City of Clyde Hill, Washington

2019 Annual Budget

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EXECUTIVE SUMMARY
To: Clyde Hill City Council and Citizens  
From: George S. Martin, Mayor  
Date: November 16, 2018  
Re: 2019 Budget Message

I would like to thank the City Council, the City Staff and the Citizen Budget Advisory Committee (Mike Foley, Bruce Jones, Bob Walerius, Alan Dashen, John Schwager, Gregg Daugherty, Amy Kwan, Mitra Ehsan and Chuck Nelson) for their active and direct participation in the development and preparation of the City of Clyde Hill's 2019 Budget. It is through the efforts of these people that the City of Clyde Hill has consistently been able to provide exceptional public services and facilities to its citizens while maintaining the highest degree of fiscal responsibility.

**Budget Background.**
The goal for the 2019 Budget process was to develop a balanced budget that maintained the current level of essential services and facilities that the citizens of Clyde Hill rightfully expect. With policy direction from the City Council, this goal has been met.

In 2018, by keeping expenditures down while experiencing continued, strong residential development the City is expected to experience a surplus. To help manage the Budget, cost increases have again been held to a minimum.

Although the City of Clyde Hill is a small residential community consisting of about 3,000 people and 1,100 homes, it is still charged with providing essential services to its citizens, including administrative, police, fire, public works, building, code enforcement, streets and adjunct services that the City must accomplish within significant restrictions.

Given the residential nature of the community, the City doesn’t have a diversified tax base and has limited revenue sources from which to deliver the services it is charged to provide. Approximately 20% of the City’s revenue is derived from property taxes. However, for each dollar in property taxes paid in the aggregate by its citizens, the City receives less than five cents. Over ninety-five cents of every property tax dollar goes to other jurisdictions over which the City has no control or say.

The City of Clyde Hill derives the remainder of its revenue from a combination of sources such as sales tax, development revenue, investment income, fines, wireless communication facility leases, utility and franchise taxes and police and contract services provided to other communities. The City’s ability to increase revenue from any one or all of these sources is limited by practicality and by basic fairness.
**Long-Term Considerations.**
The City of Clyde Hill has been and will continue to be fiscally responsible in its budget polices and sound in its practices. It is because of the sound financial and fiscal decisions made that the City is able to maintain the level of essential services and facilities its citizens have come to expect.

The cyclical nature of construction activity and the local economy results in fluctuating development revenues. Since 2011, the City has seen increasingly more homes sold resulting in new and remodeled home projects. City finances have benefitted from this favorable trend and school redevelopment projects. It is critical that future development be closely monitored to assure sound budgeting in future years.

The Mayor, Council and Staff have steadfastly monitored key City economic indicators. In 2009 the Staff developed an extensive monitoring program with checkpoints throughout the year. This successful monitoring and reporting process will continue in 2019. This process provides the Mayor, City Council and Staff the necessary information to avoid financial surprises and to implement best financial practices.

**2019 Budget.**
The 2019 Budget anticipates a total revenue of $6,124,650 and total expenditures of $8,590,425. The difference between revenue and expenditures is financed from
strategic reserves, existing fund balances and an anticipated surplus in the General Fund. The City anticipates that the General Fund will have a total revenue of $5,012,400 and total expenditures of $4,460,225.

Total General Fund revenues are anticipated to increase by 6.7% from the 2018 Budget. Likewise, total General Fund expenditures are expected to increase by 4.7%. The following highlights the major revenue trends included in the 2019 Budget:

1. Although Development Revenue is projected to increase by only $25,000 over 2018, what must also be emphasized is that this will be the second consecutive year during which a school was rebuilt. In 2018-19 it was Clyde Hill Elementary and in 2019-20 it will be Bellevue Christian School. The majority is attributed to the construction of the new schools.

2. Sales Tax is projected to increase by $260,000 over 2018. As was the case with respect to development revenue, the majority is attributed to the construction of the new schools.

3. For the 8th consecutive year, the City will not increase Property Taxes. The 2019 levy does not include an amount available for a 1% levy adjustment (about $11,000) or for new construction (about $30,000). Through a combination of suspending property tax increases and higher assessed values, Clyde Hill has the second lowest city tax rate of all cities in King County.

4. One-time Retirement/Sucession Planning Costs for the City Administrator (~$100,000) has been planned. Without this 1-time expenditure, overall city expenditures would be increasing by 2.4% versus the planned 4.7%.
5. As was the case in 2018, there will be the need for Building Consultant Services when reviewing the plans for the new Bellevue Christian School. As a result, it is expected that about $47,000 of additional costs will be incurred (these costs will be reimbursed by the School, however).

6. Due to increasingly higher interest rates, it is expected that about $40,000 of additional Investment Income will be generated in 2019.

Of note is that to control costs over the past decade, multiple years of cost cutting and cost containment measures have been used to maintain expenditures. This will continue.

City of Clyde Hill Services.
Within the 2019 Budget, about 74% of all operating expenditures will fund two major City functions: public safety and public works.

The Clyde Hill Police Department will continue to provide community police service to the City of Clyde Hill and contract services to the Town of Yarrow Point. The Police budget for 2019 is $1,656,000, of which the Town of Yarrow Point will pay a proportionate share of 25%. The Police budget represents about 37% of all General Fund expenditures. The staff of the City’s Police Department is fully trained with an authorized staff of seven officers, two supervisors and a records clerk.

The City of Clyde Hill will continue to contract with the City of Bellevue for Fire Protection and Emergency Medical Service. The City will pay $706,650 to the City of Bellevue for these services in 2018, an 8.2% increase from 2018. This service represents 16% of the City of Clyde Hill’s General Fund expenditures and includes assistance in emergency preparedness and hazardous material response.

The City of Clyde Hill’s Public Works Department’s budget for 2019 is $924,475 which represents 21% of the City’s General Fund expenditures. The Public Works Department’s responsibilities include the construction and maintenance of roads and storm drains, parks and right-of-way areas, development plan check review, approval and building inspection services. The Public Works Department staff has six full-time employees who are charged with the on-going maintenance of the City’s infrastructure, as well as the coordination of many special and capital projects.

The remainder of the 2018 Budget is allocated to legal, accounting, audit, insurance, elections, administrative and support costs for the entire City. The City staff, throughout the year, actively supports the work of the Hearing Examiner (recently replaced the Board of Adjustment), Planning Commission, Civil Service Commission and the City Council. The City Administrator and Mayor are regularly in communication with surrounding communities and make a special effort to cooperate closely with the other Points Communities on regional issues of concern. These Administrative and Support Service Expenses are budgeted at $1,173,100 which represents 26% of the General Fund expenditures.
The Capital Improvements portion of the City budget includes various road, storm, sidewalk and other community projects. The 2019 Capital Budget’s largest expenditure is $750,000 for the overlay of NE 24th Street. In addition to this project, there are a few other noteworthy capital projects planned for 2019 that include:

- $375,000 for various stormwater-related projects; and
- $180,000 for design/engineering of a new sidewalk on 84th Avenue NE south of NE 24th Street.

The Projects Fund budget for 2019 incorporates a combination of Special Projects and Equipment that includes funding for such items as the replacement of the City’s phone system and all desktop computers ($90,000), partial funding of a Facilities Master Plan ($2,073,000), the City’s Traffic Management Program ($65,000) and redevelopment of the City’s website ($50,000).

Financial Outlook.
The City’s 2019 Budget continues to be revenue conservative and expenditure frugal. The Budget is balanced. Because of the expected redevelopment of the Elementary School and the Bellevue Christian School, there is a budgeted surplus. However, neither the Council nor I are complacent. As we have seen in the recent past, the Reserve Fund continues to be the City’s most reliable tool to manage short-term budget imbalances and provide a bridge to solid financial footing.

Continued strategic decisions are necessary to keep the City on firm financial footing. Other developments adjacent and integral to City Hall have prompted the need for the City to Complete its Facilities Master Plan in early 2019. This Plan will set the long-term path for funding some expensive projects. In addition to completing this Plan, the staff and will continue to monitor all expenditures and development revenues in 2019 to make sure there are no negative surprises.

The City is fortunate to be able to take advantage of cuts in expenditures and a healthy amount of development revenue. In the years to come, the City must continue to carefully monitor the financial health of the City and make adjustments where and when necessary.

The citizens of the City of Clyde Hill are urged to be informed and knowledgeable about the fiscal policies and practices of the City and about financial and economic factors that impact the City. By acting together, we, the citizens, the Citizen Budget Advisory Committee, the Mayor, the City Council and the staff will continue to assure the financial well-being of the City of Clyde Hill.
BACKGROUND

After 40 years in the city management profession, it's time for me to retire. This will be the 29th budget I have helped to develop in Clyde Hill. Although that time went by rather quick, I can clearly remember what the City's finances looked like when I arrived in 1990 and what the City Council at that time wanted to accomplish.

In 1990, no one truly understood if the city could continue operating without a major property tax increase. Clyde Hill had 11 different funds for revenues and expenditures and a Reserve Fund balance of about $150,000. City Hall hours of operation were reduced, decision makers with great business backgrounds were having a hard time understanding Clyde Hill’s finances, and, overall, there was a lack of trust in city government because the community did not recognize the financial challenges the City faced.

With the help of a very forward looking Mayor and City Council, a long-term plan was laid out that still acts as the foundation for some of the same philosophies and financial tenants we rely on. What has now become commonplace, the City annually monitors over 60 indicators to better understand economic/financial trends and discusses warnings in order to plan ahead. Through this process we've been able to better understand the lack of diversity and control over operating revenues, concern over higher inflation, and have warned about an increasing reliance on development revenues with their cyclical nature. To address some of these understandings, a more recent Council approved Financial Policy #5, that connects the City’s “worst-case” financial projections to an appropriate Reserve Fund balance.

In the last 29 years, the foundation of a strong, conservative financial plan went through housing ups/downs, the Great Recession, operating budget deficits, various State Initiatives (one that removed 20% of the City’s operating revenue), staff changes, double-digit medical cost increases, and many other financial challenges. However, a continued Council commitment to a set of successful financial practices has helped the City come out on the other end of any challenge in a successful way. Given the initial groundwork and the continuing Council support for protecting the City’s long term financial health, I’m proud to say that the City’s financial position continues to be sound. Although Clyde Hill more recently has been the recipient of a strong housing market and a few large development projects, the City's strong financial position did not come about by chance – it took 29 years of dedication to the ideals first laid out in the 1990’s. If there is one legacy both the leaders of the 1990’s and I would implore of today’s City leaders is a continued commitment to the successful financial policies and practices that are still in place today.

Given almost three decades of good experiences with these approaches, the 2019 Budget was developed by continuing with the historical financial values that have become engrained in Clyde Hill budgeting. Even as we feel the benefits of past
decisions, I continuously emphasize that the budget and financial decisions made today will also be influential in supporting the City’s future long-term financial health.

**BUDGET FOCUS**

Continuing to manage expenditures while riding on a wave of strong residential development and the $48M Elementary School construction will result in a healthy surplus for 2018. The 2019 Budget does not have a slate of projects for the group to pick from nor does it come with major financial concerns that would force the group to consider expenditure cuts. The 2019 Budget is presented as a complete package, is balanced with a projected year end surplus, and is imbedded with continued property tax relief for the residents and a list of challenging projects for completion in 2019.

The major themes of the 2019 Budget center on:

1) Completion of the $48M Clyde Hill Elementary School Project and implementation of a $40M to $50M Bellevue Christian School Project;

2) City Administrator’s retirement and organizational redevelopment resulting from recent key staff changes; and

3) Decisions relating to the implementation of a City Facilities Plan.
Revenue Big Picture.

Clyde Hill’s most recent economic picture has been very positive because of a high amount of residential development, mostly from new spec homes. This positive picture is expected to continue at least through 2019 with the partial redevelopment of the Bellevue Christian School and the completion of the Elementary School project.

Since 2011, an increase in homes sold/purchased has resulted in new homes and remodeling projects. This activity generated a higher amount of actual development over what was conservatively predicted in 2011 through 2018. That’s good news because in Clyde Hill, development is what drives the City’s local economy and allows for a balanced budget. In 2012, the $40.5M Chinook Middle School project provided the City with a one-time infusion of revenue that helped pull the City out of the recession. The redevelopment of the Clyde Hill Elementary School in 2018/19 pushed development revenues into record territory. In 2019/20, the first phase in the Bellevue Christian School campus redevelopment should be equally impactful to the City’s finances. New home construction is projected to continue its 20-year record high pace in 2019 but at rates closer to just before the recession. A continued financial challenge is to monitor and decide just how long this high amount of development will continue until it begins to cycle down again.

A shortage of noteworthy growth in other operating revenues should continue to keep us cautious as the City increases its reliance on development revenues to balance the budget.

Expenditure Big Picture.

On the operating expenditure side, the biggest stories within the last few years have included a new Fire/EMS services contract, overall cost control, an arbitrated police officer’s contract, and the retirement of three senior staff members. For 2019, a continued retirement theme influences the budget numbers along with just a few other expenditure account changes.

The 2019 Budget has planned for the retirement and successful hiring of the City Administrator. A requested overlap in positions along with reconciling any vacation buy out has swelled the 2019 Budget by a one-time $97,500.

In 2011, negotiations to extend the Fire/EMS services contract with Bellevue resulted in substantial cost reductions enjoyed for seven years. With Bellevue’s passage of a $140M capital program to upgrade its fire facilities, the two cities completed negotiations for another Fire/EMS contract that reduced the potential cost implications of these capital projects. Future fire costs were expected to increase about $30k to $50k a year for the next 10 to 20 years. The good news is that if the cost formula was not renegotiated, Clyde Hill’s projected costs would have immediately increased over $200k and would have included future increases at a much higher rate. Unfortunately, earlier this year Bellevue settled a lucrative firefighter union contract which included retro pay
that inflated the initial cost projections for 2019 and beyond. With the implementation of their new contract, the 2019 cost for these services will increase by ~$55k or 8.2%. This cost could have been about $25k higher. However, because Clyde Hill used some of its development surplus in the last few years to pay down its LEOFF 1 medical liabilities, the City no longer has to spend about $25k a year for the same purpose.

Since the Recession, City operating expenditures have been cut and continually managed to help survive stagnant revenues throughout the recession and beyond. This has been achieved with the help of relatively low inflation as well as multiple cost cutting and cost containment measures throughout the organization by the City staff and department heads.

Going back to 2009, cuts were made to about 70% of all operating expense accounts from an already parsed budget. Many of these cuts remain in the 2019 Budget. Overall, given the need to remain conservative and balanced, the staff developed an operating budget that continues to include a seventh police officer, third Public Works Crew Member, and an Assistant Administrator but also allows for continued expenditure control. Apart from the retirement related costs, the 2019 Budget has only a few noteworthy material changes.

During the recession, the Council adopted a philosophy for the capital budget to align its annual expenditures with expected resources for short-term fiscal stability. In the last
few years the City went away from a pay as you go philosophy and completed many larger road and sidewalk capital projects.

The 2019 Capital Budget has resources allocated to complete the joint intersection/road project with Medina on 84th (24th to SR-520) and also includes resources for a 2019 Street Overlay Project (24th from 98th to 84th). The staff recently applied for and received notice of a $250k State TIB grant to partially fund this project. In 2017 the Council eliminated the projected final new sidewalk project on 20th and shifted focus on a revamped 84th sidewalk (24th to 12th). The 2019 Budget funds the design for this project. In addition, funds were allocated for the design and construction of several stormwater system improvements that have been maintenance problems or were highlighted by the City’s engineers. The specific capital project list is noted later on in this memo.

BUDGET PROCESS

Traditionally we have described the Clyde Hill budget process like an overall "Business Plan." An adjacent sheet describes the elements of Clyde Hill's business plan: 1) Target Issues are reflected in a one year Operating Budget; 2) a six-year Capital Improvements Budget is developed to address the City’s major equipment and infrastructure needs as well as other special projects; and 3) Future Projections of the City's finances are developed to help define a range of future expectations that can assist in the development of both short and longer-term Financial Strategies and Financial Policies.

Continued work is necessary to keep items current and to plan based on the ever-changing conditions of the City’s external and internal environment. Earlier this year we took a look at financial trends impacting the City that the Finance Manager highlighted through our Financial Condition Monitoring System analysis. The Council annually reviews and periodically revises a set of financial policy statements to help guide the staff on the current financial themes of the Mayor and Council.

TARGET ISSUES

A list of 2019 Target Issues was included as part of the City’s 2019 Budget to represent the major goals to accomplish in 2019. The implementation of these target issues can be accomplished within the resources of the proposed budget.

HIGHLIGHTS OF THE 2019 BUDGET

To help understand the 2019 Budget, the following are some of the "more interesting" budget items and issues.
General Fund Revenues.

Total Operating Revenues are projected to increase by 6.7%, or $316,275, over the 2018 Budget. When compared to the 2018 year-end projections, the budgeted 2019 revenues are about $204,800 below that amount.

The most noteworthy revenue in 2019 continues to be a hot residential development market and major school redevelopment. This year is highlighted by the completion of the Clyde Hill Elementary School and the start of a major phased development at the Bellevue Christian School. The following is an overview of the major revenue trends or issues included in the 2019 Budget:

- **2019 Development** is expected to continue at a near record pace. Based on developer and resident activity at the front counter, the staff conservatively estimates that 16 new homes will be constructed in 2019 at an average cost of about $2.2M. This will result in a total residential development value of about $40.1M, which is a significant amount for Clyde Hill and a little less than what is expected in 2018 ($44.6M). The 2019 volume of residential development is equivalent to what the City experienced in 2015 or 2016. Construction within the City impacts the budget through revenue from the cost of permits and plan check fees and also through retail sales taxes from construction. The City was fortunate to have the reconstruction of the Chinook Middle School ($40.5M) in 2012. This major project produced $547,550 in one-time development revenues ($209,000 plan check fee - $321,550 building permit - $17,000 grading permit) and essentially accounted for the City’s 2012 surplus. In 2018, the Elementary School Project generated $746,125 in one-time development revenues ($314,075 plan check fee - $412,050 building permit - $20,000 other permits). This project is also projected to generate about $87,425 in 2018 sales taxes as well. In 2019/20, the City is poised for Phase One of the Bellevue Christian School (BCS) project. BCS has targeted $40M to $50M for this project. Although not yet applied for, the 2019 budget includes about $600,000 for plan check/permit fees and about $73,000 for partial sales tax revenue from this project. Because the project will continue in 2020, there will be some additional sales tax benefit in that budget as well. Absent the two school projects, the overall budgeted change from 2018 to 2019 goes from a 6.7% ($316,275) increase to a 14.3% ($672,150) decrease. Once again, this underscores just how reliant the Clyde Hill budget is to development revenues. With the completion of the two school projects, the City needs to prepare for the realization that in 2020, there will be a large decrease in this revenue source;

- **Utility Taxes & Franchise Fees** collectively are expected to decrease by $17,400 due to rate and usage changes...each utility has its own story. Most noteworthy is a downward trend in Cellular and Cable TV taxes. We believe this is due to competitive rate setting/decreasing of cellular costs and more people cutting the cable TV cord. The City receives no utility taxes from Internet services or Internet service providers;
Sales Tax is projected to increase by $260,000 in 2019. Most of the City’s sales tax comes from construction projects. However, a change in the sales tax law and the addition of Clyde Hill business licenses appear to be providing some stability, or a base amount of about $194,100. Included in 2019 number is a strong 2018/19 push from residential development ($262,475) and especially from the completion of the elementary school project ($320,575) and from the beginning of the Bellevue Christian School project ($72,850);

The budget calls for continued Property Tax relief resulting in the “banking” of the allowable increases not taken. The Budget amount does not include the allowed 1.0% property tax increase ($11,366) to the general levy nor does it include the taxable value of new construction amount ($29,266) normally allowed. The only difference to the levy request includes a re levy for prior year refunds ($1,082), which is not an allowed banked capacity amount. Because the Council has not increased taxes by the allowed 1% since 2012 and deferred the new construction levy since 2016, the City will have about $164,300 in banked property tax capacity in the 2019 plan; and

Investment Income is budgeted to be higher in 2019 by $40,000. After a long period of declining or stagnant rates, the staff anticipates the continuation of modest short term interest rate hikes during the year. The City’s investments in the Local Government Investment Pool (LGIP) will mirror the direction of the short-term fed funds rate.

Fines & Forfeitures are projected to decrease by $5,000. The projected decrease stems from the success of the City’s new speed radar signs slowing down traffic.

**General Fund Expenditures.**

Total Operating Costs are projected to increase by 4.7%, or $200,375 over the 2018 Budget. The Draft Budget was developed using the same philosophy adopted in previous budgets – maintain current service levels and hold the line on costs when possible.

Operating costs can be viewed in three major pieces:

- People Costs (63%)
- Fire/EMS Services (16%)
- Everything Else to Support the City (21%)

People costs (salaries and benefits) are budgeted to increase by $64,500 or 2.4% over the 2018 Budget. The Fire/EMS service contract with Bellevue is budgeted to increase by $53,675 or 8.2%. All other accounts are budgeted to increase by $82,200 or 9.4%.
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<th>2018 Budget</th>
<th>2019 Budget</th>
<th>Difference $</th>
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<td>$82,200</td>
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<td><strong>TOTAL:</strong></td>
<td><strong>$4,259,850</strong></td>
<td><strong>$4,460,225</strong></td>
<td><strong>$200,375</strong></td>
<td><strong>4.7%</strong></td>
</tr>
</tbody>
</table>

Changes to salaries and benefits, People Costs, on an account and departmental basis are summarized on an attached sheet.

Total City Operating Salaries of $1,888,500 increased by $37,500 or 2.0%:

- Salaries are influenced by the collective bargaining agreement with the Police Officer’s union. An officer’s salary increase is largely determined by changes to their grade step, which can be as high as 5% from one year to the next;
- The City/union have a current collective bargaining agreement through 2020;
- Salaries are pegged on the June-to-June CPI-W for the Seattle area of 3.6%;
- City employee wages are budgeted to reflect the CPI...also included are adjustments to keep the City competitive in its labor market; and
- In 2016, the Council approved the addition of three new City employees: 1) a seventh Police Officer; 2) a third Public Works Crew Member; and 3) a part-time Administrative Intern. Part of the way into 2016 the Intern became a full-time Assistant City Administrator. The 2019 Budget reflects the continuation of these employees.

Total City Personnel Benefits of $904,500 increased by $27,000 or 3.1%. Premium rates for the City’s medical provider (3% to 7%) will once again increase in 2019 at a higher rate than the CPI. In 2018, the City was required by its provider to change its medical plan to one that addressed the potential for a “Cadillac tax.” This new policy slightly reduced the benefits and increased the cost sharing. The reduction in plan benefits also reduced the premiums.

This is the eighth year the City received a WellCity award from the Association of Washington Cities. The program was developed to help guide the staff toward healthy practices to decrease the need for future medical insurance costs. Besides having a health-aware staff, the extra bonus for the City is that it receives a 2% reduction in its medical premiums!

To help control spiraling medical costs, this is the seventh year the City Staff has been asked to assume 10% of their medical premiums for themselves and their dependents. This helps to control about $30k in previous City costs. Beginning in 2016, Police Officers were asked to pay 10% of their medical premiums as well.

The 2019 Budget includes $97,500 of Retirement/Succession Costs for the job overlap of a new City Administrator and the buyout of any unused vacation benefit. This cost
addresses the retirement expenses for a senior staff member with 29 years of service to Clyde Hill. The removal of these 1-time costs would reduce the budgeted $64,500 (2.4%) salary/benefit increase to a budget to budget decrease of $33,000 or 1.2%. Salaries/benefits were somewhat inflated in 2018 to account for the retirement and overlap costs of two other senior staff members. The 2020 Budget will benefit from the elimination of these retirement related expenses.

Clyde Hill contracts with the City of Bellevue for Fire/EMS services. These Fire/EMS Costs for the City’s services contract was renegotiated in 2011 and included a new formula for dividing up the cost for these services that resulted in substantial cost reductions. In 2018, Bellevue & Clyde Hill renegotiated this contract to account for Bellevue’s $140M capital project levy increase. The revised contract will mean a 2019 cost increase for these services of $53,675 or 8.2%.

As for All Other Operating Accounts, since 2007 the staff has implemented a number of operating budget cuts. The staff has again taken a look at all expenditures and made additional adjustments or once again has not changed amounts when possible.

There are only a few “non-people” operating accounts that are materially noteworthy (+/- $5k) in the 2019 Budget:

- $10,000 increase to the City’s Insurance Costs because the City recently used its insurance to settle a few disputes...when insurance is used, expect premiums to increase for a few years thereafter;
- A $5,500 decrease to Police Repairs & Maintenance...the Police fleet is in good shape;
- A $15,000 decrease in Court Costs relate to less ticket expenses. Tickets are projected to decrease because the City’s speed radar signs have slowed traffic down;
- $47,000 increase in Contractual Building Department Costs for plan review assistance on the BCS project. All these costs are reimbursed by the applicant. However, the City needs to account for the expense and per accounting guidelines, cannot post an offsetting revenue item to an expense account. In 2018, the City did not budget for help relating to the elementary school project and as a result, the 2018 account is very over budget;
- $11,000 increase for Street Cleaning Expenses to account for a change in the way the expenses are funded. Periodically the City receives a state grant to help implement the mandates of its NPDES stormwater permit. Street cleaning costs have been funded by this grant in the recent past. So far, there is no indication from the state that the grant program will continue; and
- $10,000 increase to the City’s Urban Forestry Program. These are costs to pay for City Arborist services. Over the last few years the City changed its view regulations and policies resulting in an increased use of this very beneficial resource.
The following Proposed Transfers from the General Fund ($1,189,800) are budgeted to go into different departments of the Projects Fund for a variety of projects:

- Transfer into the Housing Rental Department ($20,000) to help fund ARCH;
- Transfer into the Special Projects Department ($1,144,800) to help fund projects detailed below in the Special Projects Department the most notable of which is the City’s Facilities Master Plan; and
- Transfer into the Equipment Replacement Department ($25,000) to help fund the City’s equipment replacement program.

Per the City's financial policies, a $100k balance will be held in the General Fund after all expenses and transfers are accounted for.

**RESERVE FUND**

- There are no expenditures included in the Reserve Fund; and
- The 2019 Budget calls for the transfer out of about $717,000 from the Reserve Fund to the Special Projects Department to help implement the City's Facilities Plan.

**PROJECTS FUND**

The Projects Fund was developed to help segregate and keep track of the more restricted City revenue sources so they can be paired up with allowable expenditures. Within the fund there are currently seven departments.

**Criminal Justice Department.**

Expenditures within the Criminal Justice Department were previously consolidated into four elements. However, a re-organization of this department became necessary in 2014 to better manage all the different activities. In 2009, some accounts were shifted from the General Fund into the Criminal Justice Department as a way to reduce operating costs and account for the increased flexibility of this Department’s main revenue sources. Expenditures are budgeted to remain essentially the same. Three noteworthy account changes relate to a $25k reduction because no new police vehicle will be purchased in 2019, a $15k increase to the training account to reflect a big departmental emphasis, and a $10k increase in the equipment account for the purchase of radios and safety equipment. Yarrow Point contributes about 25% towards expenses in this Department.

**Grants Department.**

The Grants Department was established to account for specialized grants received by the City. Since 2010, this department has played an important role in helping to balance the operating budget by accounting for grants the City received from the State
to help meet its obligations and mandates relating to the National Pollution Discharge Elimination System (NPDES) municipal stormwater permit program.

In 2010 the City shifted some of its storm drain maintenance and street sweeping operating accounts to this department but has shifted them back in 2019.

**Equipment Replacement Department.**

The City’s equipment replacement program has been working well for over 19 years. The main goal of the program is to account for and smooth out major equipment purchases to better manage these larger cost items. The program elements and schedule for future replacement items are detailed in a subsequent section of the budget packet. In 2018 a number of major Public Works purchases went through this department. No expenditures are proposed in 2019. A planned computer system upgrade is budgeted through the Special Projects Department.

