



City of
**MOUNT
VERNON**

2022
Preliminary
Budget

CITY OF MOUNT VERNON
2022 PRELIMINARY BUDGET

Table of Contents

	Page No.
Mayor’s Budget Message	1
Preliminary Budget Summary	2
Economic Environment.....	3
Employees Deliver Services	3
Strategic Goals	
Infrastructure.....	4
Healthy Neighborhoods.....	6
A Good Place for Investment.....	7
Operations	8
Budget Development.....	9
Revenue	
Property Tax.....	9
Sales Tax.....	10
Special Revenue Funds	10
Reals Estate Excise Tax.....	11
Capital Project Funds	11
Debt Service Funds	12
Proprietary Funds	12
2022 Revenue Summary by Type	13
2022 Revenue Estimates by Source.....	13
Fund Balance Reconciliation.....	14
Conclusion.....	15

Mayor's Budget Message

I present the 2022 preliminary (draft) budget for your consideration. The City of Mount Vernon adopts a highly complex and balanced budget by December 31st of each year in accordance with RCW 35A.33.

The past few years have presented us with some of the most unique challenges, trials, and obstacles in recent history; most of us are more than eager to move on, and to look ahead to 2022 and recovery from the COVID-19 pandemic. We have made difficult decisions in the last few years: varying levels of staffing and services, how and when to scale back, when to close, and when to open back up. We are still moving forward toward a full recovery. If the 2021 budget was about preserving basic services during the COVID-19 pandemic, I want the 2022 budget to be about restoring City services. This budget was prepared with upmost caution for the City financial position as the nation continues to move forward. I believe that decisions made throughout 2020 and 2021 have positioned our city for strength coming out of this pandemic. Efficient staffing levels, a balanced budget, and with sights continually set on potential growth opportunities—Mount Vernon will rise above this present uncertainty.

I've watched as Mount Vernon residents have rallied to support and sustain our local businesses and non-profits. I've been humbled by how many have reached out to city hall to find out how to assist us in maintaining our city services. Through a global pandemic, through national civil unrest, and through widening political division, I have been proud of how most Mount Vernon residents have demonstrated hope, tolerance and perseverance through their actions.

Departmental budgets in many instances are prepared for vastly different services – some services are 24-hour operations, while other Departments work 6 days a week, are on-call, or have a traditional 40-hour work schedule. Our employees are the City's greatest asset.

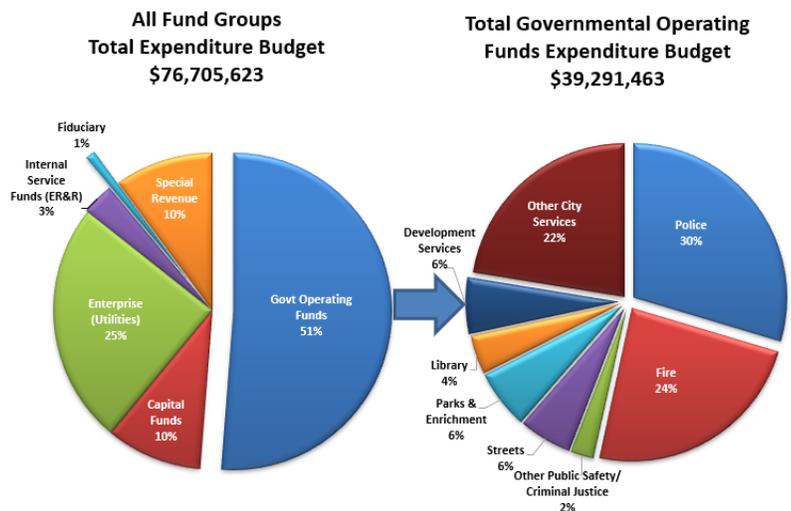
We budget for several unique services through 21 departmental budgets and a total of 41 different funds. The governmental operating fund budgets total \$39,291,463, representing a 9% increase compared to the 2021 final budget.

The 2022 preliminary budget for the City of Mount Vernon is \$76,705,623, representing a 1.3% increase as compared to the 2021 final budget. This increase is due mainly to a new revenue source from the affordable housing sales and use tax which is projected to bring in \$870,000 in additional revenue beginning in 2022. Included in both the 2021 and 2022 budgets is the American Rescue Plan Act funding of \$9,053,048 that the City was allocated from the Coronavirus State and Local Fiscal Recovery Funds.

It is a privilege to work for the City of Mount Vernon. We are accountable for our City's success in good times and in bad. I believe this preliminary budget is a transparent and detailed document of the needs of each City department to successfully fulfill the goals of our Community in 2022.



"Budgeting is not just a 'math problem'. The process determines if services will fulfill the goals and priorities of the community."



