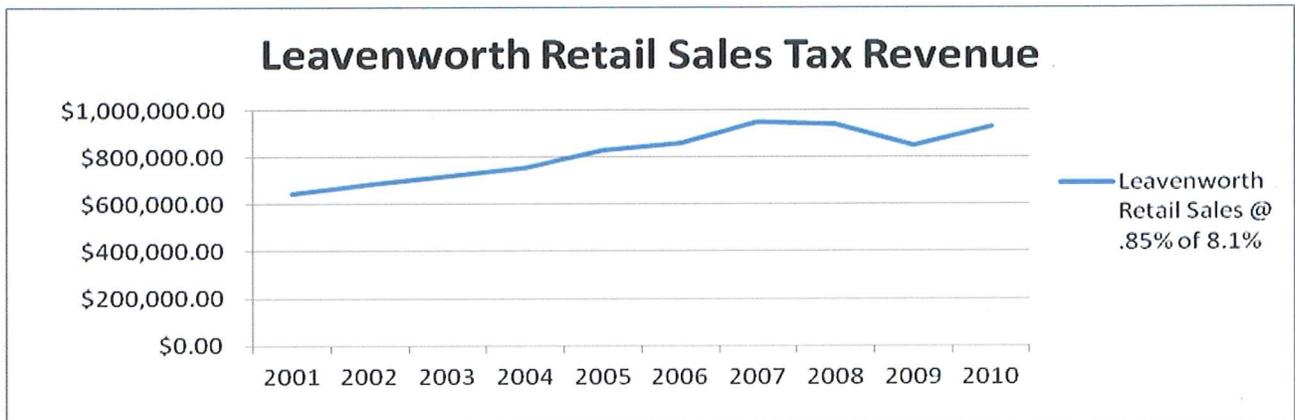
charge will be implemented July 1, 2012. The other area of focus for the City will be the Garbage Utility. Because of the changes in billing procedures by Chelan County, the City has seen significant increased waste disposal fees charged by the County. In an effort to control the waste stream, the City will be exploring methods for improving recycling efforts by residents and businesses to reduce the waste amount

Sales Tax

The City’s General Fund and Street Fund rely heavily on the revenues generated by the retail sales tax. In 2012, the City’s General Fund and Street Fund is estimated to receive \$933,300; \$513,315 for the General Fund and \$419,985 for the Street Fund. Sales tax revenues have fluctuated over the past three years, with the following providing a history of the City’s sales tax receipts for the years 2002 through 2010:

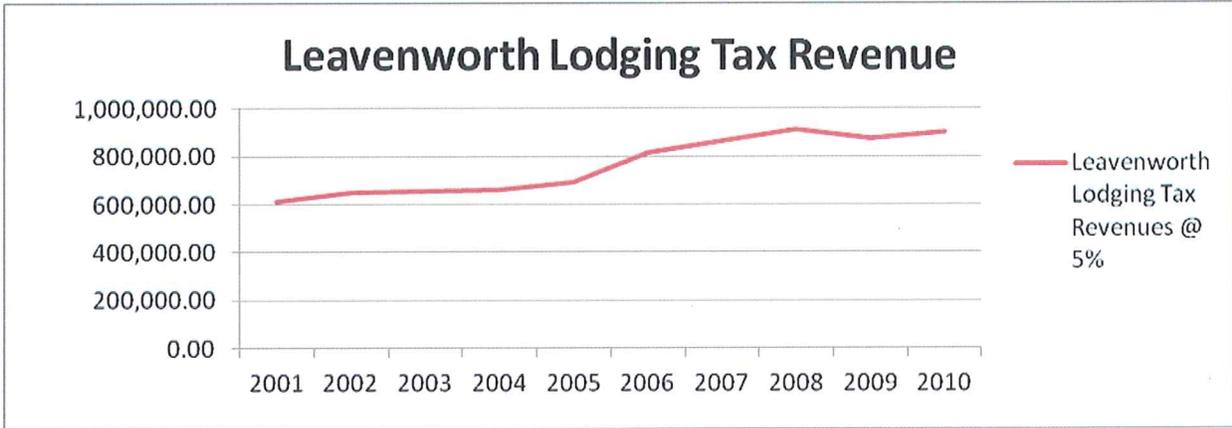
| | | | | | |
|------|-----------|------|-----------|------|-----------|
| 2002 | \$684,240 | 2005 | \$827,710 | 2008 | \$937,151 |
| 2003 | \$716,223 | 2006 | \$859,207 | 2009 | \$849,726 |
| 2004 | \$755,666 | 2007 | \$945,376 | 2010 | \$925,773 |

2009 revenues represented a 10.3% reduction from 2008 and 2010 represented an 8.2% increase over 2009. 2011 revenues are 2.5% above 2010 as of September 2011 which equates to an increase of 1.28% over 2007, which is identified as the highest year of retail sales revenues to date. Below is a graph showing the yearly trends of the Retail Sales Tax revenue over a ten year period.



Lodging Tax Fund

The estimated collection of lodging tax dollars for 2012 is \$909,000 up from the \$900,000 budgeted for 2011. Of the estimated \$909,000 annually, 50% is distributed to Leavenworth Area Promotions (LAP), approximately 18% to the Leavenworth Chamber of Commerce, 5% to other groups for advertising, 18% for debt payments on the Festhalle and Icicle Station and the remaining 9% is for maintenance of restrooms, overtime for added event security, capital related improvement to tourism related structures, and utilities directly related to tourism use. Those funds provided to LAP are focused on promotions and advertising of tourism in Leavenworth. Below is a graph showing the yearly trends of the Lodging Tax revenue over a ten year period.



Real Estate Excise Taxes

In 2007, the city adopted a 2nd ¼% REET tax in addition to the 1st ¼%. The first quarter is dedicated to capital projects that are outlined in the City’s Capital Improvement Plan and the second quarter was created to be used exclusively toward a Residential Street and Sidewalk Restoration Program. Due to the downturn in the economy these revenues have dropped dramatically as identified in the illustration of historical revenues below.



Intergovernmental Funds:

Approximately \$1.8 M of the \$2.1 M in Intergovernmental Funds are through grants or appropriations awarded to the City or expected to be awarded to the City for capital projects in 2012. These would include the Chumstick Trail which received a SAFETEALU appropriation and grant funding through the Washington State Department of Transportation (WSDOT); the approximate funding in 2012 is \$436,000. The remaining funds are for residential and commercial street related projects with funding from WSDOT, the Wenatchee Valley Transportation Council and the Transportation Improvement Board.

INITIATIVES

Local Street Improvement Projects:

In 2010 City voters approved funding of the Transportation Benefit District (TBD) through a local sales tax option of .2 %. Collections began in April of 2011 with the City receipting in the revenues in June of 2011. The local sales tax option provides for \$200,000 to be allocated towards local street improvement projects. The initial pavement improvement project in 2011 was the Double Shot Overlay of Ash Street and Summit Street located within the residential neighborhood. In 2012 the City will be leveraging the TBD Funds to provide over \$2,641,000 of street improvement projects. Those projects include:

- Pavement Preservation on Ski Hill Drive/Hwy. 2 to Pine Street: This project includes asphalt grinding, selective digouts in subgrade failure areas, adjustment of manhole rim elevations and catch basin utilities, HMA Pre-Leveling and HMA Overlays. This project is funded with \$146,500 STP Federal Funds and \$36,500 TBD Funds.
- Commercial Street pavement preservation /9th Street to Division Street: This project includes crack sealing, adjusting manhole rim elevations and catch basin utilities, and applying double applications of bituminous surface treatment to the travel lanes, single application to parking lanes, This project is funded with \$64,000 of STP Federal Funds and \$16,000 of TBD Funds.
- Safe Routes to School Project / Side Walks on West Street, Traffic Calming, and curb improvements in other areas: This project is the installation of a 6 foot sidewalk on West Street between Mine Street and Ski Hill Drive. The project also includes the addition of several crosswalks, ADA ramps, the addition of stop signs and a timed school flasher and speed feedback sign. The total cost of the project is \$378,000 with \$338,000 being provided through the Federal Highway Safe Routes to School Program and \$40,000 being provided with TBD Funds.
- Front Street Reconstruction/ Division Street to Hwy. 2: This project is the reconstruction of Front Street with the replacement of all infrastructure (sewer, water, stormwater) within the project area. The project also includes sidewalks, streetlights, and vegetation areas consistent with the Downtown Master Plan. Estimated construction costs at this time are \$2 M. Funding for the project is provided through an \$800,000 grant award to the City from the Transportation Improvement Board and the City is awaiting approval from the Public Works Trust Fund Board in February/March for a low interest loan of \$1.2 M with an annual rate of .5%.

Fruit Warehouse Lease With Option to Purchase:

In 2010 the City of Leavenworth entered into negotiations with the owners of the defunct fruit warehouse facility located in downtown Leavenworth. Late in 2011 the City has nearly completed the negotiations for a lease with option to purchase agreement. The lease/purchase of this property is an essential step as the catalyst for stimulating continued economic development of the downtown area while addressing the parking needs from residents and business owners. The 2012 Budget includes the estimated revenue stream, lease payments, and site demolition and development costs. In 2012 the City will continue to advance the project goals and work toward the following objectives:

- Finalize Lease Option Purchase Agreement
- Implement Paid Parking Policies and Operations
- Development of Partnership Agreements with Chelan County PORT and Projekt Bayern
- Investigate and Develop Site Redevelopment Plans to maximize parking revenue
- The City Council will continue work on identifying the long-term use and development of the site which reflects community vision and long-term goals

Community Enhancement Initiatives:

The City continues to make major investments to enhance and maintain the City’s economic vibrancy and growth and boosting the community enhancements which are beneficial to the residents and visitors alike. Although the City faces a challenging economic period it continues to partner with the Chamber of Commerce and the Leavenworth Lodging Association to support and fund the Leavenworth Advertising and Promotions Committee (LAP). The City also funds supporting activities – added police, public maintenance, and advertising - for a number of major and minor festivals, including Maifest, Autumn Leaf Festival, Christmas Lighting Festival, Leavenworth Museum, and Oktoberfest. In 2012 the City has added funding to improve the level of service provided to residents and visitors. The 2012 budget includes funding for a Park Leadworker position to enhance and improve the level of maintenance of the parks and maintenance of the downtown area. The 2012 budget also provides for added staffing for public restroom janitorial care and ongoing repair and maintenance of the City owned facilities. The City’s Lodging Tax Fund will be used to fund the added janitorial services and the City’s General Fund will be used to fund the staffing for the City owned facilities.