**Housing Rental Department.**

The Housing Rental Department was established in 1995 to keep track of the finances related to the home next to the fire station. After using the home as a temporary City Hall, the City began to rent the home and receives credit from ARCH (A Regional Coalition of Housing) for providing lower income housing. The budget proposes to rent the 800 square foot home next year for $950/month, less leasehold taxes paid to the State. A $4k expenditure is budgeted to cover unforeseen repairs and maintenance.

An account in the department is used to track the City’s pledge to ARCH to provide affordable housing on the Eastside. An appropriation of $25,000 is budgeted for 2019 that would authorize funding towards affordable housing on the Eastside on a future ARCH Trust Fund project. The need for additional affordable housing has outpaced ARCH’s funding. ARCH has asked its member cities to see if they are able to increase their annual trust fund pledge. The 2018 Budget increased the City’s amount for the ARCH Trust Fund by $10k.

**Parks & Department.**

The Community Celebration is included within this Department. Initially, a citizen’s committee solicited contributions and managed the celebration. For a while, the staff has coordinated this event which costs about $20k each year.

Celebration and Pumpkin Display activities continue to be very popular. The Parade of Pumpkins event is also funded from this source at a cost of about $500.

**Special Projects Department.**

The Special Projects Department accounts for the following projects that are in the 2019 Budget:
## 2019 Draft Budget

| Facilities Master Plan          | $2,072,375 |
| IT Related Projects            | $140,000  |
| Traffic & Speed Management     | $65,000   |
| SR 520 Lid Maintenance         | $25,000   |
| Mapping/GIS System             | $25,000   |
| Regional Advisory Services     | $25,000   |
| Records Management Project     | $20,000   |
| 28th St Bridge Study           | $20,000   |
| ROW Decorative Banners         | $10,000   |
| Emergency Mgt. – Wellness/Safety | $7,500   |
| Wetherill Nature Preserve      | $1,000    |
| Misc. Smaller Projects         | $11,500   |
| **Total:**                     | **$2,422,325** |

(Arbor Day $3.0 – Permits $7.5 – Cable TV $1.0)

### Facilities Master Plan

In 2018 the Council budgeted for a feasibility/assessment project to analyze the buildings, the opportunities, and evaluate the options to help the City determine its best approach with the redevelopment of Bellevue’s Fire Station #5. The City hired TCA to perform the assessment. That analysis served as a springboard for further discussion with Bellevue and the Bellevue School District. Ultimately, TCA will continue to help the staff complete a City Facilities Plan ($50k) to address all the associated issues for further Council discussion. A meeting in the beginning of 2019 is planned to discuss the Plan and provide further direction.

The Facilities Plan is an important 2019 project to provide guidance on the Council’s desires relating to the potential options impacting the future use of the City’s rental home, the fire station, City Hall, and the Public Works Shop. The Plan will be used as a resource to guide future public facility expenses and funding needs. The 2019 Budget includes $2.1M for the attached elements.

Funding for this significant project is outlined below.
IT Related Projects. It’s very important to keep the City’s computer system current, maintained, and safe/protected. The computer makes up the basic tools for the entire staff to do its job and provide the services expected by the community. The computer system is planned to be upgraded about every four years…2019 is the year targeted for this hardware upgrade ($90k). The 2019 Budget also includes funding ($50k) to enhance and update the City’s Website, which has become a relied upon source for City information.

Traffic & Speed Management Program. This project includes $65k for ongoing traffic engineering services from a traffic consultant as well as funding for the possible addition of two new speed signs or other projects deemed appropriate by the Council Traffic Subcommittee in their periodic review of the City’s Traffic Management Plan.

SR-520 Lid Maintenance. Along with the road improvements to SR-520 the Points cities/towns received three lids: 1) Evergreen Point; 2) 84th; and 3) 92nd. These lids were developed with transportation facilities, passive recreation areas and an extensive network of both regional and Points Loop Trail facilities. The State’s contractor was responsible to maintain these facilities until May 2017. The State has also worked out a deal with the County to maintain the transportation facilities. Funding is included in the 2019 Budget ($25k) to help complete discussions with the State and agree on responsibilities, standards and funding for the maintenance of the remaining portions of the lids.

The Mapping/GIS System Project ($25k) represents continued funding for costs associated with upgrading the City’s base maps, integrate new traffic count/speed data, developing a new original grade map, updating the road permit map, and adding layers to the City’s current mapping system. The work is done through the City’s GIS consultant. With a new public works management tool, this project will help to map associated information.

The Regional Advisory Services account ($25k) represents funding for costs associated with addressing regional matters of concern or interest to the Clyde Hill community. This account was established chiefly to address the SR-520 project. We have used this account to fund a WASPC Police Study with Medina, to account for a joint traffic study with the Points Communities, to purchase the assistance of a noise engineer in conjunction with the SR-520 project, and for a property appraisal.
The purpose of continuing this special project is to have a budgeted source of funding for other issues of concern that may not be known now or that surely will pop up in the future. Some potential areas of assistance could relate to legislative lobbying or follow-up joint traffic items. As was done in previous years, money from this account would not be used without the consent and approval of the Council.

**Records Management Project.** For the past few years the City has allocated resources to manage the proliferation of paper within the organization. Great progress has been made in these efforts. The new records management software has other opportunities to help City operations. This project ($25k) will continue to work with the records management consultants to augment and enhance the City’s benefits of its new records management software.

**28th Street Bridge Study.** Last year $20k was allocated for an engineering study to assess the safety of the 28th Street Bridge. The project was not accomplished and is back again in 2019.

**ROW Decorative Banners:** Funding ($10k) is set aside in the 2019 Budget for the purchase of seasonal decorative banners to be placed on utility poles throughout the City.

Historically the City has allocated funds for minor purchases related to the City’s Safety Committee, its Wellness Committee, and its on-going Emergency Preparedness efforts. The 2019 Budget continues these important programs by splitting a $7.5k allocation.

**Other Smaller Projects** funded by the Special Projects Department includes the Lake Washington Watershed Study (WRIA 8), who charges the City an annual amount to account for our contracted obligations related to the City’s Endangered Species Act commitments. In addition, the Department of Ecology charges the City an annual permit fee for the right to continue to use our municipal storm water system and to fund their efforts to regulate us. The combined cost for these related programs is $7k.

The 2019 Budget also has budgeted $1k to help maintain the Wetherill Nature Preserve.

Funding for the City’s Arbor Day festivities is a separate item because of the way in which we receive partial reimbursement from the King Conservation District. In 2019, $3k is budgeted to account for this highly successful event involving a celebration with about 100 5th graders.

The City’s Cable TV Channel is allocated $1k to maintain the equipment that runs the channel and to fund a small amount for programming or other unanticipated costs relating to maintaining and running Channel 21. This program helps the City’s efforts to share information to the community.
Capital Projects Department.

The City’s Capital Improvements Plan is a combination of projects reflecting the City’s road, stormwater, and sidewalk systems. In June, the Council reviews a condition rating of every road in Clyde Hill and approves a ranking of road and sidewalk improvements for the next six years. A few years ago, the City’s Comprehensive Storm Water Management Study was updated and is used as a guide for future improvements to the City’s storm water system.

The Capital Projects Department implements the City’s Road Overlay, Storm, Sewer, and Sidewalk Programs. The major on-going funding source for these projects comes from Real Estate Excise Taxes (REET). REET revenue is generated at the time a home is sold in Clyde Hill. By law, the use of these funds can only be used for capital projects and cannot be used to balance the operating budget in the General Fund. The Capital Projects Department is cautiously managed to find the right balance between developing and maintaining the City’s infrastructure with sensitivity for funding sustainability. According to Financial Policy #10, a City goal is to address the capital needs of the City while maintaining a minimum balance of $1M in the Capital Projects Department for larger currently unanticipated needs.

The following is a brief overview of the projects that are part of the 2019 Budget.

Road Projects:

- **24th/84th Signal & Overlay Project – $90k.** The staff anticipates a few remaining costs will be paid in 2019 for the completion of the 84th Project. There will also be some associated revenues in 2019 from the TIB grant and the City of Medina that are budgeted as well;
- **2019 Road Overlay Project – $750k.** The 2019 capital budget includes $750k for the street overlay and storm upgrade of 24th from 84th to 98th. Since some of this road has recently been paved and is scheduled to be paved by the School after they are done with their construction, the actual location of the City improvements to 24th will run from 84th to 92nd and then from 94th to the boundary of the school; and
- Continued funding for minor Road Maintenance/Patching is also funded to include crack sealing/patching ($30k) and repair of the City Hall back parking lot/curbs ($25k).

Stormwater Projects:

- **Miscellaneous Stormwater Projects – $375k.** The City’s Comprehensive Stormwater Management and Operation Study was recently updated. The Plan calls out a number of projects for the City to consider and an extensive operations schedule.
In 2018 the City’s engineers teamed with Public Works staff to repair three locations that will help to resolve a number of chronic stormwater management problems. The 2019 Budget continues to address additional projects that will either correct an existing problem or manage a future maintenance concern. The budgeted amount accounts for all design, bidding and construction related expenses.

Sidewalk Projects:

- **84th Sidewalk Design** – $180k. With the approval of the 2019-2024 Transportation Improvement Plan, the Council decided to remove the construction of a new sidewalk on 20th from 84th to 92nd and replace it with the reconstruction of the 84th sidewalk from 24th to 12th. This project represents the one-year planning process needed to design this sidewalk. The staff is currently working with two state agencies to secure partial grant funding for the construction of this project which is targeted for 2020.

Capital Asset Maintenance:

- There always seems to be a few trouble spots in the City’s stormwater system or patches in the road that could use a smaller repair to correct a problem. This account ($75k) allows for funding of any on-going and unexpected problems for these purposes.

**SOME FINAL BUDGET THOUGHTS**

The 2019 Budget is balanced and is loaded with a number of challenging projects that will bring value to the City. Even with all that activity, the operating budget has a projected surplus.

In our pre-budget economic study session, we’ve discussed how sensitive the City is to higher inflationary pressures impacting personnel costs and reduced or sluggish development revenues. This budget continues its high expectations for further residential development on top of the two school projects to keep it on a balanced path. I continue to caution that the City should not be complacent when it comes to protecting the City’s longer term financial stability and its reserve funding because these more or less one-time revenues will eventually disappear and costs will continue to increase as inflation grows. Without the benefit of the two school projects, the 2019 Budget would be looking at a deficit instead of a budgeted surplus.

Thanks to the Elementary School project and the continued high amount of residential development, the current year will end up being a very positive one, generating a healthy surplus. For decades City Councils have built up reserves and funded many valued projects using surpluses from previous years. The 2019 Budget continues this trend by including most of the 2018 surplus into the City’s Facilities Master Plan project.
The cost to implement a Facilities Master Plan is the largest 2019 Budget project and uses one-time revenues for this one-time project. Most of the City’s current Reserve Fund is being used to address the longer term financial health of the City (per Financial Policy #5). Last year about $724k was set aside from the 2017 surplus to begin funding for the implementation of a Facilities Master Plan. The 2019 Budget uses this source and combines it with the healthy 2018 surplus to fund a $2.1M Facilities Master Plan. The specific components of this plan will need to be confirmed in early January, but this budget will be able to implement the guidance provided.

Although this will be my last Clyde Hill budget, I’m proud knowing there are resources in the bank and a plan in place for the protection of the City’s long-term financial health. It will take continued courage from this and future Council’s to fight off attempts to lessen the City’s long-term security for short-term gains. Given Clyde Hill’s current knowledge of its financial constraints and the challenging influences to its future health, it would be very shortsighted to undo almost three decades of hard fought efforts and the establishment of a strong, conservative financial plan. These financial values have put Clyde Hill in an enviable financial position. If there is only one legacy both the leaders of the 1990’s and I would implore of today’s City leaders, it would be the continued commitment to the successful financial policies, values, and practices that are still in place today.

It was a pleasure working with this year’s Budget Advisory Committee. This group of caring citizens added valuable contributions throughout the budget development process. Although the City is continuously challenged to balance the budget while maintaining current service levels, the decisions made both in the past and again from this process have put the City’s finances in a strong position. Given the hard work and support of the Committee, Mayor, Council, and staff, I am confident in our collective abilities to make this year another prosperous one for the Clyde Hill Community. The 2019 Budget and was developed with this philosophy in mind.
Quick Overview of the 2019 Budget Numbers

City of Clyde Hill, Washington

Fiscal Year 2019

The culmination of the annual budget process that begins in August of each year is at the City Council’s December regular meeting with the adoption of the next year’s budget. The adopted budget gives City staff the authority to make expenditures up to the appropriated amounts for each of the City’s three (3) managerial funds.

Prior to the December budget adoption meeting, the City Council will have met three (3) times with the City’s Budget Advisory Committee, City staff, and any interested residents wishing to participate in the budget process. The Budget Advisory Committee is made up of between five (5) to twelve (12) residents expressing an interest and commitment to helping set the priorities for the City over the next few years. Budget Advisory Committee members bring a unique perspective to the budget process with their experiences in the business world and raising a family here in Clyde Hill.

The next few pages of the annual budget document will give the reader a quick overview of the numbers involved in the 2019 Budget. The following section include:

- Summary of major revenues and expenditures for all funds combined since 2016, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the City in relation to past experience;
- Summary of major revenues and expenditures for each of the City’s three (3) managerial funds, as well as other financing sources and uses, to provide an overview by fund specific to the 2019 Budget;
- Pie charts showing 2019 Budget Operating Revenue compared to 2009 Actual Operating Revenue with the dollar amounts and the percent of the total revenues; and
- Pie charts showing the 2019 Budget Operating Expenditures compared to 2009 Actual Operating Expenditures with the dollar amounts and the percent of the total expenditures.

Please contact the City’s Finance Manager, Dean Rohla, directly at 425.453.7800 or dean@clydehill.org if you have any further questions regarding the City’s budget numbers for the 2019 fiscal year.
# Budget Summary

City of Clyde Hill, Washington

Fiscal Year 2019

**Purpose:** to present a summary of major revenues and expenditures, as well as other financing sources and uses, as an overview of the total resources budgeted by the City.

## Major Revenues

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2016</th>
<th>Actual FY 2017</th>
<th>Actual FY 2018</th>
<th>Budgeted FY 2018</th>
<th>Budgeted FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem</td>
<td>$998,641</td>
<td>$1,017,492</td>
<td>$1,007,596</td>
<td>$1,013,000</td>
<td>$1,014,000</td>
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<tr>
<td>Sales &amp; Use Taxes</td>
<td>565,205</td>
<td>673,508</td>
<td>796,190</td>
<td>676,000</td>
<td>936,000</td>
</tr>
<tr>
<td>Utility Taxes</td>
<td>440,408</td>
<td>449,658</td>
<td>424,421</td>
<td>457,500</td>
<td>442,100</td>
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<tr>
<td>Real Estate Excise Taxes (REET)</td>
<td>1,051,703</td>
<td>889,102</td>
<td>1,341,478</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Business Licenses &amp; Permits</td>
<td>354,164</td>
<td>371,091</td>
<td>386,267</td>
<td>373,000</td>
<td>371,000</td>
</tr>
<tr>
<td>Non-Business Licenses &amp; Permits</td>
<td>619,063</td>
<td>901,139</td>
<td>1,105,645</td>
<td>870,000</td>
<td>875,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>600,418</td>
<td>978,235</td>
<td>1,898,753</td>
<td>2,008,050</td>
<td>917,750</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>350,914</td>
<td>377,234</td>
<td>1,043,364</td>
<td>832,000</td>
<td>436,000</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>140,615</td>
<td>98,046</td>
<td>32,579</td>
<td>62,500</td>
<td>57,500</td>
</tr>
<tr>
<td>Interest Income</td>
<td>35,737</td>
<td>80,865</td>
<td>171,429</td>
<td>125,500</td>
<td>165,500</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>286,710</td>
<td>247,762</td>
<td>303,721</td>
<td>272,125</td>
<td>259,800</td>
</tr>
<tr>
<td><strong>Non-Revenues</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers</td>
<td>625,950</td>
<td>716,000</td>
<td>1,017,916</td>
<td>1,017,916</td>
<td>1,910,377</td>
</tr>
<tr>
<td>Debt Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internal Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$6,069,528</td>
<td>$6,800,132</td>
<td>$9,529,358</td>
<td>$8,607,591</td>
<td>$8,285,027</td>
</tr>
</tbody>
</table>

## Cash & Restricted Balances Brought Forward ( Appropriated )

- $7,882,162
- $8,504,897
- $8,525,566
- $8,525,566
- $9,416,654

## Total Resources Available

- $13,951,690
- $15,305,029
- $18,054,924
- $17,133,157
- $17,701,681

## Major Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2016</th>
<th>Actual FY 2017</th>
<th>Actual FY 2018</th>
<th>Budgeted FY 2018</th>
<th>Budgeted FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Government</strong></td>
<td>$1,130,798</td>
<td>$997,725</td>
<td>$1,088,068</td>
<td>$1,455,400</td>
<td>$3,382,100</td>
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<tr>
<td><strong>Public Safety</strong></td>
<td>2,214,557</td>
<td>2,292,305</td>
<td>2,296,136</td>
<td>2,507,400</td>
<td>2,501,550</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td>1,424,735</td>
<td>2,692,242</td>
<td>4,092,928</td>
<td>4,864,250</td>
<td>2,473,750</td>
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<tr>
<td><strong>Economic Environment</strong></td>
<td>22,583</td>
<td>40,257</td>
<td>97,640</td>
<td>44,000</td>
<td>73,025</td>
</tr>
<tr>
<td><strong>Culture and Recreation</strong></td>
<td>28,172</td>
<td>45,583</td>
<td>70,000</td>
<td>187,000</td>
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</tr>
<tr>
<td><strong>Transfers-Out</strong></td>
<td>625,950</td>
<td>716,000</td>
<td>1,017,916</td>
<td>1,017,916</td>
<td>1,910,377</td>
</tr>
<tr>
<td><strong>Non-Expenditure Disbursement</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Internal Services</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Appropriated Expenditures</strong></td>
<td>$5,446,795</td>
<td>$6,779,470</td>
<td>$8,638,270</td>
<td>$9,958,966</td>
<td>$10,527,802</td>
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</tbody>
</table>
**Budget Summary by Appropriated Fund**  
City of Clyde Hill, Washington  
Fiscal Year 2019

**Purpose:** to present the 2019 Budget Summary of major revenues and expenditures, as well as other financing sources and uses, by Fund as an overview of the total resources budgeted by the City.

<table>
<thead>
<tr>
<th>Major Revenues</th>
<th>General Fund</th>
<th>Reserve Fund</th>
<th>Projects Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem</td>
<td>$ 1,014,000</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>850,000</td>
<td>-</td>
<td>86,000</td>
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<tr>
<td>Utility Taxes</td>
<td>442,100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate Excise Taxes (REET)</td>
<td>-</td>
<td>-</td>
<td>900,000</td>
</tr>
<tr>
<td>Business Licenses &amp; Permits</td>
<td>371,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-Business Licenses &amp; Permits</td>
<td>875,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>552,500</td>
<td>-</td>
<td>365,250</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>435,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>57,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Income</td>
<td>165,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>249,800</td>
<td>-</td>
<td>10,000</td>
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<tr>
<td><strong>Non-Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>3,627</td>
<td>1,906,750</td>
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<tr>
<td>Debt Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internal Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 5,012,400</td>
<td>$ 3,627</td>
<td>$ 3,269,000</td>
</tr>
</tbody>
</table>

**Cash & Restricted Balances Brought Forward (Appropriated)**  
$ 1,318,427 | $ 3,910,392 | $ 4,187,833

**Total Resources Available**  
$ 6,330,827 | $ 3,914,019 | $ 7,456,833

<table>
<thead>
<tr>
<th>Major Expenditures</th>
<th>General Government</th>
<th>Public Safety</th>
<th>Transportation</th>
<th>Economic Environment</th>
<th>Culture and Recreation</th>
<th>Transfers-Out</th>
<th>Internal Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,172,100</td>
<td>2,361,850</td>
<td>868,750</td>
<td>33,525</td>
<td>24,000</td>
<td>1,218,427</td>
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</tr>
<tr>
<td><strong>Total Appropriated Expenditures</strong></td>
<td>$ 5,678,652</td>
<td>$ 691,950</td>
<td>$ 4,157,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**2019 Budget General Fund Expenditures**

- General Gov't Services, $1,173,100, 26%
- Police Services, $1,656,000, 37%
- Fire Control & Medic One, $706,650, 16%
- Public Works, $924,475, 21%

**2009 Actual General Fund Expenditures**

(for comparison with 2019 Budget GF Expenditures)

- General Gov't Services, $575,887, 19%
- Police Services, 1,250,426, 42%
- Fire Control & Medic One, 645,269, 21%
- Public Works, 553,122, 18%
2019 ADOPTED BUDGET
## 2019 Final Budget at a Glance
City of Clyde Hill, Washington

<table>
<thead>
<tr>
<th>FINAL BUDGET 2019</th>
<th>001</th>
<th>002</th>
<th>100</th>
<th>TOTAL CITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>Reserve Fund</td>
<td>Projects Fund</td>
<td></td>
</tr>
<tr>
<td>REVENUE</td>
<td>5,012,400</td>
<td>0</td>
<td>1,362,250</td>
<td>6,374,650</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td>4,460,225</td>
<td>0</td>
<td>4,157,200</td>
<td>8,617,425</td>
</tr>
<tr>
<td>Surplus or (Deficit):</td>
<td>552,175</td>
<td>0</td>
<td>(2,794,950)</td>
<td>(2,242,775)</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>1,318,427</td>
<td>3,910,393</td>
<td>4,187,833</td>
<td>9,416,653</td>
</tr>
<tr>
<td>Total Transfer In</td>
<td>0</td>
<td>3,627</td>
<td>1,906,750</td>
<td>1,910,377</td>
</tr>
<tr>
<td>Total Transfer Out</td>
<td>1,218,427</td>
<td>691,950</td>
<td>0</td>
<td>1,910,377</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>652,175</td>
<td>3,222,070</td>
<td>3,299,633</td>
<td>7,173,878</td>
</tr>
</tbody>
</table>
## 2019 - Financial Overview - "The Big Picture"

### BUDGET 2018

<table>
<thead>
<tr>
<th></th>
<th>001</th>
<th>002</th>
<th>100</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>CITY</td>
</tr>
<tr>
<td>REVENUE</td>
<td>4,696,125</td>
<td>2,893,550</td>
<td>7,589,675</td>
<td></td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td>4,259,850</td>
<td>4,681,200</td>
<td>8,941,050</td>
<td></td>
</tr>
<tr>
<td>Surplus or (Deficit):</td>
<td>436,275</td>
<td>(1,787,650)</td>
<td>(1,351,375)</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance</td>
<td>1,117,916</td>
<td>3,186,476</td>
<td>4,221,173</td>
<td>8,525,564</td>
</tr>
<tr>
<td>Total Transfer In</td>
<td>0</td>
<td>723,916</td>
<td>294,000</td>
<td>1,017,916</td>
</tr>
<tr>
<td>Total Transfer Out</td>
<td>1,017,916</td>
<td>0</td>
<td>0</td>
<td>1,017,916</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>536,275</td>
<td>3,910,392</td>
<td>2,727,523</td>
<td>7,174,189</td>
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</tbody>
</table>

### ACTUAL YEAR END 2018

<table>
<thead>
<tr>
<th></th>
<th>001</th>
<th>002</th>
<th>100</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>CITY</td>
</tr>
<tr>
<td>REVENUE</td>
<td>5,255,811</td>
<td>3,255,631</td>
<td>8,511,442</td>
<td></td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td>4,037,383</td>
<td>3,582,971</td>
<td>7,620,354</td>
<td></td>
</tr>
<tr>
<td>Surplus or (Deficit):</td>
<td>1,218,428</td>
<td>(327,340)</td>
<td>891,088</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance</td>
<td>1,117,916</td>
<td>3,186,476</td>
<td>4,221,173</td>
<td>8,525,564</td>
</tr>
<tr>
<td>Total Transfer In</td>
<td>0</td>
<td>723,916</td>
<td>294,000</td>
<td>1,017,916</td>
</tr>
<tr>
<td>Total Transfer Out</td>
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<td>0</td>
<td>0</td>
<td>1,017,916</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
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<td>4,187,833</td>
<td>9,416,652</td>
</tr>
</tbody>
</table>

### Final BUDGET 2019

<table>
<thead>
<tr>
<th></th>
<th>001</th>
<th>002</th>
<th>100</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Fund</td>
<td>Fund</td>
<td>Fund</td>
<td>CITY</td>
</tr>
<tr>
<td>REVENUE</td>
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<td>6,374,650</td>
<td></td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td>4,460,225</td>
<td>4,157,200</td>
<td>8,617,425</td>
<td></td>
</tr>
<tr>
<td>Surplus or (Deficit):</td>
<td>552,175</td>
<td>(2,794,950)</td>
<td>(2,242,775)</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance</td>
<td>1,318,427</td>
<td>3,910,393</td>
<td>4,187,833</td>
<td>9,416,653</td>
</tr>
<tr>
<td>Total Transfer In</td>
<td>0</td>
<td>3,627</td>
<td>1,906,750</td>
<td>1,910,377</td>
</tr>
<tr>
<td>Total Transfer Out</td>
<td>1,218,427</td>
<td>3,627</td>
<td>0</td>
<td>1,910,377</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>652,175</td>
<td>3,222,070</td>
<td>3,299,633</td>
<td>7,173,878</td>
</tr>
</tbody>
</table>
# 2019 Changes in Budgeted Fund & Department Fund Balances

**City of Clyde Hill, Washington**

<table>
<thead>
<tr>
<th>Component</th>
<th>General Fund</th>
<th>Reserve Fund</th>
<th>Criminal Justice Dept.</th>
<th>Housing Dept.</th>
<th>Parks Dept.</th>
<th>Special Projects Dept.</th>
<th>Capital Projects Dept.</th>
<th>Projects Fund</th>
<th>Total of All 3 Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Begin Balance - 01/01/2019</strong></td>
<td>1,318,427</td>
<td>3,910,393</td>
<td>452,788</td>
<td>1,339</td>
<td>29,670</td>
<td>3,020,440</td>
<td>4,187,833</td>
<td>9,416,653</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>5,012,400</td>
<td>-</td>
<td>106,700</td>
<td>10,000</td>
<td>1,000</td>
<td>2,000</td>
<td>1,242,550</td>
<td>1,387,250</td>
<td>6,399,650</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>4,460,225</td>
<td>-</td>
<td>132,200</td>
<td>25,000</td>
<td>21,000</td>
<td>1,525,000</td>
<td>4,157,200</td>
<td>8,617,425</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Surplus/(Deficit)</strong></td>
<td>552,175</td>
<td>-</td>
<td>(25,500)</td>
<td>25,000</td>
<td>(19,000)</td>
<td>(20,000)</td>
<td>(2,448,000)</td>
<td>(282,450)</td>
<td>(2,217,775)</td>
</tr>
<tr>
<td><strong>Transfer-In</strong></td>
<td>-</td>
<td>3,627</td>
<td>-</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,885,377</td>
<td></td>
</tr>
<tr>
<td><strong>Transfer-Out</strong></td>
<td>1,218,427</td>
<td>691,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,910,377</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Balance - 12/31/2019</strong></td>
<td>652,175</td>
<td>3,222,070</td>
<td>427,288</td>
<td>117,657</td>
<td>9,670</td>
<td>27,237</td>
<td>2,737,990</td>
<td>7,173,878</td>
<td></td>
</tr>
<tr>
<td><strong>Change In Fund Balance</strong></td>
<td>(666,252)</td>
<td>(688,323)</td>
<td>(25,500)</td>
<td>25,000</td>
<td>1,000</td>
<td>(20,000)</td>
<td>(586,250)</td>
<td>(282,450)</td>
<td>(2,242,775)</td>
</tr>
</tbody>
</table>

**Percent Change**

-50.5% -17.6% -5.6% 0.0% 27.0% 74.7% -67.4% -95.6% -9.4% -21.2% -23.8%

---

**More Information:**

1) As allowed by the State Auditor’s Office for smaller cities in the State of Washington, the City of Clyde Hill uses the cash-basis of accounting & budgeting which is a departure from generally accepted accounting principles (GAAP).  2) The term "Fund Balance" as used above means the excess of money available for spending over appropriated expenditures.