2022 Preliminary Expenditure Budget Summary

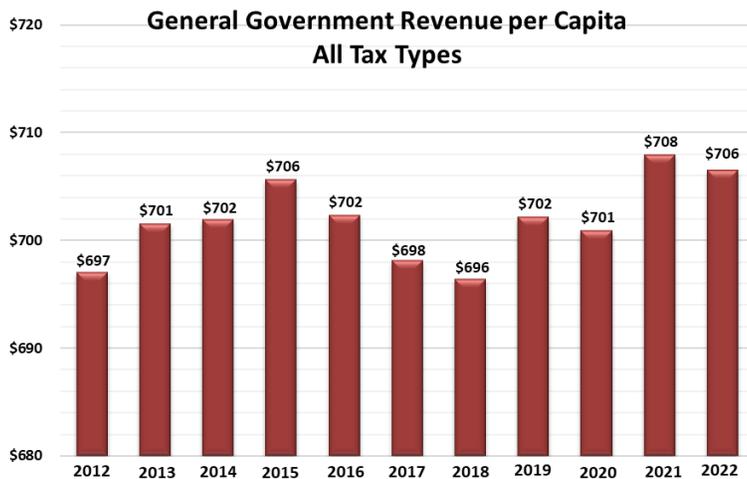
Fund Dept No.	Fund / Department	2021 Adopted Budget	2022 Proposed Budget	2021-2022 Increase (Decrease)	2021-2022 % Change
001	Current Expense Fund				
01	City Council	231,768	236,732	4,964	2.1%
02	Municipal Court	574,997	571,819	(3,178)	-0.6%
03	Mayor	461,589	484,875	23,286	5.0%
04	Finance	974,301	1,025,452	51,151	5.3%
05	City Attorney	697,405	671,404	(26,001)	-3.7%
06	Human Resources	750,858	729,119	(21,739)	-2.9%
07	General Facilities	831,602	839,146	7,544	0.9%
08	Police Department	10,975,076	11,632,687	657,611	6.0%
09	Fire Department	8,676,805	9,358,337	681,532	7.9%
11	Public Works/Engineering	922,983	937,921	14,938	1.6%
12	Development Services	2,172,853	2,313,496	140,643	6.5%
18	TV 10 - Public Access Cable	228,925	221,128	(7,797)	-3.4%
97	CDBG Entitlement Grant	664,715	668,000	3,285	0.5%
98	Information Services	894,950	1,126,138	231,188	25.8%
99	Non-Departmental	982,327	2,253,157	1,270,830	129.4%
	Total Current Expense Fund	30,041,154	33,069,411	3,028,257	10.1%
101	City Street Fund	2,409,042	2,196,085	(212,957)	-8.8%
103	Parks and Enrichment Services Fund	2,125,317	2,424,606	299,289	14.1%
104	Library Fund	1,438,747	1,601,361	162,614	11.3%
	Total Governmental Operating Funds	36,014,260	39,291,463	3,277,203	9.1%
102	Arterial Street Fund	2,551,000	2,226,169	(324,831)	-12.7%
105	Paths and Trails Fund	0	0	0	NA
106	Tourism Promotion Fund	269,950	319,200	49,250	18.2%
107	Little Mountain Improvements Reserve	46,000	40,000	(6,000)	-13.0%
109	Crime Prevention Fund	12,400	12,400	0	0.0%
110	Government Access Fund	84,219	88,975	4,756	5.6%
112	Criminal Justice Assistance Fund	158,000	228,000	70,000	44.3%
113	Municipal Arts Fund	0	0	0	NA
115	Parks Capital Improvements Reserve	85,362	429,862	344,500	403.6%
117	TBD Fund	1,749,065	2,041,181	292,116	16.7%
118	Fiber Optic Fund	326,529	306,323	(20,206)	-6.2%
119	Critical Areas Enhancement Fund	30,000	30,000	0	0.0%
120	Lincoln Commercial Properties Fund	202,000	148,400	(53,600)	-26.5%
121	American Rescue Plan Act (ARPA)	4,526,524	1,799,155	(2,727,369)	-60.3%
122	Affordable & Supportive Housing (HB1406)	0	0	0	NA
123	Afford Housing Sales & Use Tax (HB1590)	0	0	0	NA
301	Library/Comm. Center/Parking Capital Fund	800,000	1,697,961	897,961	112.2%
304	Capital Improvements Fund - REET I	876,195	950,750	74,555	8.5%
306	Fire Station Projects Capital Fund	928,686	1,400,000	471,314	50.8%
311	Parks Impact Fees	50,000	110,000	60,000	120.0%
312	Fire Impact Fees	25,000	49,000	24,000	96.0%
313	Transportation Impact Fees	223,000	172,249	(50,751)	-22.8%
314	REET II - Streets Fund	551,000	976,000	425,000	77.1%
328	Public Works Facility Capital Fund	0	0	0	NA
401	Wastewater Utility Fund	9,551,637	9,840,318	288,681	3.0%
402	Solid Waste Utility Fund	6,532,326	6,454,278	(78,048)	-1.2%
403	Surfacewater Utility Fund	2,710,043	2,662,641	(47,402)	-1.7%
411	Sewer Facility Expansion Fund	927,000	489,500	(437,500)	-47.2%
412	Sewer Capital Reserve	1,925,000	1,662,500	(262,500)	-13.6%
501	Equipment Rental Fund	3,195,647	2,169,298	(1,026,349)	-32.1%
502	Facility Renewal Fund	285,000	300,000	15,000	5.3%
512	Leoff I Long-term Healthcare Reserve	40,000	40,000	0	0.0%
611	Firemen's Pension and Relief Fund	111,000	99,000	(12,000)	-10.8%
600	Managerial Funds	912,000	671,000	(241,000)	-26.4%
	Total All Funds	75,698,843	76,705,623	1,006,780	1.3%

Primary Budget Guidelines:

*Fulfill Strategic Goals * Adhere to the City's Financial Policies * Maintain the Current Level of Public Services*

Economic Environment:

After several years of economic growth for the City, the COVID-19 pandemic struck, and the United States saw the steepest employment decline in history. The City of Mount Vernon was also directly impacted. Due to all of the uncertainties of the economy, the City chose to take a proactive stance on counterbalancing the projected revenue decline. The City decreased expenditures where possible by shutting down non-essential City services, reducing travel and other operating costs, downsizing employees, and implementing mandatory furlough hours where possible. With these reductions in expenditures and higher revenue collections than anticipated, we have projected that the City will end the 2021 year within fiscal policy guidelines.



Estimating revenues into the 2022 budget year is extremely challenging since the long-term effect of the COVID-19 pandemic is uncertain. However, if we translate the 2022 estimated tax revenues to constant dollars so that the impact of inflation is removed and present the results in a per capita format, it concludes that the City shows an incremental small increase in the past 10 years while growing services dramatically. General government revenue per capita in constant dollars is presented in the graph to the left adjusted for inflation and population growth.

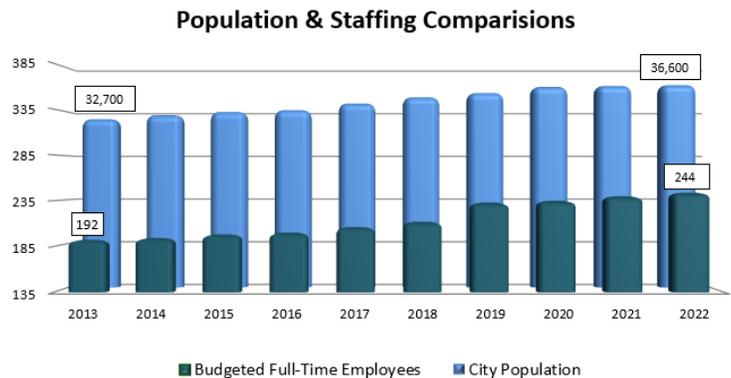
Bottom line is that the City of Mount Vernon spending is relatively flat per capita to deliver more essential services and accomplish more capital projects than it did almost a decade ago.

