

2015 BUDGET IN BRIEF

The Budget In Brief provides a high-level overview of the final 2015 budget, along with significant issues that are anticipated to have a material impact in 2015.

Even as the local economy is gradually bouncing back to pre-recession levels, we are still struggling with underlying conditions that has Yakima’s unemployment and poverty rates higher than the state and national averages. Given these economic challenges, the 2015 budget is balanced within available resources without new taxes, and is responsive to the City Council’s strategic priorities and the community’s needs. To that end, this budget is driven by the results of the 2014 Citizen Survey that expressed a strong need to address the City’s public safety challenges and deferred infrastructure backlog, and to improve the appearance of the community and stimulate economic development.

2014 VS. 2015 BUDGET COMPARISON AND 2015 BUDGET OVERVIEW

The chart below compares the 2014 year-end estimate to the 2015 budget in summary format.

2014 ESTIMATE / 2015 BUDGET COMPARISON

Fund	----- Revenues -----			----- Expenditures -----		
	2014 Year-End Estimate	2015 Budget	% Chng	2014 Year-End Estimate	2015 Budget	% Chng
General	\$58,231,636	\$61,333,941	5.3%	\$58,966,443	\$60,975,096	3.4%
Parks and Recreation	4,519,614	5,459,455	20.8%	4,545,867	5,425,527	19.4%
Street & Traffic Operations	4,639,310	4,718,610	1.7%	4,814,188	5,049,379	4.9%
General Gov't Subtotal	67,390,560	71,512,006	6.1%	68,326,497	71,450,002	4.6%
Utilities/Other Operating	69,452,999	70,300,373	1.2%	68,122,223	71,723,236	5.3%
Capital Improvement	45,047,419	33,874,773	(24.8%)	48,562,205	40,743,263	(16.1%)
Risk Management Reserves	3,367,000	3,684,000	9.4%	3,643,852	3,715,631	2.0%
Employee Benefit Reserves	12,071,536	12,509,688	3.6%	13,127,720	12,865,238	(2.0%)
G.O. Bond Debt Service	3,187,741	4,700,361	47.5%	3,346,079	4,709,429	40.7%
Utility Rev Bond Debt Service	2,146,286	2,134,280	(0.6%)	2,144,786	2,132,155	(0.6%)
Trust and Agency Funds	625,171	620,277	(0.8%)	622,671	617,777	(0.8%)
Total	\$203,288,712	\$199,335,758	(1.9%)	\$207,896,033	\$207,956,731	0.0%

The estimated revenues for all funds, including beginning balances, are \$199.3 million. This represents a decrease of \$4.0 million or 1.9% less than the 2014 Year-End Estimate of \$203.3 million.

The expenditure budget for FY 2015 for all funds is \$208.0 million. This is about the same as the 2014 Year-End Estimate.

2015 BUDGET SUMMARY

	Est. 2015 Beginning Balance	2015 Revenue	2015 Expenditure	Use of Reserves	Est. 2015 Ending Balance
General Fund	\$8,394,076	\$61,333,941	\$60,975,096	358,845	\$8,752,921
Parks and Recreation	556,239	5,459,455	5,425,527	33,928	590,167
Street & Traffic Operations	997,502	4,718,610	5,049,379	(330,769)	666,733
General Government Subtotal	9,947,817	71,512,006	71,450,002	62,004	10,009,821
Utilities/Other Operating	18,743,397	70,300,373	71,723,236	(1,422,863)	17,320,534
Capital Improvement	19,974,697	33,874,773	40,743,263	(6,868,490)	13,106,207
Risk Management Reserves	742,707	3,684,000	3,715,631	(31,631)	711,076
Employee Benefit Reserves	4,829,352	12,509,688	12,865,238	(355,550)	4,473,802
G.O. Bond Debt Service	340,814	4,700,361	4,709,429	(9,018)	331,746
Utility Revenue Bond Debt Svc	1,762,214	2,134,280	2,132,155	2,125	1,764,339
Trust and Agency Funds	958,666	620,277	617,777	2,500	961,166
Total	\$57,299,664	\$199,335,758	\$207,956,731	(\$8,620,923)	\$48,678,691

- The use of reserves of \$8.6 million is programmed to be primarily out of capital funds, which is typical as reserves are built over time to be used in major projects. Both Wastewater and Water utilities are in the middle of major capital programs, and Transit is purchasing 3 buses.
- The operating funds are set with conservative revenue estimates—even though many of them are budgeted to use reserves, it is likely that future revenue will exceed budget, bringing them closer to “break-even” by next year-end.