**Explanations for changes in Fund & Department Balances over 10% and $10,000:**

**General Fund & Reserve Fund (Managerial subfund)** - The 2018 operating surplus of $1,218,428 helped create a 2019 beginning fund balance of $1,318,427 for the General Fund. The budgeted 2019 operating surplus of $522,175 is primarily the result of the planned Bellevue Christian School reconstruction project valued at $40,000,000. The 2019 budgeted Transfers-Out of $1,218,427 and $691,950 will primarily be used to fund the City's upcoming Facilities Plan as well as on-going activities in the Projects Fund.

**Projects Fund** - consists of Special Revenue and Capital Projects funds highlighted in the following Departments:

- **Equipment Replacement Department** - Per Policy Statement #8, the City maintains an Equipment Replacement Schedule that is updated each budget to "Provide for the orderly and appropriate replacement of City equipment.” Nothing is budgeted in 2019 for Equipment Replacement as 2019 is an off year for vehicle replacement.

- **Housing Department** - This department continues to account for the City's commitment to help out with low income housing on the Eastside and maintain the 1 city rental home next to the Fire Station.

- **Parks Department** - Has a 2019 budget of $21,000 which funds the Annual City Celebration and "Parade of Pumpkins" events. It is utilizing surplus beginning balance in 2019.

- **Special Projects Department** - As special projects have been approved by City Council over the past few years, money has been set aside in this Department to better track & pay for them. For 2019, 14 separate line item projects are being accounted for here with the 2 large projects of note: 1) $2,100,000 - "City Facilities Plan" and 2) $140,000 to replace all city computers, servers, & phone system.

- **Capital Projects Department** - does not exceed 10%, but 2019's two largest components complete 2018's 24th / 84th Signal & Overlay Project and the other overlays NE 24th Street.
## Employee Authorized Position Count

**City of Clyde Hill, Washington**  
**As of January 1, 2019**

**Purpose:** To account for all employee positions for prior years, the current year and the new budget year.

<table>
<thead>
<tr>
<th>Department</th>
<th>Actual 2016</th>
<th>Actual 2017</th>
<th>Actual 2018</th>
<th>Budget 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Administrator</td>
<td>City Admin.</td>
<td>City Admin.</td>
<td>City Admin.</td>
<td>City Admin.</td>
</tr>
<tr>
<td>Assistant City Admin.</td>
<td>Assistant City Admin.</td>
<td>Assistant City Admin.</td>
<td>Assistant City Admin.</td>
<td></td>
</tr>
<tr>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td></td>
</tr>
<tr>
<td>Deputy City Clerk</td>
<td>Deputy City Clerk</td>
<td>Deputy City Clerk</td>
<td>Deputy City Clerk</td>
<td></td>
</tr>
<tr>
<td>FTE = 4.16</td>
<td>FTE = 4.16</td>
<td>FTE = 4.16</td>
<td>FTE = 4.16</td>
<td></td>
</tr>
<tr>
<td>Police Chief</td>
<td>Police Chief</td>
<td>Police Chief</td>
<td>Police Chief</td>
<td>Police Chief</td>
</tr>
<tr>
<td>Lieutenant</td>
<td>Lieutenant</td>
<td>Lieutenant</td>
<td>Lieutenant</td>
<td>Lieutenant</td>
</tr>
<tr>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td>Finance Manager (1/2)</td>
<td></td>
</tr>
<tr>
<td>Police Records Specialist</td>
<td>Police Records Specialist</td>
<td>Police Records Specialist</td>
<td>Police Records Specialist</td>
<td></td>
</tr>
<tr>
<td>7 Patrol Officers</td>
<td>7 Patrol Officers</td>
<td>7 Patrol Officers</td>
<td>7 Patrol Officers</td>
<td></td>
</tr>
<tr>
<td>FTE = 10.5</td>
<td>FTE = 10.5</td>
<td>FTE = 10.5</td>
<td>FTE = 10.5</td>
<td></td>
</tr>
<tr>
<td>Public Works Director/Engineer</td>
<td>Public Works Director/Engineer</td>
<td>Public Works Director/Engineer</td>
<td>Public Works Director/Engineer</td>
<td></td>
</tr>
<tr>
<td>FTE = 1.33</td>
<td>FTE = 1.33</td>
<td>FTE = 1.33</td>
<td>FTE = 1.33</td>
<td></td>
</tr>
<tr>
<td>Building Official / Inspector</td>
<td>Building Official / Inspector</td>
<td>Building Official / Inspector</td>
<td>Building Official / Inspector</td>
<td></td>
</tr>
<tr>
<td>3 Public Works Crew Members</td>
<td>3 Public Works Crew Members</td>
<td>3 Public Works Crew Members</td>
<td>3 Public Works Crew Members</td>
<td></td>
</tr>
<tr>
<td>FTE = 4.00</td>
<td>FTE = 4.00</td>
<td>FTE = 4.00</td>
<td>FTE = 4.00</td>
<td></td>
</tr>
<tr>
<td>(Student(s) employed in the summer)</td>
<td>(Student(s) employed in the summer)</td>
<td>(Student(s) employed in the summer)</td>
<td>(Student(s) employed in the summer)</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** No staffing level changes are part of the 2019 budget. The primary challenge related to staffing in the 2019 budget is the retirement of the City Administrator who will have been in that position for nearly 29 years. The 2019 Budget includes $97,530 of "Retirement / Succession Costs" for the "job overlap with replacement" and the buyout of any unused vacation benefit. The removal of these one-time costs would reduce the budgeted $64,500 or 2.4% increase in salary / benefits to a budgeted salary / benefit reduction of 1.2% from 2018. The "apparent reduction" in salaries/benefits is due to the 2018 budget being inflated due to including retirement payouts for Police Chief, Finance Manager, and City Administrator.

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Total FTE: 20
2019 CAPITAL FACILITIES PLAN
CITY OF CLYDE HILL, WASHINGTON

The City of Clyde Hill is responsible for providing facilities and services that are needed by the residents and businesses of the City for a safe, secure and efficient environment within which to conduct their affairs. These services and facilities include, but are not limited to: police service, fire protection, building and land use management services, street and storm sewer service, parks and recreation. Often the availability and quality of these services are a primary reason for families to choose a particular community over another. As such, the adequacy of these services and the related facilities greatly influence the quality and character of a particular community.

Since these services cannot be delivered without capital facilities, the appropriate supply of capital facilities must be adequate to meet future service requirements. This plan seeks to ensure such a supply by planning ahead to meet these future needs.

Planning to meet the future needs of a community is a complex task. First, it requires an understanding of the necessary and desired scope of future needs for the community. Second, it requires an accurate assessment of the various types of capital facilities that could be provided, and the need to identify the most effective and efficient array of facilities to support the needed services. Finally, it must address how these facilities will be financed.

Understanding what the future needs of the community will be is accomplished through the development of the City's Comprehensive Plan, which provides a framework for the future growth and character vision of the community. Individual plans or studies are used to address the issue of what is needed to provide an effective and efficient service delivery system for the various service elements.

The final aspect of a Capital Facilities Plan addresses the appropriate mix of revenues needed to meet the various elements of the plan. Choosing the most effective array of
facilities considering limited resources and competing demands requires a great deal of policy-making and implementation coordination. Financial planning and implementation of capital facilities cannot be effectively carried out on an annual basis, since their financing requires multi-year commitments of fiscal resources. Because of this, a Capital Facilities Plan is long range in its scope.

Any plan is a tool to aid in decision making. This plan is no exception. Annual budget decisions will be aided by outlining how the needed capital facilities of the future can be successfully provided. The Capital Facilities Plan is not intended to substitute for annual budget decisions, only provide a tool for making those budget decisions.

Since the entire comprehensive planning process, of which facility planning is only a part, is seen in Clyde Hill to be a continuing, evolving process of managing change, this plan, along with the various related plans, will be continually reviewed and updated.

**ELEMENTS OF THE PLAN**

*Expenditure Components*

The Capital Facilities Plan provides a framework to plan for the orderly implementation of capital improvements and facilities directly affecting the City's services and operations. The term capital improvements or facilities are widely used terms having different meanings to different persons. The use of these terms within this plan however, are intended to represent improvements, projects, equipment, facilities or assets of the City that require a financing policy of a longer term character than that which can not be readily afforded by the annual operating budget cycle of the City.

The basic planning policy document of the City is its Comprehensive Plan. The Comprehensive Plan is a series of planning elements that address all aspects of the City's future development and land use. A series of other plans then address in greater detail the development of particular elements within the City. The street system is supported through the City's annual Transportation Improvement Program (TIP) and condition rating survey. The storm sewer system was initially supported through the results of a comprehensive system study that was completed in November 1992 and a Stormwater Improvement Plan (SIP) that was discussed in 1996. The parks & recreation system is guided by the Comprehensive Plan. The criminal justice programs are guided by recommendations from the staff and Council approval. The public facility sections of this plan are supported through the Comprehensive Plan, the staff and Council guidelines. The equipment replacement schedule is supported through a detailed equipment replacement schedule that is revised annually and presented to the Council for review.
The following are descriptions of expenditure types within six basic categories: Street system, Storm sewer system, Parks & recreation system, Criminal justice, Public facilities and Other special projects. Six year projections of projects and needs within the following categories are represented in the City's Capital Facilities Plan.

**Street System**

A. **Annual Overlay Program - Implementation of the City's road system Transportation Improvement Program (TIP).** The TIP is annually updated after a visual analysis and a condition rating survey of all the roads within the City's jurisdiction.

In response to the noticeable increase in cut through traffic due to the new Hwy 520 bridge, the City has formed a committee to study traffic / speed management improvements. Expenditures to support the committee’s work are budgeted in the Special Projects Department of the Projects Fund starting in 2017.

B. **Other Street Projects** - Represents road related projects besides the annual overlay program such as; traffic calming ideas, curb replacement, safety improvements, guard rails, speed bumps or their removal or extraordinary patching and new roads.

C. **Sidewalk/Pedestrian Improvements** - Represents costs relating to sidewalk and pedestrian safety or convenience projects within the rights-of-way. Some of these projects relate to safety buttons, additional sidewalks and trails.

**Storm Sewer System**

A. **Storm Sewer Improvements** - Represents costs for the implementation of the City's comprehensive storm system study and the City's Stormwater Improvement Plan (SIP).

B. **Pond Maintenance Projects** - Represents pond maintenance and dredging projects for Aqua Vista Lake (Done in conjunction with the homeowners), Clyde Loch (Done in conjunction with the homeowners), and the ponds at the Overlake Golf and Country Club (Accomplished per the settlement agreement with the Club).

C. **System Maintenance & Depreciation** - Represents larger costs outside the operating budget relating to the repair of the existing system due to age and depreciation.

D. **Comprehensive Storm System Study & Analysis** - Costs to implement a comprehensive study of the City's storm sewer system.
### Parks & Recreation System

**A. Park Improvements** - Represents costs for the implementation of the City's Comprehensive Plan (relates to the construction of new elements or upgrades to the system).

**B. Park Land Purchases** - Represents costs relating to the potential purchase of additional park property within the City.

**C. Park Maintenance** - Represents larger costs outside the operating budget relating to the repair of the existing system due to age and depreciation. Some of these projects might include: Tennis court repair and overlay, park equipment or furniture repair or landscaping.

### Criminal Justice Program

**A. Equipment** - Represents equipment costs that are funded through the Criminal Justice program.

### Public Facilities

**A. City Hall** - Represents costs relating to the extraordinary maintenance of the City Hall (roof, internal and external structure), facility upgrades (sound system, structural improvements), and mechanical replacements (heating/cooling systems).

**B. Police Department** - Represents costs relating to the extraordinary maintenance of the police department.

**C. Public Works Building** - Represents costs relating to the extraordinary maintenance of the public works "shop" building. This building also includes the public rest room facilities.

**D. Land Purchases** - Represents costs relating to the potential purchase of additional public property within the City for future facility use.

### Equipment Replacement Schedule

**A. Equipment Replacement Schedule** - Represents costs to keep track of the City's "major" pieces of equipment and plan for their eventual replacement.

### Revenue Components

There are a number of available revenue sources that could potentially be used to fund the expenditure items within the Capital Facilities Plan. These revenue items are summarized below. Additional funding sources such as the property tax, utility tax or
other general purpose revenues located within the General Fund could be used to fund the Capital Facilities Plan but are currently not recommended for this use.

**A. Real Estate Excise Taxes** - Represents revenues derived from the 1/4 of 1% excise tax on the sale of real estate within the City. Use of these funds is restricted for the implementation of the City's Capital Facilities Plan.

**B. Growth Management Real Estate Excise Taxes** - Represents revenues derived from an additional 1/4 of 1% excise tax on the sale of real estate within the City. Use of these funds is restricted for any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040.

**C. Street Utility Fees** - Represents revenues derived from fees generated through the enactment of a street utility. The City does not currently have a street utility. Based on a 1996 Seattle suit, the constitutionality of this revenue source is in question.

**D. Storm Water Utility Fees** - Represents revenues derived from fees generated through the enactment of a storm water utility. The City does not currently have a storm water utility.

**E. Motor Fuel Taxes** - Represents revenues derived from the fuel tax on gasoline. In September, 2005, the two gas tax revenues received by the City as state entitlements were combined into the unrestricted gas tax revenue source. This revenue is currently recorded in the General Fund and is being used to fund operating expenses relating to the maintenance of the street system.

The City receives a quarterly payment from the State on a per capita basis. From the booklet issued by Municipal Research & Service Center (MRSC) entitled “2019 Budget Suggestions”, the City is expected to receive gas tax related revenue in 2019 of $20.72 per person living in Clyde Hill. The State Office of Financial Management (OFM) has officially estimated Clyde Hill’s population for State revenue distributions as of April 1, 2018 at 3,045 residents (an increase of 30 over last year).

**F. Vehicle License Fees** – The City has not received any revenue from this source since January, 2003 due to State Initiative 776. The State Supreme Court has decided that I-776 is constitutional.

Vehicle License Fees represented revenues derived from the July 1991, implementation of King County's additional 1% vehicle license fee. This revenue source was located in the General Fund and was being used to fund operating expenses relating to the maintenance of the street system. Revenues from this source were used for transportation purposes only which may include construction, reconstruction, maintenance, repair and betterment of city streets; including the cost and expense of right-of-way acquisition, installing, maintaining and operating traffic signs and signal lights as well as the
necessary operating, engineering and legal expenses connected with the administration of the City's streets.

G. Connection Fees - Represents revenues derived from fees charged to those who make a connection to the City's storm water system. This is a revenue source that the City does not currently use but can be set up as part of a storm water utility package. Fees should be set to cover the cost of the City inspecting the connection.

H. Developer Impact Fees - Represents developer "contribution" revenues that can only be based on the direct benefit or impact from the developer. These fees can be used for parks and open space development, road or storm system improvements or even for schools, fire or police services.

I. County Road and Street Revenue - Represents revenues derived from the Federal Highway Act through Federal motor fuel taxes. These revenues are distributed to the state and then allocated through a regional process. The City received $15,941 in 1993, approximately $43,000 in 1997 and approximately $23,900 in 1999.

J. Grant Revenues - Represents revenues derived from any Federal or State grant programs. These programs are somewhat scarce, usually have strings attached to them and are highly competitive. The City is able to use its "small city" status to compete effectively where and when appropriate.

The City has participated in the State Department of Ecology’s National Pollutant Discharge Elimination System (NPDES) grant program since 2008. This program is designed to improve water quality from Clyde Hill going into Lake Washington.

K. Local Improvement Districts (LID) - Represent a method of implementing specific improvements by allocating the costs of the project among the benefiting properties. These projects are usually financed through long-term bonds, the repayment of which is mainly from the collection of the assessments from the benefiting properties. This type of financing, if forfeited, does not apply against the utility or the City, because the benefiting properties have funded their own "guarantee" at the time of formation. A utility local improvement district (ULID) is a similar type of financing instrument. The difference between the LID and the ULID is that the ULID is guaranteed by the utility, and many times, the city is also a participant. ULID's normally are used to fund an improvement that is system wide.

L. Bonds - Represents revenues derived from the issuance of bonds. There are a few different types of bonds that are available for our use. Councilmanic general obligation bonds could be approved by the Council for a specific capital project. The statutory bond limit was increased in 1994 to allow for 1.5% of the current overall assessed value of the City (October 7, 2013 assessed value = $1,642,552,168 * 1.5% = $24,638,283). This type of bond allows up front funding for any municipal purpose and pledges future revenues
of the City to pay off the debt. General obligation bonds require a simple majority vote of the people for approval. Current law limits this obligation to 2 1/2% of the current overall assessed value of the City. General obligation bonds require current "users" or residents to pay off the debt during the term of the bond. State law also authorizes an additional 2.5% for parks and open space and another 2.5% for utility projects (2.5%= $41,063,804). Both of these types of bonds are classified as G.O. bonds and therefore require a simple majority vote of the people for approval.

Revenue bonds represent a funding source whose principal and interest are payable exclusively from the earnings of a proprietary operation. Proprietary operations represent governmental services that are supported mainly by rates and user fees, such as a water or sewer utility. There are no statutory limits for the amount of this type of indebtedness, but the bondholders will certainly look at the liquidation of the operation to capitalize their return.

M. Criminal Justice Revenues - Represents revenues that are to be directed toward municipal criminal justice assistance. A number of sources make up the total of this revenue source. One is a direct allocation from the state's general fund that was only offered from the 3rd quarter 1990, through the 2nd quarter of 1991. The City received approximately $7,400 from the state. A second source of Criminal Justice funding is from a portion of the state's motor vehicle excise tax that was prorated on a per capita basis till 1-1-94. Starting in 1994, a new distribution formula was established which resulted in less revenue for Clyde Hill. Because of I-695, parts of this source of revenue were slated to disappear after the 1st quarter of 2000. The State Legislature provided a portion of the lost revenue in 2000 through 2002 and then stopped providing municipal criminal justice assistance altogether. A third source of criminal justice funding comes from King County's .1% sales tax. This money is distributed to the City on a monthly per capita basis, which equates to around $86,000. A fourth source of criminal justice funding is from the Town of Yarrow Point, who shares their funding with Clyde Hill as a contractual obligation for the provision of 24/7 police services.

Criminal justice revenues are not to be used to replace or supplant existing funding. The state auditors provided us with the following guidelines or criteria for the appropriate use of this revenue:

- The total police department budget must not go below the 1989 amount of $476,362 by using criminal justice revenues. In other words, the City must continue to fund the police department budget at or above the 1989 levels.

- At least $200/yr. needs to be spent in the General Fund for the specific purpose of crime prevention or for the DARE program. This $200 represents the City's 1989 funding baseline for these activities. The City must continue to fund these direct criminal justice programs at or above the 1989 levels.
• All revenues are to be used such that they will substantially assist the City’s criminal justice system.

Policy Statements and Objectives

The following statements of policy and goals are used to assist and provide guidelines in deciding upon the element of the City’s Capital Facilities Plan.

• Use the Capital Facilities Plan as a means of implementing the Comprehensive Plan.

• Ensure that needed capital improvements are implemented on a timely basis.

• Update and present to the Council a Capital Facility Plan annually to ensure an up-to-date, responsive and coordinated plan.

• Development shall be allowed only when and where all public facilities are adequate, and only when and where such development can be adequately served by essential public services without reducing the quality and level of service elsewhere.

• If adequate facilities are currently unavailable and public funds are not committed to provide such facilities, developers must provide such facilities at their own expense to develop.

• The City should continue to investigate assisting through LID's and latecomer agreements, where possible. Where public funding is available, the City may participate in developer initiated facility extensions or improvements, but only if the improvements benefit the broader public interest, and are in accord with the specific policies and recommendations of the appropriate public facilities plan.

• Preserve and promote those community facilities and programs that are important to the safety, health and social needs of families and children in Clyde Hill.

• Provide a comprehensive parks and open space system that responds to the recreational, cultural, environmental and aesthetic needs and desires of the Clyde Hill community.

• Continue to provide for the effective annual maintenance of the City's street system.

• Recognize through all transportation policies and facilities that pedestrian and bicycle transportation modes are a basic means of circulation and enjoyment.

• Coordinate efforts with the City of Bellevue to assure effective and efficient water and sanitary sewer service to meet the needs of the Clyde Hill community.
• General revenues should be used only to fund projects or equipment that provide a general benefit to the entire community within the general governmental functions of the City.

• The City should consider the full range of financing options available to finance capital facility projects and equipment.

A copy of the 2019 Capital Facilities Plan financial schedule is attached for your review.
## 2019 Capital Facilities Plan
City of Clyde Hill, Washington

### Total 2019 Capital Facilities Plan Summary

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<td><strong>Public Facilities</strong></td>
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<td>-87.2%</td>
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| Ending Plan Balance | $3,785,894 | 13.1%       | $3,289,515 | -13.8%      | $3,456,185 | 19.6%       | $3,558,935 | -9.9%       | $1,831,335 | -63.1%     | $1,985,435 | 3.5%        | $1,985,435 | 0.5%        |
## Street & Sidewalk System

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<tr>
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<td>$1,101,727 7.6%</td>
<td>$1,163,926 5.6%</td>
<td>$3,188,150 173.9%</td>
<td>$962,950 -69.8%</td>
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## Storm Sewer System

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<td>Storm Sewer Improvements</td>
<td>$16,842 -71.4%</td>
<td>$237,720 218.4%</td>
<td>$232,320 -40.8%</td>
<td>$375,000 67.9%</td>
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<td><strong>Total Storm Expenditures</strong></td>
<td>$16,842 -71.4%</td>
<td>$237,720 218.4%</td>
<td>$232,320 -40.8%</td>
<td>$375,000 67.9%</td>
<td>$0 100.0%</td>
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**Ending Capital Projects Department Balance:** $3,433,910 11.8%
# 2019 Capital Facilities Plan
## City of Clyde Hill, Washington

### Parks/Rec. & Public Facilities Systems

#### Parks & Rec. System

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#### Public Facilities

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<tr>
<td><strong>Total Pub. Fac. Expenditures</strong></td>
<td>$50,000</td>
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<td>$6,419</td>
<td>-87.2%</td>
<td>$0</td>
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# Equipment Replacement

## Resources

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<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Change</th>
<th>Actual</th>
<th>Change</th>
<th>Estimated</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Balance</td>
<td>$92,853</td>
<td>-27.0%</td>
<td>$152,853</td>
<td>64.6%</td>
<td>$177,853</td>
<td>164%</td>
<td>$92,853</td>
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<td>$177,853</td>
<td>27.0%</td>
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<td>20.1%</td>
</tr>
<tr>
<td>Criminal Justice Revenue</td>
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<td>18.8%</td>
<td>$46,769</td>
<td>-1.5%</td>
<td>$93,500</td>
<td>144%</td>
<td>$14,000</td>
<td>-73.8%</td>
<td>$64,000</td>
<td>367.1%</td>
<td>$76,700</td>
<td>19.8%</td>
<td>$87,500</td>
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<tr>
<td>Transfer From Reserve Fund</td>
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</tr>
<tr>
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<tr>
<td>Total Equipment Replacement Resources</td>
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<td>$71,769</td>
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<td>-55.9%</td>
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<td>$101,700</td>
<td>14.3%</td>
<td>$92,800</td>
<td>-8.8%</td>
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## Expenditures

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<tr>
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<th>Change</th>
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<tr>
<td>Police Department</td>
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<td>$14,000</td>
<td>-73.8%</td>
<td>$64,000</td>
<td>367.1%</td>
<td>$76,700</td>
<td>19.8%</td>
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<td>$108,300</td>
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<td>$17,900</td>
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<td>Total Equipment Replacement Expenditures</td>
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<td>-52.2%</td>
<td>$46,769</td>
<td>-1.5%</td>
<td>$57,800</td>
<td>171.6%</td>
<td>$14,000</td>
<td>-91.9%</td>
<td>$81,900</td>
<td>485.0%</td>
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</table>

## Ending Equipment Replacement Balance

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<th>Change</th>
<th>Actual</th>
<th>Change</th>
<th>Estimated</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
<th>Projected</th>
<th>Change</th>
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</thead>
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<tr>
<td>2016</td>
<td>$152,853</td>
<td>64.6%</td>
<td>$177,853</td>
<td>16.4%</td>
<td>$92,553</td>
<td>-48.0%</td>
<td>$117,553</td>
<td>27.0%</td>
<td>$124,653</td>
<td>6.0%</td>
<td>$149,653</td>
<td>20.1%</td>
</tr>
<tr>
<td>2017</td>
<td>$158,753</td>
<td>18.7%</td>
<td>$177,853</td>
<td>16.4%</td>
<td>$92,553</td>
<td>-48.0%</td>
<td>$117,553</td>
<td>27.0%</td>
<td>$124,653</td>
<td>6.0%</td>
<td>$149,653</td>
<td>20.1%</td>
</tr>
</tbody>
</table>
TRENDS, FACTS & FINANCIAL PROJECTIONS
MAJOR REVENUE ASSUMPTIONS, FACTS, AND TRENDS

City of Clyde Hill, Washington

BACKGROUND.
As authorized by the State Auditor’s Office for a city with the population size of Clyde Hill, the City follows the “modified cash basis” of accounting method. This basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. As required by the State Auditor’s Office, the City utilizes a 13th month to capture and record expenditures after the December City Council meeting that are actually paid in January of the following year, but recorded as of December 31st.

To summarize, revenues are recognized when cash is received and expenditures are recognized when cash is paid (modified to consider the 13th month in January). Capital assets and inventory items are recorded as expenditures in the governmental fund purchasing the asset or inventory item. A physical inventory is conducted annually of all inventory items with special attention to “small and attractive” inventory items.

“Modified cash basis” accounting is not considered GAAP for financial reporting purposes although 80% of all governmental entities in the State of Washington use this method of accounting with supervision and training provided by the State Auditor’s Office (SAO).

POPULATION.
The Office of Financial Management (OFM) for Washington State estimates the population for each city in the State as of April 1st. This population estimate is used in the budget process for the following year to determine the amount that can be expected to be received in State shared revenues on a per capita basis. OFM's April 1, 2018 population estimates are based on OFM adjusted Census 2010 values. Worth noting to see how accurate OFM’s population estimates have been in the past, the OFM 2010 population estimate for the City of Clyde Hill was 2,845 and the 2010 census number came in at 2,984 (actual increase of 139 people or 4.9%). Overall, the City of Clyde Hill is “built out” with only a few vacant lots left in the City. As a result, the population trend for Clyde Hill will most likely fluctuate within a narrow band of a few hundred people from this year’s estimate in the years ahead.
REAL PROPERTY TAX.
The King County Assessor’s Office provides information necessary for the City to levy property tax for the 2019 Budget. The City Council traditionally approves the following year’s real property tax levy along with the overall budget at their regular monthly meeting on the second Tuesday of December:

2019 Top Ten City of Clyde Hill Real Property Tax Highlights.
1. Clyde Hill continues with the second lowest property tax rate out of the 39 cities and towns in King County (Hunts Point remains by far the lowest property tax rate due to their high assessed values);
2. For the 8th year in a row, the City of Clyde Hill has not taken the allowed 1% property tax increase over the previous year’s amount. For the 4th year in a row, the City has also not taken the allowed new construction levy. The City’s “banked capacity” for future needs is currently $164,300.