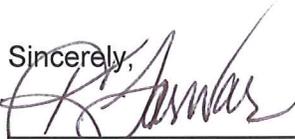
The City has also identified a number of other smaller projects for partial funding to begin in 2012.

| | |
|--|----------|
| Front Street Kiosk, one | \$ 4,500 |
| Tourism Capital Imp. Fund | \$ 1,000 |
| Hwy 2. Wayfinding Signs (partial) | \$15,000 |
| Golf Course Capital Facility Improvement | \$ 7,000 |
| DOT/City Hall North Parking Lot Planning | \$10,000 |
| Water Front Park Improvement | \$ 7,500 |
| Enchantment Park Improvements | \$ 3,000 |

Acknowledgments

We would like to express our sincere appreciation to the City Council and Staff for their effort, dedication and diligence in developing a budget that reflects the needs of the City’s departments and the expectations of the City Council and citizens of Leavenworth.

We would also like to thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,


 Cheryl Kelley Farivar
 Mayor



 Joel Walinski
 City Administrator

SECTION 2



Policies & Ordinances



SECTION 2: POLICIES AND ORDINANCES

The Policies and Ordinances section reviews the City's accounting, budgeting, and debt policies.

This section includes:

- The budget creation process which explains the steps involved in the preparation and administration of the budget and adoption of the ordinance for the 2012 Operating Budget;
- The City Council's **2012 Budget Priorities**

BUDGET CREATION AND PLANNING

This operating budget represents the City of Leavenworth's comprehensive financial and operational plan for 2012. The primary intent of this document is to answer two basic questions: Where do the City's funds come from?, and How will those funds be used?

In addition to providing the obvious financial planning and legal authority to obligate public funds, the annual budget provides significant policy direction by the City Council to the Staff and the community. As a result, the City Council, Staff, and public are all involved in the process of budget development.

All of the information presented herein is organized by the fund that is responsible for providing a service or activity. For example, money that the City collects from its customers for their water consumption is spent on the City providing water service through the Water Fund. The 2012 Budget is divided into Sections by fund and includes the fund's financial condition, and the budgeted expenditure in each funds line item.

City Council Budget Planning

CALENDAR FOR PREPARATION OF 2012 BUDGET

2011

- | | |
|---------------------------------------|--|
| Aug 29, |  City Clerk Request to Staff for Detailed Budget Estimates |
| Sept 12, |  Staff Requests Due to City Clerk for Budget Development |
| Sept 19, |  Departmental Budgets submitted to Administrator for Review |
| Sept 21, |  Staff Meeting to Review/Finalize Budget for Presentation |
| Sep 26, |  Finance (5:00) & Economic Development (4:00) Committee Review |
| Sep 27, Second meeting in Sep: |  Set Public Hearing on Ad Valorem Tax, Oct 25 |

- Oct 11**, First meeting in Oct:  Parks (4:00) & Public Works(5:00) Committee Review

 Set Public Hearing on Preliminary Budget, **Nov 8**
- Oct 21, (Nov 4)**  Preliminary 2011 Budget delivered to City Council with Administrator's Budget Message
- Oct 25**, Second meeting in Oct:  Public Hearing on Ad Valorem Tax

 Set Public Hearing on Final Budget, **Nov 22**
- Nov 4**,  Preliminary 2011 Budget Available to Public
- Nov 8**, First meeting in Nov:  Public Hearing and Preliminary Budget Review by Administrator

 Ad Valorem tax Ordinances-Adopt (DUE COUNTY **Nov 30**)
- Nov 22**, Second meeting in Nov:  Public Hearing on 2011 Final Budget
- Dec 13**, First meeting in Dec:  Resolution for Rate & Fee Schedule

 2011 Final Budget Amendment Ordinance

 2012 Budget Ordinance – Adopt

PUBLICATION SCHEDULE

-  Notice of public hearing on ad valorem tax (once) – **Oct 12** (Advertisement date)
-  Notice of public hearing on prelim budget (once) – **Oct 19** (Advertisement date)
-  PRSA NOTICE OF PUBLIC HEARING ON FINAL BUDGET-**OCT OR EARLY NOV**
-  Notice of filing preliminary budget and public hearing on final budget – **Nov 2 & Nov 9** (Ad dates)
-  Ad Valorem tax ordinance (once around Nov 15) – **Nov 16** (Advertisement date)
-  FINAL COPIES OF PROPOSED (PRELIMINARY) BUDGET AVAILABLE TO PUBLIC BY **Nov 4**
-  Budget ordinance (once before Dec 25) - **Dec 21** (Advertisement date)

FINAL BUDGET TRANSMITTED TO STATE AUDITOR'S OFFICE AND MRSC by **Dec 30**

SECTION 3



Mayor/Council Roles and Protocol



SECTION 3: Mayor/Council Roles and Protocol

Mayor/Council Roles

The Mayor and the City Council have previously discussed their respective roles and expectations in order to reach an understood protocol for conducting City business.

The role of the City Council is to adopt policies for the City, while the Mayor's role is to administer and execute those policies. This accurate yet simplistic distinction, however, can create both confusion and antagonism. Although the Mayor does not specifically set policy, it is certainly appropriate for the chief executive to introduce policy options and recommendations, which comprises part of the leadership role of the Mayor.

Under the 'separation of powers doctrine', the Mayor and City Council exercise certain defined powers that are free from unreasonable interference by the other. As the chief executive and administrative officer of the City, the Mayor is responsible for carrying out the policies set by the Council and seeing that local laws are enforced.

Additionally, the Mayor and his administrative staff run the day to day operations of the City, including the supervision of all appointed officials and employees, and the hiring and firing of all appointed officers and employees subject to civil laws. The Council has some authority to require confirmation of the appointment of certain officials, but may not require confirmation of firings by the Mayor. Additionally, the Council should not be involved in the Mayor's supervision of employees, their work schedules, or interfere with their work.

It is also the role of the Mayor to prepare meeting agendas, preside over meetings, report to the Council on matters involving City Administration, and to propose policy initiatives or changes. While agenda preparation is left to the Mayor, the agenda content is based on both Staff and City Council input.

In addition to setting policy, the City Council has final authority over budgeting and contracting. If the Mayor wishes to purchase equipment for a particular department, for example, Council approval is required. The Council may, however, delegate purchasing authority to the Mayor and Staff. Routine purchases that fall clearly within budget limits should be solely administrative decisions.

Parliamentary Procedure

Additional clarification is presented regarding parliamentary procedure. Upon considering an agenda item, the Mayor will entertain a motion and a second of that motion from the Council to approve an agenda item in order to open Council discussion of an issue.

In the event that a staff presentation and/or public hearing are required for the agenda item, the presentation and/or hearing will take place prior to any Council discussion. Council Member questions of staff will take place during the staff presentation, which will be followed by the public hearing, if required.

The Mayor, upon completion of the staff presentation and/or public hearing, will then entertain the motions from the Council, as described above, in order to begin discussion of the issue. Council Members may 'call for the question' to bring forth a vote on the issue, but that 'call for the question' itself may require a vote to end Council discussion on the item of business.

Consent Agenda

The City Council Consent Agenda typically includes approval of the regular meeting agenda, minutes from previous meeting(s), claims, and payroll. If a Councilmember desires to add or delete an agenda item, a motion should be made to amend the Consent Agenda to include such modification to the regular meeting agenda. A second to the motion to amend followed by an affirmative vote would then be required to approve the Consent Agenda.

LEAVENWORTH CITY COUNCIL

2012 Budget Priorities

The Leavenworth City Council establishes budgetary priorities for the subsequent fiscal year, which provides for public accountability by correlating City expenditures with priority achievements.

Initial 2012 Budget Development Council Retreat Wednesday April 27, 2011

Policy

1. Consolidation of Wetland Mitigations/ UGA wetland mitigation into one area.
2. Create annexation policy:
 - a. Define responsibilities, such as, the applicant shall be responsible for snow removal.
3. Create new policy related to "Always moving forward".
4. Focus of effort centric to Leavenworth, but also support regionalism for future growth.
5. Create varying level of service policies:
 - a. Hold separate meeting on this topic.
 - b. Create public works policies related to maintenance practices on private property.
6. Clarify to the public how the different phases of the train station will develop.
7. Economic Development Diversity:
 - a. Explore economic development tools allowed by the State.
 - b. Small Business Incubator.
 - c. Infrastructure to assist economic development.
8. Develop a business recruitment program.
9. Create new tax source for a school resources/police officer.

Project

1. Fence the Public Works' maintenance yard.
2. Question on Mai Baum Pole Maintenance
3. Enhance and Improve Waterfront Park.
4. Create tourism funding tool for tourism improvement projects.
5. Install kiosks in two to three key locations downtown.
6. Create alley and property maintenance and beautification policies, assistance programs, and/or regulations:
 - a. Periodically provide a lift for people to clean their buildings, example: Paint Program.

- b. Business reminder that the Bavarian Code has changed.
 - c. Eliminate grease bins in alleys:
 - Contract for frequent removal.
 - Install attractive and well-sealed containers – an example is located behind the Alley Café.
7. Festhalle Operations Model:
 - a. Possible change in management.
 - b. PW support.
 - c. Develop the upper floor of the Festhalle.
 8. Install toilets at Barn Beach and at the Train Station.
 9. Contracted Services: cost savings, staffing levels, contract implications.
 10. Improve the WSDOT parking lot with RV wastewater disposal, lighting, and striping, limit overnight truck parking, 240 + RV parking.

What Was Not Funded:

Throughout this document are a number of areas highlighting the initiatives and programs that received funding in 2012, as a precautionary note, it is important to also briefly discuss what was not funded in the 2012 budget. The current budget draws down some of the City's fund balance in order to meet the Council's top priorities. Should the Council wish to fund additional projects, it will need to find an additional revenue source or substitute a budgeted project. There is not enough money to do everything. Some of the potential programs or projects that were *not specifically funded* in this budget include:

- Removed \$137,087 for 3 vacant positions
 1. Development Services Director \$71,676
 2. Park Maintenance, 8 month Seasonal \$21,875
 3. Permit Coordinator \$43,536
- Pedestrian Wayfinding Signs
- Additional Autumn Leaf Funding \$14,700
(Funded at 2011 level \$15,300)
- Property Clean Up Fund \$ 3,000
- Mitigation Pond E. Leavenworth RD. \$60,000
- Woody Statue (LAP Request)
- Taxicab Supplement/Assistance

Conclusion

Through this budget planning process, the Leavenworth City Council has confirmed many of the City's top priorities from previous years:

1. Downtown Infrastructure Improvement Project
2. Enhance Tourism and Promote the City's Bavarian Theme
3. Enhance User-Friendliness of the City
4. Pursue Additional Economic Development Opportunities
5. Maintain and Enhance Quality of Life

By incorporating many of these previous goals the City strategically places itself to best take advantage of those opportunities – whether partnering with other agencies or community groups or enhancing the economic vitality of the community.

