



CITY OF ELLENSBURG
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November 18, 2024

Honorable Mayor, City Council, and Ellensburg Community:

We are pleased to present to you the proposed 2025-2026 Biennial Budget for the City of Ellensburg. The purpose of this transmittal letter is to provide the Council and public a summary of the general issues addressed in the budget and to highlight significant changes in projected revenues and expenditures. As presented, this document represents a continued commitment to provide effective fiscal management and professional service delivery, while maintaining a high quality of life for our community members. This budget adapts to changing circumstances and inflationary factors in the economy.

The balanced budget reflects a financial plan to move us forward toward achieving the priorities and milestones in the Ellensburg City Council Strategic Vision 2024-2029, goals identified in the City's Comprehensive Plan and other adopted plans. It allocates resources to a variety of programs necessary to protect the community, maintain the City's infrastructure, provides for adjustment to some service levels, and reallocates revenues in response to continued inflationary pressures impacting operations and capital projects.

Budget Development

The Biennial Budget preparation takes a significant amount of time and commitment on behalf of all departments every other year, beginning in June of even years. As noted below, staff formulate the budget with City Council's Strategic Vision in mind as the foundation of the priority-based budget development. This budget serves as a policy document, an operations guide, a financial plan, and a communications device for the coming biennium. It helps guide our decisions and discussions about operations and capital programs throughout each year of the biennium. Except for minor service reductions in parks and street maintenance, this budget maintains levels of service, programs, and required reserve balances. The budget pursues strategic opportunities to address Council priorities, and to the extent possible, addresses department operational and capital requests.

Financial Challenges and Opportunities

Although national economic forecasts are uncertain, the City's long-term revenue picture remains stable. However, continued inflationary pressures on labor, materials, equipment, and projects have required adaptive response to balancing the Biennial Budget. With mindful stewardship, we will continue to invest in maintenance and improvement of infrastructure systems and modernize operations to expand capacity to achieve the Council's vision and meet ongoing community needs.

This preliminary Biennial Budget embraces several tools to create efficiencies, maximize use of special (restricted) revenue, proposes reallocation of some revenue, and reduces specific general fund service levels—primarily in parks and streets—as the City and community consider other

long-term revenue options. Primarily flat sales tax revenues, and the limitation of the 1% property tax revenue increase restrict the City's ability to sustain established General Fund activities without adjustment and new revenue sources, reinforced by the Council's goal to explore dedicated parks and recreation resources. The final balance of one-time federal COVID-19 relief dollars is directed to fund a portion of the wastewater transmission system improvements, with \$1,000,000 redirected to the General Fund for revenue replacement in 2025. Bond funded investments have been completed for infrastructure, water distribution system, and wastewater collection and treatment systems.

The City's General Fund ending fund balance policy threshold is set at 15% of ongoing operating expense. For 2025 and 2026, reserve levels are at 25% and 15% respectively when including the sales tax reserve and Fire Relief & Pension reserve. While the projected fund balance in 2026 is near the 15% reserve threshold, it is anticipated that prudent management of the General Fund and Sales Tax Reserve Fund will result in a larger cash balance than budgeted and these expenditures will be closely monitored through continuing oversight activities to ensure a healthy bottom line at the end of each year.

Budget Summary

The 2025/2026 Biennial Budget totals \$128,549,660 for 2025 and \$128,061,329 for 2026, excluding ending fund balance. The City's General Fund operating revenues are conservatively projected to exceed budgeted 2024 levels and increase slightly between 2025 and 2026. The projected operating revenue for fiscal years 2025 and 2026 are \$21,645,908 and \$20,800,327 respectively. Combined with the projected beginning fund balance brought forward from 2024 the total available resources in the General Fund operations are \$26,653,209 for 2025 and \$24,649,902 for 2026.