3. In 2019, the City of Clyde Hill will only receive 4.6% of the total property tax dollars paid by Clyde Hill homeowners to help pay for City services (e.g. police, fire, roads, land use regulations, elections, etc.).
4. Bellevue Schools will receive 32.7% and State Schools will receive 34.1% of the average Clyde Hill homeowners’ total property tax dollars paid in 2019. This represents a 66.8% total of property tax dollars paid by Clyde Hill homeowners going to schools. This represents a big change in property taxes brought about by the State Legislature attempting to resolve the State Supreme Court’s “McCleary Decision” regarded adequate school funding.

5. The Central Puget Sound Regional Transit Authority (RST – aka Sound Transit) appears on Clyde Hill homeowners’ property tax statements for the 3rd year in 2019 and represents the 9th taxing jurisdiction that receives City of Clyde Hill property tax dollars.

6. The average home in Clyde Hill valued at ~$2.7M will pay $547 for the Sound Transit property tax representing 2.7% of the total property tax dollars paid in 2019 by City of Clyde Hill homeowners.

7. The average home in Clyde Hill will pay $254 in 2019 property tax to the Port District.

8. There is an inverse relationship between a homeowners’ assessed valuation (AV) and the property tax rate paid (e.g. AV goes up, property tax rate goes down). For 2018, the AV for the average home in Clyde Hill went up 12.9% resulting in the property tax rate paid going down by 11.1% from $0.44646 per $1,000 of AV to $0.39683 per $1,000 of AV.
9. A levy lid lift is a way for a jurisdiction to increase property taxes by more than 1% with a simple majority vote of the residents in that jurisdiction. In 2018, there was one nearby city that attempted a levy lid lift that was somewhat similar to Clyde Hill – Mercer Island. Though close, the levy lid lift failed. More and more pressure on city finances is requiring cities to utilize one of the few tools available to them to increase local revenue.

10. Local School District levies vary significantly around Clyde Hill from a low of $2.30117 per $1,000 of AV on Mercer Island to a high of $3.80755 per $1,000 of AV for Newcastle. Bellevue School District is $2.80130. Again, the recent, big change in 2018 involved the State School rate increasing from $2.03205 to $2.9182 (43%) in an attempt to resolve the school funding issue in the State of Washington (the “McCleary Decision”).
SALES TAX.
Clyde Hill receives 0.85% of the 10.00% sales tax paid for goods and services subject to sales tax within the City’s jurisdictional control. The following information was considered when developing the 2019 budget number:

- 2019 Sales Tax from the volatile construction activity component is expected to be $262,472 or 30.9% of the total sales tax;
- 2019 “Base” sales tax (everything except construction) forecasts at $194,100, which is the average of the past five years;
- 2019 school construction sales tax include:
  • Clyde Hill Elementary Project at $320,571; and
  • Bellevue Christian School at $72,857.
- In June 2018, the US Supreme Court ruled that states may collect sales tax from internet sales. The impact of that ruling remains unclear and may expand the City’s sales tax base; and
- The Streamlined Sales Tax Law in Washington changed from an origin-based system for local retail sales tax to a destination-based system effective July 1, 2008 with a definite benefit to Clyde Hill.
UTILITY TAXES, FRANCHISE FEES, & BUSINESS LICENSES.
Utility taxes and franchise fees are “revenue-based” taxes on the gross receipts collected by the utility service provider from residents of Clyde Hill. We use information learned from telephone discussions with the Clyde Hill utility service providers, a review of their website information, and our historical revenue trend tracking to project the utility service provider’s 2019 gross receipts for the eleven (11) different components making up the utility tax and franchise fee revenue category. Business Licenses are a $25 fee paid to the Washington State Department of Revenue to cover the City’s cost of monitoring business activities in the City and as a way to remind businesses that Clyde Hill is a separate city when remitting their sales taxes to the State.

Utility Tax – Electric.
This is a “revenue-based” tax of 6% on the gross revenue earned by Puget Sound Energy (PSE) for using the City’s Right-of-Way (ROW) to provide electricity services within the City. The following information was taken into consideration:

- On October 1, 2018, PSE intended to implement a slight adjustment to electrical rates that would generally reduce rates. This rate adjustment was intended to offset the actual costs of the low-income bill assistance program;
- On May 1, 2018, the WUTC approved a rate reduction resulting in the return of millions of dollars to PSE electric customers; and
• PSE is moving towards “Decoupling” which is a mechanism under which utility revenues are “decoupled” from sales. The utility’s recovery of fixed costs will not depend on the volume of its energy sales. Instead, revenue is determined on a per-customer basis, thereby removing the company’s financial disincentive to invest in conservation and energy efficiency.

Utility Tax – Natural Gas.
This is a “revenue-based” tax of 6% on the gross revenue earned by Puget Sound Energy (PSE) for using the City’s Right-of-Way (ROW) to provide natural gas services within the City. This did not increase over last year. The primary considerations for projecting next year’s revenue from this source include:

• Puget Sound Energy (PSE) filed two requests 9/17/2018 with the state Utilities and Transportation Commission (UTC) proposing an overall average 10.2% decrease for all gas customers, effective 11/1/2018;
• Purchased Gas Adjustment (PGA): PSE has requested to decrease natural gas bills by an overall average of 3.3% under the PGA rate-setting mechanism, which allows utilities to adjust rates, up or down, to reflect fluctuations in the price of natural gas in the wholesale market. PSE is not allowed to profit on the natural gas it purchases for customers; and
• Cost Recovery Mechanism for Pipeline Replacement (CRM): PSE has asked the WUTC to increase gas rates 0.47% to recover costs for the replacement of aging natural gas pipes.

Utility Tax – Solid Waste.
This is a "revenue-based" tax of 4% on the gross revenue earned by Republic Services (formerly Allied Waste Services of Bellevue) for providing recycling, yard debris, and garbage collection services within the City. The following information was taken into consideration:

• New solid waste hauling contract started April 1, 2015 with a number of changes on how services are provided (e.g. garbage, recycling, and organics are picked up weekly; organics bi-weekly during the winter months of December-February);
• 2019 rates have not yet been set. The King County “tipping fee” (aka disposal fee) increases by approximately 5%; and
• Per Republic Services, tipping fees for solid waste, recycling, and yard waste added together represents approximately 1/3 of the bill paid by Clyde Hill residents for this utility service.

Utility Tax – Cable TV.
This is a "revenue-based" tax of 9% on the gross revenue earned by Comcast Cable for providing cable TV services (not on internet) within the City. The following information was taken into consideration:

• Effective on July 1, 2009, the utility tax rate was increased from 4% to 9% to help reduce the projected deficit caused by the “Great Recession” (the utility tax
rate was 10% from 1988 through 2004 with a reduction down to 4% in 2005 made possible by the surge in development revenues);

- Last known rate increase by Comcast was dated April 29, 2016 for July 1, 2016; and

- This revenue source could involve customers “cutting the cord” and getting their entertainment via the internet. It appears that the trend for premium services from Comcast TV has flattened out.

**Utility Tax – Local Access Telephone (land-lines, including VoIP).**
This is a “revenue-based” tax of 6% on the gross revenue earned by various telecommunication companies for use of the City’s right of way to provide local access telephone services (e.g. CenturyLink & VoIP providers) within the City. The following information was taken into consideration:

- The utility tax rate for this revenue category was reduced to 4% from 2006 to 2008 (allowed by a surge in development revenues), but then increased back up to 6% in 2009 to help resolve the projected budget deficit brought on by the “Great Recession”;
- Comcast’s VoIP telephone service is a noteworthy trend that started at the beginning of 2007 with a monthly remittance of under $100 and now remittances are over $800 per month (VoIP service most likely off-sets some City tax revenues by residents giving up their land lines for VoIP); and
- There are numerous telecom companies remitting some amount of utility tax to the City of Clyde Hill. Century Link and Comcast represent over 90% of the total remittances.

**Utility Tax – Wireless Telephone.**
This is a “revenue-based” tax of 6% on the gross revenue earned by various telecommunication companies that provide wireless telephone services within the City. The following information was taken into consideration:

- The utility tax rate for this revenue category has been 6% from its inception in 1995; and
- This revenue source peaked in 2009 at $79,069 and has declined approximately 46% to the 2018 projected year-end (other cities report this same downward trend).

**Franchise Fee – Solid Waste.**
This is a “revenue-based” franchise fee of 5.5% on the gross revenue earned by Republic Services (formerly Allied Waste Services of Bellevue) for providing recycling, yard debris, and garbage collection services within the City. The following information was taken into consideration:

- Solid waste hauling contract started April 1, 2015 with a number of changes on how services are provided (e.g. garbage, recycling and organics are picked up weekly; organics bi-weekly during the winter months of December-February);
- 2019 rates have not yet been set. The King County “tipping fee” (aka disposal fee) increases by approximately 5%; and
• Per Republic Services, tipping fees for solid waste, recycling and yard waste added together represents approximately 1/3 of the bill paid by Clyde Hill residents for this utility service.

**Franchise Fee – Cable TV.**
This is a "revenue-based" tax of 5% on the gross revenue earned by Comcast Cable for providing cable TV services (not internet) within the City. The following information was taken into consideration:

- The franchise fee has been 5.0% since 1988 and started at 3.0% in 1979; and

**Franchise Fee – Water Service.**
This is a "revenue-based" tax of 9% on the gross revenue earned by the City of Bellevue Utilities Department to use the City’s Right-of-Way (ROW) while providing water services within the City. The following information was taken into consideration:

- Per the City of Bellevue Utilities on 10/12/18, the proposed Water rate increases for 2019 & 2020 are 3.7% and 5% respectively. Rates increase proposals go to Bellevue City Council in early December; and
- Bellevue Utilities purchases their water from the Cascade Water Alliance (formed in 1999, currently a municipal corporation comprised of five cities and two water districts serving over 350,000 residents).

**Franchise Fee – Sewer Service.**
This is a "revenue-based" tax of 9% on the gross revenue earned by the City of Bellevue Utilities Department to use the City’s Right-of-Way (ROW) while providing sanitary sewer services within the City. The following information was taken into consideration:

- Per the City of Bellevue Utilities on 10/12/18, the proposed Sewer rate increases for 2019 & 2020 are 3.9% and 2.3% respectively. Rates increase proposals go to Bellevue City Council in early December;
- Metro’s regional wastewater treatment program costs increase in odd number years and represents approximately 60% of the costs for Bellevue Utilities to provide wastewater sewer services; and
- Residential sewer bills are tied to your “average winter volume” (your three bills received between December and June) to avoid charging customers for water used during summer for irrigation.

**Business License Fees.**
Business licensing started in Clyde Hill on April 1, 2010 as a way to better inform businesses to pay their sales tax to the City of Clyde Hill when doing business in the City. Prior to city business licenses, some businesses appeared to be confused about
what jurisdiction to remit their collected sales taxes to (the City of Bellevue usually benefitted from the confusion).

As a cost saving measure for the State, the State Department of Revenue took over to facilitate this program from the Department of Licensing in early 2011. The City still maintains control over the program by approving each individual license application. The City’s ordinance to enact the business licensing requirement has exemptions such as non-profits, casual sales, and babysitting. Through September, there are approximately 900 businesses with a license to conduct business in the City of Clyde Hill (fee is $25 annually).

Business licensing is also designed to control parking and noise issues for residents conducting business from their homes. Surprisingly, there are well over 100 businesses in Clyde Hill operating from their home.

The chart above represents the growth of actual revenue dollars at an average rate of 4.5% from 2003 through the 2019 Budget (16 years). The big percent increase in 2009 was due to rate increases brought on by the “Great Recession.” In general, each utility service has its own story to tell regarding the underlying assumptions reviewed when forecasting revenue trends.
DEVELOPMENT REVENUES.
With recent voter approved limits on property tax levy increases, motor vehicle license fees and motor vehicle excise taxes in Washington State, development revenues in the form of building permits and plan check fees have become an increasingly significant revenue source for the City. With fewer revenue options open to the city, balancing the annual budget without a strong local housing market becomes more difficult for a small residential community like the City of Clyde Hill.

Building Permits.
This revenue source represents the permit fee required to build a new home or for a remodeling project (including schools) based on the valuation of the project. The following information was considered:

- This volatile revenue category has always been forecasted by the City in a conservative way. For 2019, Clyde Hill new home development activity is forecasted to continue the robust pace experienced from 2015 through so far in 2018 with 16 new homes and 49 remodeling projects permitted. New construction valuation in 2019 is projected to be $40,100,000;
- Bellevue Christian School is expected to apply for a building permit in 2019 to completely rebuild Bellevue Christian School. Project valuation is estimated at $40,000,000; and
- From the start of 2015 through the 2018 estimated year-end, Clyde Hill has averaged 19 new homes each year with a $38,883,157 valuation. Permit fees are based on the project valuation amount.

Other Non-Business Permits.
This revenue source represents the permit fees collected by the City for permitting street openings, public place use, drainage, fire sprinkler, original grade determinations, SEPA, demolitions, mechanicals, over-length vehicle permits, and other mostly construction related permits.

- A significant change in this revenue source starting in 2009 has been for Street Opening Permits. If the City’s capital asset (e.g. paved street) has to be cut open to provide utility services to a homeowner, the permit fee assesses a pavement intrusion fee starting at $750 and then $100 per sq. ft. for cuts greater than 15 sq. ft. or 10 lineal ft. For intrusions into pavement less than two years old, the intrusion fee is tripled;
- In general, the City’s fee resolution allows the City to recover from the applicant any and all costs and expenses incurred by the City related to the application, including, outside consultants and attorney’s fees; and
- This revenue source should parallel the forecast for new home construction in 2019. The Bellevue Christian School Project starting in 2019 could have some impact on this revenue category.
**Zoning and Subdivision Fees.**
This revenue category represents processing fees for variance and subdivision applications. Forecasted revenues are tied to the level of housing development activities.

Fees for conducting Tree View Hearings and any reimbursed expenditures paid by homeowners to the City are recorded in this account as revenue (the State Auditor’s Office does not allow the City to net reimbursements from homeowners against City expenditures).

**Plan Check Fees.**
This revenue category represents a fee charged for City Hall front counter assistance to apply, the plan review for code compliance, and the drainage plan review before issuing a building permit. The project valuation determined by the City’s Building Official sets the fee amount. The following was considered:

- Sixteen new home projects at an average valuation of $2,200,000 each are planned for in 2019 with another 49 remodeling projects valued at $4,900,000 (remodeling projects represent 12.2% of the $40,100,000 total valuation amount for new construction expected in 2019);
- Original Grade Permits are viewed as a “bow wave” indicator for higher valuation construction projects. The City has averaged 26 permits per year over the past four years (e.g. 2014 through 2017); and
- Strong home sales activity in Clyde Hill is a good indicator of future building activity involving “teardowns” and “spec homes.” Eighty-four homes have been sold in Clyde Hill over the previous 12 months as of the end of September 2018 compared to 79 homes sold as of September 2017.
The chart above shows the volatility of what has become an important revenue source for the City of Clyde Hill in the form of building permits and plan check fees. With fewer revenue options open to the city each year, balancing the annual budget without a strong local housing market becomes more difficult for a small residential community like the City of Clyde Hill.

As a reminder, the one-time total reconstruction of Chinook Middle School started in 2012 by the Bellevue School District with a project valuation of $40,500,000 substantially increased the amounts of revenue in this category in 2012. In 2018, a similar scenario is expected with the planned for valuation of $40,500,000 for the Clyde Hill Elementary School Project as well as with the planned valuation of $40,000,000 for the Bellevue Christian School Project.

**MOTOR VEHICLE REVENUES.**
Clyde Hill receives three separate transportation distributions. The first is the Motor Vehicle Fuel Tax (MVFT), which is distributed as a percentage of the total fuel taxes collected statewide. The other two, the “increased motor vehicle fuel tax” and “Multi-Modal” distributions, were created in 2015 by 2ESSB 5987 and consist of direct transfers from the state transportation fund, hence allocations are not impacted by actual fuel tax collections. MVFT and increased MVFT distributions must be used for highway purposes, while the multi-modal funds may be used for any transportation purpose.

The Municipal Research and Service Center (MRSC) provides us with a projection based on how much State gas tax revenue they expect to be collected and then it is distributed to cities based on population. The formula for 2019 is ($23.32 x 3,045 = $71,009). MVFT is based on number of gallons sold.

Washington state gas tax is third highest in the nation at $0.494/gallon (behind PA and CA). When combined with the Federal rate/gallon it totals $0.678/gallon.

**FEDERAL & STATE SHARED REVENUES.**
Municipal Research and Service Center (MRSC) is a non-profit, independent organization providing excellent consultation, research, and information services to local government in Washington State at no direct cost. For State shared revenues from liquor sales, criminal justice sales tax and motor vehicle fuel tax, we simply look in MRSC’s annual “Budget Suggestions” booklet for their estimate of per capita distributions from the State. We then multiple MRSC’s estimate by our estimated population from the Office of Financial Management for Washington State to determine revenue amounts for the 2019 Budget.

**Liquor Excise Tax.**
Much has changed on the liquor revenue scene since Initiative 1183 was approved by voters in November 2011. It privatized the distribution and retail sale of liquor, effective June 1, 2012. The markups on liquor have been replaced as a State revenue source by license fees that are paid to the state by retailers and distributors.
Thirty-five percent of liquor excise tax collected at the point of sale is deposited in the “liquor excise tax fund” for distribution to cities, towns, and counties. Ten million dollars a year is diverted from this fund to the State’s General Fund. Of the remaining amount, 80% is distributed to cities and towns based on population while the remaining 20% goes to counties based on population.

Determining the 2019 Budget is simply multiplying the MRSC’s estimate by the State Office of Financial Management’s April, 2018 population estimate: $5.14 X 3,045 = $15,651.

**Liquor Control Board Profits.**
This revenue source has stabilized, but has remained flat since the voters approved Initiative 1183 in November 2011 to end the State’s monopoly on liquor sales. This revenue can still be used for general government purposes. We’re following the Municipal Research and Service Center’s (MRSC) “2019 Budget Suggestions” booklet for guidance (liquor revenues are distributed to cities based on population).

- Under Initiative 1183, the State is now collecting revenue in the form of license fees from distributors and retailers but is still calling these revenues “liquor profits”; and
- The 2019 Budget number was derived by following the MRSC’s guidance of $8.16 per capita multiplied by the April 2018 population estimate in Clyde Hill per the State Office of Financial Management (OFM) equals $24,847 (e.g. “no less than before” per the initiative).

**Criminal Justice Sales Tax.**
This optional sales tax enacted by King County is a restricted revenue source for criminal justice purposes (the funds cannot be used to replace or supplant existing funding (RCW 82.14.350)). This revenue comes from 0.10% of the 10.0% sales tax charged for eligible goods and services throughout most of King County. Funds are distributed with King County taking the first 10% off the top and the remainder allocated to cities and the county on the basis of population.

The money is recorded in the City’s Criminal Justice Department of the Projects Fund. Replacement of police vehicles and the computer equipment that goes into the new vehicles are the primary, but not exclusive, expenditures of the Criminal Justice Department.

This is an “elastic” type revenue source that will go up and down with the regional economy.

**Leasehold Excise Tax.**
The City is required to remit to the State a leasehold excise tax equal to 0.1284% for any leases or rents it collects on property that is exempt from property tax. In Clyde Hill, this represents the rental house.
This revenue source comes from the State in an amount equal to 31% of the leasehold excise tax remitted to the State by the City for the rental house (State keeps 54% and County gets 15%).

The wireless communication facilities located in Clyde Hill used to pay leasehold excise tax until a change in tax law interpretation by the Department of Revenue. In theory, the telecommunication companies with wireless communication facilities in Clyde Hill are assessed property tax and help pay part of the City’s annual levy amount.

The Department of Revenue actually audited the City for leasehold excise tax in 2016 and with one small exception, the City passed the audit unscathed.

**Washington Traffic Safety Commission Grant.**
This revenue category represents federal grant money received indirectly through the Washington Traffic Safety Commission. Clyde Hill Officers work designated “emphasis patrols” on overtime and the City is reimbursed for their direct payroll costs. This State program is expected to continue in 2019 although Clyde Hill has not participated the last few years due to manpower issues.

**King County Flood Control District.**
This revenue category represents the City’s cumulative allocation from a special levy by the King County Flood District that was approved by King County voters in 2007. The City’s approved “Sub-Regional Opportunity Fund Project Application” is for the on-going “Clyde Hill Stormwater Management Project.” This project will help develop standards in compliance with Federal, State, and regional requirements that new development in the City will be required to comply with. These standards will help to manage stormwater flooding problems throughout the City.

$3,640 was received in 2009 as 10% “seed money” to start the project. Money has been allowed to accumulate over the years and spent periodically on stormwater-related projects.

The City’s Public Works Department will make application to the King County Flood District to receive the City’s allocation and plans to spend it on stormwater-related projects in 2019.

**King County Special Levy – Zoo / Trails / Open Space.**
This revenue category represents the City’s allocation from a special levy for the zoo, trails, and open space passed by King County voters in 2007 and renewed in 2013. The City’s plan is to use the money from this source to supplement implementation of its sidewalk construction projects.

The first new sidewalk along the south side of NE 24th Street from 92nd Avenue NE to 98th Avenue NE was constructed in 2013. The second of five construction phases took place in the summer of 2015 along 92nd Ave NE from NE 20th Street to NE 24th Street.
More sidewalk projects were implemented with the 2017 Budget. A sidewalk along 84th Ave NE between NE 12th Street and NE 24th Street.

**YARROW POINT POLICE CONTRACT.**
Per contractual agreement through 2019, the Town of Yarrow Point shares 25% of the cost of providing a 24-7, fully-trained and equipped police department for the benefit of both communities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Base Service Fee</td>
<td>$393,483</td>
</tr>
<tr>
<td>Other Direct Costs (e.g. dispatch, prosecutor, etc.)</td>
<td>$58,413</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$451,896</strong></td>
</tr>
<tr>
<td>General Fund</td>
<td>$435,896</td>
</tr>
<tr>
<td>Criminal Justice Dept.</td>
<td>$16,000</td>
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</tbody>
</table>

- Criminal Justice Department is part of the Projects Fund and is used to account for restricted funds; and
- Total Fee Calculation is up $15,363 or 3.5% from 2018 to 2019 Budget.

**TRAFFIC FINES & OTHER PENALTIES.**

**Traffic Fines.**
This revenue category represents the City’s share of revenue received monthly from Kirkland Municipal Court for processing cases filed by the Police Department. In municipal courts, parking fines are 100% local revenue. All other fines, forfeitures, and penalties assessed are subject to a 70% surcharge; the city’s share is 68% of the total fine and surcharge. The remaining 32% is remitted to the State (RCW 3.62.090(1)). Note that 1.75% of the local portion must be remitted to the county for crime victim and witness programs. The City of Clyde Hill records all money received from the Kirkland municipal court that are required to be shared with the state or county in a non-revenue account in the city’s Trust & Agency Fund. This money is then remitted to the State or County at the end of each quarter.

To a certain extent, the revenue forecast depends on the number of officers who are street ready and working full-time. Otherwise, the impact of the traffic speed signs seems to be maintaining overall speed limits within Clyde Hill and has reduced speeding tickets.

Municipal Court Operations is one of the indicators included in the annual Dashboard Report as a quick and easy way to monitor this revenue source over the past few years.

**Other Penalties.**
This revenue category represents fines assessed for: 1) more than one false alarm; 2) civil penalties for building without a permit and plan review; 3) dumping into the City’s stormwater system; 4) court ordered reimbursement of costs to the City; and 5) in 2015, the late fee penalty from WCF providers.
INVESTMENT INCOME.
A projected cash flow analysis of investment income supports the development of the 2019 Budget number of $165,000. This is a very conservative estimate, as we expect interest rates to average 2.62% in 2019.

Approximately 97% of the City's available financial resources are invested with the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP interest rate lags slightly behind movement in the Fed Funds rate set by the Federal Reserve Bank. September 2018 LGIP rate of return was 2.06%. Currently the Fed Funds rate is set at 2.25% with the most recent increase in September 2018. The CBOT/CME (Chicago Board of Trade) Fed Funds Futures Quotes used by the City show the Fed Fund rate at 2.37% in Jan 2019 and 2.82% in Dec 2019. Most Fed officials expect that they will raise interest rates by one percentage point through next year and at least one more quarter point in 2020.

The City has an Investment Committee that is made up of the Mayor, two City Councilmembers, the City Administrator (aka Clerk/Treasurer), and the Finance Manager. The Investment Committee is responsible for periodically reviewing investment performance, ensuring compliance with the City Investment Policy (certified by the Washington State Municipal Treasurer’s Association), and to make recommendations to the City’s Clerk/Treasurer (City Administrator) of suitable investment opportunities.
REAL ESTATE EXCISE TAX (REET).

These restricted revenue sources are excise taxes imposed on the sale of real property and dedicated to local capital projects identified in RCW 82.46.010. Sellers of real property pay a total of 1.78% of the sales price at the time title transfers to the buyer. REET’s 1 0%(0.25%) & 2 (0.25%) make up 0.50% of the 1.78%. REET is recorded on the City’s books in the Capital Projects Department of the Projects Fund. REET 1 can be used for any capital improvement identified in the RCW listed above. REET 2 is more restrictive per RCW 82.46.035(5) and can only be used on capital projects specified in the City’s capital facilities plan and generally excludes parks (large cities complain this distinction is too restrictive, but for Clyde Hill it has not proven to be a problem because this revenue is used for road, stormwater, or sidewalk construction).

The 2015 State Legislature allowed cities to use REET for “limited maintenance” of capital assets (e.g. streets) with spending thresholds and additional reporting requirements.

The 2019 Draft Budget number remains the same reflecting fewer home sales at higher sales prices.

In general, the condition of the home sale market and the related REET revenue is a leading indicator for the City’s other “elastic” revenue sources such as building permits, plan check fees, property tax new construction, and sales tax from construction activity.
Projecting the City’s Financial Future – 2019 Budget Development Process
City of Clyde Hill, Washington

Background.

To assist the participants involved with developing next year’s budget, we prepare a set of “worst case” revenue and expense projections through 2025, a set of “best case” revenue, and expense projections and a set of “most likely” projections. Although this exercise is based totally on hypothetical economic conditions, we try to be realistic enough to be meaningful in the 2019 Budget decision-making process.

Projection Summary.

The intent is for the worst case projections and best case projections to serve as “bookends” for what most likely will happen in the financial future of the City of Clyde Hill. The City has been fortunate in the recent past with the one-time revenue generated by the $40.5M Chinook Middle School Project. To recap the revenue from this project, in 2012 the City received $547,656 in the “Development Revenue” category and from November, 2012 through January, 2015, the City received $347,007 in the “Sales Tax” revenue category. This revenue helped the City get out of recession and build a reserve fund foundation that has met the reserve fund financial policy. Three more extraordinary construction projects have been included in this year’s version of “Projecting the City’s Financial Future.” Bellevue School District is redeveloping the Clyde Hill Elementary School with a “best case” construction budget of approximately $48M ending in 2019. Secondly, the Bellevue Fire Department plans to replace Fire Station #5 with a “best case” construction budget of approximately $6M starting in 2020. Lastly, Bellevue Christian School is redeveloping half of their campus over the next year or two with a “best case” construction budget of approximately $70M starting in 2019.

In general, the best case scenario assumes the City’s revenues will continue to climb throughout the projection period due to a strong housing market and expenditures increasing at the Fed’s target inflation rate of 2.0% through 2025. For the worst case revenue projections, a weak housing market returns to Clyde Hill, similar to the abnormally low level of development activity experienced in 2009 through 2011. The worst case projections through 2025 shows the devastating effect that ever increasing inflation has on the City’s expenditures in the form of salaries and benefits, contracted services (e.g. municipal court, elections, urban forestry, legal, jail, and audit), and other day to day operating costs.

