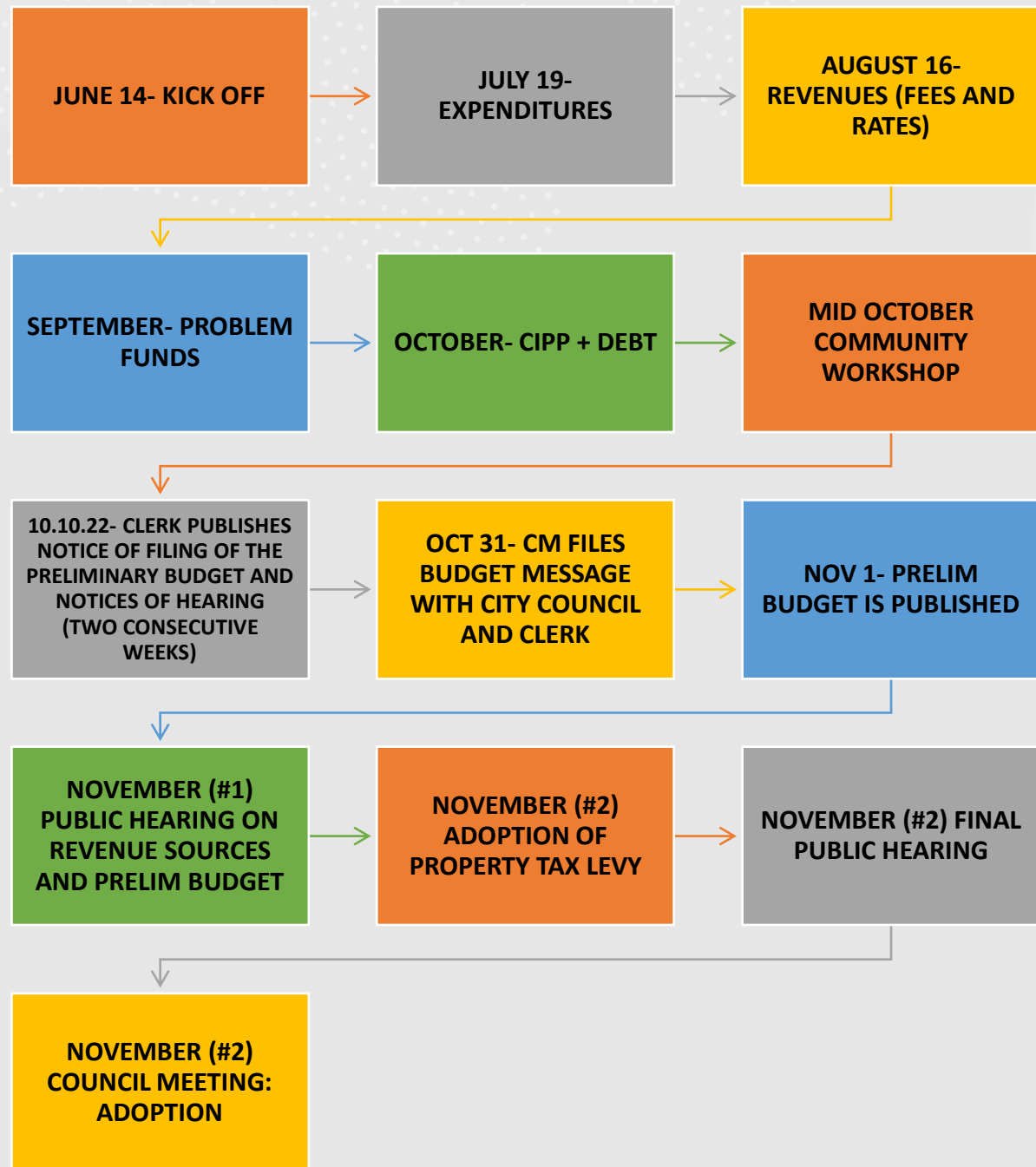


2023 Budget Process Kick Off Presentation

6.14.22

TIMELINE



Roads & Sidewalks



Police



Infrastructure



The City of Carnation's Residential Property Taxes do A LOT of work

The General Fund : Employs 14 People, pays for public events, handles public safety, and supplements the budgets for everything else.