As the Mayor and staff work to incorporate Council priorities into the 2012 Budget, the City Council acknowledges that existing and emerging needs/issues arise and often necessitate the Mayor and Staff to develop priorities outside of the City Council priorities outlined in this document. However, with this Budget Planning Document, the Mayor and Staff clearly recognize the areas of priority developed by the City Council through this budget planning process, which will be reflected in the 2012 budget document presented to the Council in the fall. The remaining goals and objectives identified that are not listed as priorities herein will remain areas of consideration when the Council begins the 2013 budget planning process in February of next year.

SECTION 4



Financial Summary



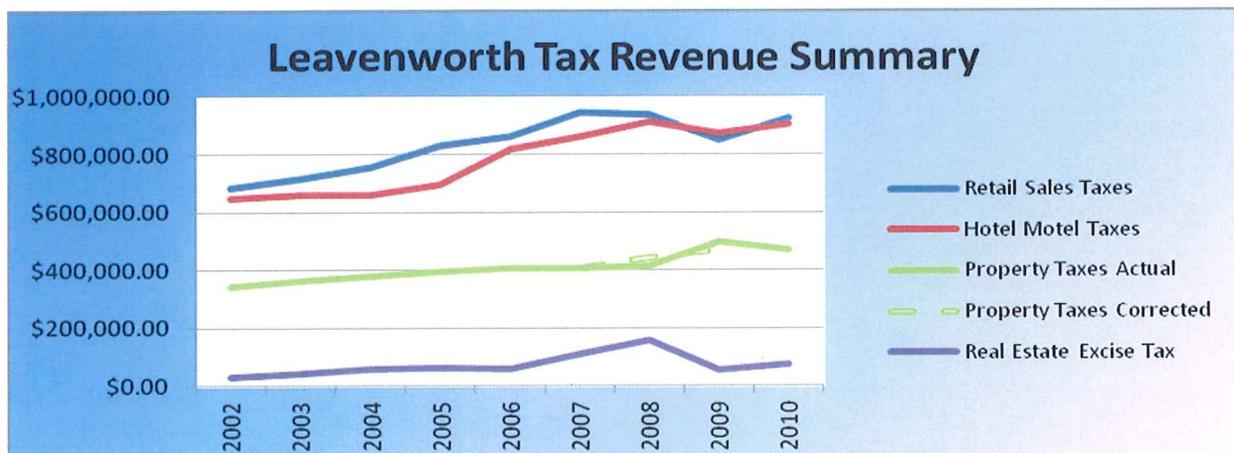
SECTION 4: Financial Summary

CITY OF LEAVENWORTH BY THE NUMBERS SNAPSHOT:

| | |
|--|-------------------------------|
| Total Preliminary Assessed Valuation of the City of Leavenworth for 2012 is | \$335,173,076 |
| New Construction Value (included in the above total) for 2011 is: | \$1,494,964 |
| The total Property Tax Levy Rate for 2011 was | 1.31597 per \$1,000 |
| City of Leavenworth receives: | \$498,604 |
| City of Leavenworth Real Estate Excise Tax (REET) | ¼ % + ¼% = ½% of sales |
| Total Budget all 13 Funds | |
| Revised 2011: | \$12,188,566 |
| Preliminary 2012: | \$14,188,511 |
| Fund Balance | |
| 2011 Ending: | \$2,057,496 |
| 2011 Estimated: | \$2,208,922 |
| General Fund Operating Budget | |
| 2011: | \$2,068,903 |
| 2011 (Presented): | \$2,063,645 |

GOVERNMENTAL REVENUES

This section provides information on the more significant sources of revenue the City of Leavenworth receives in its governmental funds in a given year. Included is a discussion on property taxes, sales taxes, and the B & O taxes, which collectively account for approximately 75% of General Fund Recurring Revenues.



Sales Taxes

Sales tax is a tax collected by businesses on the retail sales of tangible personal property and certain services within the State. Exceptions to the retail sales tax include groceries, prescription drugs, certain government activities, and newspapers. Businesses do not pay sales tax on the purchase of materials that are to become components of finished products for sale.

The total sales tax was 8.10% and increased to 8.30% in April 2011 to include the additional .2% for the Transportation Benefit District. Of this, the State collects 6.50%, with the balance collected by the City (1.05%), Chelan County (0.25%), LINK (0.40%), and Juvenile Detention Center Bonds (0.10%). 55% of sales tax revenue received by the City of Leavenworth goes to the General Fund, while 45% goes to the City's Street Fund.

Business and Occupation Taxes

Business and Occupation Taxes are levied on all utilities, cable television, telephone, and wireless communications. The tax is equal to 6% of the total gross income from gross subscriber receipts for telephone and wireless communications and 10% on all other utilities.

Real Estate Excise Tax

The Real Estate Excise Tax (REET) is a tax on the transfer of real property, which is paid by the seller at the time of closing. There are two $\frac{1}{4}$ % portions available to the City, although the City prior to 2007 only collected one of the two $\frac{1}{4}$ % portions. The first $\frac{1}{4}$ % may be spent towards local capital improvements, which may include streets, parks, sewers, water mains, swimming pools, etc. The second $\frac{1}{4}$ % may only be spent towards capital projects of a public works nature, such as streets, sidewalks, lighting, water systems, storm and sanitary systems, and park construction or reconstruction. The City Council voted in 2006 to collect the 2nd $\frac{1}{4}$ % REET to begin a residential street and sidewalk restoration program.

Charges for Services

This category includes all service charges for outside customers and where one department of the City becomes a customer of another. Park fees and service charges are included in this category, and charges vary based upon the type of service being delivered. Revenues received from this source are typically utilized to recoup the cost of service delivery. Fees charged to the public are based upon predetermined rate and fee schedules, which the City Council adopts by Resolution each year. Fees charged for utility administration and engineering/planning services are based upon an estimate of actual time spent on projects.

Property Taxes

Property tax is a tax on real property for the full-assessed value. Revenue obtained from this tax is devoted to the state, cities, counties, schools, special purpose districts, and libraries. Assessed value is determined by the Chelan County Assessor's Office, which makes a reevaluation of each property every year. The property tax is limited to \$3.60 per thousand dollars of assessed valuation for Cities. In Leavenworth, the City is annexed to the library district thus making the maximum tax rate available to the City only \$3.10, since \$.50 per thousand of assessed valuation goes to the library system.

In November of 2001, Washington voters approved Initiative 747 which limits the increase in property tax to the lower of 101% or the rate of inflation as measured by the implicit price deflator (IPD). Local increases of more than 1% are allowed if the citizens of Leavenworth vote to approve a levy lid lift. Because the cost of doing business typically increases by more than 1% per year, the City Council considered a 1% property tax increase as allowed by law for the 2011 budget. The Leavenworth property tax is used to support General Fund operations.

The table below is a comparison of the City Property Tax burden compared to those residents living outside the City limits; includes valuation from 2010 for taxes paid in 2010:

| TAXING JURISDICTION | INSIDE CITY | % TO VALUE | OUTSIDE CITY | % TO VALUE |
|------------------------------------|---------------------|---------------|---------------------|---------------|
| HOME VALUE (2010) | \$246,802.00 | | \$248,082.00 | |
| STATE SCHOOL | 686.99 | .0025 | 623.17 | .0025 |
| CHELAN COUNTY | 307.99 | .0012 | 279.38 | .0011 |
| LEAVENWORTH | 408.84 | .0016 | | |
| LIBRARY | 103.35 | .0004 | 93.75 | 0.0003 |
| PORT OF CHELAN COUNTY | 66.93 | 0.0002 | 60.71 | 0.0002 |
| UPPER VALLEY PK & REC | 38.59 | 0.00015 | 35.01 | 0.00014 |
| HOSPITAL 1 | 265.26 | 0.0010 | 240.62 | 0.0009 |
| CASCADE SD 228 | 419.60 | 0.0017 | 380.62 | 0.0015 |
| LEAVENWORTH MOSQUITO DISTRICT | 19.00 | | | |
| HORT PEST ASSESSMENT (new in 2011) | | | | |
| NOXIOUS WEED | 5.00 | | 6.00 | |
| ROAD DISTRICT | | | 294.13 | 0.0011 |
| FOREST FIRE PROTECTION | | | 17.20 | |
| FIRE PATROL FEE TO COUNTY | | | 0.50 | |
| TOTAL | 2,321.55 | 0.0094 | 2,031.09 | 0.0081 |

SECTION 5



Budget Figures and Spreadsheets



SECTION 5: BUDGET FIGURES AND SPREADSHEETS

General Fund Revenues

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Beginning Fund Balance: | \$ 541,785 | \$ 420,389 | \$ 279,032 |
| Total Taxes: | \$1,425,577 | \$1,539,277 | \$1,667,764 |
| Total Licenses and Permits: | \$ 96,107 | \$ 141,616 | \$ 85,657 |
| Total Intergovernmental Revenue: | \$ 62,972 | \$ 58,703 | \$ 52,783 |
| Total Charges for Services: | \$ 72,779 | \$ 119,750 | \$ 63,950 |
| Total Municipal Court Fines: | \$ 17 | \$ 0 | \$ 0 |
| Total Miscellaneous Revenues: | \$ 83,749 | \$ 57,160 | \$ 39,574 |
| Total Other & Non-Revenues: | \$ 168,389 | \$ 129,150 | \$ 130,775 |
| Total Interfund Transfers: | \$ 176,588 | \$ 0 | \$ 0 |

General Fund Expenditures

Mayor and City Council

The Mayor and City Council establish the goals and priorities for the City through the adoption of Ordinances, policies, and the City's annual budget. Members of the City Council also serve on numerous intergovernmental committees which are responsible for addressing local and regional issues such as public safety, public transportation, solid waste disposal, infrastructure needs, economic development, and parks and recreation. The Mayor/Council function represents 4% of General Fund expenditures.

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Legislative Services: | \$ 79,678 | \$ 87,528 | \$ 85,496 |
| Other Expenses: AWC Dues: | \$ 1,885 | \$ 2,000 | \$ 2,150 |

City Administrator

Under the direction and authority of the Mayor, the City Administrator is responsible to supervise, administer and coordinate the activities and functions of the various city offices, departments, commissions and boards in carrying out the requirements of city ordinances and the policies of the City Council. The Administrator helps to identify community needs for Council review, researches information, prepares reports, negotiates contracts, manages personnel, and maintains relations with local, state, and federal agencies. The administrator serves as personnel officer of the City, supervises all purchasing by the City, and directs the annual budget process. The City Administrator function represents 5% of General Fund expenditures.