Charts.

Revenue, expenditure, and fund balance charts have been included to show both the “worst case” and “best case” scenarios together with the most likely scenario. The primary focus is on the City’s General Fund (Operating Account). The fund balance for
each of the City’s three fund types (e.g. General Fund, Reserve Fund, and Projects Fund) are charted through 2024 to show the bottom line impact on resources available for budgeting purposes. Please see the attached index and charts for details.

**Concluding Remarks.**

In general, the housing market appears to be the pivot point for the City’s General Fund to finish the fiscal year with a surplus or deficit. To make this year’s financial projections even more realistic, the use of “banked capacity” related to property taxes and the significant cost increases expected from the Bellevue Fire Department’s enhanced Capital Improvement Program (CIP), are highlighted in each scenario.
Best Case Scenario - Total Operating Revenues & Expenditures

$70m BSC Update in 2019 w/add. sales tax rev. in 2020

Costs gradually increase w/ inflation.

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</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>3,568,922</td>
<td>3,726,565</td>
<td>4,255,850</td>
<td>4,342,960</td>
<td>4,545,631</td>
<td>4,528,446</td>
<td>4,672,243</td>
<td>4,827,735</td>
<td>4,993,759</td>
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<tr>
<td>Revenue</td>
<td>4,224,874</td>
<td>4,660,759</td>
<td>4,686,125</td>
<td>5,726,399</td>
<td>5,233,109</td>
<td>4,930,867</td>
<td>5,090,996</td>
<td>5,192,136</td>
<td>5,324,254</td>
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</table>

Worst Case Scenario - Total Operating Revenues & Expenditures

We spend $1m with respect to a Facilities Master Plan (e.g., property purchase, minor improvements, etc.)

The effects of devastating inflation rates are shown in this worst-case expenditure model.

Despite a $40m BCS rebuild in 2019, there is a recession. Revenues drop precipitously yet recover within a few years. Given the past two years of incredible revenues, however, the market doesn’t drop quite so much.

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<td>Expenditures</td>
<td>3,568,922</td>
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<td>4,231,350</td>
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<tr>
<td>Revenue</td>
<td>4,224,874</td>
<td>4,660,759</td>
<td>4,696,125</td>
<td>4,816,970</td>
<td>4,362,972</td>
<td>4,022,600</td>
<td>4,234,350</td>
<td>4,274,393</td>
<td>4,321,258</td>
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</table>
**Most Likely Scenario - Total Operating Revenues & Expenditures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Actual</td>
<td>3,568,922</td>
<td>4,234,874</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>3,726,565</td>
<td>4,660,175</td>
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<tr>
<td>2018 Budgeted</td>
<td>4,251,250</td>
<td>4,696,125</td>
</tr>
<tr>
<td>2019 Projected</td>
<td>4,488,926</td>
<td>5,440,419</td>
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<tr>
<td>2020 Projected</td>
<td>4,674,270</td>
<td>5,003,301</td>
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<tr>
<td>2021 Projected</td>
<td>4,878,207</td>
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<td>2022 Projected</td>
<td>5,098,125</td>
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<tr>
<td>2023 Projected</td>
<td>5,358,677</td>
<td>5,093,834</td>
</tr>
<tr>
<td>2024 Projected</td>
<td>5,156,001</td>
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</table>

- **$50m RSC Update in 2019 with add. sales tax rev. in 2020**
- **We spend $1m with respect to a Facilities Master Plan (e.g. property purchase, minor improvements, etc.)**
- **Due to moderate inflation, expenditures outpace revenues in 2023 w/o levy lift.**

**Ending Fund Balances - Best Case Scenario**

- **We do NOT spend $1m with respect to a Facilities Master Plan (e.g. property purchase, minor improvements, etc.) in this scenario.**
**Ending Fund Balances - Worst Case Scenario**

We spend $1m with respect to a Facilities Master Plan (e.g. property purchase, minor improvements, etc.)

Had we not spent $1m with respect to a Facilities Master Plan, this figure would, instead, be ~$2m.

**Ending Fund Balances - Most Likely Case Scenario**

We spend $1m with respect to a Facilities Master Plan (e.g. property purchase, minor improvements, etc.)
GOALS, POLICIES, CURRENT CONDITION & MONITORING
Budget Process Overview
City of Clyde Hill, Washington

Background.
The City of Clyde Hill is a residential community of approximately 3,045 residents. It is located on the eastside of Lake Washington directly across the lake from the City of Seattle and is bordered by the cities and towns of Bellevue, Kirkland, Medina, Yarrow Point, and Hunts Point. The City of Clyde Hill incorporated on March 31, 1953, and operates under the laws of the State of Washington applicable to a Mayor – Council form of government. The City of Clyde Hill is a general-purpose government and provides a partial range of municipal services, which include a ten-member Police Department and a five-member Public Works Department. In addition, the City provides building and land use management services, street and storm sewer service, parks and recreation, and general government services (i.e. elections, arbor advice, passports, notary, pet licenses, public records, emergency preparedness, legislative, executive functions, etc.). The City budget includes 20 authorized employees for 2019.

The 2019 Total City Expenditure Budget is approximately $7.1M. As allowed by the State Auditor's Office for smaller sized cities, the City uses the "modified cash basis" method of accounting and budgeting, which is a departure from Generally Accepted Accounting Principles (GAAP). The City has no debt. The City of Clyde Hill’s fiscal year is the calendar year January 1st through December 31st.

The City of Clyde Hill contracts with its neighboring cities and towns to share the costs of providing certain municipal services to residents. For example, the City of Bellevue provides fire, water, and sanitary sewer. The City of Kirkland provides municipal court services. Jail services are provided by King County and an assortment of eastside and south King County cities. Going in the other direction, the City of Clyde Hill provides police services to the 1,025 residents in the Town of Yarrow Point. Worth noting also is the City of Clyde Hill is one of 11 members of the award winning Coalition of Small Police Agencies for mutual aid and enhanced training opportunities.

Clyde Hill considers its primary industry to be schools. The City provides a safe and clean environment for the over 2,500 students and staff at Clyde Hill Elementary (currently under re-construction), Chinook Middle School, Sacred Heart School, and Bellevue Christian School.

The City of Clyde Hill’s budget process culminates in an overall “Business Plan” each year for the City. The ingredients that go into the budget process start with the City’s budget philosophies, on-going “core” goals of the City, and a review of trends affecting the City’s financial condition. These ingredients are updated and reaffirmed at the start of each budget development process. The resulting business plan includes “target issues” to accomplish during the 2019 budget year. The business plan also includes future projections of revenues, expenditures and fund balances using both a “best-case scenario” and “worst-case scenario” to provide “bookends” of the most likely scenarios to be faced by the City over the next five years.
The 2019 operating budget is essentially the short-term plan to guide the City through the next fiscal year while the Capital Facilities Plan is designed to guide the City for more expensive capital improvement projects over the next six-year period. The City’s annually updated Transportation Improvement Plan (TIP) is used to update the Capital Facilities Plan each year.

Although the City has made great strides in developing a total business plan, continued work is always necessary to keep items current and to plan based on the ever-changing conditions of the external and internal environment. In August, the City Council is presented with a set of economic, financial, and demographic indicators that help to describe various financially-related trends impacting the City. The Council annually reviews and has revised a set of Financial Policy Statements to help guide the staff in areas pertaining to fund balances, how to classify interest income and how to keep the City’s finances healthy. These policy statements are reviewed every year to make sure they represent the current thinking of the Mayor and the Council.

City Services Provided.
Tax dollars eventually make their way through the various distribution formulas to the City of Clyde Hill and are used to provide the following tangible benefits to residents:

- **Law Enforcement** (24/7 fully-equipped & trained, 10-member Police Department including Municipal Court Services by the City of Kirkland and Jail Services by King County and an assortment of eastside and south King County cities);
- **Fire Suppression & Medic One** (24/7 fully-equipped & trained service provided by the City of Bellevue Fire Department);
- **Street Operations** (e.g. signs, signals, lighting, street cleaning, clear fallen trees, on-call snow plowing, de-icer, sanding, etc.);
- **Roadway Improvements** (e.g. overlays, patches, street striping, crack sealing, curb painting, bush trimming, etc.);
- **Storm Drainage** (e.g. pipeline cleaning, catch basin repairs, storm drain repairs, etc.);
- **Special Paths** (e.g. Points Loop Trail, sidewalk construction, sidewalk repair, mowing, trimming, weeding, maintaining the attractive City entrance areas, etc.);
- **Building Code Enforcement** (e.g. code information, plan reviews, building permits, other permits, inspections, Planning Commission, view mitigation services, arbor advice, etc.);
- **Park Facilities** (e.g. 26th St View Park, Tennis Courts, path along 84th Ave, maintain adjacent parking lot & picnic area near school ballfields, etc.);
- **General Government** (e.g. Mayor & City Council, election services, communications, finance, audit, legal, insurance, emergency preparedness, passport services, pet licenses, GMA, SR-520 construction impacts to the City, urban forestry program, LID administration, wireless communication facilities administration, etc.);
- **City Hall Repair & Maintenance** (e.g. roof maintenance, exterior painting, etc.); and
- **Regional Responsibilities** (e.g. ARCH, animal control services, improved water, Puget Sound Regional Council, Sound Cities Association, Association of Washington Cities, Puget Sound Air Pollution Control, Eastside Transportation Planning, etc.).
Timing.
The Budget process typically begins in August of each year culminating with adoption of a budget for the following year at the December City Council Meeting. Public meetings are held during this process to review the City’s financial condition, set priorities, and allocate resources to meet the needs of the City. In accordance with State Statutes, the 2019 Preliminary Budget was available to the public on November 1, 2018. The City newsletter, e-mail alerts, and the City’s website www.clydehill.org are the best ways to be made aware of upcoming Budget process events. Notices of all public meetings are published in the Seattle Times newspaper. Although rare in occurrence, amendments of the Budget can be done by Ordinance passed by the City Council at any time during the budget year.

Responsibilities.
The City Council is responsible to set policies for the City and enact a budget. The Mayor, working with the City Administrator, is responsible for preparing a preliminary budget and a “budget message.” The Mayor and City Administrator are basically in charge of day-to-day operation of the City, including the supervision of all appointed officials and employees. In general, they are in charge of carrying out the policies set by the Council and seeing that local laws are enforced.

To add private business experience and/or a homeowner's perspective throughout the Budget process, Clyde Hill has instituted a Budget Advisory Committee made up of five to twelve City residents expressing an interest in the City’s finances. The Budget Advisory Committee assists the Mayor and City Council in formulating a budget that is designed to best suit the needs of the City of Clyde Hill. In addition, all residents of Clyde Hill are welcome at Budget study sessions or regularly scheduled City Council Meetings to offer their perspectives in formulating the next year’s budget.

Legal Requirements.
Municipal Research Services Center of Washington (MRSC) publishes a booklet called “Budget Suggestions” each year for cities to use in their budget planning process. The document summarizes State Law time requirements and any recent legislation that may affect the next year’s Budget. This document in particular is scrutinized thoroughly by City staff at the start of our Budget process to ensure compliance with any and all legal requirements.

Budget Monitoring.
Each month, the City's Finance Manager “closes the books” and prepares financial statements for review by the City Administrator, Mayor, Councilmembers, and the Budget Advisory Committee members. Cash and investments are reconciled to the respective bank statements and all of the accounts are reviewed for proper classification and completeness. A “highlights” memorandum from the Finance Manager is attached to the financial statements for distribution pointing out any significant favorable or unfavorable variances with the Budget. This information is posted to the City of Clyde Hill’s website as part of the packet sent out prior to the City Council Meeting each month and staff is available for questions at any time. In addition,
Department Heads are given their specific expenditure and budget information each month for them to monitor their budget responsibilities.

Due to the extraordinary economic turbulence experienced during the second half of 2008 while the 2009 budget was being developed, a special enhanced budget monitoring plan was formulated. This enhanced budget monitoring plan will continue in 2019 and has been slightly refined since its inception based on input from Councilmembers and Budget Advisor Committee members. The refinements involved a better link to the revenue and expenditure categories being monitored and reported on the Monthly Operating Report and takes into account materiality for reporting purposes. Overall, this plan is designed to avoid any surprises and give the City Council as much time as possible to deal with any unfavorable budget variances developing during the 2019 fiscal year, if any.

Annual Audit Report
The Washington State Auditor’s Office independently audits the City of Clyde Hill annually. As evidence of the City’s accountability and strong fiscal practices, the State Auditor’s Office in December, 2001 presented a “recognition award” to the City for eleven continuous audits with no findings (i.e. significant problems). Our last published audit reports for fiscal year 2017 are available on the “Finance Page” of the City’s web site at www.clydehill.org.

Clyde Hill looks forward to the audit each year as a way to strengthen its practices and provide it with assurances that its fiscal house is in order. The City of Clyde Hill has a written internal control plan that it shares with the State Auditor’s Office each year and looks for opportunities to strengthen the plan each year. To offer an insight on one of the important costs of a smaller municipal government, the City of Clyde Hill budgeted $14,500 in 2019 for its audit related services.
# 2019 Budget Calendar

**City of Clyde Hill, Washington**

<table>
<thead>
<tr>
<th>Statutory Dates</th>
<th>Proposed Dates</th>
<th>Steps in the 2019 Budget Development Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>Tuesday, 7/10/2018</td>
<td>Review Budget Calendar &amp; Confirm Budget Advisory Committee at Regular City Council Meeting</td>
</tr>
<tr>
<td>2nd Monday in September (9/10/2018)</td>
<td>Friday, 8/10/2018</td>
<td>The Police and Public Works Department Heads are asked to prepare detailed estimates of revenue &amp; expenditure estimates for the 2019 fiscal year Budget along with preliminary 2019 Goals &amp; 2018 Accomplishments.</td>
</tr>
<tr>
<td>N/A</td>
<td>Tuesday, 8/21/2018 with Packets Out 08/17/2018</td>
<td>BUDGET STUDY SESSION #1 - Goal is to facilitate 2019 budget discussions with: 1) good understanding of the City's current financial condition (i.e. trends), 2) review of the City's 2018 Dashboard Report (i.e. help allocate resources) &amp; 3) projected best case / worst case / most likely case financial future (i.e. financial projections). Possible 2019 budget discussion items are identified for further review at this meeting also (Public is Welcome!).</td>
</tr>
<tr>
<td>4th Monday in September (9/24/2018)</td>
<td>Friday, 8/31/2018</td>
<td>The Police and Public Works Department Heads submit their budget requests to the City Administrator and Finance Manager along with their preliminary 2019 Goals and 2018 Accomplishments.</td>
</tr>
<tr>
<td>On or before the 1st business day in October</td>
<td>Available on Friday, 9/28/2018</td>
<td>City Administrator (Clerk/Treasurer) provides the Mayor with the 2019 &quot;Draft Budget&quot; for presentation to the City Council at the 2019 Budget Study Session #2.</td>
</tr>
<tr>
<td>No later than the 1st Monday in October</td>
<td>Monday, 10/1/2018</td>
<td>Estimated 2018 Year End Revenue / Expenditure Data &amp; 2019 projected &quot;Draft Budget&quot; are shared with the City Council &amp; the Budget Advisory Committee.</td>
</tr>
<tr>
<td>On or before 1st Monday of December</td>
<td>Tuesday, 10/16/2018 with Packets Out 10/12/2018</td>
<td>BUDGET STUDY SESSION #2 (Preliminary Hearing on the Proposed 2019 Budget) - The legislative body must schedule a preliminary hearing on the budget prior to the final budget hearing. (Public is Welcome!).</td>
</tr>
<tr>
<td>At least 60 days before the ensuing fiscal year (11/2/2018)</td>
<td>Available on Friday, 10/26/2018</td>
<td>The Mayor files the 2019 Preliminary Budget &amp; Budget Message with the City Council, Budget Advisory Committee and the City Clerk (City Administrator).</td>
</tr>
<tr>
<td>No later than 1st two weeks in November</td>
<td>Saturdays (11/3/2018 &amp; 11/10/2018)</td>
<td>The City Clerk (City Administrator) publishes notice that the final budget proposal has been filed and publishes notice of public hearing on the final budget once a week for two consecutive weeks.</td>
</tr>
<tr>
<td>Prior to November 30 for all cities and towns</td>
<td>Tuesday, 11/20/2018 w/packets out 11/16/18</td>
<td>BUDGET STUDY SESSION #3 (Revenue Hearing &amp; Possible Final Hearing on Proposed 2019 Budget) - Traditionally, this has been the meeting to decide on the property tax levy and confirm the City's overall financial strategy for the upcoming year (Public is Welcome!).</td>
</tr>
<tr>
<td>11/30/2018</td>
<td>Friday, 11/30/2018</td>
<td>Based on the decision made by the City Council at the 11/20/2018 meeting regarding the 2019 property tax levy, the City Administrator (Clerk / Treasurer) will complete the paperwork necessary to formally notify the County Assessor of the City's intention for the 2019 property tax levy.</td>
</tr>
<tr>
<td>Following the public hearing &amp; prior to the ensuing fiscal year.</td>
<td>Tuesday, 12/11/2018</td>
<td>ADOPTION OF THE 2019 FINAL BUDGET &amp; THE 2019 PROPERTY TAX LEVY ORDINANCE at the regular December City Council monthly meeting.</td>
</tr>
<tr>
<td>N/A</td>
<td>After Adoption</td>
<td>Copies of 2019 Budget are filed with the Washington State Auditor's Office, the Municipal Research &amp; Service Center, and made available on the City's Web Site.</td>
</tr>
</tbody>
</table>
PHILOSOPHIES:
- SERVICE DELIVERY
  Strive to meet the long-term total community needs of the City
- CHARACTER
  Strive to maintain a quality residential character
- ETHICAL
  Maintain high ethical and professional standards
- RESPONSIVE
  Effectively and quickly respond to the needs of the community
- FINANCIALLY PRUDENT
  Develop strong long-term fiscal integrity

GOALS:
- Maintain strong fiscal integrity
- Meet long-term total community needs
- Provide and maintain high quality services
- Make best use of human resources within the organization and the community
- Strive to be opportunistic in approach
- Maintain high ethical standards
- Respond effectively to the needs of the community

TRENDS AFFECTING THE CITY:
- Economic conditions
- Changing Federal, State and County roles and mandates
- Political environment
- New legislation
- Technology
- Surrounding communities
- Changing City needs

CLYDE HILL'S BUDGET PROCESS

SERVICE MEASURES

COMPARATIVE STATISTICS

FISCAL INDICATORS

ECONOMIC INDICATORS

BUSINESS PLAN

FUTURE PROJECTIONS
2019-2024
Long-Range Scenarios

2019 OPERATING BUDGET
General Fund

CAPITAL IMPROVEMENT PLAN
2019-2024

TARGET ISSUES
2019

Serve as Input to Determine
TARGET ISSUES
CITY OF CLYDE HILL
-2019-

CRITICAL TARGET ISSUES

☐ Monitor/participate in construction activities of SR 520 Bridge Replacement & HOV Project:
  ☐ Actively participate in process
  ☐ Communicate Clyde Hill issues with WSDOT, contractors & other cities
  ☐ Acquire an acceptable lid maintenance contract

☐ Deploy a Facilities Master Plan

☐ Facilitate redevelopment of 8805 Points Drive (Tully’s)

☐ Replace all staff computers & the City’s server

☐ Manage Traffic Program

☐ Complete a successful fiscal audit (no findings) of City’s finances/operations

☐ Facilitate redevelopment of Bellevue Christian School

☐ Remain compliant on NPDES regulations

TARGET ISSUES

☐ Update City’s annual Pavement Rating Condition Survey

☐ Maintain City’s eligibility as a Tree City USA

☐ Continue to assist community with tree/view issues while implementing revised view regulations

☐ Implement City’s investment policy/schedule

☐ Manage Social Media Policy

☐ Maintain service/quality levels for Building Department

☐ Maintain the City’s e-Records Management System

☐ Maintain City’s compliance with WCIA’s Compact

☐ Successfully coordinate City Celebration, Pumpkin Festival & Arbor Day

☐ Purchase new police vehicle (small)

☐ Acquire emergency management training for all staff

☐ Revise business hours for commercial zones

☐ Have the Police Department undergo the Loaned Executive Management Assistance Program

☐ Perform 2019 street overlay

☐ Complete designs for 2020 overlays & 84th Ave Sidewalk

☐ Fully-staff the Police Department

☐ Continuously issue The Sentinel, the Weekly Administrator’s Report & the bi-monthly City Newsletter

☐ Complete all miscellaneous stormwater projects
  ☐ 87th Ave
  ☐ Aqua Vista
  ☐ 24th St
  ☐ Frame/grate replacement program
  ☐ Storm/road maintenance program

☐ Surplus excess equipment

☐ Acquire/deploy striping services in 2019

☐ Update the City’s Transportation Improvement Plan

☐ Issue quarterly financial reports

☐ Enhance City’s website

☐ Acquire/deploy pavement repair services in 2019

☐ Deploy Lexipol policy updates for the Police Department
2019 Financial Goals and Objectives
City of Clyde Hill, Washington

Background.
The combined impact of challenging economic times, State budget-balancing, and the occasional State Initiative requires us to remain vigilant in keeping an eye out for the City's financial health. An important objective of the annual budget process is to review and confirm a financial plan that includes short- and long-term financial guidelines for the City.

A set of Financial Policy Statements establishes the guiding principles for the longer-term fiscal stability of the City. The Financial Strategy is the City’s action plan that confirms the shorter-term policies and considerations. These strategies make up the 2019 Budget and include other activities to help the City’s longer-term financial health. The combined documents make up the City’s annual Financial Plan. The 2019 Financial Plan is outlined below.

Considerations for Discussion and Decision.
Included in this document is a copy of the City's Financial Policies. Annually, the Council looks at these policies to make sure they are in alignment with current thinking. The most recent changes occurred within the last few years when the Council approved a 10th Policy Statement relating to the City’s Capital Projects Department balance and revised Policy Statement #5 relating to the City’s Reserve Fund and its alignment with the City’s Worst-Case Financial Projection.

The City’s Financial Policy Statements help guide the overall financial vision of the City. These policies were first developed in the early 1990’s and have been modified to reflect a changing longer-term sentiment. The Financial Policy Statements are designed to establish guiding principles for the long-term fiscal stability of the City.

During the budget process the group was provided with a few opportunities to review the City’s Financial Policies and pursue any modifications. The subsequent discussions concluded with no suggested change to the existing policies.

There were no other proposed changes recommended to the City’s Financial Policy Statements for 2019.

The City’s Financial Strategy confirms the shorter-term policies and considerations of the current budget year and also includes other financial activities that help the City’s longer-term financial health. Below is a draft of Clyde Hill’s 2019 Financial Strategy.

On October 16th and November 20th, the Council and the citizen’s Budget Advisory Committee reviewed a draft and a preliminary budget, along with other financial
information in order to decide on a 2019 Final Budget. An additional meeting in August was held to provide financial and economic background information on trends and projections through 2024. The philosophies adopted at these meetings help to comprise the short-term element of the City’s financial plan.

Balance the 2019 Operating Budget Using the Following Guidelines:

• Maintain expenditures at amounts that will not negatively impact or remove existing city services;
• Continue to budget for a 7th police officer, a 3rd Public Works Crew member, and a full-time Assistant City Administrator;
• Maintain cuts to total operating expenditures that took place during the recession;
• Project operating revenues using a realistic approach;
• Project development revenues to account for a continued short-term high demand for construction projects in 2019 at a $40 million level;
• Do not include the allowable 1% general levy amount or the amount for new construction in the 2019 property tax request. These amounts will be added to the City’s banked property tax account;
• Use about $2.1M to fund the City’s Facilities Master Plan;
• Transfer all but $100,000 of the remaining 2018 General Fund balance to the Special Projects Department to help fund the Facilities Master Plan; and
• Evaluate implementation of the Budget and the City’s fiscal health through the continuation of the City’s enhanced, monthly budget monitoring/reporting practices.

Continued Emphasis on Monitoring Revenues & Expenditures:

• Closely monitor home sales and development activity throughout the year to see if the volume and value of the budgeted estimates are being met;
• Monitor and report to Council on real estate sales and excise tax trends; and
• Continue to implement an enhanced Budget Monitoring Plan to evaluate and report on the City’s Budget and fiscal health throughout the year.

Audit Sales Tax & License Payments:

• Use the information from sales tax and business licensing and work with the accountants from larger construction projects to assure that their sales tax payments are coded correctly to the proper jurisdiction.

Capital Projects:

• Complete a signal and road improvement project on 84th Avenue. Work with Medina and the State to leverage funding for the project; and
• Implement a Sidewalk, Storm Drain Repair and Road Overlay Program.
Continue Emphasis on Long-Term Financial Planning:

- Review financial trend information and 6-year projections on an annual basis before the development of the 2020 Budget; and
- At time of Council discussion of the City’s Transportation Improvement Plan (TIP), provide an associated funding analysis.

Increase Community Awareness of City Services & Financial Challenges:

- Use the Newsletter, website, annual budget book, social media, the City’s partnership with the local magazine Points Living, and cable TV channel to make the community aware of the services they receive from the City, the status of the City’s actual performance in providing services (dashboard report), and any financial challenges the City faces to continue these services at current levels.
Summary of All City Long-Range Planning Processes
City of Clyde Hill, Washington

**Transportation Improvement Plan (TIP).**
The TIP is a six-year financial plan describing the transportation related projects the City Council wants to fund if resources are available. Projects could be road overlays, sidewalks, storm drainage along right of ways, or special paths. The City of Clyde Hill has traditionally updated the TIP at the regularly scheduled June City Council meeting.

Presented along with the updated prioritized list of transportation related projects is the annual street condition survey conducted by the Public Works Director. The City’s Finance Manager also prepares a six-year Cash Flow Analysis to determine if it’s realistic to think resources will be available to complete the projects when scheduled as part of the TIP. Consideration of maintaining $1,000,000 in reserve per Policy Statement #10 for transportation in case of an emergency is also part of this planning process.

The City accounts for the TIP in the Capital Projects Department of the Projects Fund. The primary sources of revenue are from the Real Estate Excise Tax (REET), special property tax levies by King County, and grants from State agencies.

**Capital Facilities Plan.**
The City of Clyde Hill’s Capital Facilities Plan is a six-year financial plan that allows the City to prioritize public projects and identify funding sources. The Capital Facilities Plan serves as a guide to the City’s future financial obligation in providing the public facilities desired by the community. This document provides an overview of the City’s financial resources and funding opportunities.

In Washington, the Growth Management Act (GMA) requires that all cities and towns collecting the second 0.25% of the REET have an annually updated Capital Facilities Plan.

**Comprehensive City Plan.**
The City’s Comprehensive Plan is the document used to help guide a number of land use and zoning decisions for the community. This document is reviewed and updated every 10 years. 2015 was the last update year for the City’s Comprehensive Plan for the period 2015 – 2035. The City was awarded a $10,000 grant from the State in 2014 to accomplish this task.

**Concluding Remarks.**
Each of these three on-going, periodically updated plans is taken into account while developing the 2019 budget. These individual plans also serve the purposes of prioritizing potential future expenditures and encourage all stakeholders in the City’s financial future to be consistent and realistic when making plans.
FINANCIAL POLICY STATEMENTS
FOR THE
CITY OF CLYDE HILL
December 2013
(Affirmed December 2018)

PURPOSE:
The City of Clyde Hill has an important responsibility to account for public funds, manage municipal finances and plan for the adequate funding of services, including the provision and maintenance of public facilities. The City’s Financial Policies are designed to establish guidelines for the long-term fiscal stability of the City of Clyde Hill.

OBJECTIVES:
To achieve the above purpose, the following are objectives for the City's fiscal performance:

1. Protect the Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.

2. Enhance the Council's policy-making ability by providing accurate financial information.

3. Assist sound management of the City by providing accurate and timely information on program costs.

4. Provide sound principles having significant financial impact to guide important decisions of the Council and City management.