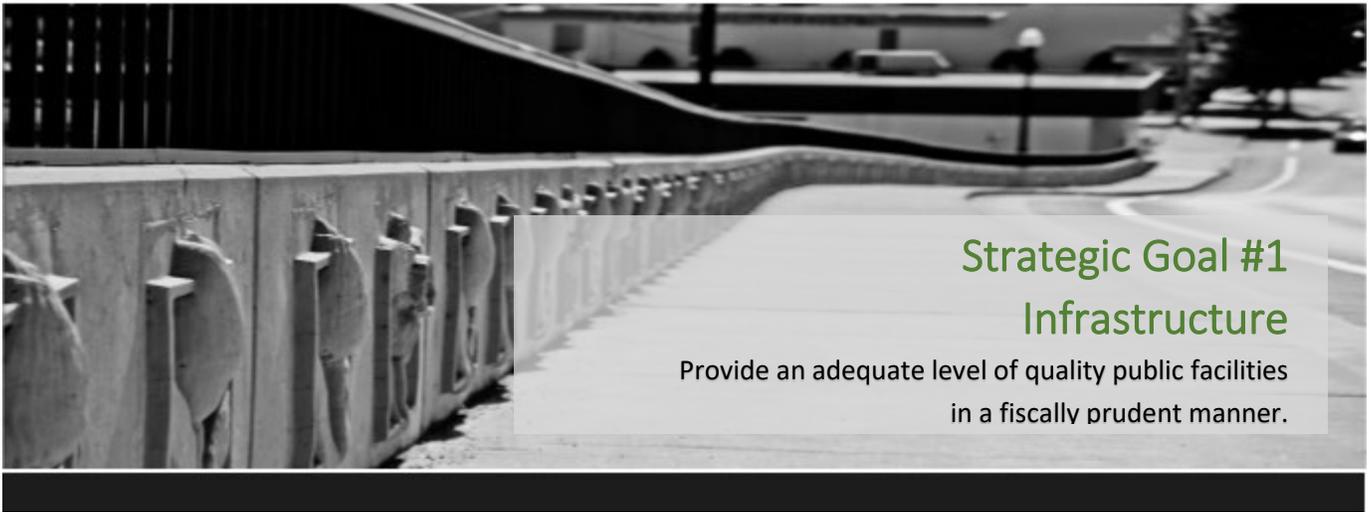
Employees Deliver Services:

The City is requesting 3.0 new FTE in the 2022 budget. This would bring the number of full-time employees to 244 and decrease part-time employees from 46 to 45 by reclassifying the current part-time parking enforcement position to a full-time position to help with parking enforcement throughout the City and will be split between the Development Services Department and the Solid Waste Utility

The 3.0 new full-time positions requested include:

- Human Resources Analyst in the Human Resources Department to support 250 plus employees. Duties will include safety coordination, benefits administration, and project support.
- Public Safety Tech II in Information Services to support all IS services in the Police and Fire Departments including the additional support needed for police body cameras.
- Parking Enforcement position in the Development Services Department to make the current 0.7 part-time parking enforcement position to 1.0 full-time. This increase will help with the growing parking enforcement need in the City.





Strategic Goal #1 Infrastructure

Provide an adequate level of quality public facilities
in a fiscally prudent manner.

A City's infrastructure is critical to the City's health and safety as well as economic development and prosperity. The City will make a \$12 million investment in capital projects in 2022. In many respects, the City's ability to realize its competitive potential depends on making smart infrastructure choices.

Capital Transportation Projects and the Transportation Benefit District

The Transportation division is made up of the Street Department, Arterial Street Fund, and the Transportation Benefit District Fund. These divisions are responsible for the maintenance of the City's 138 miles of roadways. The passage of a Transportation Benefit District sales tax of .2% in 2016 provides critical funding for the maintenance of City streets that were delayed for many years during the recession. Examples of funded projects for 2022 include:

- Freeway Drive (Cameron to College Way).
- Riverside Drive Improvement Project.
- Hoag/Laventure Intersection Improvements.
- Increased overlay pavement preservation program, and funding for the ADA sidewalk transitions and sidewalk gap program.

Fire Station 1 Replacement and Fire Stations 2 & 3 Remodels

The City is continuing the planning and funding options for the conceptual design of the Fire Station 1 replacement and Fire Stations 2 & 3 remodels. The current Fire Station 1 built in 1964 is inadequate to provide life safety to redevelopment planned in the entire downtown area while stations 2 and 3 need remodels for efficiencies, growth and safety measures. Funding is included in the 2022 for the continued architecture and design of the stations 2 and 3 remodel project.

Mount Vernon Library Commons

The Mount Vernon Library Commons project efficiently combines several municipal service components that have long been identified as community needs: Historic downtown area parking capacity, replacement of parking lost to the City flood protection project, larger public library space, community gathering and meeting space, and climate resilient infrastructure. By consolidating surface parking into vertical parking infrastructure, the City incentivizes private investment and frees up public zoned land for redevelopment to multifamily housing and hotel use. Our historic downtown is transitioning to a more urban, compact, and vibrant mixed-use district.

Located on Kincaid Street directly across the street from the Skagit County Superior Court building, the total project cost is projected to be \$45,000,000. The City has secured \$30,000,000 representing 70% of the total project cost. Design and engineering work is underway and will be completed 1st quarter 2022. After design is complete, City Council will be faced with a decision on when to proceed with construction.

The City is continuing in the planning and funding options for the Mount Vernon Library Commons Project in collaboration with Skagit County, the Library Board of Trustees and the Mount Vernon Library Foundation.

Parks Infrastructure

The 2022 budget allocates \$579,862 for park system projects to include Edgewater Park and Sherman Anderson improvements, park entrance signs, playground upgrades and for other recurring park projects.