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Executive - City Administrator: | \$ 127,254 | \$ 110,547 | \$ 100,759 |

Finance/City Clerk Department

The Finance/City Clerk Department is responsible for ensuring the sound financial management of all City operations and the safekeeping of City assets and records. The department performs employee payroll and benefits, annual financial reporting, utility billing, accounts receivable/payable, budget and audit reports, investments and debt management, records management, computer information technology services, and assists the Development Services Department with business licensing functions. In addition to providing excellent customer service, the Finance/City Clerk Department in 2011 completed the annual report for 2010 and performed audit reviews of 2009 and 2010 in conjunction with the Washington State Auditor's Office. The City received a clean audit report for both prior years. The Finance Department completed the creation and financing for the new Transportation Benefit District, continues to archive and digitize City records, implemented a computer replacement program and assets tracking system, continues to update the City Code online, reviews and updates City Financial Policies, and investigates alternative investment opportunities of financing of city bonds. The Finance/City Clerk Department function represents 5% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Finance/City Clerk: | \$ 115,519 | \$ 105,907 | \$ 108,661 |

Legal Services

The City Attorney is a contract position that involves a monthly retainer, as well as an hourly rate applied to services beyond the scope of the retainer. The City Attorney provides legal counsel and representation services to the City on a variety of issues, ranging from Ordinances and Resolutions to land-use appeals and negligence claims. This program also funds legal services from other attorneys in specialized fields, such as land use, contracts, and personnel. The City Attorney function represents 3% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|-----------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Legal Services: | \$ 90,241 | \$ 85,000 | \$ 55,000 |

Property Management

The Property Management program covers expenses associated with the maintenance and repair of City Hall, including janitorial service, and the Festhalle maintenance and repair. Interior and exterior work was completed in 2009 and 2010 for City Hall maintenance and the HVAC systems in City Hall and the Festhalle. In 2012, the budget

increases to include dedicated staff resources for ongoing maintenance needs of city owned facilities. The Property Management function represents 3% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Property Management: | \$ 57,559 | \$ 46,582 | \$ 62,843 |

Law Enforcement

The City contracts with Chelan County for law enforcement, emergency management, jail, and prosecution services. The Chelan County Sheriff's Office (CCSO) is responsible for the protection of the citizens of Leavenworth and provides 24 hour emergency response, patrol, and criminal investigation. The Sheriff's contract allocates 3 Fulltime Equivalence (FTE) officers or 6240 service hours. The City's contract with the CCSO includes a \$73,551 increase in 2012 from the 2011 Actual Budget, and runs through 2013. The City anticipates an additional 9% increase in Sheriff's services in 2013. A major portion of this increase includes the new fee for RiverCom services that were added to the contract beginning in the 4th quarter of 2011. These services are paid for through the use of Property Taxes and Retail Sales Taxes. The City uses Lodging and Hotel Tax dollars to hire additional sheriff deputies for City festivals. The Regional Justice Center costs are billed monthly based on actual incarceration numbers at \$73.50 per day. The Prosecution Services agreement is based on the number of prior year cases at a set rate per case of \$200. Neither of these services will increase in 2012. The City's provision of law enforcement services through these contractual arrangements represents 25% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Law Enforcement: | \$ 415,239 | \$ 436,016 | \$ 514,500 |

Fire and Emergency Response Services

The City contracts with Chelan County Fire District No. 3 for the provision of fire protection, fire inspections and prevention, and emergency response services, with the current contract in effect through 2012. The amount of the contract is based on the amount City residents would pay if they were assessed the District's fire protection levy. The provision of Fire and Emergency Response Services represents 9% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|--|-------------------------------|-------------------------------|-------------------------------|
| Total Fire Control & Emergency Response: | \$ 176,526 | \$ 180,000 | \$ 185,000 |

Emergency Services

The Chelan County Sheriff's Office provides Emergency Management services to the City of Leavenworth. Provision of these services is required by law, and includes emergency services planning and coordination with the Federal Government, the State of Washington, neighboring counties, military organizations, and other support agencies. Should an incident occur demanding emergency management operations, the Chelan County Emergency Management staff would be onsite to assist the City.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Emergency Management Services: | \$ 5,225 | \$ 5,270 | \$ 5,270 |

Physical & Economic Environment

Cemetery maintenance and the provision of animal control services comprise the physical environment components of the City's operations. The 2012 contracted fee for animal control services increases by \$1,584 and includes a refund clause for services that are responded to by the Chelan County Sheriff's Office. Due to the contract being approved at the final meeting of the year, the budgeted amount for 2012 did not include the increase entered into. In 2011 the Public Works department completed the change for irrigation and turf management practices which is anticipated to reduce operating costs at the cemetery. The Economic Environment provides funding for services to non-profit agencies that support such areas as affordable housing and senior services. The Physical & Economic Environment function represents 5% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|--|-------------------------------|-------------------------------|-------------------------------|
| Total Cemetery: | \$ 66,538 | \$ 78,032 | \$ 64,560 |
| Total Animal Control: | \$ 13,096 | \$ 13,103 | \$ 13,118 |
| Total Affordable Housing: | \$ 0 | \$ 25,000 | \$ 16,000 |
| Total Aging & Adult Services: | \$ 2,448 | \$ 2,500 | \$ 2,500 |
| Total Physical & Economic Environment: | \$ 82,082 | \$ 118,635 | \$ 96,178 |

Development Services Department

The Development Services Department oversees zoning/land use ordinances, interlocal planning, long range land use planning, strategic planning, economic development, downtown revitalization, fire safety inspections, oversight of special research/community projects, grant writing, and other special project development. The department also

provides professional staff support to various City boards and commissions, including the Design Review Board, Planning Commission, and subcommittees of the City Council.

The work of the staff plays a vital role in assuring that all sectors of the community receive fair, courteous and effective service and experience project success from conception to completion. Development Services Department staff members are simultaneously engaged in administering a variety of regulatory requirements and work daily with the community, strategic planning, and other special projects related to everything from construction, the environment, and community and economic development. Administration of the local Old World Bavarian Design theme is also an important element of this function.

In addition to plan reviews, building and land use permit issuance, licensing, and code enforcement activities, the Development Services is a full service department which also provides leadership and assistance on a number of Council-directed projects and State-mandated programs. Listed below are a few of the projects and tasks completed by the Department:

Planning efforts of 2011:

1. Published RFPs and interviewed consultants for Engineering services
2. Six Year Transportation Improvement Plan
3. Park Plan Update currently under final review
4. Shoreline Master Plan work with Chelan County
5. Critical Areas Update Completed
6. 2010 Department of Health Water System Plan Update
7. Continued work on Phase 2 of the Downtown Master Plan with the Downtown Steering Committee:
 - a. Wayfinding signage
 - b. Front Street 90% design and engineering
 - c. Commercial Street 30% design and engineering

2011 Code Amendments:

Approval of Interim Sign Code and permanent Sign Code revisions
Approval of code chapter changes pertaining to parking regulations with the revisions to incorporate Electric Vehicle Charging Stations.

Total Building Permits Issued in 2011: 100 2010: 96

23 Sign Permits

3 Design Permits

52 Building Permits

8 Plumbing Permits

6 Mechanical Permits

4 Fence Permits

1 Parking Lot Permit

3 Other Type Permits

12 Land Use Permits issued in 2011 and the Department held 12 Pre-applications meetings. This number is down from 2010 with the City initiating courtesy meetings which are not categorized. In 2011, 201 Business licenses were processed. These included those that were issued or renewed after contact because of no license (145), those that are pending application or approval, and those that were denied, closed, or not needed because of non-profit status (45).

In conjunction with completing the permits and licenses listed above the staff completed a number of SEPA reviews and coordinated effectively with local, State, and Federal permitting agencies.

Accomplishments also include assistance with processing for a variety of Special Use Permits, conducting and assisting with the Fire/Life Inspection Safety Process, responding to code enforcement issues and complaints, and conducting several research projects involving City Code,

Additionally the Department processed and prepared a number of agreements/Special Use Permits for various outdoor dining venues and sidewalk use, and festivals and events. These include: Christmas Lighting, Oktoberfest, Christkindlmarkt, Art in the Park, Booster Parking, Chamber Food Festival, etc.

This is a short preliminary list of the items the Department plans to work on in 2012:

1. Continue to improve customer service:
 - a. Improve the permit flow system
 - b. Provide customer support tools to enhance customer knowledge of permit processes
 - c. Review of Leavenworth Municipal Code for improved clarity and understanding by user.
2. Continue work on the following long-range planning processes:
 - a. Shoreline Master Program,
 - b. Housing and other necessary Comp Plan Amendments
 - c. Develop Critical Areas data information – building inventory index,
 - d. Develop wetland and stormwater mitigation and planning program,
 - e. Park Plan review and approval by March 1, 2012,
 - f. Infrastructure Development Standards,
 - g. Capital Improvement Planning,
 - h. Rate and fee studies.

3. Improve the Fire Safety and Code Enforcement Programs
4. Procure grants for infrastructure funding
5. Continue work on updating the City website

The Development Services and Code Enforcement functions represent 12% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|--|-------------------------------|-------------------------------|-------------------------------|
| Total Planning and Development Services: | \$ 277,728 | \$ 284,839 | \$ 161,850 |
| Total Code Administration: | \$ 103,622 | \$ 76,829 | \$ 73,180 |
| Total Development and Code Services: | \$ 381,350 | \$ 361,668 | \$ 235,030 |

Parks Maintenance

The Public Works Parks Maintenance Division is responsible for turf and grounds preservation, site repair, and other minor facilities improvements for the City's five park sites, Mountain View Cemetery, and various landscaped areas throughout the community. Parks Maintenance is provided by three 8-month seasonal employees, two six-month seasonal employees, and two part-time employees. In 2011 a Custodian Attendant was contracted via the Senior Center to provide a higher level of care to the downtown restrooms on an ongoing basis, this program will continue in 2012. The City will also be hiring a fulltime Parks Maintenance Leadworker in 2012 replacing one of the 8-month season. The Leadworker position will provide the necessary work direction and supervision of the current park employees. The following is a brief description of City Park Facilities:

- **Enchantment Park:** Accessed via Enchantment Park Way, this park features three ball fields, restrooms, playground equipment, picnic tables, and trails to the Wenatchee River. Several commercial rafting services also use this park as a staging area to launch their vessels during rafting season, and each rafting company pays a fee to the City based on their number of customers or a percentage of profits. Enchantment Park connects to Waterfront Park through a series of trails.
- **Waterfront Park:** Accessed via Ninth and Commercial Streets on the south edge of the core commercial area, Waterfront Park features a riverside trail, playground equipment, interpretive signs, picnic areas, a small amphitheater and restrooms. The Park connects to Enchantment Park through a series of trails.
- **Front Street Park:** Located downtown between Front Street and Highway 2, Front Street Park features a gazebo, restrooms, and several sitting areas. This park hosts

entertainment and a Thursday through Sunday art show through several months of the year, and is the focal point for several of the City's festivals. In 2012, a major rehab and renovation project is scheduled for the Gazebo located in Front Street Park. The maintenance project will focus on completing a number of deferred maintenance items and adding a number of Bavarian elements to the structure. The \$120,000 project will be completed with major funding being provided by Projekt Bayern.