5. Set forth operational principles that minimize the cost of local government, to the extent consistent with services desired by the community, and which minimize financial risk.

6. Employ revenue policies that prevent undue or imbalanced reliance on certain revenues, which distribute the costs of municipal services fairly and which provide adequate funds to operate desired programs and services.

7. Prevent deterioration of the City's capital plant and its public facilities.

8. Insure the legal use of all City funds through a planned system of financial security and internal control.

Historical Lessons Learned:
To achieve the above objectives, in 1992 the City conducted an analysis of its present financial condition, focusing on historical trends, areas of concern and financial solutions or ideas. Since that time the City continues to maintain the tools used in tracking important financial/economic trends and projecting out potential financial scenarios in both good and bad times. With a current understanding of the forces and obstacles impacting the City’s finances, all involved in the budget development can better appreciate potential problems with revenue sources, management practices, infrastructure conditions and future funding needs. This information enables the City to plan for and develop informed long-term strategies for the City’s continued financial solvency.
FINANCIAL POLICY STATEMENTS:

Policy Statement #1:
Continue to investigate and consider every possible expenditure reduction to keep expenses to a minimum without reducing the quality of services currently offered to the community.

Implementation #1:
Continue the current policy of the staff proposing through the budget process, only those expense items necessary for the continued provision of current services at the same or greater quality level as currently exists. Items not meeting these criteria should be so noted as part of the budget review process.

Policy Statement #2:
Continue to review financial trends relating to the City’s finances.

Implementation #2:
Every “even” budget year, update trend-monitoring information for review during the budget review process.

Policy Statement #3:
Continue to find ways to simplify the City's financial system to enable residents and future policy leaders to obtain a quicker and easier understanding of City finances.

Implementation #3:
Implement the fund simplification and consolidation plan of 1992 and 1999, and continue to supply the Council and interested residents with monthly operating reports in an agreed upon simplified format.

Policy Statement #4:
Balance all aspects of the budget for long-term fiscal solvency.

Implementation #4:
On an annual basis, and as part of the budget discussions, decide upon the proper mix of expenditures and revenues to meet this objective.

Policy Statement #5:
Maintain a managed reserve balance in the City's funds to address adverse financial trends, provide for financing of unforeseen needs of an emergency or non-recurring nature, to permit for the orderly implementation of budget adjustments, provide a local match for public or private grants and to allow for flexibility to take advantage of any unexpected opportunities.
Implementation #5:
Maintain a minimum unreserved balance in the Reserve Fund that is at least equivalent to the amount required to keep the City’s General Fund balanced for five years based on the City’s most current worst case financial projection scenario. It is acceptable practice for the City to include the budgeted General Fund balance and discretionary department balances from the Projects Fund to meet this policy.

Policy Statement #6:
Continue to make sure that the City’s financial system is managed and implemented according to the highest professional standards and is consistent with state law.

Implementation #6:
Continue the current policy of requesting an annual state financial and compliance audit of the City's operations and finances. Encourage the staff to implement financial systems consistent with the State’s BARS system.

Policy Statement #7:
Continue to hire highly qualified City personnel to maintain a professional, ethical and equitable government.

Implementation #7:
Make sure that City personnel are competitively compensated and that the City’s benefit package is comparable to surrounding communities to control unnecessary turnover after training.

Policy Statement #8:
Provide for the orderly and appropriate replacement of City equipment.

Implementation #8:
Continue to implement an Equipment Replacement Program in the Projects Fund and annually appropriate funds to that department to provide for the stable, timely and appropriate replacement of equipment. The replacement of equipment will be based on an adopted equipment schedule that will annually be updated and presented to the Council during the budget process.

Policy Statement #9:
Continue to consolidate and allocate all interest income earned on surplus City funds into the General Fund to better streamline the City’s financial operations and further simplify the accounting system.

Implementation #9:
Continue to record all interest income received from certificates of deposit, federal agency securities, the Local Government Investment Pool (LGIP), and City financed Local Improvement Districts (LID), to the extent permitted by law, into the City’s General Fund when received. Budgeting for interest income in the General Fund will incorporate this policy statement.
Policy Statement #10:
Maintain a managed reserve balance in the City’s Capital Projects Department (within the Projects Fund). Maintain this balance to protect City infrastructure or other capital assets from unforeseen needs of an emergency or non-recurring nature or adverse financial trends to a limited capital revenue source. This reserve is important to allow the orderly reconstruction or preservation of the City’s larger cost exposures.

Implementation #10:
Maintain a minimum balance in the Capital Projects Department (within the Projects Fund) of at least $1,000,000 to address larger capital costs related to uncontrollable emergency related or unforeseen economic occurrences. Amounts in excess of this reserve balance can be used by the Council on a priority basis for larger capital projects or opportunities the Council deems appropriate.
Current Debt Obligations
City of Clyde Hill, Washington

To enhance budget communications with interested parties, the City of Clyde Hill would like to provide the following information regarding current debt obligations for the City:

- The City of Clyde Hill has **no current debt obligations**;
- Current unwritten policy can be described as “pay as you go” and “do not accumulate debt to burden future generations of Clyde Hill taxpayers;”
- Washington imposes legal debt limits for all governmental entities;
- Limits on the City of Clyde Hill to issue debt are as follows:
  - 2.5% of Assessed Value for general purposes is allocated between:
    - Up to 1.5% debt without a vote (**councilmanic**); and
    - 1.0% general-purpose debt with a vote.
  - 2.5% Assessed Value for open space, park, and capital facilities with a vote.
- The City of Clyde Hill does not operate any utilities;
- The City of Clyde Hill does not intend to issue debt in the foreseeable future; and
- Conditions that should be considered in conjunction with any future issuance of debt:
  - Unforeseen needs of an emergency or non-recurring nature (e.g. devastating earthquake);
  - Orderly implementation of budget adjustments;
  - Local match for public or private grants; and
  - Unexpected opportunities.

**Note:** The City of Clyde Hill Assessed Valuation for the 2019 Tax Roll is $2,938,691,119 (2.5% of the current assessed value equals $73,467,278).

Please contact the Finance Manager, Dean Rohla with any questions or concerns regarding current debt obligations (**dean@clydehill.org** & 425-453-7800).
Monitoring the City’s Financial Condition
2019 Budget Development Process

Brief Explanation.
Financial Policy Statement #2 for the City states, “Continue to review financial trends relating to the City’s finances and operations.” As one of our first steps in the budget process, City staff updates the trend monitoring information for review by all the participants involved with developing the next year’s budget. Using the City’s past performance to monitor the City’s current financial condition is an important tool to understand economic trends having an impact on the City’s finances.

Definition.
For our purposes, “financial condition” means the ability of the City to generate enough operating revenues to provide services at the level and quality that residents of Clyde Hill expect, without incurring deficits.

Materials for Review.
The following documents have been reviewed and assessed as part of the budget process:

- Document Index – Financial Condition Monitoring Charts (provides a cross reference number to the specific chart listed on the index for a quick review);
- Sixty-four (64) documents showing historical data in chart or table format through the projected 2018 Year End number to study current trends; and
- Two “big picture” spreadsheets with pie charts showing fund balances for the City’s three funds and seven departments of the Projects Fund can be found in the beginning of the packet. One spreadsheet shows the fund balances projected to 2018 Year End and the other spreadsheet shows the fund balances planned for in the 2019 Budget.

Concluding Remarks.

- Based on actual data through November, the City’s General Fund is projected to finish fiscal year 2018 with a healthy surplus of $1,214,800;
- Each of the City’s financial condition indicators has their own somewhat unique story to tell and the associated charts are designed to help relay that information to the 2019 budget development participants; and
- City staff continues to diligently hold down expenses at every opportunity.
Document Index – Financial Condition Monitoring

2019 Budget Development Process

**Snapshot of Current Financial Picture**

1. 2008 Actual Operating Revenues vs 2018 Budget Operating Revenues
2. 2008 Actual Operating Expenditures vs 2018 Budget Operating Expenditures

**General Indicators**

3. City Population
4. Number of Housing Units
5. Inflation Rate (CPI-W for Seattle) Since 2000
6. Employee Authorized Position Count
7. Authorized Full –Time Employees (FTEs) with Per Capita
8. Total City Assessed Valuation Since 1998 (In Millions)
9. Average Assessed Valuation per Housing Unit with Rate of Change
10. Comparison of 2018 Property Tax Rates for Cities & Towns in King County
11. 2018 Property Tax Distribution
12. Comparison of 2018 Property Tax Rates for Selected Cities
13. Comparison Property Tax Information for Selected Neighboring Cities & Town
14. 2016-2018 Clyde Hill Property Tax Information
15. Number of New Home Construction Permits & Total Valuation

**Revenue Indicators**

16. Total Operating Revenues – Actual Dollars compared to Constant Dollars
17. Total Oper Rev – Actual Dollars compared to Constant Dollars (back to 1998)
18. Property Tax Revenues – Actual Dollars compared to Constant Dollars
19. Property Tax Revenues – Actual Dollars compared to Constant Dollars back to 2002
20. Sales Tax Revenues - Actual Dollars compared to Constant Dollars
21. Utility Taxes & Franchise Fees – Actual Dollars compared to Constant Dollars
22. Rate History for Utility Taxes & Franchise Fees Rate History
23. Development Revenue – Actual Dollars compared to Constant Dollars
24. Dev Revenues - Actual Dollars compared to Constant Dollars (Back to 1998)
25. Motor Vehicle Related Revenue – Actual Dollars compared to Constant Dollars
26. State & Federal Shared Revenues – Actual Dollars compared to Constant Dollars
27. Yarrow Point Police Contract Revenue - Actual Dollars compared to Constant Dollars
28. Fines and Forfeiture Revenue – Actual Dollars compared to Constant Dollars
29. Investment Interest Revenue – Actual Dollars compared to Constant Dollars
30. Cash and Investment Report as of July 31, 2018
31. Wireless Comm Facility Revenues - Actual Dollars compared to Constant Dollars
32. Other Operating Revenue - Actual Dollars compared to Constant Dollars
33. Elastic Revenue - Actual Dollars compared to Constant Dollars (Back to 1998)
34. Elastic Revenue as a % of Total Operating Revenue (Back to 1998)
35. Real Estate Excise Tax Revenue – Actual Dollars compared to Constant Dollar
36. Year Over Year Comparison of Average Sales Price to Number of Homes Sold (8/18)
37. Criminal Justice Sales Tax Revenue – Actual Dollars compared to Constant Dollars

**Expenditure Indicators**

38. Total Operating Expenditures – Actual Dollars compared to Constant Dollars
39. Total Operating Expenditures – Actual Dollars compared to Constant Dollars (1998)
40. General Government Services Expenditures - Act Dollars compared to Constant Dollars
41. Law Enforcement Expenditures - Actual Dollars compared to Constant Dollars
42. Public Works/Building Dept Expenditures - Act Dollars compared to Constant Dollars
43. Total Salaries & Benefits – Actual Dollars compared to Constant Dollars
44. Total Salaries & Benefits as a % of Operating Expenditures
45. Personnel Benefits as a % of Salaries
46. Personnel Benefits as a % of Total Operating Expenditures
47. Contracted Services– Actual Dollars compared to Constant Dollars
48. Dispatch Expenditures– Actual Dollars compared to Constant Dollars
49. Fire Protection & Medic One Expenditures – Actual Dollars to Constant Dollars
50. Legal Expenditures – Actual Dollars compared to Constant Dollars
51. Insurance Expenditures – Actual Dollars compared to Constant Dollars
52. Operating Supplies & Services– Actual Dollars compared to Constant Dollars
53. Utilities– Actual Dollars compared to Constant Dollars
54. Repairs & Maintenance– Actual Dollars compared to Constant Dollars
55. Minor Equipment– Actual Dollars compared to Constant Dollars
56. Other Operating Expenditures – Actual Dollars compared to Constant Dollars
57. Clyde Hill Roadway & Total Capital Expenditures Over Time
58. Total City Expenditures - Actual Dollars compared to Constant Dollars

**Overall “Resources Available” Indicators**

59. General Fund (Operating Fund) Surplus or Deficit
60. General Fund (Operating Fund) Surplus or Deficit back to 1993
61. Total City Fund Balances
62. Reserve Fund Ending Balance (Since 1998)
63. Total Operating Revenues compared to Total Operating Expenditures
64. Total City Revenues compared to Total City Expenditures
The graphic below serves as a quick reference for an overview of the 2019 Budget. The actual beginning fund balances for the three appropriated funds is shown based on the actual 2018 YE. The Projects Fund is one of the three appropriated funds and it is made up of seven different departments (i.e. activities) that allows the City to better track restricted or special purpose funds.

<table>
<thead>
<tr>
<th>Component</th>
<th>General Fund</th>
<th>Reserve Fund</th>
<th>Criminal Justice</th>
<th>Grants</th>
<th>Equipment Replacement</th>
<th>Housing</th>
<th>Parks</th>
<th>Special Projects</th>
<th>Capital Projects</th>
<th>Projects Fund</th>
<th>Total of All 3 Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2,012,400</td>
<td>$-</td>
<td>$106,700</td>
<td>-</td>
<td>$25,000</td>
<td>$10,000</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$1,942,550</td>
<td>$1,942,550</td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>$4,460,225</td>
<td>$-</td>
<td>$132,200</td>
<td>-</td>
<td>-</td>
<td>$20,000</td>
<td>$21,000</td>
<td>$2,450,000</td>
<td>$1,525,000</td>
<td>$4,157,200</td>
<td></td>
</tr>
<tr>
<td>Operating Surplus/(Deficit)</td>
<td>$552,175</td>
<td>$-</td>
<td>$(25,500)</td>
<td>$-</td>
<td>$25,000</td>
<td>$(19,000)</td>
<td>$(20,000)</td>
<td>$(2,448,000)</td>
<td>$(282,450)</td>
<td>$(2,769,450)</td>
<td></td>
</tr>
<tr>
<td>Transfer-In</td>
<td>$-</td>
<td>$3,627</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$20,000</td>
<td>-</td>
<td>$1,861,750</td>
<td>-</td>
<td>$1,885,377</td>
<td></td>
</tr>
<tr>
<td>Transfer-Out</td>
<td>$1,218,427</td>
<td>$691,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,910,377</td>
<td></td>
</tr>
</tbody>
</table>
2019 Enhanced Budget Monitoring Plan
City of Clyde Hill, Washington

Background.
The following additional internal control was introduced in 2009. These monitoring activities act to strengthen the City’s internal control system and help manage any budget-related surprises. The goal of the plan is to avoid surprises through targeted monitoring with a specific written plan requirement when problems are identified.

Three (3) levels of financial control for City revenues and expenditures are a part of implementing the 2019 Budget.

Revenues.

- **Level 1 – Continue to Monitor:** Monitor all revenue sources each month by comparing actual to budget year to date expectations. Staff will share these comparisons with the City Council on the Monthly Operating Report. Both the quarterly and the monthly reports will highlight all major operating revenues and will group any other revenues with a budget of less than $15,000.

- **Level 2 – Falls Behind by 5% – Watch List:** If any revenue source or grouping falls behind budget year to date expectations by 5% after the first quarter, it will be placed on a “Watch List” and will be highlighted to the Council as a potential problem.

- **Level 3 – Falls Behind by 15% – Red Flag List – Treatment Plan:** If any revenue source or grouping falls behind the budget year to date expectations by 15% after the first quarter, it will be placed on a “Red Flag List.” When any revenue source or grouping is placed on the Red Flag List, a specific treatment plan will be developed by the staff to address a potential revenue shortfall. Guidelines for the treatment plan could include: 1) expenditure cuts to offset the loss of revenue; 2) designation of a specific surplus revenue source to act as an offset to the identified revenue shortfall; and/or 3) an amendment to modify the Budget.

Expenditures.
The expenditure classification will be modified to provide the Council with the same degree of monitoring protection but at a higher level of reporting. Expenditures will be categorized by subject area groupings, specifying areas that are both material in amount and more important in stature (e.g., salaries/benefits – Legal Services – Dispatch – Jail Services – Insurance…). Expenditure groupings will be reported by department to allow for better recognition within program areas. These same subject area groupings will be included in the Council’s Monthly Operating Report to allow for a higher level of reporting and consistency of information between quarterly and monthly reports.

- **Level 1 – Identify & Hold Back Certain Expenditures:** The staff will identify the more flexible operating expenditures that could be held back into the second half of the year. This will enable the staff to use these expenditures as possible candidates to offset a Level 3 revenue shortfall.
• **Level 2 – 10% Over Budget – Watch List:** If any expenditure grouping is 10% over budget after the first quarter, it will be placed on a “Watch List” and will be highlighted to the Council as a potential problem.

• **Level 3 – 15% Over Budget – Red Flag List – Treatment Plan:** If any expenditure grouping is 15% over budget after the first quarter, it will be placed on a “Red Flag List.” When any expenditure grouping is placed on the Red Flag List, a specific treatment plan will be developed by the staff to address the increased cost. Guidelines for the treatment plan could include: 1) plans on how to reduce costs going forward; 2) place a freeze on an expenditure account(s) if possible; 3) designate or freeze other expenditure account(s) to provide overall savings to offset the unfavorable condition; 4) designation of a specific surplus revenue source to act as an offset to the identified expenditure grouping problem; and/or 5) an amendment to modify the Budget.
DEPARTMENT INFORMATION & PERFORMANCE MEASURES
Relationship Between Functional Units & Funds
City of Clyde Hill, Washington
Fiscal Year 2019

Note: To better monitor restricted revenues, the City utilizes the Projects Fund made up of seven departments (e.g. activities). This matrix is designed to show which of the City’s three functional units has at least some responsibility for the seven departments in the Projects Fund. All salary, benefits, and operating expenditures for the three functional units are recorded in the General Fund.

<table>
<thead>
<tr>
<th>Functional Unit</th>
<th>General Fund</th>
<th>Reserve Fund</th>
<th>Criminal Justice</th>
<th>Grants</th>
<th>Equipment Replacement</th>
<th>Housing Rental</th>
<th>Parks</th>
<th>Special Projects</th>
<th>Capital Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government Department</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Police Department</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works/Building Department</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

GENERAL GOVERNMENT DEPARTMENT

The General Government Department is part of the General Fund and includes the City Administrator, Lyman Howard, Assistant City Administrator, John Greenwood, Deputy City Clerk, Courtney Benjamin, Deputy City Clerk & Code Enforcement Officer, Teri Tupper (2/3), and the Finance Manager, Dean Rohla (1/2). Expenditures to support the Mayor, City Council, Planning Commission, and Hearing Examiner are also recorded in this department.
The General Government Department shares in managing the departments that make up the City’s appropriated Projects Fund (i.e. this is a Combined Special Revenue Fund used to simplify budgeting and track restricted type revenues). The Departments include: 1) Criminal Justice Department (shared responsibility with the Police Department); 2) Grants Department (shared responsibility with the Public Works / Building Department); 3) Equipment Replacement Department (shared responsibility with the Public Works / Building Department); 4) Housing Department (shared responsibility with the Public Works / Building Department); 5) Parks & Recreation Department (shared responsibility with the Public Works / Building Department); 6) Special Projects Department (shared responsibility with the Public Works / Building Department); and 7) Capital Projects Department (shared responsibility with the Public Works / Building Department). All salary, benefits, and operating expenditures for the General Government Department are paid from the City’s General Fund.

This group works closely together and wears many hats to meet the wide range of municipal government needs for City residents. General Government Department services include:

- Support the Mayor, City Council, Planning Commission, and Hearing Examiner;
- Provide election services through King County;
- Assist communications with all City stakeholders through one-on-one contacts, bi-monthly electronic City newsletter, Weekly Administrator Reports, website postings, Facebook postings, social media interaction on NextDoor, and Channel 21 TV;
- Administer the day-to-day accounting function (including payroll), prepare monthly, quarterly, and annual financial reports, provide human resource recordkeeping services, and shepherd the budget process to adopt the next year’s budget plan for the City;
- Implement and monitor the City’s Investment Policy;
- Partner with other local jurisdictions to negotiate with the Washington State Department of Transportation (WSDOT) involving the new $4.65B SR-520 Floating Bridge Replacement and HOV Project across Lake Washington for the best interests of Clyde Hill;
- Administer the Business Licensing requirement for businesses operating in Clyde Hill or conducting a business from their personal residence;
- Assist the State Auditor’s Office (SAO) to conduct an independent and comprehensive audit of the City each year;
- Work with the contracted City Attorney to provide legal service as needed;
- Work with the Washington Cities Insurance Authority (WCIA) to provide insurance and risk management services for the City and continue to keep the City in compliance the “Compact of Membership;”
- Work with the Association of Washington Cities (AWC) In-house Retro Program staff serving as the Third Party Administrator to minimize the cost of Labor & Industry (L&I) worker’s compensation insurance claims;
- Manage emergency preparedness;
- Negotiate franchise agreements with utility service providers within the City (i.e. Republic Services, Comcast, Bellevue Utilities, Puget Sound Energy, CenturyLink, etc.);
• Continue to professionally manage the City’s low income rental home and actively participate in the ARCH program (A Regional Coalition for Housing);
• Provide “friendly, always ready” City Hall front counter type services such as passport application intake, public records requests, pet licenses, concealed weapon permits, and business licensing;
• Plan the City’s future by compliance with the State’s Growth Management Act (GMA; Comprehensive Plan Update every 10 years last updated in 2015);
• Assist homeowners with the free City sponsored urban forestry program and celebrate Arbor Day each year with the 5th graders from Clyde Hill Elementary School by planting a tree in their honor;
• Provide in-house Local Improvement District (LID) planning, accounting, and ongoing administration (no open projects currently, although discussions take place periodically);
• Negotiate and administer wireless communication facility leases with multiple telecommunication companies (e.g. 6 separate facility leases involving 4 different telecommunication companies in 2018);
• Provide information and facilitate “view” related issues with homeowners;
• Coordinate activities for a successful Community Celebration Event in August and the Parade of Pumpkins Display Event at Halloween;
• Coordinate and pay for the City’s regional responsibilities such as contributions for affordable housing on the eastside, National Pollution Discharge Elimination System (NPDES for stormwater quality), Water Resource Inventory Area (WRIA 8) for salmon recovery in compliance with the endangered species act, Puget Sound air quality, Puget Sound Regional Council, Sound Cities Association (formerly Suburban Cities Association), AWC, and Eastside Transportation Project Planning.

Overall, this group provides management, information and coordination in the day to day operations of the City’s general government activities.

2019 Targets & Projections.

Target Issues.

• Maintain generally accepted strong financial management practices and objectively measure to ensure this goal is being achieved (see following performance measures labeled “Strong Financial Management Practices”);
• Provide public services in an effective and efficient manner and continually look for performance measures to ensure this goal is being achieved (see following performance measures labeled “Effective and Efficient Public Service Delivery”);
• Monitor and participate in construction completion activities of the SR 520 Bridge Replacement & HOV Project: a) actively participate in process; and b) communicate Clyde Hill issues with Washington State Department of Transportation (WSDOT), Eastside Corridor Constructors (ECC), and other cities;
• Work with adjacent cities and WSDOT for an acceptable maintenance agreement for the park like lids over Hwy 520 at 84th Avenue NE and 92nd Avenue NE;
• Develop a Facilities Master Plan;
• Complete a successful fiscal audit (no findings) of the City’s finances & operations (see following performance measures labeled “Strong Financial Management Practices”);
• Replace all staff computers and the City’s server;
• Work with the Public Works and Police Departments to manage the City’s Traffic Program;
• Maintain the City’s eligibility as a Tree City USA;
• Continuously issue the Weekly Administrator’s Report and the bi-monthly City Newsletter;
• Issue quarterly financial reports;
• Work with the Public Works Department to continue to assist the community with tree / view issues while implementing revised view regulations;
• Carry out the City’s Investment Program per the Investment Policy and support the Investment Committee for oversight purposes;
• Manage the City’s Social Media Policy;
• Manage the City’s e-Records Management System;
• Continue to keep the City in compliance with the Washington Cities Insurance Authority’s (WCIA) Compact of Membership requirements and provide: 1) cost effective risk management services; 2) safe working conditions; and 3) avoid City vehicle accidents;
• Coordinate activities for a successful Community Celebration, Arbor Day, and Parade of Pumpkin Display Event;
• Acquire emergency management training for all staff;
• Revise the Municipal Code regarding business hours for commercial zones;
• Participate in process to surplus excess equipment; and
• Enhance the City’s web site.

Projections.

As one of the initial steps in preparing the annual budget, the budget participants review the City’s most recent performance measurement data in the form of the City of Clyde Hill Dashboard Report. The most recent report reviewed in August 2018 contains data from 2017. This report is presented at the first budget study session to kick-off the budget development process with the following objectives in mind:

• Provide transparency and accountability to all stakeholders interested in evaluating the performance of the City of Clyde Hill in a quick to read and quantifiable report;
• Assist participants in the annual budget development process with a tool to help them identify potential problems and allocate the limited financial and human resources available to accomplish the intended outcomes for the City; and
• Continually improve this reporting method with a wide ranging, yet manageable group of performance measures that has minimal impact on productive staff time in terms of data gathering.
Below is financial management performance information from the Dashboard Report. Performance data for the General Government Department is presented in the “Quick Glance Report Card Summary” format used in the City of Clyde Hill Dashboard Report. The budget participants received the supporting data at the budget study session for review (detailed supporting data is available upon request).


<table>
<thead>
<tr>
<th>#</th>
<th>Dashboard Indicator</th>
<th>Current Rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Maximize Sales Tax Revenue</td>
<td>![Thumb-Up]</td>
<td>There was a noticeable increase in the valuation of homes, the total valuation of new homes built and the amount of sales tax received from new homes.</td>
</tr>
<tr>
<td>10</td>
<td>Bank Reconciliations</td>
<td>![Thumb-Up]</td>
<td>Bank Statements continue to be reconciled to the City's books each month in a timely manner &amp; independently reviewed by the City Administrator.</td>
</tr>
<tr>
<td>11</td>
<td>Independent Annual Audit</td>
<td>![Thumb-Up]</td>
<td>For at least the 26th consecutive year, the City has received an unqualified (i.e. no findings) audit opinion – very few cities can make this claim!</td>
</tr>
<tr>
<td>12</td>
<td>Compliance with the State Auditor’s Office Financial Intelligence Tool (FIT) Guidelines</td>
<td>![Thumb-Up]</td>
<td>For the 12th consecutive year (including during the Great Recession), the City has complied with the SAO’s financial guidelines. Additionally, Clyde Hill looks favorable when compared to similar cities.</td>
</tr>
<tr>
<td>13</td>
<td>Financially Informed Citizenry</td>
<td>![Thumb-Up]</td>
<td>The annual Budget Book has earned the Distinguished Budget Award from the Government Finance Officers Association for over two decades!</td>
</tr>
</tbody>
</table>
Achieving this award for the 8th consecutive year shows the City’s culture has embraced wellness activities. This also means a 2% discount on medical premiums. The number of sick days ticked upwards a little this year, though.

Although there was a significant spike in cases filed during 2015, that number has normalized. However, revenue in relation to expenses continues to drop meaning a larger cost for the City.

The variance between the “most likely case” and the Year End Actual was 5.0%...double the target range of 2.5%.

The variance between the “most likely case” and the Year End Actual continues for the 10th consecutive year to be within the target range of 2.5%...this year by 0.4%!

The ratio of the Reserve Fund balance to General Fund total expenditures continues to comply with the City Council’s long standing policy guidelines.

General Fund Expenditure Data.

