



City of Bremerton, Washington **2017 ANNUAL BUDGET**

For the period January 1, 2017 thru December 31, 2017

2017 Budget

City of Bremerton, Washington

2017 Budget

For the year beginning January 1, 2017 and ending December 31, 2017

Mayor

Patty Lent

Council Members

Eric Younger– Council President .. District 7

Pat Sullivan .. District 1

Leslie Daus .. District 2

Jerry McDonald .. District 3

Greg Wheeler .. District 4

Dino Davis .. District 5

Richard Huddy .. District 6

Executive Leadership

Roger Lubovich .. City Attorney

Chal Martin .. Public Works & Utilities Director

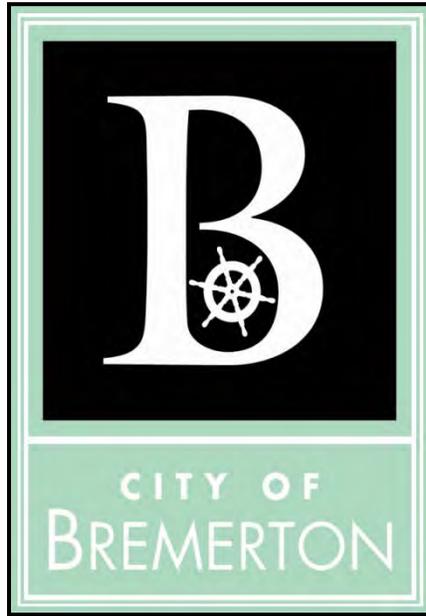
Steven Strachan .. Police Chief

Al Duke .. Fire Chief

Andrea Spencer .. Director of Community Development

Jeff Elevado .. Director of Parks and Recreation

Cathy Johnson .. Director of Financial Services



Cover by Kelsie Donleycott

Photo Courtesy of
Randy Allbritton and Mike Porter



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Patty Lent, Mayor

December 7, 2016

To the Citizens and the Honorable Council of the City of Bremerton,

It is my privilege to present to you the Adopted 2017 Fiscal Budget for the City of Bremerton.

Over the past two years the City has seen a slow upswing in our economic recovery. We continue to take a conservative view of anticipated resources and are strategic with how we spend them. The previous years have forced us to become lean and more efficient, and as we continue to provide needed services to our citizens, we are taking strategic steps toward achieving and maintaining long-term fiscal sustainability. The 2017 Budget keeps the City on this dedicated pathway.

As you review this document, I would like to highlight specific areas:

Revenue projections across all funds remain conservative. We believe that the local economy has made a turn for the better, and we are continuing to see slow but steady economic development within the City. Projections of external revenues from taxes and charges for service continue to increase over those of the last two years. Sales and Real Estate Excise taxes and charges to customers of the City's utilities are the largest contributors to the increase. State shared revenues remain consistent but are subject to reduction as the state legislature struggles with the Supreme Court's McCleary decision and funding issue.

The 2017 General Fund adopted budget anticipates an ending fund balance of \$4,908,051 which is 12.2% of anticipated expenditures. Fund Balance is necessary for adequate cash flow throughout the year due to the cyclical nature of property tax receipts. It also provides a cushion from short term revenue decreases as a result of declines in economic activity. Due to the large percentage of operating revenue received from taxes, the General Fund is especially vulnerable to economic declines. In addition, the City continues to rebuild its contingency reserve to meet our goal of \$.375 per \$1,000 of assessed valuation (\$1,030,578 for 2017). The Contingency Reserve Fund was established by the City Council to protect the City against unforeseen and unfunded emergency expenditures. The 2017 General Fund budget includes a transfer of \$85,883 from fund balance to maintain contingency reserves at the targeted amount.

The proposed 2017 General Fund budget includes new operating expenditures that address the City Council's stated goals. Anticipated expenditure increases include:

- \$84,800 for personnel tasked with attracting business activity to the City.
- \$30,000 for lobbying efforts on behalf of the City.
- \$125,350 for an additional Building Inspector/Plans Examiner in the Community Development department to support the increase in economic activity within the City.
- \$103,900 for one additional Police Officer to increase proactive contact in commercial areas to reduce property crimes and increase quality of life.

- \$6,000 for 350 additional seasonal Parks staff hours to address maintenance issues related to the increased usage of City parks.
- \$142,900 for an Assistant Fire Chief position to assist managing fire suppression, emergency medical response, fire prevention and investigations.

The budget also includes set asides for potential cost increases as a result of the wage and class study currently in progress.

New and changed programs in funds other than the General Fund include:

- The proposed Street Fund budget includes \$101,400 for an additional Street Service Specialist and seasonal labor to address the growing backlog of street maintenance items.
- The Street Fund proposed budget also includes \$50,000 for replacement of aging traffic signal cabinets and a program to install LED lighting in City owned street lights which will result in long term energy savings.
- Revenue projections in the Transportation Capital Fund include \$272,630 of Stormwater Utility Tax revenue in anticipation of the Council's action to dedicate a portion of the tax collected for transportation improvements.
- A program budget of \$100,000 is included in Transportation Capital Fund proposed expenditures for implementation of the ADA Transition Plan. Improvements made under this program are required under the United States American with Disabilities Act.

