



2019 BUDGET MESSAGE

Honorable Mayor, City Council and Connell Residents:

I am pleased to present for your consideration the preliminary 2019 annual budget for the City of Connell. As required by state law, revenues and expenses proposed are balanced in all funds. As part of the budgeting process public hearings are held to allow for discussion from citizens and the City Council. Staff takes direction from City Council to finalize the budget and prepare it for adoption. Once adopted by the Council the budget establishes the direction for all City government programs and services for the coming year.

EXPLANATION OF THE BUDGET DOCUMENT

A budget is a legal document that forecasts the financial resources of a government and authorizes the spending of those resources for a fiscal period. State Auditor's Office BARS Manual.

The City of Connell prepares the budget using the cash basis of accounting. The City adopts annual appropriated budgets for general, special revenue, capital projects, enterprise, and agency funds. These budgets are organized by fund and are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Projected revenues and expenditures are provided for each fund. Each fund is accounted for with a separate set of single-entry accounts that comprises its investments, cash, revenues and expenditures, as appropriate. Each fund is considered a separate accounting entity, except for those funds which are combined together for State reporting purposes. For State reporting purposes Funds 001, 002 and 111 are combined and reported on Fund 001; Funds 401, 404, and 416 are combined and reported on Fund 401; Funds 402 and 406 are combined and reported on Fund 402. Annual appropriations for these funds lapse at the fiscal year end.

FINANCIAL POLICIES

The City's investment policy provides objectives on how to manage the City's total cash and cash equivalent assets. The goal is to have seventy-five percent (75%) or more of the City's entire cash and cash equivalent assets invested while maintaining a cash balance of \$1,000,000. The Clerk/Treasurer is the investment officer of the City and is overseen by the City Administrator. The city investments are held in the Local Government Investment Pool and Federal Agency Securities managed through Time Value Investments. Community First Bank provides banking services for City accounts.

If all programs and projects are completed as projected in the preliminary 2019 budget, the City's total cash and cash equivalent assets at the end of 2019 would be \$7,475,190. The City would maintain a cash balance of at least \$1,000,000 leaving \$6,475,190 to be held in investments.

GENERAL FUND

In 2018 staff was able to transfer \$638,000 to the General Reserve Fund. This set the beginning and ending fund balance at \$1,000,000. For the 2019 Budget the General Fund revenues and expenditures are expected to offset each other at \$2,415,900, not including the \$1,000,000 beginning and ending fund balances. Staff continues to be vigilant in keeping expenses down and assuring that revenues are coming in as projected, otherwise the City would need to take a look at cutting cost or increasing revenues in some way.

The City continued to see growth in building and housing for 2018. Eight new homes started construction in 2018 and the School started construction of their new bus facility. I don't expect that we will continue to see the same level of construction for new homes in 2019 but hope to see increased construction of new commercial and industrial sites.

In 2018 staff positions for the city administration office were adjusted with the departure of the City Clerk-Treasurer. The City Administrator took on the additional title of City Clerk-Treasurer and the Deputy Clerk-Treasurer position was split into the Deputy Clerk and the Deputy Treasurer positions. The 2019 budget continues to reflect these changes.

The Comprehensive Plan Update was due for adoption in 2018 and the City hired AHBL to help us through this processes. Progress was made but adoption of the completed Comp Plan is scheduled for early 2019.

There were several exciting projects that commenced in 2018. The citizens of Connell came together to show their support of a new basketball court at pioneer park and raised half the funds to see that become a reality. The Port of Pasco invested in economic development in Connell and committed \$200,000 to build a visitors center. Franklin PUD's placement of an electric vehicle charging station in Connell was completed and was placed at the site of the future visitors center. The pool was able to make some necessary updates thanks to a grant from the State legislature, it received new paint, repair of the roof, and new changing stalls.

The 2019 General Fund preliminary budget includes capital projects that will be offset by reserves from the General Reserve Fund. These include; \$30,000 for the purchase of a new city vehicle, \$12,000 for police department desktop computers, \$118,000 for a 7th officer's wages along with the final payment for vehicles purchased, \$12,000 for a fire truck 4 year lease, \$15,000 improvements for the Community Center, \$35,000 for landscaping and furnishings for the visitors center, \$33,000 for a tractor for the Park Dept, \$10,000 for park equipment, \$8,000 for pool facility improvements, and \$50,000 for a pool evaluation.

GENERAL RESERVE FUND

In 2018 the General Fund was able to transfer \$348,000 to the Economic Development Reserve that had been used to help retire the Hardung Water Rights debt in 2017. The General Reserve Fund also received transfers of; \$130,000 for Civic Facility, \$100,000 for Community Development, \$10,000 for Law Enforcement, \$40,000 for Fire Protection, and \$10,000 for Parks and Recreation. The 2019 preliminary budget does not have transfers coming to the General Reserve Fund but does have transfers going out for the items noted above.