This following chart shows General Government Department expenditure growth in terms of constant dollars (no inflation) and as a percent of total general fund expenditures over the 20 years. Noteworthy in the chart is the evidence of the “belt tightening” steps taken to mitigate the economic situation deterioration in the second half of 2008 (the most recent recession).
POLICE DEPARTMENT

The Police Department is primarily a part of the General Fund and includes the Chief of Police, Kyle Kolling, Lieutenant Dawn Hanson, Records Specialist Kirsty Jones, and Officers Nathan Cobrea, Tyler Glenn, Beatus Swai, Paul Goldenberger, Michael Humphreys, Brandon Lyon, and Ian Jennings (plus ½ the cost of the Finance Manager is charged to this department). Ian Jennings is the most recently hired officer and is scheduled to graduate from the police academy in March, 2018. The City Council authorized the filling of the 7th Officer position at their November, 2015 regular meeting.

The Criminal Justice Department in the Projects Fund is used to account for restricted criminal justice sales tax revenue, some State shared revenues, and reimbursements from the police services contract with the Town of Yarrow Point. All police salary, benefits, and most operating costs are paid from the City’s General Fund.
The Police Department provides a fully trained and equipped 10-member police service on a 24-7 basis. The department is responsible for the 3,000 residents in Clyde Hill, the 1,000 residents in the Town of Yarrow Point, and the approximately 2,500 students and staff attending the two public and two private schools in Clyde Hill.

The current collective bargaining agreement with the Clyde Hill police officers runs through December 31, 2020.

Per the inter-local agreement with the Town of Yarrow Point scheduled to run through 2019, 25% of the operating and capital costs for the Police Department are reimbursed to Clyde Hill by the Town of Yarrow Point.

Clyde Hill contracts with the following public entities for criminal justice services: North East King County Regional Public Safety Communication Agency (NORCOM – new in 2009) for dispatch service, City of Kirkland for municipal court, Cities of Kirkland, Issaquah, Renton and the SCORE jail facility in Des Moines for jail services along with the King County Jail if there is some type of health issue involved for jail services.

Fire, Emergency Medical and Hazardous Materials are contracted for with the City of Bellevue. The Clyde Hill Police Chief monitors this service and is the primary contact person.

Necessary criminal justice type expenditures charged to this department include:

- Civil Service Commission (hiring process and any discipline issues);
- Prosecutor for municipal court cases;
- Filing fees for municipal court cases;
- Indigent defense for municipal court cases;
- Dispatch (transitioned to new regional entity called “NORCOM” in 2009);
• Patrol vehicles for the officers (five total) plus a take home vehicle for the Chief;
• Detention facilities (aka “jail”);
• Uniforms, weapons, ammunition, training, fuel, vehicle repairs, and all the other miscellaneous expenditures you would expect to run a Police Department; and
• Emergency preparedness supplies and training.

2019 Targets & Projections.

Target Issues.

• Maintain crime data and traffic safety data near or below the previous year’s level (see performance measures labeled “Community Safety and Security”);
• Continue to provide timely police response times of under six minutes for more than 80% of calls (see performance measures labeled “Community Safety and Security”);
• Monitor City of Bellevue fire and EMS incident response times to ensure residents are receiving good service for this contracted service (see performance measures labeled “Community Safety and Security”);
• Monitor the data provided by the City of Bellevue Fire Department for the better than national average statistic on the percentage of patients responded to that were in cardiac arrest and/or ventricular fibrillation who were resuscitated and subsequently released from the hospital (e.g. survival rate for heart related EMS incidents; see performance measures labeled “Community Safety and Security”);
• Participate in the development of the City’s Facilities Master Plan;
• Cooperate with a timely response to any auditor inquiries as part of the Annual Audit conducted by the State Auditor’s Office (SAO);
• Contribute information and advice when called upon by the City’s Traffic Management Committee;
• Recruit officer positions as needed (on-going goal each year when vacancies occur);
• Continue to actively participate in the Coalition of Small Police Agencies in King County (“Strength through Cooperation”);
• Continue to provide pass-through resources to help mitigate eastside domestic violence and child abuse;
• Continue participation in the City’s Performance Measurement Program by submitting crime statistics to the National Incident Based Reporting System (NIBRS) via the Washington Association of Sheriffs and Police Chiefs (WASPC) for inclusion in their annual report;
• Facilitate the annual “Shred It” event at the Annual Celebration Event in August each year as a way to prevent identity theft;
• Participate in eastside DUI emphasis patrols (when possible) throughout the year;
• Continuously issue the Sentinel;
• Deploy Lexipol policy updates for the Police Department;
• Have the Police Department undergo the Loaned Executive Management Assistance Program; and
• Purchase a new Police vehicle (small).
Projections.

Below is financial management performance information from the Dashboard Report. Performance data for the Police Department is presented in the “Quick Glance Report Card Summary” format used in the City of Clyde Hill Dashboard Report. The budget participants received the supporting data at the budget study session for review (detailed supporting data is available upon request).

“Community Safety and Security.”

<table>
<thead>
<tr>
<th>#</th>
<th>Dashboard Indicator</th>
<th>Current Rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Property Crime Prevention Effectiveness</td>
<td><img src="image1" alt="Thumbs Up" /></td>
<td>Clyde Hill had been experiencing an uptick in property crimes over the past four years, but the numbers drastically decreased last year. Clyde Hill ranks in 3rd place among its neighbors for the past five years.</td>
</tr>
<tr>
<td>2</td>
<td>Violent Crime Prevention Effectiveness</td>
<td><img src="image2" alt="Thumbs Up" /></td>
<td>The violent crime rate in Clyde Hill has essentially plateaued. Clyde Hill ranks in 4th place among its neighbors for the past five years.</td>
</tr>
<tr>
<td>3</td>
<td>Auto Theft Prevention Effectiveness</td>
<td><img src="image3" alt="Thumbs Up" /></td>
<td>Clyde Hill has been experiencing an uptick in auto theft, a trend that has recently plateaued. Clyde Hill ranks in 1st place among its neighbors for the past five years!</td>
</tr>
<tr>
<td>4</td>
<td>Traffic Safety Effectiveness</td>
<td><img src="image4" alt="Thumbs Up" /></td>
<td>Clyde Hill’s traffic safety rates shot down significantly this year. Clyde Hill ranks 3rd among its neighbors over the past five years.</td>
</tr>
</tbody>
</table>
During the past three years there were no pedestrian accidents – this year there was one. Clyde Hill ranks 4th among its neighbors over the past five years.

The number of emergency police calls dropped sharply, the average response time increased slightly and the percentage of emergency calls responded to within six minutes remained stable.

Although there has been a noticeable increase in the number of incidents, response times have slightly decreased.

Although King County rates are not yet available for comparison, cardiac arrest survival rates for Bellevue/Clyde Hill indicate a slight drop.

Caution: Crime statistics above can be heavily influenced by the population disparity between the City of Clyde Hill and some of the larger neighboring communities. However, the City feels that these are still worthwhile performance measures and would point out a problem for correction if one existed.

**General Fund Police Department Expenditure Data.**

The Police Department day-to-day operating costs are primarily included in the City’s General Fund. The Criminal Justice Department is part of the City’s Projects Fund (aka Special Revenue Fund) and has been used in the past to account for capital assets (e.g. police vehicles) and special police programs. The Criminal Justice Department in the Projects Fund has a restricted revenue source of its share of the 0.1% of sales tax collected in King County.

This following chart shows the growth in terms of constant dollars and as a percent of total general fund expenditures over the past decade plus. The chart below shows total
police expenditures recorded in both the General Fund and the Criminal Justice Department of the Projects Fund.

**General Fund Fire Department Expenditure Data (Contract with the City of Bellevue).**

The City of Clyde Hill contracts with the City of Bellevue for Fire Department Services including emergency medical and hazardous materials response. Emergency preparedness type activities are primarily a City of Clyde Hill Police Department responsibility. The Fire Department services are accounted for in the General Fund.

The following chart shows Fire Department expenditure growth in terms of constant dollars and as a percent of total general fund expenditures over the past decade. The fire contract with the City of Bellevue and Clyde Hill along with a number of other small neighboring communities was renegotiated for the 2012 budget using a new formula for how costs are distributed between the cities and towns receiving services. As a result, the subsequent annual costs for this service to Clyde Hill decreased substantially from the peak in 2010 but has recently jumped again due to renegotiations again in 2017 as well as new labor rates recently negotiated by the firefighter union and the City of Bellevue in 2018.
PUBLIC WORKS & BUILDING DEPARTMENT

The Public Works & Building Department is part of the City’s General Fund and includes the Public Works Director Arnie Clark, Building Official Rich Soloski, Building Inspector/Public Works Crew Member, John Young, Public Works Crew Member Tyler Bender, and a soon-to-be-filled Public Works Crew Member position that is currently vacant. One-third of the salary and benefits for Deputy City Clerk/Code Enforcement Officer, Teri Tupper, is charged to this department for building department intake services at the City Hall front counter and providing code information to builders and homeowners. As of mid-2014, the Building Official and Building Inspector duties are no longer shared via an inter-local agreement with the City of Medina.

The Public Works Department shares responsibility for administering expenditures made from the Housing and Capital Projects Department in the Projects Fund. All salary, benefits and operating expenditures for the Public Works and Buildings Department are made from the City’s General Fund.
This department provides the following tangible benefits to Clyde Hill residents:

- **Street Operations** (includes the installation and maintenance of signs, signals, lighting, street sweeping, right-of-way vegetation maintenance, on-call snow plowing and ice control, and 24-7 disaster response);

- **Roadway Improvements** (includes road overlays, patches, street striping, crack sealing, and curb painting);

- **Storm Drainage** (includes system cleaning and maintenance, including catch basin and storm drain repairs and maintenance);

- **Sidewalks, Pathways & City Entrances** (includes Points Loop Trail, path along 84th Ave, sidewalk construction and repair, mowing, trimming, weeding, and maintaining the attractive city entrance areas);

- **Building Code Services** (includes one-on-one code information, plan reviews, building permits, other permits, inspections, Planning Commission, Hearing Examiner, tree/view mitigation assistance, code enforcement, and no cost professional landscape and arbor advice to help avoid future view issues); and

- **Park Facilities** (includes the 26th St View Park, the City Park & Tennis Courts, 24th St parking lot and picnic area, and arbor day trees with informative plaques throughout the City).

### 2019 Targets & Projections.

**Target Issues.**

- Update the City’s annual pavement Rating Condition Survey for use with developing the annual Transportation Improvement Plan (TIP; see performance measure below labeled “Reliable Public Infrastructure and Utilities”);

- Facilitate the redevelopment of 8805 Points Drive (Tully’s Coffee Shop);

- Facilitate the redevelopment of Bellevue Christian School;

- Acquire/deploy striping and road repair services;

- Update the Transportation Improvement Program;
Complete all 2019 stormwater projects (87th Ave, Aqua Vista, 24th St, the Frame/Grate Replacement Program, and the Storm/Road Maintenance Program);

Monitor resident complaints regarding solid waste, yard waste, and/or recycling service provided by Republic Services and work with the provider to resolve any systemic issues (see performance measure labeled “Reliable Public Infrastructure and Utilities”);

Continue to provide timely inspections for new home construction and remodeling projects (see performance measure labeled “Effective and Efficient Public Service Delivery”);

Successfully implement the City’s Comprehensive Stormwater Management Plan;

Work with the General Government Department to monitor/respond to the City Council’s Traffic Management Committee;

Work with the General Government Department to continue to assist the community with tree / view issues while implementing revised view regulations and maintain the City’s eligibility as a Tree City USA;

Manage 2019 street overlay and complete designs for 2020 street overlays;

Manage the National Pollution Discharge Elimination System (NPDES) grant and remain compliant with regulations;

Participate in the development of the City’s Facilities Master Plan;

Respond in a timely manner to audit requests during the Annual Audit process;

Work with the General Government Department to successfully coordinate the City Celebration Event, Parade of Pumpkins, and Arbor Day;

Acquire and deploy striping services in 2019; and

Continue participation in the City’s Performance Measurement Program.

Projections.

Below is financial management performance information from the Dashboard Report. Performance data for the Public Works and Building Department is presented in the “Quick Glance Report Card Summary” format used in the City of Clyde Hill Dashboard Report. The budget participants received the supporting data at the budget study session (detailed supporting data is available upon request).

“Reliable Public Infrastructure & Utilities.”

<table>
<thead>
<tr>
<th>#</th>
<th>Dashboard Indicator</th>
<th>Current Rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Building Inspection Services</td>
<td></td>
<td>All building inspections were performed within 24 hours of the request even with an increase. One “Stop Work” order was issued and the average review time for plans dropped noticeably.</td>
</tr>
</tbody>
</table>
Street Pavement Condition

The average rating of the City’s streets jumped up to almost 99% of all roads rating “Fair to Very Good” this year!!!

**General Fund Expenditure Data.**

This chart below shows the Public Works / Building Department expenditure growth in terms of constant dollars (e.g. no inflation) and as a percent of total general fund expenditures over the past decade. The spike in 2008 was primarily due to extra work done on storm drains along the City’s right-of-ways (ROW). Stormwater maintenance is the primary reason for the increase in 2015 over the previous year and the new, third Public Work Crew Member is the primary reason for the 2016 increase.

![Bar chart showing Public Works / Building Dept Expenditures (In Constant Dollars)](chart.png)

**Capital Projects.**

Capital Projects are primarily managed by the Public Works / Building Department. Most capital projects are street overlays, sidewalks, and the storm sewer system.
Normally, the City contracts with an engineering consultant to help design, engineering, and bid projects that are awarded to local qualified contractors. The engineering consultant is charged to the capital project and not the operating budget.

As of the 2018 Budget, there have been no significant nonrecurring capital investments that will affect the current or future operating budgets nor impact the services that the City provides to residents. Also, there are no anticipated savings or revenues expected to result from significant nonrecurring capital investments.

Capital improvements will have a minimal impact on the City’s operating budget. The Capital Projects Department uses restricted Real Estate Excise Tax (REET) money which is non-operating budget money, to hire an outside professional engineering firm to draw up plans to be bid by road overlay, and/or sidewalk contractors in 2019. The Public Works Director’s and City Administrator’s time to contract with an outside engineering firm to draw up the plans for bidding and then administering the bid process is paid out of the operating budget. The Public Works Director’s time to monitor construction projects is paid for in General Fund.

**Capital Projects Expenditure Data.**

This following chart shows Capital Project expenditures in terms of actual (e.g. not constant) dollars and as a percent of total City expenditures. The high number of expenditures in 2007 was due to a combination of issues: 1) bids from the previous year were received latter in the year and not considered a good value at that time; 2) previous year projects were combined with projects originally planned for 2007; and 3) two projects planned for the following year that were located in close proximity to the 2007 projects were accelerated as 2007 projects to get the benefits from economies of scale.

Capital Projects are funded with Real Estate Excise Tax (REET) that the City receives from King County when the title to real property is transferred from Grantor to the Grantee. The City of Clyde Hill receives 0.005% of the sales price minus 1.3% for a collection fee retained by King County. For example, a $3,000,000 home sale in Clyde Hill would result in $14,805 being deposited to the City’s bank account on the 10th day of the following month after the real property title is transferred.

One guiding principle the City Council has been following is the “matching” of REET revenues to capital expenditures. The chart below illustrates this relationship best in 2010 when the housing market in Clyde Hill was close to frozen due to the national economic recession conditions being experienced. Capital expenditures were scaled back to match the lower amount of REET revenues being received.
The expenditure spike in 2012 was the 84th Ave NE roadway project (Clyde Hill served as lead agency with Medina; Clyde Hill records all the expenditures for the project and the reimbursement from the City of Medina cannot be netted with the expenditures per the State Auditor’s Office). The huge spike in 2018 involves the completion of the 84th Ave NE Project from NE 24th Street to the recently completed SR-520 bridge project including new signal lights at the corner of NE 24th and 84th Ave. Clyde Hill is again the lead agency for this project with costs being share with the City of Medina (no netting allowed per the State Auditor’s Office).
MISCELLANEOUS INFORMATION & STATISTICS
“Your City”
City of Clyde Hill, Washington

January, 2019

GENERAL INFORMATION

In response to the community’s desire to control land use development such as lot size and commercial zoning, Clyde Hill was officially incorporated as a Town on March 31, 1953, with 971 people and 271 homes. On November 10, 1998, the Clyde Hill Council voted to become a non-charter Code City. Clyde Hill now finds itself almost fully developed with 3,015 residents, 1,081 households.

All the property in Clyde Hill is zoned for single-family use with the exception of two commercially zoned areas: a gas station near SR-520 and a Queen Bee coffee shop on NE Points Drive. There are four schools with a total of approximately 2,500 students and staff are located within Clyde Hill: two public schools - Clyde Hill Elementary and Chinook Middle School - and two private schools - Bellevue Christian School and Sacred Heart School. The minimum lot size in the City is 20,000 square feet, although many smaller lots exist which pre-date the incorporation of the City.

With a top elevation close to 375 feet, the City encompasses an area of about one square mile with many excellent water, city, and mountain views throughout the City. There are approximately 21 miles of public roadways.

GOVERNMENT

Mayor and City Council. Clyde Hill is a Non-Charter Code City (i.e. provides flexibility), governed by a Mayor-Council form of government. The Mayor and five Councilmembers are elected at-large to staggered, four-year terms. The City Council meets on the second Tuesday of each month at 7:00 PM at City Hall.

The Mayor serves as the Chief Executive Officer of the City and has the authority to appoint members to serve on various Commissions as well as special advisory committees that are described below. The City Council’s primary responsibility is to establish the policy, direction, and goals for the City. The governing laws of the City are adopted by the Council through specific ordinances and are subject to the state laws of the Revised Code of Washington. The City’s laws are embodied in the Municipal Code of Clyde Hill.

The Mayor is George S. Martin (2019). Serving on the City Council are: Kim Muromoto, (2019; partial term due to replacing Chris Baker), Marianne Klaas (2021); Bruce Dodds (2021); Scott Moore (2019); and Barre Seibert (2019).

Planning Commission. The Planning Commission members are appointed to 6-year terms. The Commission consists of five members (currently/temporarily seven due to the
dissolution of the Board of Adjustment and the inclusion of its members into the Planning Commission), serving in an advisory capacity to the City Council, on matters involving zoning, land use, and long-range planning. The Planning Commission meets monthly on the fourth Thursday of the month at 7:00 PM at City Hall.

The Planning Commission members include: Jody Bellar - Chair (2024); Eileen Stempel (2020); Jill Zimmerman (2024); Bruce Jones (2020); Brendon Pack (2023); and Lynn Janata Tremblay (2021). Deputy City Clerk Courtney Benjamin provides staff support.

Civil Service Commission. The Civil Service Commission is appointed for three-year terms. The Commission consists of five members who have jurisdiction over full-time Police Department personnel in matters relating to qualifications and hiring as well as complaints or appeals by police officers concerning grievances, disciplinary matters, or termination.

Members of the Civil Service Commission include: Mike Foley (2019); Karl Korsmo (2019); Jack Lauderbaugh (2020); John Williams (2021); and Brian Vowinkel (2020). Carol Wedland serves as the Secretary/Chief Examiner and provides support and assistance to the Civil Service Commission. This position is also responsible for the administration of all testing for candidates applying for a City police officer position.

CITY STAFF

The organization of the City is shown on the organization chart (see Table of Contents). The City government currently is authorized to have 20 full-time employees, with seven authorized police officer positions. The following provides a more detailed insight into the activities and the specific people working for the City.

City Administrator & Assistant City Administrator. In 1986, the position of Administrator was created by the City Council to oversee the daily operation of all departments and personnel of the City. The Administrator is appointed by the Mayor and reports directly to the Mayor regarding all City matters. The Administrator is responsible for ensuring that the policy set by the City Council is carried out in an efficient, cost effective, and timely manner. In addition, the Administrator works with the Mayor and the City Council on technical issues regarding the budget, implementing various Clyde Hill programs, coordinating the activities with other governmental units and neighboring communities, and assists in the development and formulation of the City’s long range objectives, vision and image. The Assistant City Administrator was authorized with the 2016 Budget.

The City Administrator is Lyman Howard and the Assistant City Administrator is John Greenwood.

Public Works Department. The Public Works Department is responsible for all the street, storm sewer, parks, landscaping, engineering, and Right-of-Way-related activities in the City. The Public Works Department also encompasses the activities of
the Building Department. The Building Department responsibilities include the review of building permit plans, plats and subdivisions, the inspection of construction activity-related to private projects, and the enforcement of all building-related Federal, State, and City laws.

The Public Works Department coordinates all the utility work in the City as well as with adjoining municipalities for joint improvement projects. The Department insures the maintenance and repair of roadways, parks, landscaping, equipment, and the stormwater system for the City. With the Chief of Police, the Public Works Department is responsible for the installation, maintenance, and revision of all street signs, signals, and other traffic devices.

The Public Works Director oversees the daily operation of the Clyde Hill Public Works Department and is responsible to ensure that all work is completed in a proper, timely, and cost-effective manner. There is a City Building Official that serves as the primary Plan Check Reviewer and Building Inspector. One new Public Works Crew Member was authorized with the 2016 Budget to bring the total crew to three. This enhancement is twofold: 1) to better accomplish the day-to-day operations of this Public Works Department; and 2) to retain the institutional knowledge from the two existing crew members as a part of succession planning.

Public Works Department personnel are "on-call" to respond to emergency conditions such as a severe storm or the control of ice and snow on the City's roadways. The current Public Works Director is Arnie Clark. Richard Soloski is the City's Building Official, Plan Check Reviewer, and Building Inspector. John Young and Tyler Bender are the Crew Members (currently one vacancy) and focus on roadway and stormwater maintenance along with maintaining the City's parks and landscaping areas.

Deputy City Clerks. There are two Deputy City Clerks who provide a variety of services to citizens at the City Hall front counter. They are Courtney Benjamin and Teri Tupper.

Teri works full-time at the front desk in City Hall and answers zoning questions, processes applications for building permits, variances, demolitions, mechanical permits, public use permits, and street permits. She is also the City's Code Enforcement Officer works closely with the Public Works Department, and is the staff support person for the Hearing Examiner.

Courtney works full-time in a variety of capacities in the City Hall, including directing phone calls, and answering questions on current issues, processing accounts payable, support to the City Administrator, City Council, Planning Commission, and serves as the Special Projects Coordinator.

Finance. Annually, the City Council adopts the operating budget for the City. This process begins in August, with the final budget adoption in December. The City Council reviews all financial related activities for the City at their monthly meetings and approves all expenditures.
Prior to 1987, Clyde Hill was served by an elected Treasurer. In 1987, the Council combined the Treasurer and Clerk position to create the Clerk/Treasurer position with the working title of City Administrator, which is appointed by the Mayor. Lyman Howard holds that position.

Dean Rohla is the Finance Manager for the City and performs the day-to-day operational activities associated with the City's finances under the direction of the City Administrator (Clerk/Treasurer).

Police Department. The Clyde Hill Police Department consists of the Chief of Police, a Police Lieutenant, seven full-time patrol officers, and a Records Specialist.

The Clyde Hill Police Department also provides police services by contract to the adjacent 1,000 residents of the Town of Yarrow Point. Since July 1, 2009, dispatch services have been provided by contract through an entity called “Northeast King County Regional Public Safety Communication Agency” (NORCOM). Jail services are provided by the Cities of Kirkland, Issaquah, Renton, and King County. Municipal Court services are provided by the City of Kirkland.

The Police Department is committed to working closely with the residents of Clyde Hill and being responsive to the needs and desires of the community. The Department also believes in working closely with the young people in the community by fostering a relationship of trust, respect, and understanding.

Other services provided by the Clyde Hill Police Department include issuance of concealed pistol licenses and fingerprinting when required by employment, professional licensing, or governmental requirements.

The Chief of Police is Kyle Kolling. The Police Lieutenant is Dawn Hanson and the current officers are Paul Goldenberger, Beatus Swai, Michael Humphreys, Nathan Cobrea, Brandon Lyon, Tyler Glenn, and Ian Jennings.

Kirsty Jones is the Records Specialist for the Police Department. She acts as the Office Manager in the Department, answering phone calls, responding to questions, processing police records, and generally supports the entire operations of the Department.

**CONTRACTED OR FRANCHISED SERVICES**

The City contracts with the City of Bellevue to operate Fire Station #5, located on NE 24th Street, right next to City Hall. Water and sewer services are also provided through the City of Bellevue Utilities Department, acting as a regional utility for other small jurisdictions in the area. Clyde Hill has established a Municipal Court through the City of Kirkland and King County contracts with the City to provide Animal Control and Health Services.
The City has agreements with a number of other utilities to provide services to City residents: Republic Services (formerly Allied Waste Services of Bellevue – garbage, yard waste and recycling service); Comcast (cable television service, internet & VoIP); Puget Sound Energy (electricity & natural gas service); and Century Link (local telephone access service). The City will lease six wireless communication facilities to four different telecommunication companies in 2019 (the future is uncertain for this revenue source for the City due to changes in technology and cost cutting mergers of companies).

**GENERAL INFORMATION**

- There are 21 miles of public roads maintained by the City of Clyde Hill;
- There are 16 miles of storm sewers maintained by the City;
- The total area of Clyde Hill is approximately one square mile;
- There are 906 catch basins & 72 man holes maintained by the City;
- Elevation in Clyde Hill is 375 feet above sea level (great for water, city, and mountain views, but more likely to receive snow instead of rain in the winter);
- Clyde Hill Sales Tax Code is 1708;
- The City has six Police vehicles (all SUV type vehicles with four-wheel drive);
- The City has four Public Works vehicles (three are equipped with snow plows; one has a deicer sprayer and has a sander) along with a backhoe and a flatbed trailer;
- SR-520 passes through the north part of the City of Clyde Hill with approximately a dozen homes north of the highway;
- The City’s web site is www.clydehill.org;
- The City is a member of the Washington Cities Insurance Association (WCIA);
- The City is a member of the Puget Sound Regional Council (PSRC);
- The City is a member of the Sound Cities Association (SCA);
- The City is a member of the Association of Washington Cities (AWC);
- The City is a member of the Regional Animal Services of King County (RASKC);
- The City is a member of the Government Finance Officers Association (GFOA);
- The City has been a Tree City USA Award Winner since 1993; and
- The City’s wellness program has won the AWC WellCity Award the past eight years.
The City of Clyde Hill is bordered by the Cities of Kirkland, Bellevue, Medina, and the Towns of Hunts Point and Yarrow Point. Clyde Hill is five minutes from downtown Bellevue and 15 minutes from the University of Washington across the newly constructed SR-520 floating bridge. Seattle is just to the west of Clyde Hill on the other side of Lake Washington.

**HISTORICAL DATES**

The present day area of Clyde Hill was first settled in September, 1882. The Town of Clyde Hill was incorporated on March 31, 1953 (a few hours before the City of Bellevue). The Town of Clyde Hill became the City of Clyde Hill in 1998. Please see the City’s website at [www.clydehill.org](http://www.clydehill.org) for a more in-depth narrative.
FORM OF GOVERNMENT

The City of Clyde Hill is classified as a Non-Charter Code City. Legally, a city in Washington can be described primarily by its class. There are five classes of cities in Washington:

- First class cities
- Second class cities
- Towns
- Unclassified cities
- Code cities

Code cities were created by the State Legislature in order to grant the greatest degree of local control to municipalities possible under the state constitution and general law. This classification has been adopted by the majority of municipalities in Washington, including Renton, Bellevue, Olympia, Longview, Pullman, and University Place.

Code cities (shorthand for optional municipal code cities, as encoded by Title 35A RCW) are authorized to perform any function not specifically denied them in the State Constitution or by State Law. They may perform any function granted to any other city classification under Title 35 RCW.

The City of Clyde Hill operates under the Mayor – Council form of government. Most cities in Washington have this form of government, which calls for an elected mayor and an elected city council, including Seattle, Spokane, Kent, Everett, Bremerton, and Bellingham. The main alternative in Washington State is the Council – Manager form of government. Cities with an elected council and appointed city manager include Yakima, Vancouver, Tacoma, Bellevue, and Kennewick.