Parks



Stormwater



Economic Development³

Tax Revenues that Feed the General Fund

- Utility Taxes, Business Licenses, & Franchise Fees (~25%)
- Property Taxes (~20%)
 - This can be either commercial or residential.
 - (A typical small city sees this at 25%)
- Sales Taxes (~20%)
 - Economic development (attract more businesses).
 - Marketing (attract more customers)
 - Housing (import more customers)
 - Education (buy local or buy online)
- Building Permits and Misc (35%)
 - Building Permit revenue will decline as Carnation gets built out
 - Building permit revenues can only be used for building services.

General Fund: How do things get paid for?

Roads & Sidewalks



Gas Taxes
State & Federal Grants
Local General Fund ~10%
of GF Budget

Stormwater/Snow/StreetSweeping



General Fund subsidies to
Street Fund to Cover
Shortage ~10% of GF
Budget

Utility Infrastructure



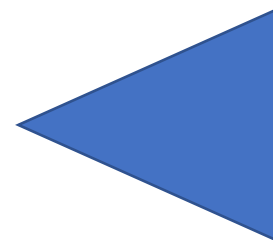
Sewer/Water Bills
Cable/Electric/Gas
Franchise Fees
State/Federal Grants
State/Federal Loans

Law Enforcement



General Fund ~40% of GF
Budget

General Fund Pays for Everything Else



Finance & Records: ~10%
Planning & Economic Development: ~10%
Capital Projects: ~10%
Everything Else: ~10%

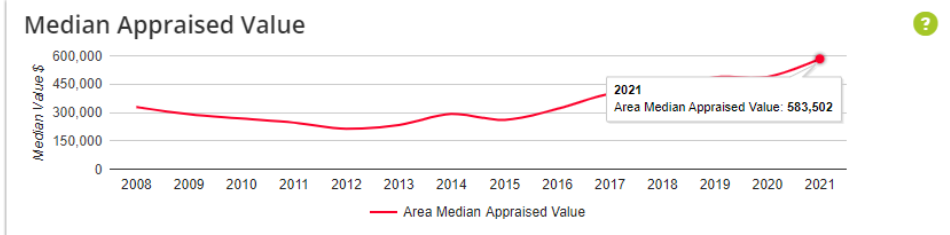
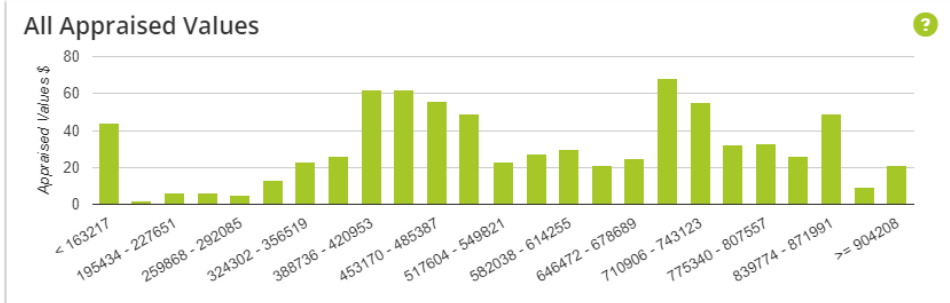
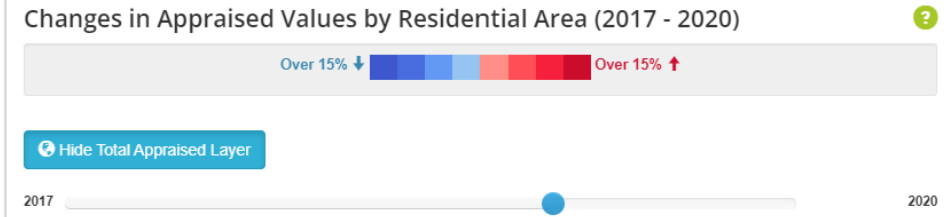
Residential Tax Burden is shifting Eastward

Appraised Values (Jan 2020) ?