STREET FUND

In April of 2018 the State started collecting the .2% increase to the sales and use tax for Street Capital Improvements. These funds are to help offset the shortage created when the City moved

to no longer provide transfers from the General Fund to street operations. Allocations from the street reserve were moved to street operations leaving a shortage in the street reserve. It is anticipated that the City would receive \$40,000 in 2018 and \$60,000 in 2019 from this revenue source. These funds will be used for future street improvement projects.

Two street projects were completed in 2018. Crack/chip seal maintenance on Columbia Ave from HW395 to the north end of North Columbia was completed thanks to grants from WSDOT and TIB. Of this \$272,000 project the City's share was under \$59,000. Thanks to Emergency Management Funds the City was able to repair Nordheim Rd from Garfield Rd to Airport Lane. This project of over \$202,000 was matched by \$26,000 of city funds.

For 2019, the City has included funds for East Birch Street, crack/chip sealing, and South Columbia Ave sidewalk. The street improvement reserve budget also includes \$48,000 for new equipment and vehicles.

HOTEL/MOTEL FUND

Revenues for this fund have averaged \$14,000 over the last 6 years and continue to be constant. Expenditures have averaged \$11,000 (not counting capital purchases for the float) over the last 6 years allowing for a slow increase to the ending fund balance.

GENERAL SUPPORT FUND

There are no budgeted expenditures in this fund for 2019, it does continue to receive two annual loan payments from the Water Fund. Loan #1 was approved in 2011 to help pay down the Water Farm Bonds. Annual payments of \$68,417.19 (include principle and interest) will be concluded in 2022. Loan #2 was approved in 2014 to help pay down the USDA Water loan. Annual payments of \$52,791.04 (include principle and interest) will be concluded in 2024.

CAPITAL FACILITIES FUND

Staff has continued to work with WSDOT and BNSF on the Connell Rail Interchange Project, with WSDOT providing financial administration. \$18.5 million is still needed in order for this project to take place. The City is working closely with the Port of Moses Lake who has taken on a more active role in trying to secure the additional funding.

WATER FUND

Projects that took place in 2018 for the water fund included; installation of a water line along N. Columbia Ave, an emergency repair on West Franklin, and casing of Well 9. Staff determined that construction of a new well to replace Well 6 would not be needed and that the City could better utilize our existing wells. A water rate study was started in 2018 but would not be completed until 2019. With the completion of this study the City can make an informed assessment in regards to future water rate increases.

Capital projects for 2019 include; \$12,000 for new vehicles on a 4 year lease, \$25,000 for a vactor truck, \$50,000 for well rehab, and \$100,000 to reroof the large reservoir.

WASTEWATER FUND

Projects that took place in 2018 for the sewer fund included; installation of a sewer line along No. Columbia Ave, new pump and rail system for Lift Station 4, and a new augur and screen for Lift Station 5.

For 2019 the City is seeking funds to help remove the grinder pumps in the Striker area and install a new lift station and gravity delivery sewer system. This has not been included at this time in the preliminary budget but may be included prior to the adoption of the final budget.

The 2019 preliminary budget does include; \$50,000 for a lift station rebuild, \$65,000 for a vactor truck, and \$15,000 for vehicles on a 4 year lease. It also provides for the transfer of \$200,000 to create a sewer emergency fund.

SOLID WASTE FUND

In 2016 billing for sanitation services were transferred to Basin Disposal Incorporated. This fund now only receives revenue from chipping services and investment interest.

DWSRF FUND

In 2001 Council approved the DWSRF loan for water improvements. Annual payments of approximately \$25,000 (including principal and interest) will be concluded in 2020.

WATER EMERGENCY FUND

In 2017 the Water Emergency Fund was created to set aside funds for a water emergency. Under no circumstances can funds from this fund be used for normal operations, maintenance or repair. The minimum balance for this fund was set at \$200,000.

SEWER EMERGENCY FUND

This is a new fund for 2019 that is being created to set aside funds for a sewer emergency. Under no circumstance can funds from this fund be used for normal operations, maintenance or repair. The minimum balance for this fund is set at \$200,000.

CONCLUSION

Staff has prepared a conservative yet realistic balanced budget for 2019. The budget document provides accountability, planning, evaluation, and direction by City Council. All revenues and expenditures are based on analysis of previous figures and known future impacts. The budget may be amended as other priorities come up.

Although Connell has not seen the same rapid growth of as our neighboring communities, we are seeing steady growth and we continue to work on economic development. We are growing at a pace that current staff is able to manage. We are talking to developers and we continue to promote our wonderful city. We also continue to work with the amazing citizens and committees that are essential to the wellbeing of our community. It is through these strong partnerships that we continue to improve our community even, if it is one small step at a time.

Respectfully,

Maria T. Peña

Maria T. Peña, City Administrator