The Mayor and the City’s five councilmembers serve staggered four-year terms.

POPULATION

The Washington State Office of Financial Management’s estimate of Clyde Hill’s population as of April 1, 2018 was 3,045. This is an important number for the City due to multiple State shared revenues being based on the annual population estimate. The 2010 Census “trued-up” this number and serves as the basis for population estimates for the next 10 years.

From empirical evidence only, it appears that younger families have been moving back into Clyde Hill more frequently in the past few years. This observation appears to be somewhat true with 94 more people counted in the 2010 census over the 2000 census. There are 2,156 active registered voters in the City of Clyde Hill as of November, 2015 per King County Election Services (most recent data available).
LAND AREA

Land area of the City of Clyde Hill is approximately one square mile. In addition to the scenic water views, Seattle and Bellevue city views, and Olympic and Cascade mountain views, one distinguishing characteristic for Clyde Hill is the rural nature feel of the community while still being less than five minutes from shopping at Bellevue Square and the high-rises of downtown Bellevue.

HOUSEHOLD INCOME

Median household income in Clyde Hill in 2010:
Clyde Hill: $193,599
State: $56,548

For comparison, median household income in 1999 per the last Census in 2000 was $132,468.

Source: U.S. Census Data
INVESTMENT POLICY
City of Clyde Hill, Washington
January, 2006

1.0 Policy
It is the policy of the City of Clyde Hill to invest public funds in a manner consistent with the greatest safety and protection for the City’s investments. This investing of funds will, while protecting the safety of the City’s investment, produce the highest investment return for meeting the cash flow requirements of the City and conform to all Washington State statutes, City ordinances and policies governing the investment of public funds.

2.0 Scope
This investment policy applies to all financial assets of the City of Clyde Hill. These funds are accounted for in the City’s Annual Report, and include:

2.1 Funds
2.1.1 General Fund (Number 001)
2.1.2 Reserve Fund (Number 002)
2.1.3 Projects Fund (Number 100)
2.1.4 Any new Funds created by the Council, unless specifically exempted by the City Council.

3.0 Prudence
The standard of prudence to be applied by the Investment Officer in managing the City’s overall portfolio shall be the “Prudent Person Rule” which states:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

The Investment Officer and other Investment Committee Members, acting in accordance with this Investment Policy and exercising due diligence, shall not be personally responsible for any investment losses sustained by the City, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3.1 Public Trust
All participants in the investment process will seek to act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public scrutiny and evaluation. In addition, the overall investment program shall be designed and administered with a degree of professionalism worthy of the public trust. Investment officials shall also refrain from any transaction that might knowingly impair public confidence in the City’s ability to govern effectively.
4.0 **Objective**
The funds of the City of Clyde Hill will be invested in accordance with the Constitution of the State of Washington, applicable statutes (Revised Code of Washington (RCW), City ordinances, resolutions, and Council direction. The objectives below are listed in order of importance.

4.1 **Safety**
Safety of principal is the primary objective of the City’s investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 **Liquidity**
The City of Clyde Hill’s investment portfolio will remain sufficiently liquid to enable the City to meet all operating and capital requirements, which might reasonably be anticipated.

4.3 **Return on Investment**
The City’s investment portfolio shall be designed with the goal of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City’s investment risk constraints and the cash flow characteristics of the portfolio.

The Investment Portfolio shall be designed to meet the above investment objectives. The City’s investment strategy shall lean toward conservative and passive investments.

5.0 **Delegation of Authority**

5.1 **Investment Policy and Implementation**
The City Council will periodically review the overall Investment Policy as it relates to the City’s financial objectives and make any necessary modifications to the Policy. The Council will appoint the members of the Investment Committee and will periodically direct the Investment Committee as to the investment policies to be implemented.

5.2 **Investment Committee**
The membership of the City’s Investment Committee shall include the Treasurer, Finance Manager, Mayor, and two members of the City Council. The Committee shall meet at least 3 times per year to review the City’s current investments and provide the Treasurer with guidance on any further investment decisions. The Committee shall meet to determine general strategies and monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook; portfolio diversification and maturity structure; potential risks to the City’s funds;
authorized depositories, brokers and dealers; and the target rate of return on the investment portfolio.

5.3 **Investment Officer**
The City of Clyde Hill's Treasurer is designated as the Investment Officer of the City and is responsible for implementing investment decisions and activities with the guidance of the City's Investment Committee.

The Treasurer shall establish and maintain written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for the implementation of the investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy, and the procedures established by the Treasurer. The Treasurer will be responsible for all transactions undertaken and will institute a system of controls to manage the actions of treasury employees. This system of controls will include protections such as dual signatures to transfer funds.

6.0 **Ethics and Conflicts of Interest**
Officials and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions. Employees and investment officials shall disclose to the City Council any material financial interests in financial institutions that conduct business for the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

7.0 **Qualified Institutions**
The Treasurer will maintain a list of financial institutions and security dealers authorized to provide banking and investment services to the City.

7.1 **Financial Institutions**
The selection of the City's bank(s) will be made from the list of Qualified Public Depositories approved by the Washington Public Deposit Protection Commission as authorized to provide investment services (RCW. 39.58.080).

Banks having a deposit relationship with the City shall provide the Treasurer with appropriate financial statements upon request.

7.2 **Security Dealers**
The security dealers and financial institutions may include “primary” or regional dealers that qualify under Securities and Exchange Commission
Rule 15C3-1 (See “Uniform Net Capital Rule” in Glossary) and investment departments of local banks, any of which have been subjected to the following evaluation by the Investment Committee:

7.2.1 Financial condition, strength and capability to fulfill commitments
7.2.2 Overall reputation with other dealers and investors
7.2.3 Regulatory status of the dealer
7.2.4 Background and expertise of the individual representative.

Individuals representing firms doing business with the City shall receive a copy of the Policy, and shall certify, in the format prescribed by the Government Finance Officers Association (GFOA), that they have read it and understand the provisions therein. A copy of such certification, along with financial statements (both current and annual audited), shall be kept on file and reviewed annually.

8.0 Authorized and Suitable Investments
As contemplated in the Revised Code of Washington Section 35.39.032, the Treasurer of the City is authorized on behalf of the City and in accordance with the investment decisions of the Investment Committee to invest all money in the City Treasury which, in the judgment of the Treasurer, are in excess of current City needs. These excess funds can be invested in the following instruments:

8.1 Investment deposits, including certificates of deposit, with qualified public depositories as defined in RCW Chapter 39.58. No more than $500,000 will be invested with any one institution.
8.2 Certificates, notes, bonds, or any other obligations of the United States, including Treasury bills and Treasury bonds. (RCW Section 43.84.080, 36.29.020)
8.3 The State of Washington Local Government Investment Pool. (RCW Chapter 43.250)
8.4 Federal Agency Securities are limited to Federal Home Loan Banks. (RCW Section 39.59.020 and Section 43.84.080)

9.0 Safekeeping and Custody
All securities transactions entered into by the City of Clyde Hill shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the City of Clyde Hill will be delivered against payment and in a custodial safekeeping account. The City Treasurer will designate a third party custodian and safekeeping receipts will evidence all transactions.

10.0 Diversification
It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific insurer or issuer, or a specific class of securities.

10.1 Diversification by Instrument
10.1.2 Certificates of Deposit (Section 8.1) 40%
10.1.2 U.S. Treasury Obligations (Section 8.2) 100%
10.1.3 Local Government Investment Pool (Section 8.3) 100%
10.1.4 Federal Agency Securities (Section 8.4) 20%

It is the Policy of the City to keep only minimal balances within its operating and payroll checking accounts to cover any outstanding checks and pay for monthly bank fees with the earnings credit received on the bank balance maintained. Periodically, the City has provided long term financing to LIDs within the City limits. For purposes of determining the "Max % of Portfolio", the City's operating, payroll & petty cash accounts and outstanding balances of LIDs will be considered as part of this calculation.

11.0 Maximum Maturities
To the extent possible, the City of Clyde Hill will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in Certificates of Deposit or U.S. Treasury securities having a maturity date of more than 24 months from the date of purchase. To provide limited investment flexibility and to take advantage of market conditions when appropriate, the City may invest in Federal Agency Securities having a maturity date of no more than two years from the date of purchase.

12.0 Internal Control
The Treasurer shall establish an annual process of independent review by the State auditor or an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

13.0 Performance Guidelines
The City shall use the average rate of return of the Local Government Investment Pool of the State of Washington as a benchmark to measure the performance of the City's investment portfolio. This performance standard shall take into account the City's investment risk constraints and cash flow needs.

14.0 Reporting
The Treasurer is charged with the responsibility of monthly and quarterly reporting on the investment portfolio.

14.1 Monthly Reports
As part of the monthly Financial Statements, the Treasurer will provide information to the Council regarding the current status of the investment portfolio, including investment activity, location, type of investment, maturities, yields and evidence of the actual investments acceptable to the Council.

14.2 Performance Reports
The Treasurer shall submit to the Investment Committee at each meeting an investment report that summarizes the investment strategies employed since the last report, description of the portfolio in terms of investment securities, yields, maturities, risk characteristics and other features. The report shall explain the total investment activity, as well as compare the
return on investment with both the target rate of return projections and budgetary expectations.

15.0 Investment Policy Adoption
The City’s Investment Policy shall be adopted by Resolution of the City Council. The Treasurer shall review the Policy periodically. The Council must approve any modifications made to the Policy.
ORDINANCE NO. 965

AN ORDINANCE OF THE CITY OF CLYDE HILL, WASHINGTON, ADOPTING THE FINAL BUDGET OF THE CITY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2019; SETTING FORTH THE TOTALS OF ESTIMATED REVENUES AND APPROPRIATIONS FOR EACH SEPARATE FUND AND AGGREGATE TOTALS FOR ALL FUNDS COMBINED; STATING THE AVAILABILITY OF THE 2019 CAPITAL FACILITIES PLAN WITH THE CITY CLERK; ADOPTING THE 2019 CAPITAL FACILITIES PLAN; AUTHORIZING THE CITY ADMINISTRATOR TO USE ANY CASH FORWARD FROM THE GENERAL FUND NO. 001 IN EXCESS OF $100,000 AND TRANSFER FUNDS TO THE RESERVE FUND NO. 002; AND AUTHORIZING SUMMARY PUBLICATION BY TITLE ONLY AND PROVIDING FOR AN EFFECTIVE DATE OF JANUARY 1, 2019.

WHEREAS, on or before the first business day in the third month prior to the beginning of the fiscal year of 2019 the City Clerk submitted to the Mayor the estimates of revenue and expenditures for the next fiscal year as required by law; and

WHEREAS, the Mayor reviewed the estimates and made such revisions and/or additions as deemed advisable, and prior to sixty (60) days before January 1, 2019, filed the said revised preliminary budget with the City Clerk together with his budget message and his recommendation for the final budget; and

WHEREAS, the City Clerk provided sufficient copies of such preliminary budget and budget message to meet the reasonable demands of taxpayers therefore and published and posted notice of filing for the availability of said preliminary budget, together with the date of a public hearing for the purpose of fixing the final budget, all as required by law; and

WHEREAS, the 2019 fiscal year budget will be passed before the final General Fund No. 001 balance for fiscal year 2018 is known; and
WHEREAS, the City desires to move any unappropriated cash carry forward from the General Fund No. 001 in excess of $100,000 and any budgeted surplus from the General Fund No. 001, into the Reserve Fund No. 002 (created by Ordinance No. 653), and that said funds remain in the Reserve Fund No. 002 until subsequently appropriated by the City Council; and

WHEREAS, the City Council scheduled hearings on the preliminary budget for the purpose of providing information regarding estimates and programs; and

WHEREAS, the City Council gave notice and held a Public Hearing on November 20, 2018, which was on or before the first Monday of the month next preceding the beginning of the ensuing fiscal year, for the purpose of fixing a final budget at which hearing all taxpayers were heard who appeared for or against any part of said budget; and

WHEREAS, following the conclusion of said hearing the City Council made such adoptions and changes as it deemed necessary and proper, NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF CLYDE HILL, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. The final budget for the fiscal year 2019, a copy of which has been and now is on file with the office of the City Clerk, is hereby incorporated herein by this reference as if set forth in full, and said final budget shall be and the same is hereby adopted in full.

Section 2. Exhibit A, which is attached hereto and incorporated herein by this reference as though set forth in full, sets forth the totals of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined.

Section 3. A complete copy of the final budget for 2019, as adopted, together with a copy of this adopting ordinance shall be transmitted by the City Clerk to the Division of Municipal Corporations of the Office of the State Auditor and to the Association of Washington Cities.

Section 4. The 2019 Capital Facilities Plan, a copy of which has been and now is on file with
the office of the City Clerk, is hereby incorporated herein by this reference as if set forth in full and adopted in full.

Section 5. The City Administrator is granted authority to transfer any and all unappropriated cash carry forward in excess of $100,000 and any budgeted surplus from the General Fund No. 001 into the Reserve Fund No. 002 upon closing of the City's books for the 2018 fiscal year.

Section 6. This ordinance shall take effect January 1, 2019, which is as least five (5) days after publication of the summary of this ordinance, consisting of its title.

PASSED by the Council of the City of Clyde Hill this 11th day of December 2018.

APPROVED by the Mayor of the City of Clyde Hill this 11th day of December 2018.

MAYOR

GEORGE S. MARTIN

ATTEST/AUTHENTICATED:

CITY CLERK, MITCHELL WASSERMAN

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY:

GREG RUBSTELLO

FILED WITH THE CITY CLERK: 12-12-18
PUBLISHED:
EFFECTIVE DATE:
ORDINANCE NO. 965
SUMMARY OF ORDINANCE NO. 965

of the City of Clyde Hill, Washington

On December 11, 2018, the City Council of the City of Clyde Hill, Washington, approved Ordinance No. 965, the main points of which are summarized by its title as follows:

AN ORDINANCE OF THE CITY OF CLYDE HILL, WASHINGTON, ADOPTING THE FINAL BUDGET OF THE CITY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2019; SETTING FORTH THE TOTALS OF ESTIMATED REVENUES AND APPROPRIATIONS FOR EACH SEPARATE FUND AND AGGREGATE TOTALS FOR ALL FUNDS COMBINED; STATING THE AVAILABILITY OF THE 2019 CAPITAL FACILITIES PLAN WITH THE CITY CLERK; ADOPTING THE 2019 CAPITAL FACILITIES PLAN; AUTHORIZING THE CITY ADMINISTRATOR TO USE ANY CASH FORWARD FROM THE GENERAL FUND NO. 001 IN EXCESS OF $100,000 AND TRANSFER FUNDS TO THE RESERVE FUND NO. 002; AND AUTHORIZING SUMMARY PUBLICATION BY TITLE ONLY AND PROVIDING FOR AN EFFECTIVE DATE OF JANUARY 1, 2019.

The full text of this ordinance will be mailed upon request.

APPROVED by the City Council at their meeting of December 11, 2018.

CITY CLERK, MITCHELL WASSERMAN
## EXHIBIT A

### BUDGET 2019

<table>
<thead>
<tr>
<th></th>
<th>001</th>
<th>002</th>
<th>100</th>
<th>TOTAL CITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projected Beginning Fund Balance 1/1/19</strong></td>
<td>$1,314,800</td>
<td>$3,910,393</td>
<td>$4,031,123</td>
<td>$9,256,315</td>
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<tr>
<td>REVENUES</td>
<td>$5,012,400</td>
<td>$0</td>
<td>$1,362,250</td>
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<tr>
<td>Total Transfer In</td>
<td>$0</td>
<td>$0</td>
<td>$1,906,750</td>
<td>$1,906,750</td>
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<tr>
<td><strong>TOTAL RESOURCES:</strong></td>
<td><strong>$6,327,200</strong></td>
<td><strong>$3,910,393</strong></td>
<td><strong>$7,300,123</strong></td>
<td><strong>$17,537,715</strong></td>
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<tr>
<td><strong>EXPENDITURES</strong></td>
<td>$4,460,225</td>
<td>$0</td>
<td>$4,157,200</td>
<td>$8,617,425</td>
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<td>Total Transfer Out</td>
<td>$1,214,800</td>
<td>$691,950</td>
<td>$0</td>
<td>$1,906,750</td>
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<tr>
<td><strong>TOTAL USES:</strong></td>
<td><strong>$5,675,025</strong></td>
<td><strong>$691,950</strong></td>
<td><strong>$4,157,200</strong></td>
<td><strong>$10,524,175</strong></td>
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<td><strong>Ending Fund Balance</strong></td>
<td><strong>$652,175</strong></td>
<td><strong>$3,218,443</strong></td>
<td><strong>$3,142,923</strong></td>
<td><strong>$7,013,540</strong></td>
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</table>
The following are generally accepted definitions of some of the more common terms or acronyms you may encounter when reviewing the City of Clyde Hill budget documents. Included also is more specific information about how the particular budget term or acronym relates to the City of Clyde Hill.

**ADOPTED BUDGET:** A plan of financial operation, legally adopted by the City Council, providing an approved level of expenditures and a means of financing them for a given fiscal period.

For the City of Clyde Hill, the next year’s budget is usually adopted at the regular December City Council meeting proceeding the budget year. Two separate City Ordinances and a motion are voted on at the December meeting: 1) Ordinance to adopt the next year’s property tax levy; 2) Ordinance to adopt the next year’s Budget and Capital Facilities Plan for the fiscal year beginning on January 1 of the following year; and 3) Motion to adopt the City’s Financial Plan that includes a set of long-term Financial Policies and a short-term Strategic Plan. Clyde Hill operates under an annual budget whereas neighboring bigger cities like Bellevue, Kirkland, and Redmond use a biennial budget.

**APPROPRIATION:** An authorization made by the City Council that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

For the City of Clyde Hill, an appropriation is commonly called the “budget amount” and is the total expenditure amount by fund listed in the adopted budget. Clyde Hill staff understand this total expenditure amount by fund as the total amount they can legally spend in a fiscal period unless the City Council approves a budget amendment. To maintain close control so that the staff does not over spend the appropriation: 1) Department heads are expected to stay within their particular line item budgets; 2) monthly financial statements are prepared with a comparison of actual expenditures to budget; and 3) Quarterly Budget Monitoring Reports are prepared to identify potential problems and develop a “treatment plan” to fix the problem by year end.

**ASSESSED VALUATION (AV):** A valuation set upon real assets or other property by a government as a basis for levying taxes.

For the City of Clyde Hill, the King County Assessor’s Office sets the assessed value amount for each home in Clyde Hill and the City has no control over the process. Visit the King County Assessor’s Office web site at [http://www.kingcounty.gov/Assessor.aspx](http://www.kingcounty.gov/Assessor.aspx) for more information.
BALANCED BUDGET: Per State Law, the City must balance its budget with expenditures equaling available resources.

For the City of Clyde Hill, this means the City may use beginning fund balance, transfers from the reserve fund and anticipated revenues to pay for budgeted expenditures.

BARS: The acronym “BARS” stands for Budgeting, Accounting, and Reporting Systems that is prescribed by the State of Washington and administered through the State Auditor’s Office (SAO).

The City of Clyde Hill’s accounting and budgeting systems are designed to be in compliance with the BARS manual. The BARS manual has been a “living document” for at least the past few years requiring close monitoring of changes to maintain compliance.

BASIS OF BUDGETING: This refers to the method of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: 1) Generally Accepted Accounting Principles (GAAP); 2) cash; or 3) modified accrual. Bigger cities like Bellevue account for all governmental funds on a modified accrual basis. This means: 1) expenditures are recognized when goods are received or services are executed; and 2) revenues are recognized when they are measurable and available, provided that payments for expenditures are made, and revenues are collected, within a 60-day period thereafter.

As authorized by the State Auditor’s Office (SAO) for small cities in the State of Washington, the City of Clyde Hill uses the modified cash basis for both accounting and budgeting. This means that expenditures are not recognized in the accounting system until the goods or services are paid for and they’re not paid for until received. Modified cash basis means that the State Auditor’s Office requires the City to have a 20 day “Open Period” to pay any invoices received during the first 20 days of January for services received the previous year. Revenues are not recognized in the City’s accounting system until they are deposited into the bank.

BEGINNING FUND BALANCE: The cash balance at the start of a fiscal year available for appropriation in the current and future years.

BUDGET (Operating): A plan of financial operation embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). The term is also sometimes used to denote the officially approved expenditure ceilings under which the City and its departments operate.

BUDGET DOCUMENT: The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority, together with a summary of the proposed expenditures and the means of financing them. The second consists of schedules supporting the
These schedules show in detail the information as to the past year’s actual revenues, expenditures, and other data used in making the estimates. In addition to the budget document, an appropriation ordinance or resolution and revenue and borrowing measures will be necessary to put the budget into effect.

**BUDGET MESSAGE:** A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an explanation of the principal budget items, an outline of the government experience during the past period and its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

**CAPITAL BUDGET:** A plan of proposed capital outlays and the means of financing them.

**CAPITAL EXPENDITURES:** The City is a “cash basis” accounting entity. This means that all capital expenditures are expensed when paid for and not recorded as assets. The City does keep track of tangible personal property over $250 and small and attractive items for insurance and security purposes.

The City of Clyde Hill would always look to the Budgeting, Reporting and Accounting System (BARS) manual maintained by the State Auditor’s Office for guidance on defining what is commonly called a “capital expenditure.” The BARS manual directs the reader, “See Capital Outlays.” Capital Outlays is defined in the BARS manual as, “Expenditures which result in the acquisition of or addition to capital assets.” Capital Assets are defined in the BARS manual as, “Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are in operations and that have initial useful lives extending beyond a single reporting year.”

For practical purposes, a $5,000 threshold is used by the City of Clyde Hill in defining a capital asset.

**CAPITAL FACILITIES PLAN:** A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected public facilities.

In Washington State, a capital improvement project must be identified in the City’s Capital Facilities Plan in order to be eligible for payment with revenue coming from the second quarter percent of the Real Estate Excise Tax (REET) charged on real estate transactions.

**CAPITAL PROJECTS FUND:** A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities. The City of Clyde Hill includes this in the Projects Fund as the Capital Projects Department.
CONSTANT OR REAL DOLLARS: The presentation of dollar amounts adjusted for inflation to reflect the real purchasing power of money as compared to a certain point in time in the past. For the City of Clyde Hill, the inflation rate is indexed to 1990.

CPI-W: The Bureau of Labor Statistics (BLS) publishes the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) on a monthly basis. The City of Clyde Hill uses this measure of inflation in the budget documents and the police contract. Also of note is that the CPI-W is used to annually adjust benefits paid to Social Security beneficiaries and Supplemental Security Income recipients.

DEFICIT: The City of Clyde Hill uses this term to describe the excess of expenditures over revenues during a single fiscal accounting period.

DEVELOPMENT ACTIVITY: Clyde Hill uses this term to describe any new home or remodeling construction activities. This term would also include school construction activity although we try to separate school construction from residential construction when forecasting revenue from this source. Revenue from this source comes to the City of Clyde Hill primarily in the form of building permits, plan check fees, zoning fees, sales tax, new construction property taxes, and miscellaneous permits (i.e. original grade determination, demolition, SEPA, grading, fire sprinkler, street opening, etc.).

DISTINGUISHED BUDGET PRESENTATION AWARDS PROGRAM: A voluntary awards program administered by the Government Finance Officers Association (GFOA) to encourage governments to prepare effective budget documents. The City of Clyde Hill has participated in this program and has won this award every year since 2006.

ENCUMBRANCES: Obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is set up.

The City of Clyde Hill does require a purchase order from employees for non-routine transactions over $500 but does not formally account for encumbrances in the accounting and reporting system.

ENDING FUND BALANCE: For the City of Clyde Hill, this represents the actual cash balance remaining at the end of the fiscal year available for appropriation in future years.

EXPENDITURES: Payment for goods and services. Under the modified accrual basis used by the City of Bellevue, expenditures are recognized when goods are received or services are rendered, provided that payments for expenditures are made within a 60-day period thereafter. For the City of Clyde Hill, expenditures are not recognized in the accounting system until the goods or services are paid for and they’re not paid for until received.
**FISCAL YEAR:** A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operations. The fiscal year for the City of Clyde Hill is the calendar year from January 1st through December 31st. The fiscal year for the State of Washington and all of the State Agencies runs from July 1st through June 30th. The fiscal year for the Federal Government starts October 1st and runs through September 30th.

**FUND:** A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City of Clyde Hill has three funds: 1) General Fund; 2) Reserve Fund; and 3) Projects Fund.

**GENERAL FUND:** The General Fund represents the “operating fund” for the City of Clyde Hill. This Fund keeps track of all operating revenues and expenses within the following departments: 1) General Government Support (Legislative, Executive, Financial, and Administrative & Legal); 2) Law Enforcement; 3) Fire; and 4) Public Works/Building Departments.

**INTERNAL CONTROL:** A plan of organization for purchasing, accounting, and other financial activities which, among other things, provides that: 1) the duties of employees are subdivided so that no single employee handles financial action from beginning to end; 2) proper authorization from specific responsible officials are obtained before key steps in the processing of a transaction are completed; and 3) records and procedures are arranged appropriately to facilitate effective control.

The City of Clyde Hill has a written “Financial Internal Control System” that is updated annually and shared with the Washington State Auditor’s Office during their annual audit. The components of this system include: 1) Control Environment; 2) Risk Assessment; 3) specific Control Activities; 4) Flow of Information and Communication; and 5) Monitoring. The most recently updated “Financial Internal Control System” for the City of Clyde Hill follows this glossary for your review.

**INVESTMENTS:** Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals and base payments.

**LEY:** A levy has two definitions: 1) to impose taxes, special assessments, or service charges for the support of governmental activities; and 2) the total amount of taxes, special assessments, or service charges imposed by a government.

**LEY LID:** A statutory restriction on the annual increase in the amount of property tax a given public jurisdiction can assess on regular or excess levies.
LIABILITY: Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

LID: Local Improvement District or Special Assessments made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

OPERATION FUNDS: Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

OPERATING TRANSFER: Routine and/or recurring transfers of assets between funds.

ORDINANCE: A statute or regulation enacted by City Council.

OTHER SERVICES AND CHARGES: A basic classification for services, other than personnel services, which are needed by the City. This item includes professional services, communication, travel, advertising, rentals and leases, insurance, public utility services, repairs and maintenance, and miscellaneous services/charges.

PERS: Public Employees Retirement System provided for, other than Police and Fire, by the State of Washington.

PROJECTS FUND: The Projects Fund represents a combined “special revenue & capital projects fund” for the City. This fund separates all “restricted” revenue sources or grants into sub-areas and keeps track of all specific expenses within those functional areas. The Fund also serves to coordinate the City’s major capital improvements and other special projects.

RCW: Revised Code of Washington

REET: REET (Real Estate Excise Tax) is a tax upon the sale of real property from one person or company to another.

RESERVE FUND: The Reserve Fund represents the “discretionary or emergency fund” for the City. This fund could also be called the “Rainy Day” fund.

RESOLUTION: A formal statement of a decision or expression of an opinion of the City Council.

REVENUES: Income received by the City in support of a program of services to the community. It includes such items as property taxes, fees, grants, fines and forfeits, interest income, and miscellaneous revenue.

REVENUE ESTIMATE: A formal estimate of how much revenue will be earned from a specific revenue source for some future period.
**TAX:** Charge levied by a government to finance services performed for the common benefit.

**TAX LEVY ORDINANCE:** An ordinance through which taxes are levied.

**TAX RATE LIMIT:** The maximum legal rate at which a municipality may levy a tax. The limit may apply to taxes raised for a particular purpose or for general purposes.
The Government Finance Officers Association of the United States and Canada (GFOA) has presented an award of Distinguished Presentation to the City of Clyde Hill, Washington for its annual budget for the fiscal year beginning January 1, 2018. The City also received this recognition for its annual budget for years 2006 through 2017.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.