Infrastructure Operations

Wastewater, Surfacewater and Collections services provide essential sewer services in our City, often unnoticed by our general public. These crucial departments invest significant money into compliance with the Federal and State Clean Water Acts and other complex regulations. There is \$4.8 million in funded projects for 2022 which include:

- Sewer and Storm Water restoration programs (annual)
- Wastewater treatment upgrade
- Supernatant tank coating
- Rotary drum thickener procurement
- Freeway Drive storm water force main improvements
- Storm Water replacement & repair
- Purchase a slope mower





Strategic Goal #2 Healthy Neighborhoods

Create an action plan to address the health of our neighborhoods, including public safety, public health, and appearance.

Homelessness

The City continues to collaborate with partner agencies to address effects of homelessness and poverty on our City streets. Many innovative outreach programs have been adopted in the past few years including a full-time social worker position in 2017. The City has dedicated over \$250,000 in efforts to address the impacts of homelessness. Continued efforts funded in the 2022 preliminary budget include:

- The Mount Vernon Police Department is proposing a Law Enforcement Assisted Diversion (LEAD) program for consideration in 2022. This innovative approach expands the existing social work program by adding more staff, a medial oversight component, substance abuse counselor, community paramedic component and contracts with mental health providers. City Council will consider adoption of this new City division in 2022.
- Collaborate with Skagit County District Court to support the Mount Vernon Municipal Community Court – providing a therapeutic court for those in poverty and/or homeless. This provides an alternative to jail and offers services to prevent recidivism.
- Realize the groundbreaking for Catholic Community Services permanent supportive housing project located on East College Way. This project will provide up to 70 units of housing for those who have been chronically homeless.
- Continued collaboration with: Skagit County Public Health, Friendship House, City of Burlington First Steps Shelter, Catholic Community Services

Maintenance

The 2022 budget places emphasis in funding to maintain our parks, trails and public spaces to the level in which our Community expects; encouraging more users and reduces crime and the perception of crime.





Strategic Goal #3 A Good Place for Investment

Maintain a strong proactive position toward prosperity to promote a vibrant business community, retain & recruit a talented workforce, a positive civic image, and establish the City as a good place for investment.

Fiber Optics

The Fiber Optic Network, managed by the City's Information Services Department, has developed a fiber optic system that encompasses over 135 public entities and more than 280 businesses in Mount Vernon, Burlington and the Port of Skagit. The City manages the fiber and contracts with internet service providers to manage the service. This encourages competition in the marketplace.

Now more than ever, connectivity is a vital necessity for everyday life. In the past, the fiber optic network has successfully been marketed to technology companies as the place where they can have the technology they need in a small city atmosphere where parking is free, office space is less expensive and yet it is in close proximity to both Seattle and Vancouver, B.C. The ability to communicate and quickly transfer large amounts of data has been crucial for attracting and keeping businesses and manufacturers in the area.

The City is currently expanding free Wi-Fi services through grant funds, and will continue to look for creative solutions to close the digital divide for low income residents.

Tourism Promotion

The Tourism Promotion funding is derived from a tax imposed on hotel/motel guests. During the course of a year, applicants who have received funding are required to demonstrate how their activities increased tourism in the Mount Vernon area. The scope of activities that are funded include various items such as the Celtic Arts-Highland Games, 4th of July Celebration, performing arts, festivals, and of course the Tulip Festival.

The reduction in travel during the past few years due to the COVID-10 pandemic negatively impacted revenues collected for this program. The 2022 budget forecasts more normalized revenue collections which will allocate most of the funding available to help with the economic recovery of the City.



Strategic Goal #4 Operations

Achieve efficiencies and professional services to meet our community's expectations through innovative management and governance.

The City staff works toward achieving efficiencies and professional services to meet community expectations through innovative management and governance, focusing on operating strategically and not in a reactionary manner. Each Department is expected to participate as a team in meeting the goals of the City and community.

The City's leadership aims to provide efficient and high-quality service to all customers and citizens by deploying best practices in the management of personnel, finances and physical assets.

Any team accomplishes more when the goals and mission are clear and measured. Our community should expect the most qualified employees to serve them. With the increasing competition for good talent, the City has been working to improve employee wellness, competitive wages, streamline and standardize administrative processes, and engage with our public.

Professional Development

Administration encourages continuing professional development at all levels. The 2022 budget includes employee skill building such as:

- Fire fighter on-going essential lifesaving skills and emergency management leadership;
- Police training; and
- Professional organization membership for all Director level roles.

Union Groups

There are five union groups within the City of Mount Vernon representing the current 241 full time employees: Police commissioned officers, Police non-commissioned staff, Fire Department battalion chiefs, Firefighters, and Teamsters (employees of public works and parks). The City is committed to good working relationships with our union groups and engages in regular communication and relationship building.