- Trout Unlimited Park/Boat Launch: This park is located off of East Leavenworth Road and features a boat ramp to the Wenatchee River for boats to access fishing on the Icicle River. The City routinely installs port-a-potties during the summer at the boat ramp parking lot due to the high use of this park by rafters and tubers. In 2011, a off channel salmon area was constructed with a primitive viewing trail.

- Lions Club Park: Located next to City Hall on Highway 2, Lions Club Park features picnic tables and a picnic shelter. The park is the site for a number of fund-raising breakfasts and barbecues sponsored by the Leavenworth Lions Club throughout the year. The Club constructed a new building in 2003 to facilitate food preparation associated with these events. Lions Club Park is also the location for the community pool, completed in 2003. The pool is operated by the City with an agreement with the Upper Valley Park and Recreation Service Area (PRSA). In 2011, the Leavenworth Swim Team obtained a grant from Projekt Bayern to construct a small storage building which was constructed at the northeast corner of the pool near. The City also constructed a new sign for Lions Club Park with Projekt Bayern funding. Additionally the Class of 1953 constructed a new picnic table pavilion and the PW Department removed an old concrete slab and rock wall as part of ongoing improvements to this park area used by both local residents and visitors.

- Mountain View Cemetery: The City owns and maintains Mountain View Cemetery located on Icicle Road approximately two miles south of the City. Although revenue from the sale of cemetery plots is divided between current maintenance needs and a long-term endowment account, cemetery maintenance is paid from the General Fund and currently requires an ongoing subsidy. The irrigation of the cemetery grounds was returned to utilizing irrigation water instead of City potable water in 2011 which will decrease the cost of water for the cemetery substantially in 2012.

In 2011 the City began completing the Park Plan Update. The update is scheduled to be completed by March of 2012. The Park Plan will identify a number of improvements and priorities identified by the community for parks throughout Leavenworth. At this time the 2012 Budget has provided \$15,000 in funds for park improvements, primarily focused on maintenance and signage. The completion of the Park Plan will also identify those projects which will be a priority for grant applications and funding.

Utilities and operating supplies have been reduced since 2009 with the sharing of utility costs between the Parks Fund and the Lodging Tax Fund in direct relation to the costs of tourism run facilities such as the downtown restrooms, street cans, and Icicle Station. Interfund Rentals and Leases, located in the Parks and Development Services sections

of the budget, have been deferred starting in 2010 for five years and reallocated in the non-expenditures section as an Interfund Loan to the Equipment Rental and Revolving Loan Fund. This need was identified in the 2007 and 2008 audits as funds were used in the Street Downtown Reconstruction Project. Funds are similarly deferred in the Street Fund.

In 2009, the Parks Maintenance division completed the recovery work from the '06 floods. In 2009 and 2010 the Parks crew re-established a landscape maintenance plan and completed design and re-landscaped areas in Front Street Park, at Saunders Memorial area near Highway 2 and Front Street and near City Hall. The Parks Maintenance function represents 14% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|---|-------------------------------|-------------------------------|-------------------------------|
| Total Parks Maintenance: | \$ 353,201 | \$ 340,738 | \$ 383,466 |
| Total Public Health and Education: | \$ 874 | \$ 900 | \$ 2,400 |
| Total Parks, Public Health & Education: | \$ 354,075 | \$ 341,638 | \$ 385,866 |

Non-Expenditures, Capital Expenditures, and Other Financing Uses

In addition to the departmental expenditures listed above, the General Fund also expends funds for non-expenditures (these are typically offset by non-revenues as an in and out but also includes Interfund loans and leasehold tax payments), capital improvements, debt service on outstanding bonds, and transfers to other City funds. Notable General Fund capital and transfer expenditures for 2012 includes ground facilities improvements for the Golf Course, a downtown kiosk, park improvements and support to the Pool Fund to meet operations and maintenance needs. This section of the General Fund represents 11% of General Fund expenditures.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|--|-------------------------------|-------------------------------|-------------------------------|
| Total Non-Expenditures: | \$ 197,621 | \$ 182,996 | \$ 182,393 |
| Total Capital Expenditures: | \$ 127,519 | \$ 25,116 | \$ 22,000 |
| Total Other Financing Uses/Transfers: | \$ 115,000 | \$ 34,000 | \$ 22,500 |
| Total Non-Expenditures, Capital, Other: | \$ 440,140 | \$ 242,112 | \$ 226,893 |
| | | | |
| Total General Fund Expenditures: | \$2,326,772 | \$2,122,903 | \$2,063,645 |
| Total Fund Balance & General Revenues: | \$2,627,963 | \$2,466,045 | \$2,319,534 |
| | | | |
| General Fund Ending Balance (12.4% of '12 Total Expenditures): | | | \$ 255,890 |

SPECIAL REVENUE FUNDS

Street Fund

The City Street Fund is used to account for the maintenance and construction of roads throughout the City. The Street Fund is separated from other funds because a portion of the Fund's revenue comes from the State's fuel tax and has strict limitations on its use. In addition to State shared revenue, the Street Fund program is funded using 35% of the City's sales tax revenue. This is a reduction from previous years whereas the funding was 45% for various construction projects. The sales tax allocation is reviewed and set by Council annually and continues to benefit both the Street and General Funds. Additionally, revenues from the Leavenworth Transportation Benefit (TBD) District, which was enacted during the 2010 November election, provided for a .2% increase on the sales tax and is directly transferred to the Street Fund. This revenue is estimated to be approximately \$200,000 per year and is strictly allocated for street and sidewalk maintenance, repairs and new construction. Street maintenance services are provided as part of the duties of the Public Works Street & Utility Maintenance Division. Programs within the Street Fund include Road and Street Maintenance, Storm Drainage, Sidewalks, Street Lighting, Traffic Control Devices, Parking Facilities, Snow and Ice Control, Street Cleaning, Transit Systems, Debt Redemption, and Capital Improvements.

The City received \$750,000 of a \$1M loan from the Public Works Trust Fund in late 2009 to fund engineering and design of several street reconstruction projects identified within the Leavenworth Downtown Master Plan. Originally this loan was intended to be repaid over a five year period, the City in late 2010 opted for a 20 year repayment program at .5% interest. This change in financing improved the cash flow outlook for the Street Fund. The option was made possible with the awarding of the \$800,000 TIB Grant in late 2010 for the Reconstruction of Front Street from Hwy. 2 to Division Street that is currently scheduled for construction in 2012. The City has expended a majority of the \$750,000 and is currently under multiple contracts for various projects. Due to the City having a deadline for use of these funds in late 2012, unused funds could be returned to the granting agency.

In addition to the above project, the City has over \$400,000 in grant funds available for the Chumstick Multiuse Trail Project that runs along the Cascade High School property through to North Road on Chumstick Highway. The City is currently also working with Upper Valley MEND and private developers to develop a new low-income housing area known as the Meadowlark Development adjacent from North Road that will tie in to the Chumstick Multiuse Trail.

Interfund Rentals and Leases, located in the Street Fund's General Administration section of the budget, has been deferred starting in 2010 for five years and reallocated in the non-expenditures section as an Interfund Loan to the Equipment Rental and Revolving Loan Fund. This need was identified in the 2007 and 2008 audits as funds were used in the Street Downtown Reconstruction Project. Funds are similarly deferred in the General Fund.

Revenues

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|---------------------------------------|------------------------|------------------------|------------------------|
| Beginning Fund Balance: | \$ 287,571 | \$ 468,960 | \$ 280,306 |
| Total Taxes: | \$ 416,598 | \$ 411,750 | \$ 326,655 |
| Total Intergovernmental Revenues: | \$ 144,652 | \$ 818,700 | \$ 2,032,507 |
| Total Misc., Non, and Other Revenues: | \$ 78,111 | \$ 56,642 | \$ 0 |
| Total Interfund Transfers: | \$ 186,556 | \$ 69,000 | \$ 60,000 |

Expenditures

| | | | |
|--|--------------|--------------|--------------|
| Total Road and Street Maintenance: | \$ 195,769 | \$ 213,067 | \$ 222,544 |
| Total Storm Drainage: | \$ 324 | \$ 6,500 | \$ 6,500 |
| Total Sidewalks: | \$ 10,902 | \$ 7,000 | \$ 7,000 |
| Total Street Lighting: | \$ 21,447 | \$ 18,250 | \$ 31,500 |
| Total Traffic Control: | \$ 2,695 | \$ 1,000 | \$ 3,000 |
| Total Parking Facilities: | \$ 127 | \$ 2,500 | \$ 12,500 |
| Total Snow and Ice Control: | \$ 24,142 | \$ 33,500 | \$ 25,000 |
| Total Street Cleaning: | \$ 0 | \$ 1,750 | \$ 1,750 |
| Total Street General Administration: | \$ 80,393 | \$ 92,000 | \$ 99,642 |
| Total Railroad Planning: | \$ 16,268 | \$ 0 | \$ 500 |
| Total Non-Expenditures & Debt Service: | \$ 80,969 | \$ 124,109 | \$ 135,229 |
| Total Capital Expenditures: | \$ 211,494 | \$ 1,234,217 | \$ 2,863,803 |
| Total Transfers: | | | |
| Total Street Fund Expenditures: | \$ 644,529 | \$ 1,733,893 | \$ 3,438,968 |
| Total Fund Balance & Street Revenues: | \$ 1,113,488 | \$ 1,825,052 | \$ 3,580,665 |
| Street Fund Ending Balance: | | | \$ 141,696 |

Lodging Tax Fund

In 1973, the Washington State Legislature authorized Cities to levy a "lodging tax" of two percent on the sale of hotel and motel rooms for the promotion of tourism and the construction of tourism-related facilities such as the Leavenworth Festhalle and Icicle Station. Over the years, a number of Cities, including Leavenworth, were successful in the development of legislation that raised the basic two percent tax on room rentals to a total of five percent.

In Leavenworth, the lodging tax has been used to fund tourism-related promotion, maintenance, and capital construction. An advisory committee, Leavenworth Area Promotions (LAP), with representatives from the City, the Chamber of Commerce, and the Leavenworth Lodging Association, provides recommendations on proposed promotions, projects, and purchases.