No. of properties: **773**

Total appraised value: **\$445.22 million**

Type	Count	Total	Average
Residential	773	\$445.22 million	\$575,965
Commercial	0	\$0	-
Condos/Apts	0	\$0	-



Category	Tax Year 2020	Tax Year 2021	Tax Year 2022	YoY % Change
Residential Median Assessed Value	\$493,000	\$488,000	\$583,502	16.4%
State Tax Rate per \$1,000 AV	\$10.85	\$10.77	\$9.78	N/A
Median Residential State Property Tax Burden	\$5,347.26	\$5,255.76	\$5,706.65	7.9%
City portion of Tax Rate per \$1,000 AV	\$0.9999	\$1.011	\$0.8714	N/A
Median Residential City of Carnation Property Tax Burden	\$492.95	\$493.37	\$508.46	3.0%
Cost to Taxpayers for 1% Increase in City Tax	\$4.93	\$4.93	\$5.08	N/A
% of Overall Tax Bill going to City	9.22%	9.38%	8.91%	-0.47%

Carnation Relies more on Residential Taxes than Most

Appraised Values (Jan 2020)



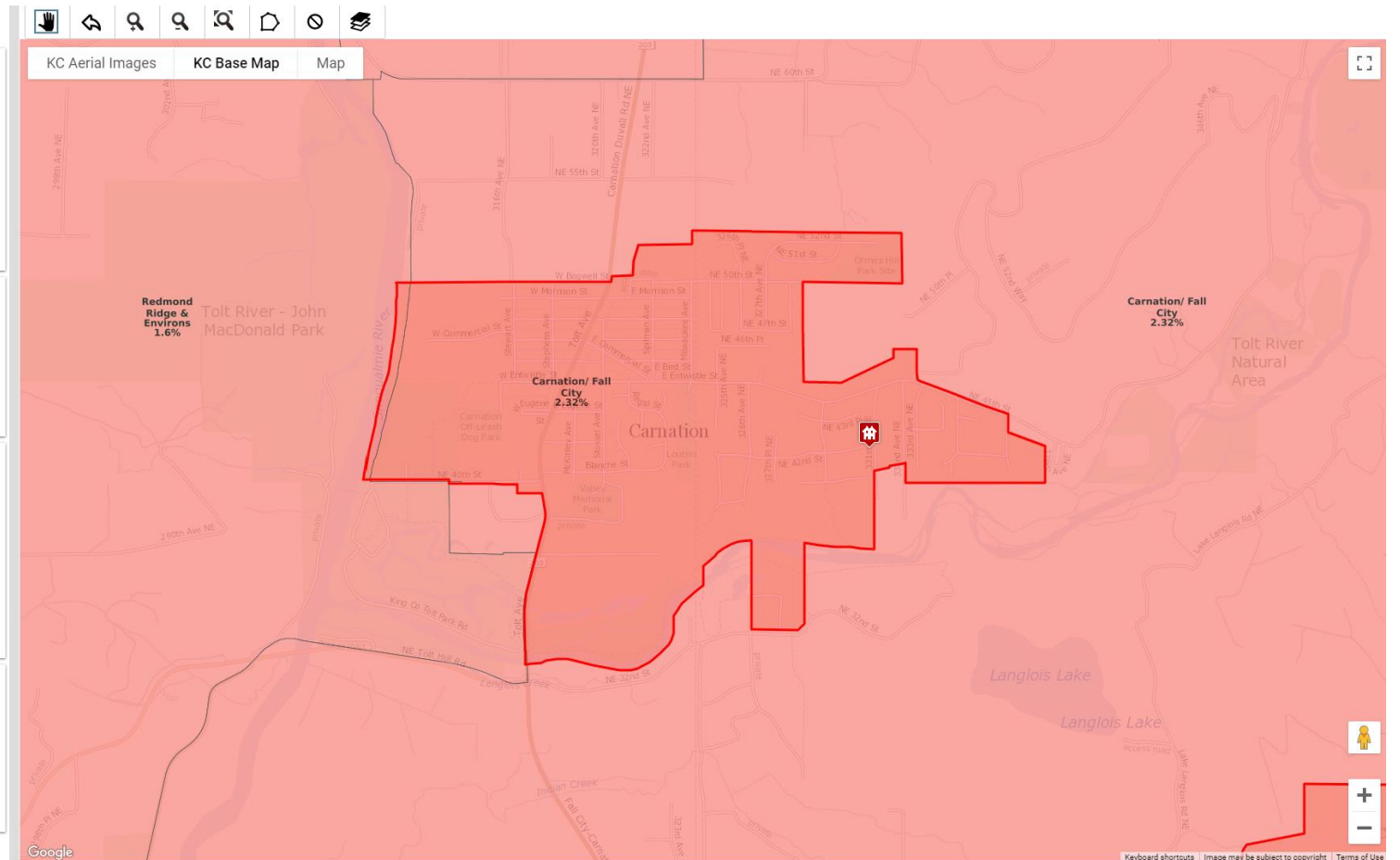
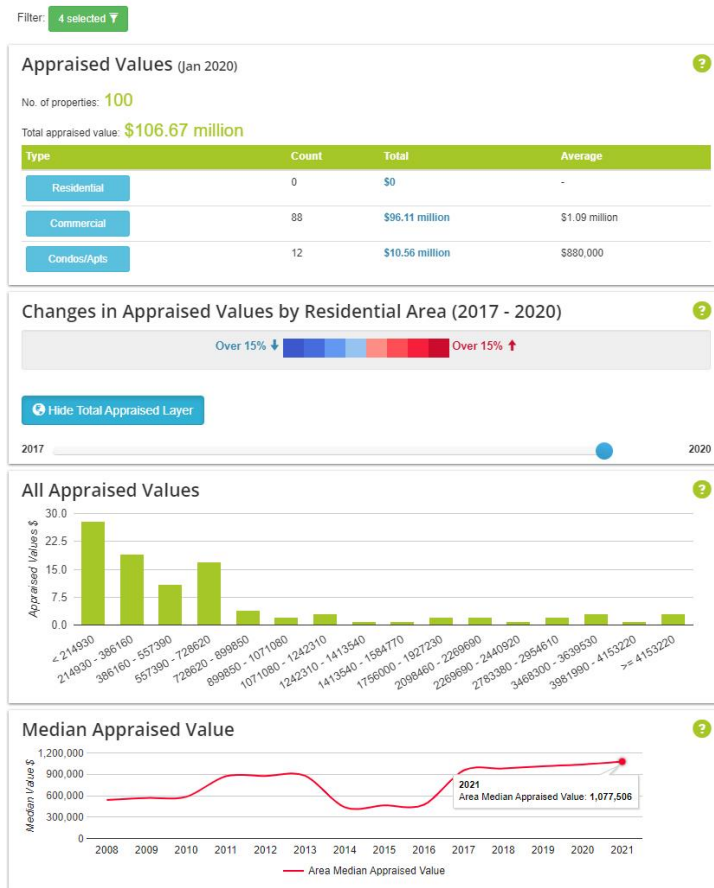
No. of properties: **873**