Some features of the Fiscal Year 2015 budget that should be noted are:

Revenues

- The general operating property tax levy for FY 2015 is estimated to be \$3.122 per \$1,000 of assessed value, an increase of \$0.0034 or 0.1% over the current rate.
- The debt related to the voter-approved levy was paid in full in 2014, so the levy the 2014 levy of \$0.0197 is totally eliminated.
- The combined general operating and debt service levy rate is \$3.122 per \$1,000 of assessed value, a **decrease of \$0.016 or 0.5%**.
- All of the five utilities (Water, Wastewater, Stormwater, Irrigation and Refuse) are not budgeting rate adjustments in 2015. Recent rate studies indicate increases are needed for all but Irrigation, but management is proposing to postpone any rate adjustments until 2016.

Personnel

- 764.17 total proposed full-time (FTE) positions in all funds for Fiscal Year 2015.
- A net increase of 13.75 FTE’s from 2014.
- Refer to the *General Staffing* section in the 2015 Preliminary Budget document for more information.

Capital Improvements

- The City will invest \$42.2 million in FY 2015 to address its capital needs. This includes all capital funds and the equipment replacement portion of the Equipment Rental fund.

FINANCIAL CONDITION

Despite several years of downward pressure on revenues mainly due to tax relief legislation and the economic recession, Yakima is emerging from the recession and is continuing to maintain fiscal stability.

Bond Ratings

The City is proud of affirming an “AA-” rating from Standard and Poor’s on its water and wastewater utilities. Also, in 2014 Standard and Poor’s upgraded the City’s rating on its general obligation bonds from “A+” to “AA-” in 2014. Careful preparation by the staff, combined with good audits, high level of fiscal responsibility and comprehensive written financial policies resulted in this upgrade. A better rating means the City’s general obligation bonds are considered to be of high investment quality, which translates into lower interest rates and corresponding lower interest payments.

General Government Revenues/Balancing

Ad valorem taxes - To ensure its long-term financial success, the City is proposing to set its operating property tax levy at rate of \$3.122 per \$1,000 of assessed value in Fiscal Year 2015. The State law allows the City to impose 1% above the prior year levy, plus levies for new construction and annexations. The City estimates to collect \$407,000 or 2.5% more in the FY 2015 levy than it did in FY 2014.

The 2015 General Government incremental revenue growth of \$4.1 million is based on the following:

- Proposed 1% inflation adjustment in property tax levy plus an estimate of 1.5% new construction. The combined general operating and debt service property tax levy will decrease by 0.5% over 2014 combined tax levy. \$407,000
- 4.5% growth in sales tax (over 6% annual growth the past three years). \$680,000
- Franchise and utility tax growth of 4.6%. \$740,000
- Charge for services base growth of 1.9%, plus \$1.2 million for Union Gap Fire services. \$1,307,000
- Proposed sale of two Tiger Mart sites. \$400,000

We have balanced the 2015 General Government Fund budget using the following strategies:

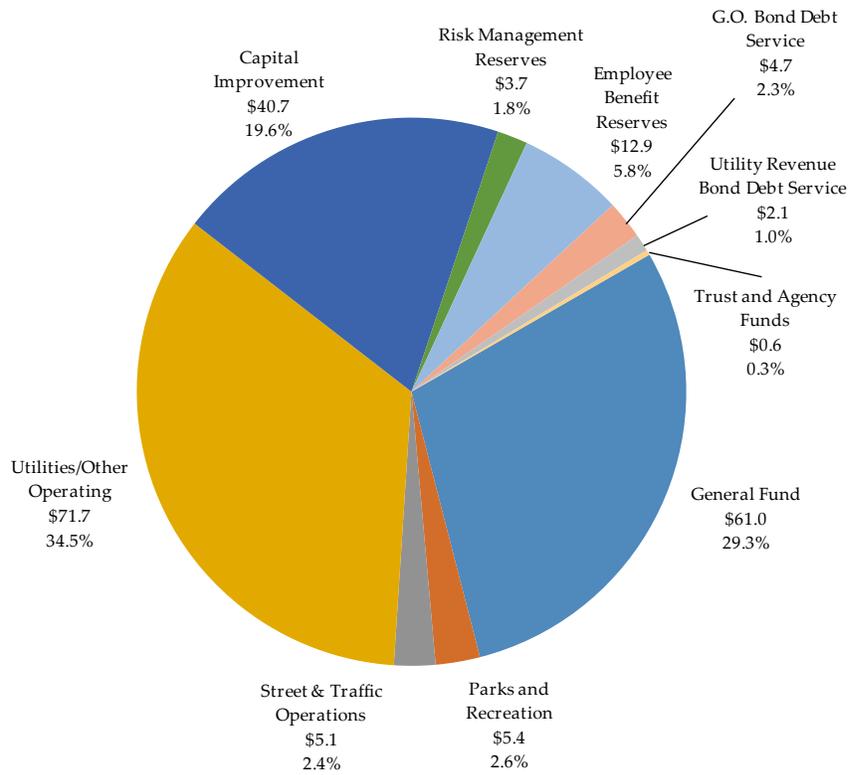
- Instituting a 2% vacancy rate – Savings: \$1,025,000.
Personnel costs are budgeted at 98% to account for a minimum 2% position turnover/vacancy
- Health plan cost containment strategies – Savings: \$1,000,000
Based on the prior 18-month rolling average of the City’s health care costs, our third party administrator set next year’s self-insurance projected “premiums” with a 10% increase for employees and a 48% increase for dependents resulting in a projected \$2,000,000 increase to the Plan, of which employees would absorb 20% or \$400,000 and the City would absorb \$1.6 million. As a result, the City Manager directed our third party administrator to develop cost containment recommendations for our self-insured plan. We are going forward with implementing several of the recommendations that will save the plan an estimated \$1.6 million, with about \$1.0 million in General Government funds.

MAJOR POLICY CONSIDERATIONS

The 2015 budget includes the following investments in the community's key priorities:

Strategic Priority	Budgeted Item(s)	
Invest in Public Safety \$4,167,000	Add Two Police Officers to Federal Task Force	\$175,000
	Upgrade Four Police Officer Positions to Corporal	25,000
	Add Part-time Human Resources Assistant for Police Recruitment	45,000
	Add One Police Public Information Officer	64,000
	Yakima County Firing Range Partnership	150,000
	Replace Jail Control Panel	165,000
	Live Scan Fingerprinting System	7,000
	Radio Replacement Program	15,000
	Complete SWAT Communications Center Upgrade	31,000
	Communications Center Relocation	1,213,000
	Fire Ladder Truck	1,150,000
	Fire Engine	450,000
	Rehab/Breathing Air Resource Unit	75,000
	Indigent Defense Services	550,000
Emergency Preparedness	52,000	
Invest in Economic Development \$4,089,000	Cascade Mill Site	3,500,000
	Enhance/Expand Downtown Events	102,000
	Hire an Economic Development Department Assistant	66,000
	SunDome Investment	100,000
	Airport Marketing	125,000
	Relocate Visitor Information Center	130,000
	Wine, Craft Beer and Cider Marketing/Branding	50,000
	Update Expansion Feasibility Study	16,000
Improve the Built Environment \$26,380,000	Airport Taxiway/Airfield Lighting Improvements	12,500,000
	North 1st Street Improvements	1,300,000
	21st Avenue Road Improvements	175,000
	Randall Park Improvements	900,000
	Lincoln Underpass Sidewalk & Artwork	600,000
	City Hall Improvements	440,000
	Irrigation Improvements	1,250,000
	Water System Improvements	2,500,000
	Wastewater Improvements	4,690,000
Stormwater Improvements	2,025,000	
Partnership Development \$171,000	Capitol Theatre Management Fee Increase	50,000
	Convention Center Management Fee Increase	13,000
	Southeast Community Center Improvements	100,000
	Sports Commission Fee Increase	8,000
Public Trust and Accountability \$177,500	Customer Service Training	100,000
	Purchasing Software	25,000
	Annual Citizen Survey	35,000
	Annual Employee Survey	17,500

**2015 EXPENDITURE BUDGET BY FUND
(\$207.9 MILLION)**



**2015 RESOURCES BUDGET BY FUND
(\$256.6 MILLION)**