The estimated collection of lodging tax dollars for 2012 is \$909,000 up from the \$900,000 budgeted for 2011. Of the estimated \$909,000 annually, 50% is distributed to Leavenworth Area Promotions (LAP), 18.5% to the Leavenworth Chamber of Commerce, 5% to other civic organizations for advertising, 18% for debt payments on the Festhalle and Icicle Station and the remaining 8.5% is for capital improvements, maintenance of restrooms, overtime for added event security, and utilities directly related to tourism use.

Revenues

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|------------------------------|------------------------|------------------------|------------------------|
| Beginning Fund Balance: | \$ 89,711 | \$ 125,301 | \$ 107,000 |
| Total Lodging Taxes: | \$ 903,303 | \$ 900,000 | \$ 909,000 |
| Total Misc. & Non-Revenues : | \$ 135,747 | \$ 28,750 | \$ 100,000 |

Expenditures

| | | | |
|---|-------------|-------------|-------------|
| Total Community Services: | \$ 753,309 | \$ 745,059 | \$ 753,212 |
| Total Non Expenditures & Debt Services: | \$ 138,379 | \$ 137,899 | \$ 134,689 |
| Total Capital Expenditures: | \$ 57,728 | \$ 62,500 | \$ 101,000 |
| Total Transfers: | \$ 54,043 | \$ 29,043 | \$ 29,043 |
| Total Lodging Tax Fund Expenditures: | \$1,003,458 | \$ 974,501 | \$1,017,944 |
| Total Fund Balance & Lodging Revenues: | \$1,128,760 | \$1,054,051 | \$1,116,000 |
| Total Lodging Tax Ending Balance: | | | \$ 98,056 |

Community Swimming Pool Fund

In 2003, the City's 50-year old pool along Highway 2 was replaced with a newly-constructed facility with six swim lanes, a zero-depth wading pool, and a 12-foot deep diving well. The project was funded with a \$986,000 levy approved by voters of the Upper Valley Parks and Recreation Service Area (PRSA), as well as contributions from the City's Park Reserve, Pool Reserve, and Lodging Tax Fund. This levy is billed and paid for directly through Chelan County and therefore is not included in the City's budget document.

The City operates the pool under an interlocal agreement with the PRSA Board, with the Community Swimming Pool Fund established in 2002 to track the revenues and expenditures associated with the City's operation of the facility.

The City has subsidized the Pool operations since inception with varying amounts ranging from \$21,000 to \$25,000. Despite the increase in 2011 of user fees and the \$55,000+ from the PRSA's maintenance and operation levy, the City anticipates subsidizing the pool operations by \$22,500 for 2012 and has included a one-year

interfund loan in the amount of \$17,500 to support continued capital maintenance needs.

In addition to directly funding the pool in transfers, the City's General Fund also does a yearly temporary loan for cash flow purposes due to the timing and receipt of the levy revenues occurring in April and October of each year. In anticipation of a renewed maintenance and operations levy in 2012 for revenues beginning in 2013, the City anticipates the ability for the new levy to bring in full funding support of the pool and the capital maintenance needs. Any excess revenues generated may be reserved for significant expenditures on mechanical replacements and updates as the pool reaches the 10 year mark.

Revenues

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|-----------------------------|------------------------|------------------------|------------------------|
| Beginning Fund Balance: | \$ 36 | \$ 1,322 | \$ 1,000 |
| Total Taxes: | \$ 53,214 | \$ 56,000 | \$ 55,440 |
| Total Charges for Services: | \$ 88,458 | \$ 97,500 | \$ 95,500 |
| Total Misc. & Non Revenues: | \$ 42,027 | \$ 31,650 | \$ 48,025 |
| Total Transfers: | \$ 45,282 | \$ 25,000 | \$ 22,500 |

Expenditures

| | | | |
|---|------------|------------|------------|
| Total Pool Facilities: | \$ 179,796 | \$ 174,923 | \$ 170,084 |
| Total Non Expenditures & Debt Service: | \$ 40,310 | \$ 30,050 | \$ 30,025 |
| Total Capital Expenditures: | \$ 8,868 | \$ 5,000 | \$ 20,000 |
| Total Expenditures: | \$ 228,975 | \$ 209,973 | \$ 220,109 |
| Total Fund Balance & Pool Revenues: | \$ 229,018 | \$ 211,472 | \$ 222,465 |
| Community Swimming Pool Ending Balance: | | | \$ 2,356 |

Cumulative Reserve Fund

The Cumulative Reserve Fund served as the 'savings account' for money not being spent on current operations, projects, or programs. During the audit for 2007 and 2008 it was recommended by the State Auditor's Office to restore these funds to the appropriate fund or keep separate reserve funds for each fund putting revenue into reserves. For ease of budget processing, all funds were returned to the respective funds in 2010 with some of them being identified with the newly created "ending reserve fund balance" line items. In future years, these "reserve" fund lines will need to be identified for use to ensure proper administration of the funds by Council and Staff.

Revenues

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|
| Beginning Fund Balance: | \$ 873,451 | \$ 0 | \$ 0 |

Expenditures

| | | | |
|---|------------|------|------|
| Total Transfers Out: | \$ 873,451 | \$ 0 | \$ 0 |
| Total Cumulative Reserve Fund Expenditures: | \$ 873,451 | \$ 0 | \$ 0 |
| Total Fund Balance & Revenues: | \$ 873,451 | \$ 0 | \$ 0 |
| Cumulative Reserve Ending Balance: | | | \$ 0 |

DEBT SERVICE FUNDS

General Obligation Bond Funds and other Bonds

When the City borrows money to finance projects or purchases, General Obligation (G.O.) bonds are issued as a promissory note to repay the debt. The City's G.O. bonds are bought and sold by banks and individuals as a tax-exempt investment backed by the full faith and credit of the government, similar to the Federal government's treasury notes. In 2012 the Council and staff plan to draft a City Debt Policy which will help in establishing debt use and debt service guidelines for future City expenditures.

The City of Leavenworth currently has seven outstanding G.O. bonds, although one ended in 2010, a new one began in 2011 leaving the total at seven for 2012:

A non-voter approved 1994 bond for the construction of the City Hall and Library building ended in 2010 and was maintained in its own fund through use of transfers from the General Fund and Public Works Capital Improvement Fund. This fund was closed out with the final funds transferred back to the General Fund at the end of 2010.

A voter approved 1997 bond for the construction of a fire station/emergency services building. This bond is repaid through a property tax levy and therefore is a separate fund for purposes of the ad valorem tax requirements. This bond was refinanced in late 2011 for the remaining six years of the bond at a reduced interest rate that will save taxpayers an estimated \$35,000. The annual request is being reduced starting in 2012 in anticipated of the reduced annual debt service payments. The fund balance will also reduce annually as the balance must be reduced to a minimal amount as it nears maturity. This bond will end in 2017.

A voter approved 2003 bond for the construction of the Civic Center – Festhalle. This bond is repaid directly from the Lodging Tax Fund. This bond is not eligible for refinancing opportunities until the first ten year call, which will occur by 2014. This bond will end in 2028.

A non-voter approved 2009 bond for the construction of the Icicle Train Station. This bond was set up as a separate fund and is repaid from revenues transferred out of the Lodging Tax Fund. This bond will end in 2018.

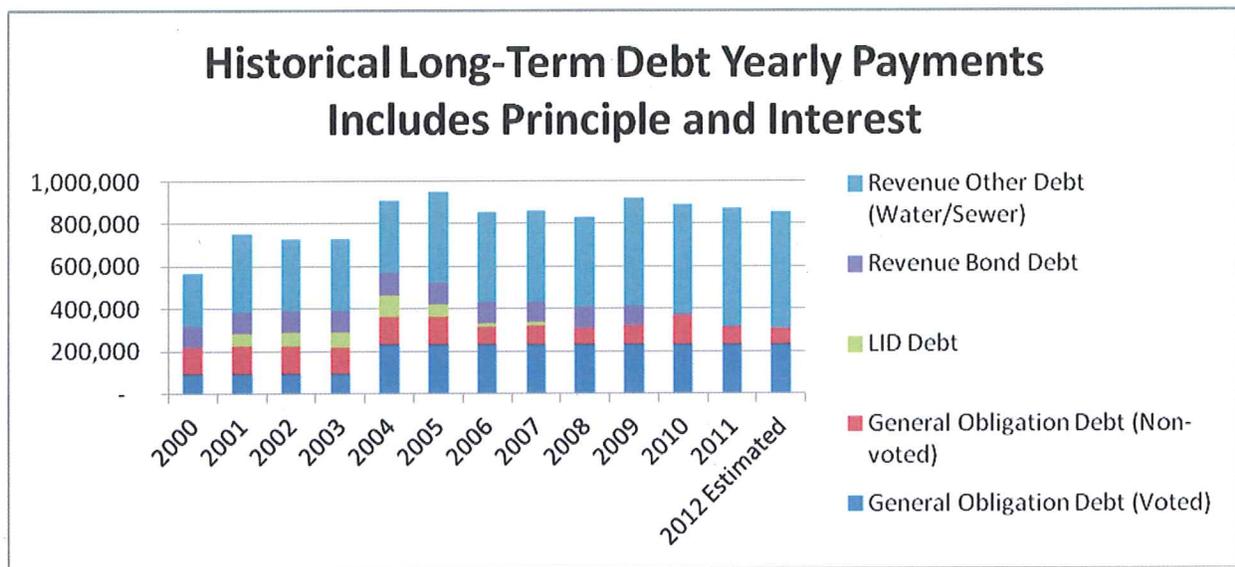
A non-voter approved 2009 bond for the purchase of a new Garbage Truck. This bond is repaid directly from the Equipment Replacement and Revolving Loan Fund (ER&R). This bond will end in 2019.

A non-voter approved 2009 bond for the purchase of new garbage Receptacles for the residential and commercial accounts. This bond is repaid directly from the Garbage Fund. This bond will end in 2014.

A non-voter approved 2010 bond for the purchase of a new F-550 Utility Truck. This bond is paid directly from the ER&R fund. This bond will end in 2015.

A non-voter approved 2011 bond for the purchase of a new Street Sweeper. This bond is paid directly from the ER&R fund. This bond will end in 2021.