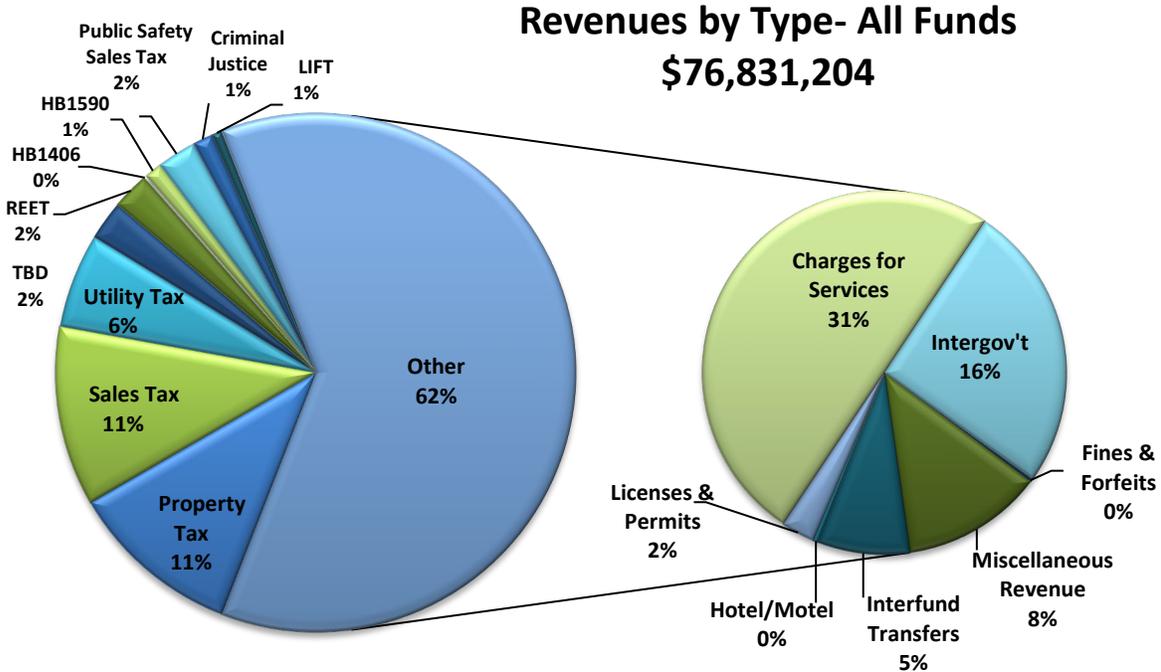
City Shop

For the past decade the City has been planning to update the city shop complex located on Cameron Way. This facility houses the Solid Waste Division, Streets Department, Yard Waste Facility, and Equipment Department in addition to providing storage of the flood wall components, salt and sand storage for inclement weather and miscellaneous public work functions. The City will continue planning for a more consolidated shop to increase efficiencies in operations of this facility. In 2021, the City added two large bays to the existing shop that will accommodate larger vehicles so city shop staff will no longer have to work outside on these vehicles.

Budget Development:

The City is presenting a balanced 2022 budget with fund reserves within Fiscal Reserve Policy. Policy states that the City shall maintain a target reserve in the General Fund of 15% of the total operating budget, while the other Governmental Operating Funds (Streets, Parks & Enrichment Services, and Library) shall maintain reserves of at least 10% of total operating budget with a target of 15%. Ending reserves for 2022 are estimated to be 25.6% for the General Fund, 19.4% for Streets, 16.0% for Parks & Enrichment Services and 15.6% for the Library Fund.

The City of Mount Vernon strives to maintain a diverse and stable revenue base to mitigate public services from short term fluctuations in any one revenue source. The following graph depicts the composition of the general government’s revenue sources.



Funding our Services: Property Tax & Other Revenue

The City’s two largest sources of tax revenue are property tax and sales tax. Property tax increases are restricted to the lesser of 1% or the rate of inflation, whichever is lower. Inflation is defined as the percentage change in the implicit price deflator (IPD) for the most recent 12-month period. The IPD is 3.86 this year. The City did not include the 1% allowed increase in the 2022 budget.

Property Tax

The City of Mount Vernon is **one of 8 taxing jurisdictions** that assess taxes on our residents’ property tax bills. Each jurisdiction makes decisions on tax rates each year with some taxing jurisdictions requiring voter approval to establish revenue amounts. The combination of these 8 taxing jurisdictions account for the total property taxes paid by an individual property owner. Total aggregate tax in 2021 is \$12.60 per \$1,000 of assessed valuation. The City receives \$1.991 or 15.8% of that total.



Sales Tax

During the past several years, the City has recovered from the downturn that occurred during the previous recession. The City finally surpassed the 2007 collections in 2016 and has realized a steady increase since then. Sales tax revenues continued to increase in 2020 and 2021 and are higher than expected during the COVID-19 pandemic. Currently, it is unknown what the lasting effects might have on the City’s economy. The City has chosen to take a more conservative estimate on 2022 sales tax revenues and have projected them to be leveling off and just under the 2021 projected collections.

The chart below breaks out sales tax into major categories and shows variances in activity between 2019 and 2020, the most recent years with complete data. The largest percent dollar gain was in the retail category and retail sales continue to represent the largest portion of sales tax revenue collected.

Sales Tax Revenue			
	Category as a % of		% \$ Change
	Total Receipts		
	<u>2019</u>	<u>2020</u>	
Retail	53.6%	57.5%	9.5%
Construction	12.3%	9.4%	-22.2%
Food Services/Accommodations	8.5%	7.2%	-13.4%
Wholesale	7.4%	6.9%	-4.2%
Information	3.0%	3.2%	6.7%
All Other Categories	15.2%	15.8%	7.0%
	100.0%	100.0%	2.2%

The Retail Sales category can be divided to assess the major sub-categories. Clothing showed the largest percentage of gain from 2019 to 2020, but most categories, with the exception of Food & Beverages Stores and Furniture & Home Furnishings showed an overall increase in tax revenues for the same period.

Retail Sales Only			
	Category as a % of		% \$ Change
	Total Receipts		
	<u>2019</u>	<u>2020</u>	
Health & Personal Care	3.1%	3.1%	8.5%
Electronic & Appliances	4.1%	4.4%	18.0%
Gas Stations	2.4%	2.3%	4.0%
Clothing	1.2%	1.4%	23.3%
Non-Store Retailers	2.5%	2.6%	12.7%
Motor Vehicle & Parts	34.5%	36.3%	15.3%
Food & Beverage Stores	7.6%	6.8%	-2.2%
Building Materials	12.6%	13.5%	17.5%
Furniture & Home Furnishings	2.5%	2.0%	-11.9%
Sporting Goods, Hobby, etc.	2.1%	2.1%	9.2%
Miscellaneous Store Retailers	13.0%	12.0%	1.5%
General Merchandise	14.4%	13.5%	2.8%
	100.0%	100.0%	9.5%

Special Revenue Funds

The City has sixteen Special Revenue Funds which account for revenue sources that are restricted for specific purposes. These funds are related to General Government operations. Items of note include:

- The Hotel/Motel tax fund was negatively impacted by COVID-19 and available revenues were substantially