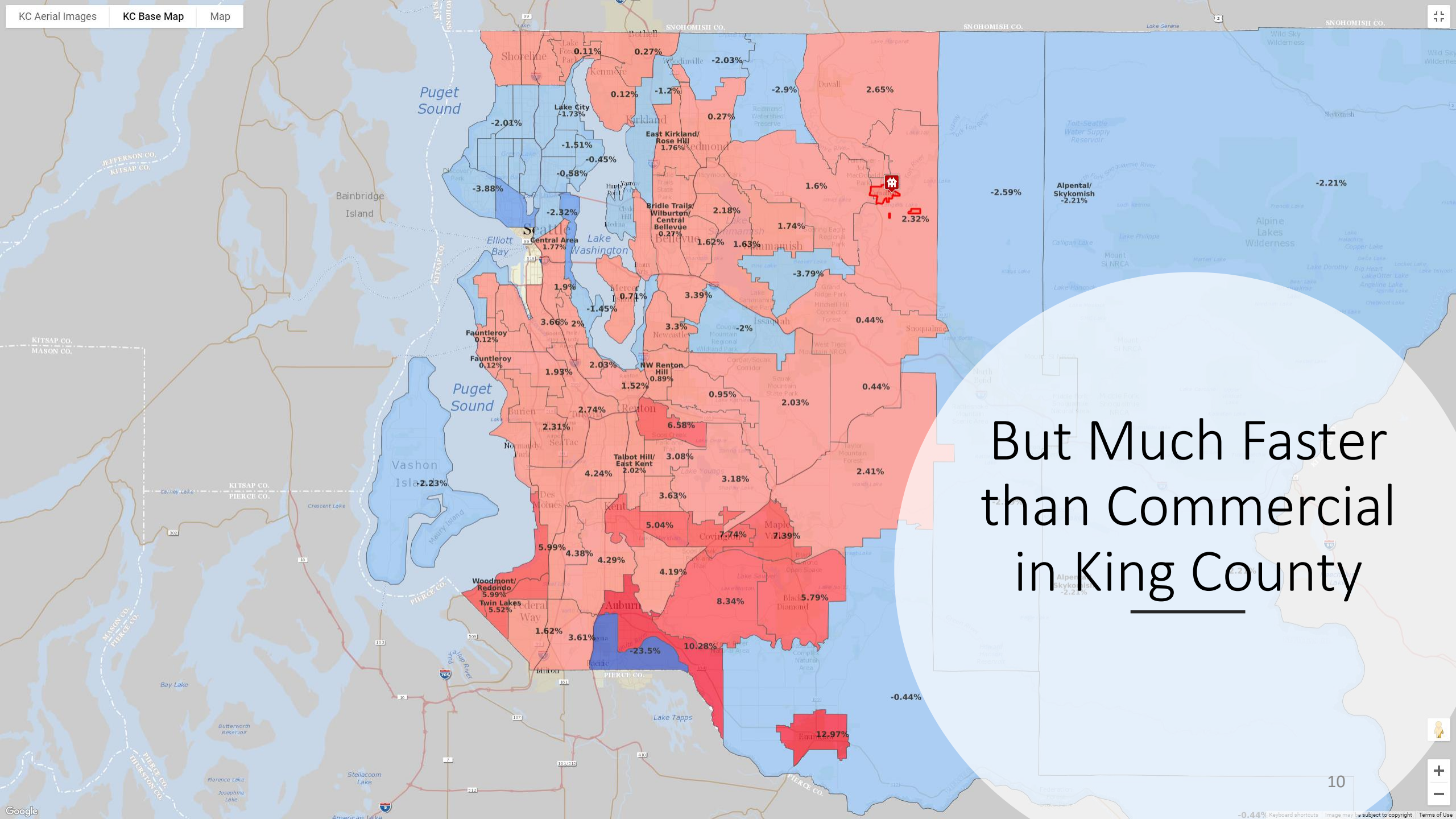
Total appraised value: **\$551.9 million**