The graph below represents a historical view of the annual debt payments by type of debt over a ten year period with the estimated 2012 payments.



| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|--|-----------------------|-----------------------|-----------------------|
| <u>Revenues (1994 G.O. Bond Fund)</u> | | | |
| Beginning Fund Balance: | \$ 984 | \$ 0 | \$ 0 |
| Total Transfers: | \$ 57,438 | \$ 0 | \$ 0 |
| <u>Expenditures (1994 G.O. Bond Fund)</u> | | | |
| Total Debt Service: | \$ 58,245 | \$ 0 | \$ 0 |
| Total Transfers: | \$ 177 | \$ 0 | \$ 0 |
| Total 1994 G.O. Bond Fund Expenditures: | \$ 58,422 | \$ 0 | \$ 0 |
| Total Fund Balance & Revenues: | \$ 58,422 | \$ 0 | \$ 0 |
| 1994 General Obligation Bond Ending Balance: | | | \$ 0 |
| <u>Revenues (1997 G.O. Bond Fund)</u> | | | |
| Beginning Fund Balance: | \$ 122,719 | \$ 126,472 | \$ 133,799 |
| Total Real & Personal Property Taxes: | \$ 100,275 | \$ 100,000 | \$ 80,000 |
| Total Misc & Other Revenues: | \$ 1,155 | \$ 1,811 | \$ 0 |
| <u>Expenditures (1997 G.O. Bond Fund)</u> | | | |
| Total Debt Service: | \$ 127,318 | \$ 131,954 | \$ 118,437 |
| Total 1997 G.O. Bond Fund Expenditures: | \$ 96,831 | \$ 96,329 | \$ 95,362 |
| Total Fund Balance & Revenues: | \$ 224,149 | \$ 228,283 | \$ 213,799 |
| 1997 G.O. Bond Ending Balance: | | | \$ 118,437 |
| <u>Revenues (2009 G.O. Bond Fund)</u> | | | |
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 0 |
| Total Transfers: | \$ 29,043 | \$ 29,043 | \$ 29,043 |
| <u>Expenditures (2009 G.O. Bond Fund)</u> | | | |
| Total Debt Service: | \$ 29,043 | \$ 29,043 | \$ 29,043 |
| Total 2009 G.O. Bond Fund Expenditures: | \$ 29,043 | \$ 29,043 | \$ 29,043 |
| Total Fund Balance & Revenues: | \$ 29,043 | \$ 29,043 | \$ 29,043 |
| 2009 G.O. Bond Ending Balance: | | | \$ 0 |

Water/Sewer Bond Reserve Fund

When the City borrows money and issues bonds to fund water or sewer projects, some companies that underwrite the City's loans require that approximately 10 percent of the bond amount be set aside in a special fund to ensure that bond payments can be made if there is a downturn in revenues from the utilities. By placing this reserve into this fund, it is not spent on day-to-day operations of the utilities or to repay other debt. Currently the 2000 Department of Ecology Loan requires \$118,000 (equivalent to one year's payment) to be held aside for Sewer related bond reserves. In 2012 the City is separating the Water and Sewer Fund into individual funds; in turn the Water/Sewer Bond Reserve Fund is also being separated equally and will be completed through a budget amendment in 2011. Below are the combined Water/Sewer Bond Fund and the separation as two new separate funds for Water Bond Reserve and Sewer Bond Reserve.

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|---|-------------------------------|-------------------------------|-------------------------------|
| <u>Revenues (Water/Sewer Bond Reserve)</u> | | | |
| Beginning Fund Balance: | \$ 264,048 | \$ 264,048 | \$ 0 |
| Total Misc. & Non Revenues: | \$ 0 | \$ 146,000 | \$ 0 |
| <u>Expenditures (Water/Sewer Bond Reserve)</u> | | | |
| Total Non Expenditures: | \$ 0 | \$ 146,000 | \$ 0 |
| Total Transfers: | \$ 0 | \$ 264,048 | \$ 0 |
| Total Water/Sewer Bond Expenditures: | \$ 0 | \$ 410,048 | \$ 0 |
| Total Fund Balance & Revenues: | \$ 264,048 | \$ 410,048 | \$ 0 |
| Water/Sewer Bond Reserve Ending Balance: | | | \$ 0 |

Revenues (Water Bond Reserve)

| | | | |
|------------------------------------|------|------------|------------|
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 132,024 |
| Total Transfers: | \$ 0 | \$ 132,024 | \$ 0 |
| Water Bond Reserve Ending Balance: | | | \$ 132,024 |

Revenues (Sewer Bond Reserve)

| | | | |
|------------------------------------|------|------------|------------|
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 132,024 |
| Total Transfers: | \$ 0 | \$ 132,024 | \$ 0 |
| Sewer Bond Reserve Ending Balance: | | | \$ 132,024 |

CAPITAL PROJECT FUNDS

Public Works Capital Improvement Fund

Under Washington law, Cities may adopt a tax of up to ½ of 1% on the sale of real estate, commonly referred to as the Real Estate Excise Tax or "REET." This tax was originally adopted by the Legislature to provide Cities with a funding mechanism to accommodate growth-related infrastructure improvements, and as a result, the funds must be used for capital improvements such as roads, parks, and community buildings. Up until 2006, the City of Leavenworth had adopted a Real Estate Excise Tax of ¼ of 1%. The collection of the second ¼ of 1% allowed by State law was approved by the City Council in the fall of 2006 to be dedicated to a Residential Street and Sidewalk Restoration Program, however legislation allows for a wider use of these funds. Funds from the first ¼ % tax were matched with funds from the General Fund to pay the debt service on bonds that were issued to finance the construction of City Hall in 1994 and were paid off in 2010. Remaining funds were used as matching funds in the 2008 Downtown Reconstruction Project on 9th Street. Starting in 2009, revenues declined dramatically and remaining funds were used to match over \$53,000 in residential street capital improvements, \$17,000 in street maintenance, and \$45,000 for the Train Station capital improvements. Beginning in 2011 and continuing forward, funds are being transferred for the repair, maintenance and potentially replacement of various residential street and sidewalks. A small additional transfer is included to assist in funding the new Capital Projects Fund for the Warehouse Property annual lease payments that is described below. Remaining funds are being held for future capital projects.

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| <u>Revenues</u> | | | |
| Beginning Fund Balance: | \$ 12,627 | \$ 12,564 | \$ 24,731 |
| Total REET Taxes: | \$ 75,258 | \$ 60,000 | \$ 70,000 |
| Total Misc. Revenues: | \$ 176 | \$ 50 | \$ 0 |
| <u>Expenditures</u> | | | |
| Total Transfers: | \$ 52,438 | \$ 60,000 | \$ 70,000 |
| Total Capital Imp. Fund Expenditures: | \$ 52,438 | \$ 60,000 | \$ 70,000 |
| Total Fund Balance & Revenues: | \$ 88,061 | \$ 72,614 | \$ 94,731 |
| Capital Improvement Ending Balance: | | | \$ 24,731 |

Capital Project Fund (Warehouse Property)

The City Council began discussions with the Nelson Legacy Group in late 2009/early 2010 pertaining to the Leavenworth Fruit Warehouse Building that had been vacant with limited use for several decades. The Fruit Warehouse is a prime commercial property, located near the downtown core, made for an invaluable opportunity for the Community to not only put the property to use but to allow for the short term goals of providing a much needed commodity of parking facilities. The City Council successfully negotiated a 5-year Lease with Option to Purchase Agreement that includes options for the demolition of the existing aging facility and the ability to do improvements for surface level parking facilities. At this time, the City Council has provided a budget for 2012 to allow for parking fees to be collected in support of the annual lease payments in addition to several other funding sources through subleases and support from partner organizations. The capital expenses for demolition and improvements have been included; however, these will not occur until the revenue streams have been fully identified and committed.

| Description | <u>2010</u> <u>Actual</u> | <u>2011</u> <u>Budget</u> | <u>2012</u> <u>Budget</u> |
|--|--|--|--|
| <u>Revenues</u> | | | |
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 0 |
| Total Charges & Misc. Revenues: | \$ 0 | \$ 0 | \$ 90,000 |
| Total Transfers: | \$ 0 | \$ 0 | \$ 720,000 |
| <u>Expenditures</u> | | | |
| Total Central Services: | \$ 0 | \$ 0 | \$ 149,667 |
| Total Capital Outlay: | \$ 0 | \$ 0 | \$ 660,000 |
| Total Capital Project Fund Expenditures: | \$ 0 | \$ 0 | \$ 809,667 |
| Total Fund Balance & Revenues: | \$ 0 | \$ 0 | \$ 810,000 |
| Capital Improvement Ending Balance: | | | \$ 333 |

ENTERPRISE FUNDS

Water/Wastewater Fund

The Water/Wastewater Fund accounts for revenues and expenditures necessary to operate the City's water and sewer utilities. Starting in 2012, the City is closing out the combined Water/Sewer Fund and creating two separate funds for the Water Utility and Sewer Utility.

Leavenworth's water utility provides potable water to 1369 service customers, of 205 are commercial customers and 1164 are residential customers. Over 389 of the utility's residential customers reside outside of City limits. The City demolished and reconstructed the Icicle Road Reservoir in 2008 and as part of that work installed an auxiliary generator at the well field so as to insure a non-interrupted water supply to the City even when there is a power outage from the utility district. The City has continued to replace water meters for the last three years with radio read meters that have enabled the City PW staff to more efficiently read meters and reduce the number of days each month required for staff to complete these readings. The City implemented a 5 year plan in 2009 to replace all of the City's residential water meters with radio read meters. In 2009 and 2010 the City had also replaced many of the worn-out larger commercial water meters with radio read meters so as to greatly reduce the amount of incorrectly metered water usage. In 2012 the City will continue to implementing the plan to reduce the amount of incorrectly metered water usage by replacing those next largest commercial water meter users. The Water System Plan was updated in 2010 and submitted to DOH in 2011 for approval based on much of the work that was done in the Water System and Wastewater System Master Plans that were completed in 2008.

The City's Wastewater utility provides for the collection, treatment, and disposal of sanitary sewer waste. The system serves approximately 940 customers, 154 of which are commercial establishments. The City's wastewater treatment plant receives an average flow of 300,000 gallons per day. In 2006, extensive work was completed on the Wenatchee River Watershed Plan, a Biosolids Management Plan, and Manhole Channel rehabilitation on Burke Street. In 2010 the City renewed the Biosolids Management Plan Permit for another five years. In doing so the City had to implement a Biosolids Spill Prevention Plan that was approved as part of the permit. The City Council in future years will need to consider increases to the wastewater portion of this fund to begin planning for forthcoming Department of Ecology regulations on phosphorous emissions.