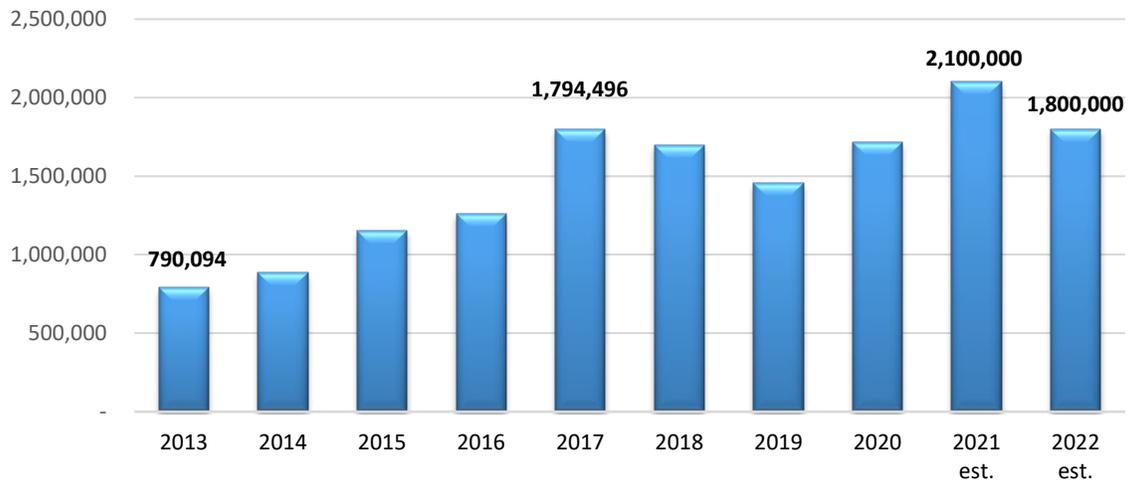
decreased in 2020. Revenue numbers are starting to return to normal levels in the second half of 2021. The City will make \$319,200 in grants available to support and promote tourism within the City.

- The Transportation Benefit District (TBD) Fund has a \$2.0 million budget for 2022 to support transportation projects. This is an increase from the 2021 budget of \$292,116.
- The Fiber Optics Fund has a \$306,323 budget for 2022 to support the fiber needs of the City and surrounding area. This is a decrease of about \$20,206 from the 2021 budget.
- The Arterial Street Fund has a budget of \$2.2 million to fund various projects like the improvements at Freeway Drive (Cameron to College), Hoag/Laventure intersection improvements and the Riverside Drive Improvement project.
- In 2021, The American Rescue Plan Act (ARPA) fund was created to account for over \$9.0M in direct allocation revenue from the Federal Government to help cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic.
- The Affordable & Supportive Housing (HB1406) and Affordable Housing Sales & Use Tax (HB1590) funds are included in the 2022 budget to account for revenues and expenditures related to affordable housing.

Real Estate Excise Tax Revenue

Monthly real estate excise tax (REET) receipts (0.5% of the value of real estate transactions) represent a vital funding source for debt service, various road projects and other capital projects. The following chart illustrates the revenue collections since 2013. Estimates for 2022 are estimated within a conservative range and do not account for any large sales that could potentially happen.

Real Estate Excise Tax Revenue



Capital Project Funds

The total budgeted capital expenditures are nearly \$14.4 million for 2022. Major items include:

- Equipment Rental and Reserve Fund - \$961,246 to purchase capital equipment included in the City’s equipment replacement schedule.
- Fire Capital Fund – includes \$1.4 million for the purchase of a ladder fire truck.
- Arterial Street Fund - \$2.2 million to fund major transportation projects throughout the City.
- Transportation Benefit District (TBD) - \$2.0 million also to support major transportation projects.
- REET I - \$950,750 budget includes \$300,000 for Parks capital projects and \$500,000 for the Local Infrastructure Financing Tool (LIFT) program matching funds for the Library Commons project.
- REET II – includes \$976,000 for City street improvements.
- Parks Capital Funds - \$579,862 for parks related capital projects.
- Utility Capital Funds - \$2.9 million for capital projects related to the City’s Wastewater, Solid Waste and Surface Water utilities.

Debt Service Funds

The City does not have any active Debt Service Funds. Debt service payments for the Wastewater Treatment Plant upgrade are included in the Wastewater Utility operating budgets and are not a separate debt service fund.

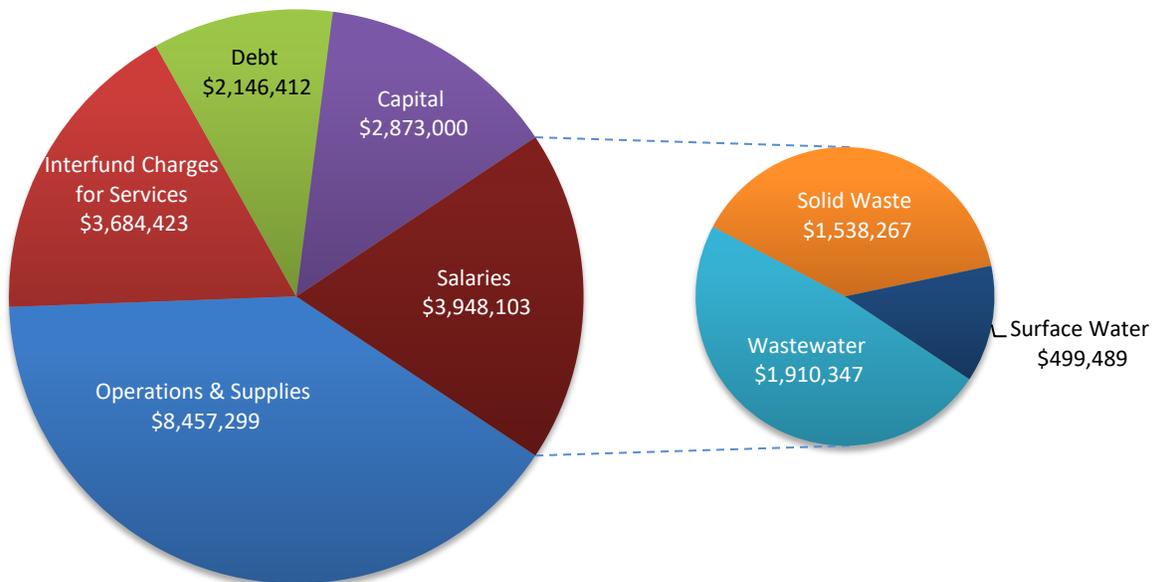
Proprietary Funds

The City has three enterprise funds and two capital sub-funds that are self-supporting and expected to operate like private businesses, and two internal service fund that provides vehicle maintenance and repairs for the City’s fleet and for the maintenance of City owned buildings. Items of note include:

- The Wastewater, Solid Waste and Surface Water Utilities budget had an overall increase of \$163,231 which included a decrease in Solid Waste’s recycling contract of \$280,000 and an increase in capital expenses in the Wastewater Utility for communications equipment. Equipment Rental and Reserve costs decreased by \$1.0 million. Salaries and benefits increased in 2022 driven by higher healthcare insurance premiums as well as union negotiated wages and benefits.
- The Surface Water and Wastewater Utility Funds had a rate study analysis completed in previous years. These utilities now include annual CPI adjustments to service rates. The CPI adjustment to these utilities is an increase of 5.5% in 2022.
- The two Wastewater Utility capital sub-funds have just under \$2.2 million budgeted for 2022 Wastewater projects including \$1.4 million for the annual sewer restoration program.
- The Equipment Rental and Reserve fund will purchase (replace) 15 vehicles or major pieces of equipment per the equipment replacement schedule. This fund is also used to accumulate funds to purchase servers, computers and workstations.

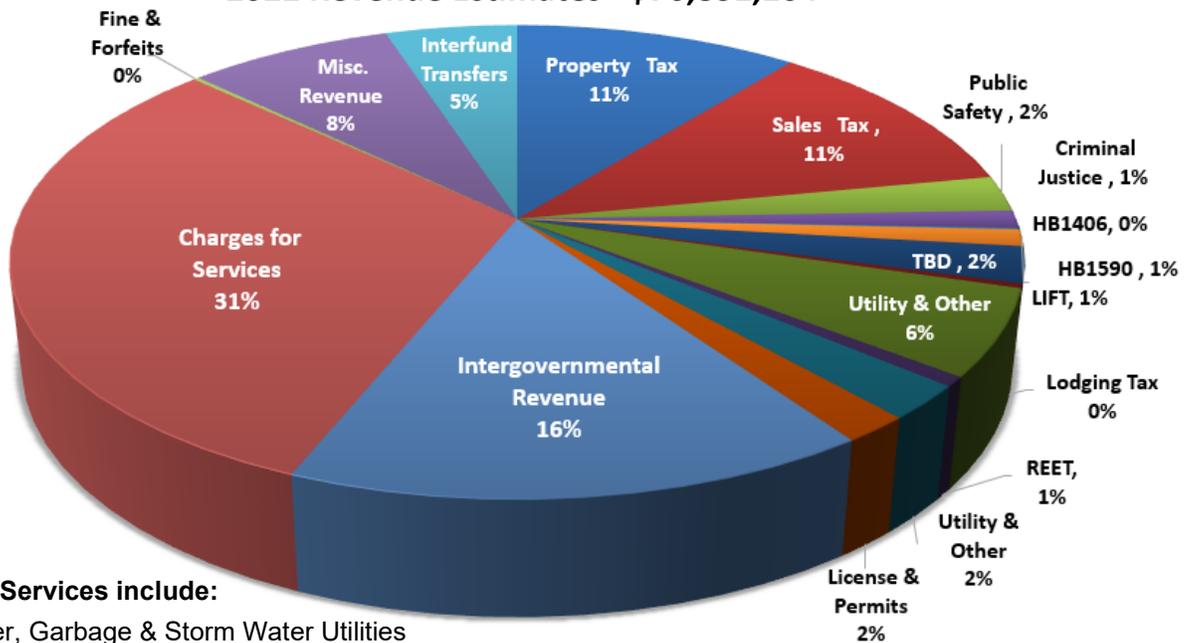
The Utility departments strive to preserve essential services for their customers and maintain regulatory compliance, while minimizing the cost of service.

**2022 Proprietary Fund Expense
\$21,109,237**



2022 Revenue Summary: Revenue by Type					
Revenue Source	2020 Budget	2021 Budget	2022 Budget	2021 to 2022 Change	2021 to 2022 % Change
Property Tax	8,029,741	8,110,167	8,272,370	162,203	2.0%
Sales Tax	7,800,000	7,400,000	8,600,000	1,200,000	16.2%
Utility Tax	4,218,537	4,357,292	4,513,528	156,236	3.6%
Transportation Benefit District	1,800,000	1,600,000	1,900,000	300,000	18.8%
Real Estate Excise Tax	1,400,000	1,400,000	1,800,000	400,000	28.6%
EMS	1,489,380	1,534,061	0	(1,534,061)	-100.0%
Affordable Housing - HB1406	0	0	65,029	65,029	NA
Afford Housing Tax - HB1590	0	0	870,000	870,000	NA
Public Safety Sales Tax	1,394,000	1,394,000	1,875,000	481,000	34.5%
Criminal Justice	835,000	815,000	950,000	135,000	16.6%
LIFT	500,000	500,000	500,000	0	0.0%
Hotel/Motel	295,000	150,000	230,000	80,000	53.3%
Total Taxes	27,761,658	27,260,520	29,575,927	2,315,407	8.5%
Licenses & Permits	1,546,250	1,523,022	1,416,800	(106,222)	-7.0%
Charges for Services	23,030,450	22,961,855	23,719,236	757,381	3.3%
Intergovt (State & Local Sources)	6,157,361	11,404,347	12,138,148	733,801	6.4%
Fines & Forfeits	289,300	245,950	152,350	(93,600)	-38.1%
Miscellaneous Revenue	6,363,100	6,750,644	5,981,381	(769,263)	-11.4%
Interfund Transfers	3,933,134	4,280,362	3,847,362	(433,000)	-10.1%
Budgeted Totals	69,081,253	74,426,700	76,831,204	2,404,504	3.2%
Budgeted Fund Balance	1,018,034	1,272,143	(125,581)	(1,397,724)	-109.9%
Total	70,099,287	75,698,843	76,705,623	1,006,780	1.3%

2022 Revenue Estimates - \$76,831,204



Charges for Services include:

- Sewer, Garbage & Storm Water Utilities
- Zoning/Subdivision & Engineering Fees
- Overhead and Interfund Charges

Intergovernmental include: Federal funding, ARPA and GEMT Revenue.