Unlike the General Fund, other City funds have purposely been budgeted to dip into their respective reserve accounts. This is appropriate in that these funds have built reserves for identified purposes or expenditures that are limited by legal statute or contract. If a program qualifies as an allowable use for these restricted funds, we have chosen to use these funds first before going to General Fund revenues while maintaining an adequate amount in the projected ending fund balances for future needs. Bond funds are not designed to have large reserves, capital funds are designed to exhaust their reserves as the project is completed, and internal service funds are not designed to "make a profit," so their budgets propose using some reserves to decrease the charges imposed on the operational funds that pay them. The budget includes the following uses of restricted funds:

- The budget includes transfers to the General Fund from the Abatement Revolving Fund (\$100,000) to support staffing costs in the Community Development department. Revenues from the Rental Property ordinance adopted in 2013 as well as Abatement Fund revenues are being used to support the cost of the Code Enforcement Officer as much of her work is focused on this area. Due to the cyclical nature of the funding source and increased compliance, these funding sources cannot be relied on for continued future funding but allow for the continuation of needed programs as revenues continue to grow and other efficiencies are explored.
- Real Estate Excise Tax revenue has been identified to fund work on the Conference Center building budgeted in the Conference Center Operations Fund. \$30,000 would be used to replace an HVAC compressor unit. An additional \$100,000 has been identified to support a General Fund Facilities department project to enclose the work bay in the Equipment Services Garage.

- A Residential Street Capital Fund was created for the purpose of dedicating capital funding improvements to residential streets and sidewalks. The budget includes \$480,000 of Real Estate Excise Tax revenue to support this effort.
- \$3.8 million is budgeted for Fire capital equipment and remodeling of facilities in 2017. These funds were provided from \$4.5 million of voter approved bonds issued in 2015.

As in the past few years, my administration continues to assess our staffing needs. As positions become vacant, we do not automatically fill them without a thorough assessment for the position's need relative to our goals, processes, and budget. Along with the assessments made of positions as they become vacant, we have also assessed our current staffing levels against our goals as a City. To continue with that effort we have entered into a contract for a required wage and classification study for management, professional and Teamsters staff. This study is well underway and expected to be concluded in early 2017. Any changes proposed as a result of this study will be presented to the City Council as a separate item. The 2017 Budget includes a proposed staffing increase of 15.05 FTEs city wide. In addition to the General and Street Fund positions noted above an additional 8 FTEs are proposed by the City's three utilities to address growing deferred maintenance needs associated with reductions of staff during the recession.

This budget proposes no change to our current utility tax on city owned utilities or commercial parking tax rates but does continue the increase to the B&O tax exemption rate to assist our small businesses. For 2017, the B&O tax exemption level will increase from \$140,000 to \$160,000. In addition, there is no change regarding the cost of a business or landlord license.

As mentioned above, while the rate for utility taxes on city owned utilities have not changed, the budget includes a change to how the revenue received from these resources is allocated. The City Council approved a change to the current policy effective January 2017. The new arrangement would dedicate 40% of the utility tax from the Stormwater utility to the Transportation Capital Improvement Fund to be used for transportation improvements. Incremental increases to this revenue source would accrue to that fund in the future. 2017 projections anticipate that \$272,630 from this source will be directed to the Transportation Capital Fund.

Regarding our utilities (water, wastewater, and stormwater), the City completed and adopted its comprehensive rate study for all three utilities in April 2013. This effort was undertaken to insure that our utilities would remain financially stable. As part of this effort, the City now projects its utility needs and revenues over a six year horizon, utilizing a rate matrix that includes our operations and maintenance needs along with our capital and debt service needs. Each year we update this matrix to insure that we remain on a sustainable path. As with any long range projection, the numbers used in the utility rate matrix are based on the information that is available at the time the projections are made. The 2017 budget was prepared using the rate increase anticipated in the updated matrix. The budget supports daily operations, debt service requirements and capital programs while maintaining our operations and maintenance reserve cash balances at a minimum of 12% per our reserve policy.

The 2017 Budget continues to move the City toward fiscal stability over the upcoming years. Longer term initiatives the City continues to pursue include, but are not necessarily limited to:

- Maintaining a sustainable General fund budget by matching ongoing revenues and expenditures.
- Addressing long term liabilities such as LEOFF I obligations;
- Continuing to maintain adequate reserve balances;

- Continuing to identify additional ongoing revenue/funding sources for streets;
- Maintain utility infrastructure to ensure uninterrupted service to our customers and plan for expansion of our systems to serve new ratepayers.
- Addressing our fleet needs and appropriate funding for such; and
- Working with Council to identify appropriate levels of service for all our departments and programs.

As the City of Bremerton moves forward, our focus will continue to be on fiscal stability, effectiveness, efficiency, transparency and accountability. I feel that the 2017 Budget continues this process.

Sincerely,

A handwritten signature in blue ink that reads "Patty Lent". The signature is written in a cursive style with a large, stylized initial "P".

Patty Lent
Mayor



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