Type	Count	Total	Average
Residential	773	\$445.22 million	\$575,965
Residential Accessory	6	\$4.43 million	\$738,500
Residential Improved	705	\$423.25 million	\$600,348
Residential Mobile Home	3	\$1.17 million	\$390,667
Residential Vacant	59	\$16.37 million	\$277,500
Commercial	88	\$96.11 million	\$1.09 million
Commercial Accessory	1	\$23.73 million	\$23.73 million
Commercial Improved	63	\$66.42 million	\$1.05 million
Commercial Vacant	24	\$5.96 million	\$248,454
Condos/Apts	12	\$10.56 million	\$880,000
Condos/Apts	12	\$10.56 million	\$880,000

- Carnation's Property Taxes Broken Down
 - 80.67% from Residential Properties
 - 1.9% from Apartments
 - 17.41% from Commercial
- Other City Residential Percentages
 - Seattle: 42.5%
 - Bellevue: 50.6%
 - Redmond: 42.3%
 - Issaquah: 51.9%
 - North Bend: 73.8%
 - Duvall: 89.4%
 - Enumclaw: 68.4%
 - Renton: 53.5%

Commercial Valuations Growing More Slowly Than Residential





But Much Faster
than Commercial
in King County

Carnation is still affordable for Businesses

City	Median Commercial Property Value
Carnation	\$1,077,506
Seattle	\$3,167,726
Bellevue	\$2,838,464
Redmond	\$3,106,611
Issaquah	\$1,328,899
Duvall	\$688,971
North Bend	\$1,273,159
Enumclaw	\$1,052,187
Renton	\$1,754,008