Fund Balance Reconciliation – Summary of all Funds

Fund Dept No.	City Fund	Fund Balance Dec 31, 2020	Estimates		Est Fund Bal Dec 31, 2021	Budget		Est. Balance Dec 31, 2022	Fund Bal. Budgeted in 2022
			2021	2021		2022	2022		
			Revenue	Expenditures		Revenue	Expenditures		
001	General Fund	7,617,768	30,533,249	28,126,802	10,024,215	31,510,296	33,069,411	8,465,100	1,559,115
101	City Street	477,397	2,277,989	2,233,488	521,898	2,101,205	2,196,085	427,018	94,880
103	Parks/Recreation	753,472	1,622,316	1,812,333	563,455	2,250,029	2,424,606	388,878	174,577
104	Library	627,672	1,149,833	1,045,426	732,079	1,118,767	1,601,361	249,485	482,594
	Total Gov't Op. Funds	9,476,309	35,583,387	33,218,049	11,841,647	36,980,297	39,291,463	9,530,481	2,311,166
102	Arterial Street	13,518	1,706,560	1,688,876	31,202	2,465,850	2,226,169	270,883	(239,681)
105	Paths and Trails	105,588	4,319	4,019	105,888	4,018	-	109,906	(4,018)
106	Tourism Promotion	199,541	180,400	238,554	141,387	230,500	319,200	52,687	88,700
107	Little Mountain Cap Res	37,966	66,000	24,500	79,466	66,000	40,000	105,466	(26,000)
109	Crime Prevention	77,477	17,160	12,400	82,237	14,400	12,400	84,237	(2,000)
110	Government Access TV	297,481	66,000	74,863	288,618	70,000	88,975	269,643	18,975
112	Criminal Justice Assistance	54,978	219,480	158,000	116,458	161,199	228,000	49,657	66,801
113	Municipal Arts Fund	(248)	-	-	(248)	-	-	(248)	-
115	Parks Capital Reserve	25,976	100,235	146,888	(20,677)	454,735	429,862	4,196	(24,873)
117	TBD Fund	1,089,923	2,104,645	2,742,000	452,568	1,902,645	2,041,181	314,032	138,536
118	Fiber Optics Fund	317,042	288,800	287,999	317,843	343,000	306,323	354,520	(36,677)
119	Critical Area Enhancement	254,203	1,153	-	255,356	5,300	30,000	230,656	24,700
120	Lincoln Commercial Block (ARPA)	169,381	72,036	127,000	114,417	72,036	148,400	38,053	76,364
121	American Rescue Plan Act HB1406	-	4,526,524	2,126,845	2,399,679	4,526,524	1,799,155	5,127,048	(2,727,369)
122	Affordable and Supportive HB1590	30,463	65,029	-	95,492	65,029	-	160,521	(65,029)
123	Afford Housing Sales & Use Tax	-	-	-	-	870,000	-	870,000	(870,000)
301	Library/CC/Parking	2,065,383	1,104,018	810,000	2,359,401	1,003,000	1,697,961	1,664,440	694,961
304	Capital Improvement-Reet I	969,297	1,059,800	726,195	1,302,902	905,800	950,750	1,257,952	44,950
306	Fire Station Projects	765,231	1,115,351	802,334	1,078,248	1,021,358	1,400,000	699,606	378,642
311	Park Impact Fees	192,041	51,000	20,118	222,923	51,000	110,000	163,923	59,000
312	Fire Impact Fees	262,447	88,750	57,371	293,826	60,750	49,000	305,576	(11,750)
313	Traffic Impact Fees	461,791	167,000	176,544	452,247	167,000	172,249	446,998	5,249
314	Reet II - Streets	117,603	901,000	551,000	467,603	901,000	976,000	392,603	75,000
328	PW Facility Fund	324,140	50,000	325,000	49,140	-	-	49,140	-
401	Wastew ater Utility (WC)	4,033,110	9,234,842	9,118,489	4,149,463	9,657,120	9,840,318	3,966,265	183,198
402	Solid Waste Utility (WC)	731,451	6,048,427	5,897,744	882,134	5,762,135	6,454,278	189,991	692,143
403	Surface Water Utility (WC)	800,579	2,865,448	2,962,641	703,386	3,049,764	2,662,641	1,090,509	(387,123)
411	Sew er Facility Expansion	2,806,439	502,000	927,000	2,381,439	715,000	489,500	2,606,939	(225,500)
412	Sew er Capital Reserve	3,367,987	1,006,000	1,525,000	2,848,987	1,010,000	1,662,500	2,196,487	652,500
501	Equipment Rental (WC)	8,262,827	4,345,072	3,136,525	9,471,374	3,249,079	2,169,298	10,551,155	(1,079,781)
502	Facility Renew al Fund	446,863	200,500	340,000	307,363	300,500	300,000	307,863	(500)
512	LEOFF I Health Care Res	465,849	11,000	40,000	436,849	11,000	40,000	407,849	29,000
611	FR&P	322,929	49,715	84,000	288,644	64,165	99,000	253,809	34,835
600	Managerial Funds	-	646,331	646,331	-	671,000	671,000	-	-
	Totals	38,545,565	74,447,982	68,996,285	43,997,262	76,831,204	76,705,623	44,122,843	(125,581)

Conclusion

Our City is grateful for residents' support and excellent partnerships that help us achieve a higher quality of life for our region. Specific thank you to Skagit County Public Health for their role in leading our community through a global pandemic.

You are encouraged to participate in the budget discussions to include attending the Public Hearing at the City Council Meeting:

- Wednesday, October 27, 2021, at 7:00 pm with a formal public budget presentation.

As Mayor, I sincerely appreciate all our City staff that have fulfilled our mission this past year. The extraordinary circumstances of 2020 will continue in 2021. Not forever, but for now. Through it all, we believe that our example of good government will influence others to join us in an attitude of integrity and vitality. I would like to extend special gratitude to Mr. Doug Volesky, Finance Director, for his critical and professional guidance in the preparation of this budget and accomplishments in the finance department during this past year with the City.

The phrase "we are in this together" gets thrown around a lot these days, but the sentiment could not be closer to reality for us. We recommit to providing the residents of Mount Vernon with professional, efficient services to create a lifetime positive difference for our community.

Be safe for yourselves and others,



Jill Boudreau, Mayor

mvmayor@mountvernonwa.gov

360-336-6211