Total projected tax revenue (property taxes, sales taxes, business and occupation tax, and utility taxes) for general governmental purposes are \$14,695,740 for 2025 and \$15,500,260 for 2026. Regular property tax receipts incorporate a 1.0% property tax increase as allowed under current law. This increase produces approximately \$36,040, plus new construction increase of \$43,451 in 2024. Retail sales tax activity projection for most sectors anticipates flattening of taxable sales. Taxable sales in the Construction sector are more volatile and are conservatively projected lower based on 2024 experience to date. The Biennial Budget includes Council adopted increases to customer utility rates for 2025.

Most notably, the budget includes shifted use of restricted revenues by renewing the voted 0.2% transportation benefit district funding limited for transit services and set to expire in 9/30/2026, which will require a public vote in 2025. Transit has been consistently successful in acquiring grants and steadily gaining fund balance, while street maintenance projects have increased dependence on unrestricted sales tax, thereby reducing the available balance for other governmental activities such as parks, police, library, and administrative services. The budget anticipates reallocation of the voted funds, designating 0.1% to street maintenance and 0.1% to transit in 2026.

Budget Highlights

The 2025/2026 Biennial Budget includes a number of important capital projects as we continue to make progress in meeting and enhancing capital investment needs. Utility expansions included

in this budget are focused upon preservation of existing systems and expansions to improve resiliency of existing service and ensure redundancy in the event of outages or service interruptions on the various utility systems. The budget for new service connections and development-driven activity is derived from an estimate of anticipated activity.

The personnel portion of the budget includes salary increases governed by the various labor contracts. Non-represented personnel expenditures are budgeted to accommodate a 3% cost of living adjustment in each year. Employees who have not reached the top of the pay scale for their position(s) will receive step increases within the allowable pay range subject to satisfactory performance and available revenue. The budget reflects moving away from the self-insured health benefits to a larger, more stable pool which provides some savings for 2025 and anticipates a 5% increase in rates for 2026.

Included in the budget are additional positions which add capacity to achieve Council priorities and meet shifting community needs, including re-organization of the Public Works & Utilities Department into two departments: Public Works and Energy Services. Several staff positions are be impacted by this change. Included in the preliminary budget: 1.0 FTE Energy Services Director, 1.0 FTE Telecom Business/Project Manager, 1.0 FTE Water/Stormwater Coordinator, 1.0 FTE Contracts and Purchasing Manager, 1.0 FTE Warehouse Person, and 1.0 FTE Water Division Plant Maintenance Tech. Reclassification of several positions related to the re-organization, succession, and organizational needs include: Public Works & Utilities Director to Public Works Director; Stormwater Manager to Water Resources Manager; Assistant Utilities Director to Gas Operations Supervisor; IT Telecom Manager to IT Network/Security Manager; Shop & Warehouse Manager to Fleet & Facilities Manager; Assistant City Manager/City Attorney to City Attorney (following pending retirement); Engineering Tech I to II; and HR Assistant reclassified to HR Specialist; and establishing PERS eligibility for qualified Recreation Aids.

The 2025/2026 Budget expands capacity and aligns resources with the Council's Strategic Vision 2024-2029 through the following enhancements:

Affordable Housing and Living

- Continues funding for capacity with a Housing and Grants Coordinator to maximize housing partnerships and projects to implement the Housing Action Plan and track progress on stock and affordability, coordinate City efforts to address gaps in housing pipeline.
- Continues CHIP grants to site improvements for affordable housing developments.
- Provides for consultant services to facilitate the periodic update of the Comprehensive Plan, including Housing, Transportation, Economic Development, Climate, and all other elements.
- Adds minor funding for warming and cooling shelter staffing.

Sustainable Economic Development

- Infrastructure system maintenance and investment program aligned with utility and transportation system plans to adequately serve forecasted future residential, commercial, and industrial uses.
- Continues funding for economic development to expand creative economy and entrepreneurial sector to retain and enhance community character; Implement the County-wide Economic Development Strategic Plan in collaboration with partners;

actively participate in countywide and regional collaboration around economic opportunities

- Provides funding for consultant services to support implementation elements of the City's economic development goals outlined in the County-wide Economic Development Strategic Plan in 2025.