Water/Sewer Fund (Combined Originally)

Revenues

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Beginning Fund Balance: | \$ 98,861 | \$ 252,869 | \$ 0 |
| Total Charges for Goods and Services: | \$2,148,584 | \$2,245,090 | \$ 0 |
| Total Fines & Penalties/Late Fees: | \$ 15,348 | \$ 17,000 | \$ 0 |
| Total Misc./Other & Non Revenues: | \$ 5,751 | \$ 860,005 | \$ 0 |
| Total Transfers: | \$ 242,755 | \$ 0 | \$ 0 |

Expenditures

| | | | |
|--------------------------------|------------|------------|------|
| Total Finance & Legal: | \$ 186,298 | \$ 345,000 | \$ 0 |
| Total Water Operations: | \$ 687,431 | \$ 774,557 | \$ 0 |
| Total Sewer Operations: | \$ 732,469 | \$ 832,388 | \$ 0 |
| Total Non Exp. & Debt Service: | \$ 520,526 | \$ 670,121 | \$ 0 |

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|--------------------------------------|------------------------|------------------------|------------------------|
| Total Capital Expenditures: | \$ 57,111 | \$ 165,955 | \$ 0 |
| Total Transfers: | \$ 51,000 | \$ 0 | \$ 0 |
| Total Water/Sewer Fund Expenditures: | \$2,234,836 | \$2,788,021 | \$ 0 |
| Total Fund Balance & Revenues: | \$2,511,299 | \$3,374,954 | \$ 0 |
| Water/Sewer Ending Balance: | | \$ 586,933 | \$ 0 |

Water Fund (Separated)

Revenues

| | | | |
|---------------------------------------|------|------|-------------|
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 450,000 |
| Total Charges for Goods and Services: | \$ 0 | \$ 0 | \$1,076,330 |
| Total Fines & Penalties/Late Fees: | \$ 0 | \$ 0 | \$ 8,500 |
| Total Misc./Other & Non Revenues: | \$ 0 | \$ 0 | \$ 310,300 |

Expenditures

| | | | |
|--------------------------------|------|------|-------------|
| Total Finance & Legal: | \$ 0 | \$ 0 | \$ 140,500 |
| Total Water Operations: | \$ 0 | \$ 0 | \$ 901,443 |
| Total Non Exp. & Debt Service: | \$ 0 | \$ 0 | \$ 289,415 |
| Total Capital Expenditures: | \$ 0 | \$ 0 | \$ 368,150 |
| Total Water Fund Expenditures: | \$ 0 | \$ 0 | \$1,559,009 |
| Total Fund Balance & Revenues: | \$ 0 | \$ 0 | \$1,845,130 |
| Water Ending Balance: | | | \$ 286,121 |

Sewer Fund (Separated)

Revenues

| | | | |
|---------------------------------------|------|------|-------------|
| Beginning Fund Balance: | \$ 0 | \$ 0 | \$ 300,000 |
| Total Charges for Goods and Services: | \$ 0 | \$ 0 | \$1,192,068 |
| Total Fines & Penalties/Late Fees: | \$ 0 | \$ 0 | \$ 8,500 |
| Total Misc./Other & Non Revenues: | \$ 0 | \$ 0 | \$ 255,895 |

Expenditures

| | | | |
|--------------------------------|------|------|------------|
| Total Finance & Legal: | \$ 0 | \$ 0 | \$ 500 |
| Total Sewer Operations: | \$ 0 | \$ 0 | \$ 850,121 |
| Total Non Exp. & Debt Service: | \$ 0 | \$ 0 | \$ 293,582 |
| Total Capital Expenditures: | \$ 0 | \$ 0 | \$ 280,745 |

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total Sewer Fund Expenditures: | \$ 0 | \$ 0 | \$1,424,448 |
| Total Fund Balance & Revenues: | \$ 0 | \$ 0 | \$1,756,463 |
| Sewer Ending Balance: | | | \$ 332,015 |

Garbage Fund

The Garbage Fund is used to account for the revenues and expenditures associated with the City's operation of a solid waste collection utility. The Garbage Fund also operates a cardboard collection service in the central business district, an annual Spring Cleanup, and a Fall leaf pickup at no additional charge to customers. The solid waste collected by the City is hauled to a County-owned transfer station at Dryden.

In 2010 the City purchased a new garbage truck with an automated mechanical arm for curbside garbage pickup. Along with the new garbage truck, the City purchased 64 gallon garbage totes for residential accounts and 300 gallon dumpsters for commercial accounts that will greatly reduce the number of injuries to the Public Works garbage crew by eliminating the need to manually lift/move garbage containers. Options for a 96 gallon totes for Commercial customers are being implemented in 2012.

The Chelan County Public Works Department in 2010 changed the methodology in calculating the garbage tipping fee. The change from a fee based on weight instead of volume has increased the garbage fees by approximately 25 – 30 percent for the City. The City will continue to explore ways with the County in reducing costs for the Dryden Transfer Station in order to effectively limit costs to the City's garbage utility.

In 2011, the City purchased the property adjacent to the 14th Street and Commercial Street Public Works yard using available cash and grant funds. In 2012, staff will review the costs to construct a recycling center drop-off area adjacent to 14th Street and reconfigure the Public Works shop yard for its activities and fence the site for security.

The City established and implemented an agreement with Waste Management in 2010 to allow Leavenworth residential accounts to contract directly with Waste Management for recycling services. Currently at the end of 2010, Waste Management has 203 Leavenworth residential customers receiving recycling services from Waste Management within the City limits. In 2011 the City working with Waste Management, offered commercial accounts within Leavenworth City limits access to a commercial recycling service for garbage materials with Waste Management. In 2012, the City will continue explore ways of providing cost effective garbage services and increase recycling services use for both commercial and residential accounts within City limits. By eliminating recyclable materials from going to the landfill, the City reduces the costs for garage landfill services, which has a direct correlation to future garbage rates.

Revenues

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|---------------------------------------|------------------------|------------------------|------------------------|
| Beginning Fund Balance: | \$ 336,633 | \$ 307,834 | \$ 175,716 |
| Total Intergovernmental Revenues: | \$ 0 | \$ 125,000 | \$ 55,000 |
| Total Charges for Goods and Services: | \$ 520,268 | \$ 488,896 | \$ 533,250 |
| Total Misc. & Non Revenues: | \$ 6,697 | \$ 5,125 | \$ 3,000 |

Expenditures

| | | | |
|----------------------------------|------------|------------|------------|
| Total Solid Waste Utilities: | \$ 494,785 | \$ 535,968 | \$ 561,978 |
| Total Non Exp. & Debt Service: | \$ 12,994 | \$ 12,994 | \$ 12,993 |
| Total Capital Outlay: | \$ 52,657 | \$ 205,728 | \$ 57,000 |
| Total Garbage Fund Expenditures: | \$ 560,435 | \$ 754,690 | \$ 631,971 |
| Total Fund Balance & Revenues: | \$ 845,598 | \$ 926,855 | \$ 766,966 |
| Garbage Ending Balance: | | | \$ 134,995 |

Internal Service Funds**Equipment Rental and Replacement Fund**

The Equipment Rental and Replacement (ER&R) Fund was created in 1999 to coordinate the maintenance and replacement of City-owned vehicles and equipment. Other funds in the City, such as the General and Street Funds, are charged a 'rental' fee for vehicles, and these funds are then transferred to the ER&R Fund for maintenance and future replacement. Financial oversight of the ER&R Fund rests with the Finance Director, while a Public Works Department employee provides the actual maintenance and repair services. Specialized and overflow work is contracted to local repair businesses. A detailed replacement schedule was created in 2009 to help facilitate the amount needed each year with a healthy reserve for emergencies.

Revenues

| Description | 2010 Actual | 2011 Budget | 2012 Budget |
|-------------------------|------------------------|------------------------|------------------------|
| Beginning Fund Balance: | \$ 38,826 | \$ 369,606 | \$ 375,000 |
| Total Misc. Revenues: | \$ 131,534 | \$ 132,308 | \$ 162,917 |
| Total Non Revenues: | \$ 134,004 | \$ 143,742 | \$ 146,734 |
| Total Other Revenues: | \$ 364,085 | \$ 190,000 | \$ 174,000 |
| Total Transfers: | \$ 266,796 | \$ 0 | \$ 0 |

Expenditures

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|--|-------------------------------|-------------------------------|-------------------------------|
| Total Services & Charges: | \$ 156,967 | \$ 216,187 | \$ 195,506 |
| Total Debt Service: | \$ 15,573 | \$ 40,018 | \$ 65,518 |
| Total Capital Expenditures: | \$ 393,099 | \$ 243,300 | \$ 284,000 |
| Total ER&R Expenditures: | \$ 565,639 | \$ 499,505 | \$ 545,024 |
| Total Fund Balance & Revenues: | \$ 935,246 | \$ 835,656 | \$ 858,651 |
| Equipment Rental and Revolving Ending Balance: | | | \$ 313,627 |

Central Services Fund

All of the City's departments and divisions share expenses such as office supplies, telephones, and repairs to shared equipment such as the computer network, copiers, and the fax machine. Rather than pay for these expenses from several different funds, the creation of this fund in 2002 consolidated these shared expenses into a single program. Revenue for the Central Services Fund comes from annual payments from each of the City's funds based on a department or division's percentage of shared costs. A computer replacement program was completed in 2011 to help ensure properly working equipment. This fund will fluctuate every other year with the need to fund the biennial audits that are currently costing approximately \$17,000 per audit. The most recent audit occurred in 2011 for the 2009 and 2010 years.

Revenues

| Description | 2010 <u>Actual</u> | 2011 <u>Budget</u> | 2012 <u>Budget</u> |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|
| Beginning Fund Balance: | \$ 3,964 | \$ 28,561 | \$ 14,506 |
| Total Misc. Revenues: | \$ 76,430 | \$ 78,612 | \$ 78,511 |
| Total Transfers: | \$ 11,613 | \$ 0 | \$ 0 |

Expenditures

| | | | |
|---|-----------|------------|-----------|
| Total Central Services: | \$ 66,625 | \$ 87,150 | \$ 64,900 |
| Total Capital Outlay: | \$ 3,783 | \$ 9,500 | \$ 9,500 |
| Total Central Services Fund Expenditures: | \$ 70,408 | \$ 96,650 | \$ 74,400 |
| Total Fund Balance & Revenues: | \$ 92,008 | \$ 107,173 | \$ 93,017 |
| Central Services Ending Balance: | | | \$ 18,617 |

FIDUCIARY FUND

Cemetery Endowment Fund

The City maintains and operates the Mountain View Cemetery on Icicle Road. When burial sites are sold, one-half of the revenue from the sale is applied to maintenance expenses in the present year. The other one-half of the sale revenue is placed in the Cemetery Endowment Fund for long-term investment so that maintenance can ultimately be paid from interest accumulating on the endowment. The City's General Fund currently subsidizes the cemetery maintenance operation.

Revenues

| Description | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>2012 Budget</u> |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Beginning Fund Balance: | \$ 192,264 | \$ 201,490 | \$ 208,000 |
| Total Sale of Lots: | \$ 5,215 | \$ 10,000 | \$ 10,000 |
| Total Misc. Revenues: | \$ 1,581 | \$ 1,000 | \$ 0 |
| Cemetery Endowment Fund Balance: | \$ 199,060 | \$ 212,490 | \$ 218,000 |