We're Facing Real Challenges



Stormwater / Flooding

Cost increases continue to drain general fund resources



Street Preventative Maintenance

Local funds are insufficient to prevent streets from failing



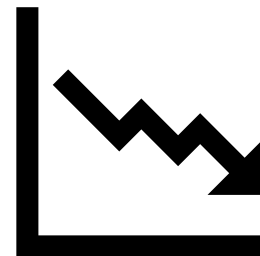
New City Hall

Current building leaks & has mold
Doesn't serve the public well



Communications & Economic Development

Limited funding for public information and outreach



Reliance on Permit Revenues

As Carnation's buildable properties decline, the income from Permits will decline also.

We're Working The Problems



Stormwater Utility

- Creation of Stormwater Utility, currently at \$12/household per month. \$144/Year
- Relieves ~10% of General Fund to handle streets preventative maintenance



Communication

- New Website has come online
- Dedicated Communication Resource for Tolt Avenue
- Expanded Social Media Presence



City Hall & Tolt Avenue Bonds

- Borrowed ~ \$4M to finish Tolt Avenue & Build New Community Center
- Investment to Improve sales tax revenues
- Make City Hall work for Citizens
- Brought State and Federal Dollars to Carnation
- Parcel acquisition for future enhancement of Tolt Commons



Economic Development

- Economic development resources brought in
- Preparation and Sale of Schefer Property and existing City Hall
- Audit of fees to insure development pays for development, and the costs for services are recovered



Ongoing Street Maintenance/Overlays

- The city will need additional general fund resources to stop the deterioration of existing streets
- Deferred maintenance is causing street repairs to be costlier
- Audited city expenses to find opportunities to improve
- Invested in dedicated resource to pursue grants