Safety, Civic Engagement, and Cultural Inclusion

- Prepares to fund public defense services within the County's new office.
- Continues budget and staff support for diversity, equity, and inclusion initiatives.
- Provides for modest investment in communications budget to increase accessibility including translation and signing for events as appropriate and funding for consultant work to facilitate compliance with 2027 online accessibility mandates.
- Continues to provide resources to host civic education program, cultural events, and community-building programs.
- Increases tools for modern policing using data and updates technology to improve outcomes and officer safety.

Infrastructure and Energy

- Reorganizes Public Works and Utilities Department into two departments, Public Works and Energy Services, to increase capacity in light, gas, and fiber/telecom utilities to proactively prepare for future energy and broadband needs of community.
- Continues to implement actions in the City's Sustainability and Energy Plan. Structured budgeted operations and infrastructure investments to meet milestones and targets of Clean Energy Transformation Act (CETA), Climate Commitment Act, building codes, and other state and federal mandates.
- Provides resources for development of a comprehensive Urban Forestry plan, tree code update, and tree program.
- Continues renewable energy and conservation incentives in the energy utilities including the Home Energy and Appliance Rebate (HEAR) program.
- Continues investment in technology infrastructure to support community's present and future needs, including replace the City's enterprise resource planning (ERP) software system, improve data and processes to prepare for Asset Management System software, mature and enhance GIS program, and reinforce cybersecurity.
- Intentionally budgets for capital project contingencies for transportation infrastructure to address unforeseen costs within the adopted financial program.
- Completes Gateway II – Vantage Highway stormwater investments, and Reecer Creek Levee Extension flood mitigation to improve community resiliency.
- Additional bus shelters for Public Transit and ADA improvements on bus routes.
- Continues funding for legislative advocacy focused on the City's energy utilities.

Dedicated Parks and Recreation Resources

- Updates the City's Parks and Open Space Plan in 2025.
- Provides consultant funding to explore priority parks and recreation projects, explore partnerships (Boys & Girls Club, YMCA/YWCA, etc.) and new revenue options with community and stakeholders for increased recreation facilities such as the Fieldhouse, community center/pool, and park maintenance.
- Shifts investment in replacement of Adult Activity Center (AAC) van and funds rental fees for ongoing Senior Center activities. Purchase of Utility vehicle for year-round parks maintenance activities.

Other Major Projects, Programs, and Issues

- Invests in transportation and utility systems, including:
- Anderson Road sewer project, Phase II, funded partially with federal COVID-19 relief grant dollars and bond funds
- Water Street Overlay
- Phased Progressive Design-Build for Fieldhouse
- Sidewalk repair programs
- Dolarway Substation Construction
- Redundancy, safety, maintenance, and reliability investments for utility systems
- System expansions as needed
- Well siting and inspection for the Water Utility

A table of significant budget enhancements and capital projects is attached, including impacts to the fund and transfers (which amplify some expenditures).

Acknowledgments

The proposed 2025/2025 Biennial Budget is formulated with the intent to reposition the City and grow strategically. Every effort has been made to assure consistency with the leadership vision and direction of the City Council. As the City of Ellensburg moves forward, our focus will continue to be on fiscal stability, effectiveness, efficiency, transparency, accountability, and stewardship. I wish to express my sincere appreciation for the teamwork and support provided by department directors and their staff. A special note of thanks is given to Jerica Pascoe, Finance Director, Keith Bassett, Assistant Finance Director, Gloria Lanphere, Budget Officer, and Finance staff who have served as the main budget preparers and coordinators.

A special thanks to the City Council for their vision and priority setting that forms the framework of the budget. Council's clear direction and policy insight enabled staff to bring forward solid budget proposals, resulting in a sound financial plan for operations of the City in the next biennium and for the long-term future of the community.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Heidi Behrends Cerniwey', with a long, sweeping horizontal line extending to the right.

Heidi Behrends Cerniwey
Ellensburg City Manager