1) Make the City an Attractive Place to Live and Work

2) Increase Commercial Activity

3) Reduce Reliance on Residential Property Taxes

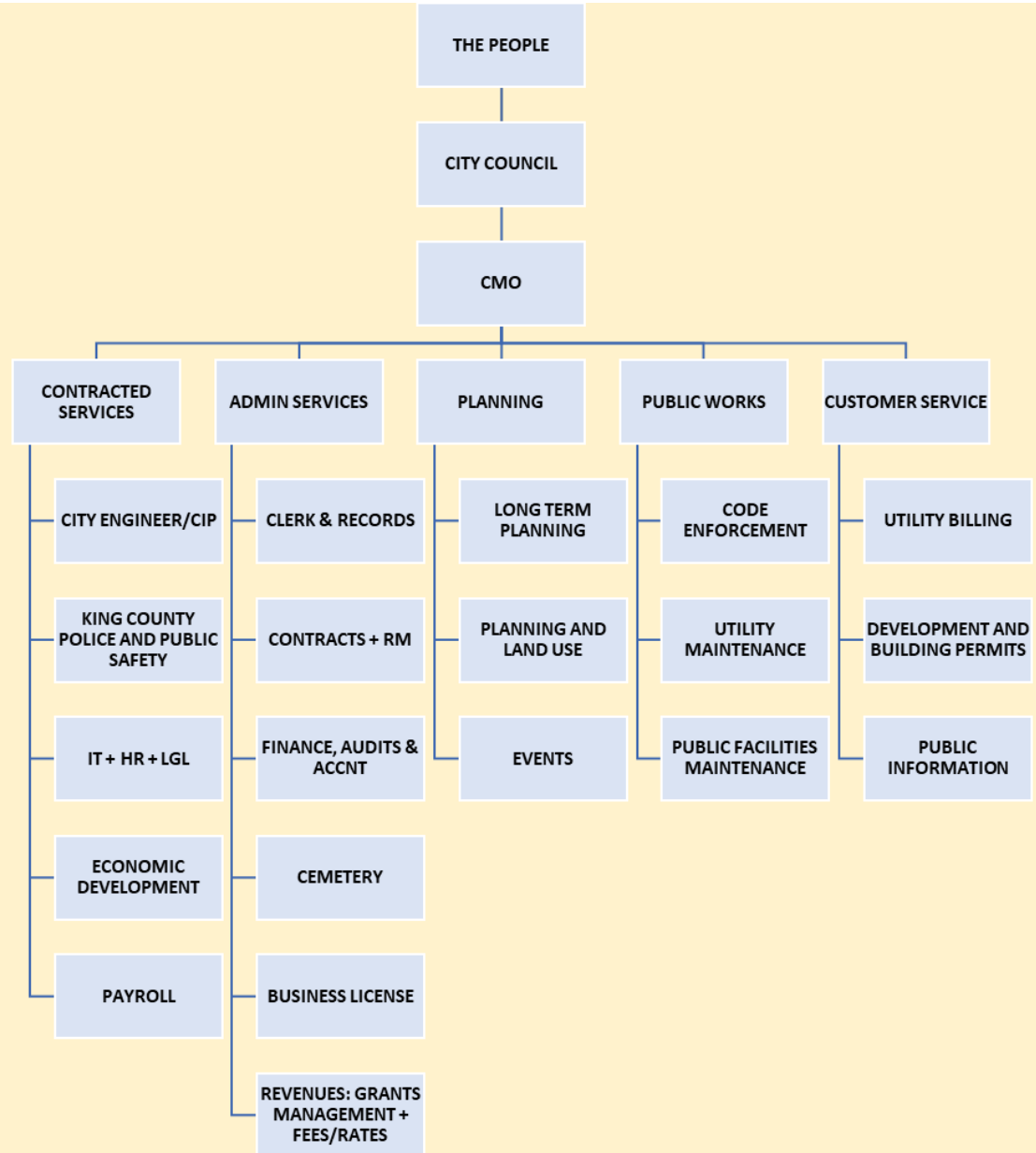
4) Reduce Waste

5) Avoid Raising Taxes

Proposed Administrative Policy Changes

- F&O committee will be solely responsible for reviewing/approving claims WEEKLY
 - Reduces the number of late fees
 - Provides better oversight & makes it easier to spot opportunities to reduce waste
- Shift to cost recovery model on all City fees
 - Calculate use fees based on actual maintenance/upkeep costs
 - Park Event/Use fees
 - Street Closures
 - Billable “shop rate” for public works activities outside of fee schedule
 - City Manager authorized to trade for services of the same value at his/her discretion (council approval required above manager spending limit)
- For agenda bills, generate a financial statement that includes
 - New or budgeted appropriation by impacted fund
 - Currently obligated amount by impacted fund
 - Projected remaining fund balance should bill pass
- Monthly statements should include budgeted, obligated, and remaining fund balances for each fund.

COC ORG CHART- 2023



WORK DISTRIBUTION

1	1	General Fund	Ops	1	Jessie
2	2	Revenue Stabilization	Savings	2	Jessie
3	105	Contingency Fund	Savings	2	Jessie
4	101	Street Ops	Ops- Streets only	3	Liz
5	103	ARPA	GF	3	Liz
6	106	Cemetery Ops	Ops	3	Liz
7	107	Equipment Replacement	Savings	3	Liz
8	108	Park Development	Ops, CIP, Progs	3	Liz
9	401	Water and Sewer Fund Ops	Ops	4	Monique
10	409	Stormwater ops	Ops	4	Monique
11	201	LTGO Bond Redempion	Debt	5	Monique
12	404	Water bond redemption fund	Debt	5	Monique
13	405	Water bond reserve fund	Debt	5	Monique
14	407	Sewer debt service	Debt	5	Monique
15	301	Street Capital Improvement (REET 2')	CIP	6	Monique
16	302	Capital Facilities (REET 1)	CIP	6	Liz
17	306	Cemetery Capital (columbarium)	CIP	6	Stacy
18	402	Water Capital replacement funds	CIP	6	Monique
19	408	Sewer capital fund	CIP	6	Monique
20	410	Stormwater cap fund	CIP	6	Monique
21	109	Traffic Impact Fee	Holding	7	Stacy
22	406	Landfill financia assurance	Holding	7	Stacy
23	601	Cemetery endowment	Savings	7	Stacy
24	633	Trust fund	Holding	7	Stacy