

2023

City of Langley Operating Budget

(December 29, 2022 Edition)



Scott Chaplin, Mayor

Langley Finance and Personnel Legislative Commission

Darrel Duhm, Interim Treasurer

Randi Perry, Public Works Director

Meredith Penny, Director of Community Planning

Tavier Wasser, Chief of Police

Darlene Baldwin, Interim City Clerk

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CITY OF Langley DIRECTORY OF OFFICIALS - 2023



Scott Chaplin, Mayor



Rhonda Salerno Council Seat #2



Harolynne Bobis Council Seat #1



Craig Cyr, Mayor Pro-Tem Council Seat #4



Thomas Gill Council Seat #3



Gail Fleming Council Seat #5

CITY OF LANGLEY STAFF:



Alex Cattand, Permit Technician

Meredith Penny, Director of Community Planning

Randi Perry, Public Works Director

Tara McDivitt, Deputy Clerk/Public Records

Darlene Baldwin, Interim Clerk

Bob Herzberg, Passport Agent/Front Desk/Historian

Wanda Grone, Finance Director

Tim Grove, Public Works Field Supervisor

Bryan Hamilton, Jeremiah Pace, Josh Marks, Rob Durr, Public Works Staff

Scott Austin, Building Official

(Additional photos to be included in 2023 edition)

City of Langley Police Department



Chaplain Rob Hinkelmann, Officer Charlie Liggitt, Police Chief Tavier Wasser, Officer Nick Hathaway

**CITY OF Langley
FINANCE AND PERSONNEL ADVISORY COMMISSION**

Chris Carlson, Chair

Rose Hughes

Dominique Emerson

Toyan Copeland

Barbara Seitle

Craig Cyr -Council

Harolynne Bobis -Council

City of Langley



December 29, 2023

To: City Council Members, City Staff and the Citizens of Langley

From: Scott Chaplin, Mayor

Subject: 2023 Budget Message and Budget

This document contains the 2023 Budget Spreadsheets and Budget Narrative. The total planned budget expenditures for 2023 are \$13,029,292 (including internal transfers), which is significantly more than any of our past budgets. Overall spending was less than \$5 million in 2021 and is expected to be about the same for 2022. The huge increase for 2023 will be due almost entirely to the long-planned Langley Improvement Project (LIP), which comes mostly out of the Water Improvement Project Fund (306) for which the City has obtained over \$7 million to complete. The LIP funds are restricted, as are most of the City's funds, for very specific purposes. This budget allocates the available resources among the many needs identified in the budget process. It reflects the City's continued efforts to be prudent in all of our discretionary spending, and at the same time, moves the City forward. Revenue projections are conservative, and expenses were cut back from what Council and Staff would have preferred. The City has no short-term debt. The City has a bond for improvements to Second Street that will be paid off in 2028 and a \$4,000,000 bond issued for the LIP infrastructure improvements that will be paid off in 2049. In addition, the City received a \$3,000,000 Island County Rural Economic Development grant that will help complete the funding of the LIP.

Although the proposed budget reflects conservative revenue projections, nevertheless we are expecting slightly higher revenues compared to the 2022 estimated end-of-year figures. As predicted in the Wall Street Journal and by others, there has been a post Covid recovery and even

an overheating of the economy, which may have led to some inflationary pressures that we will be dealing with this year. Because the City has only given meager cost of living (COLA) increases in recent years and inflation to some degree is expected to continue into 2023, staff will receive a substantial COLA increase of 7% in 2023. We have a terrific hard-working team and have budgeted for 3% merit increases across departments. This budget was developed following the Council's Mission Statement and Fiscal Goals and involved a great deal of participation from the City's new Finance and Personnel Legislative Commission (FPLC), department heads, City Council and concerned residents.

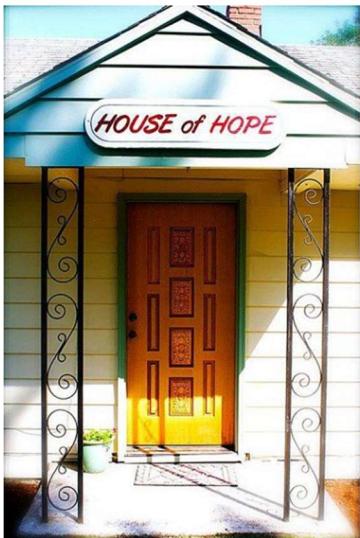
The major General Fund revenues are derived mostly from property tax, sales tax, and utility tax. Property tax is limited to a 1% annual increase, which we have budgeted for. Both sales tax and property tax revenues are expected to increase slightly.



Personnel

The year 2022 brought more than the usual level of staff turn-over. The year 2021 ended with the retirement of Police Chief Don Lauer and Officers Nick Hathaway and Charlie Liggitt worked a great deal of overtime filling in for his absence until the City hired Chief Tavier Wasser in March of 2022. Going into 2023 the Police Department is planning to hire a 4th officer to round out the force. There were other staff changes in the past 12 months due to retirements and other reasons. In recent years the Clerk/Treasurer position has become increasingly challenging due to new regulations, reporting requirements and legal challenges. Our new Finance and Personnel Legislative Commission (FPLC) went to work researching the possible ways forward and recommended to Council that the position be split into at least two separate positions. Earlier this year the City hired an administrative assistant/records specialist as well as 3 very needed crew members for the Public Works staff. We have just hired a new Finance Director, Wanda Grone, who will begin full time in January of 2023. The FPLC is currently working to define

administrative and clerk functions, possibly with one position. These staffing changes are built into the 2023 budget.



The City allocates a small amount of support for local mental health, homelessness, and senior services. For 2023, the City is budgeting \$5,500 for the Island County Senior Services, \$4,800 for the Whidbey Homeless Coalition and \$420 for the Island County Alcohol Program. This support helps provide medical referral, meals, senior services via home visits to those citizens who are unable to leave their homes and much more, in addition to supporting the House of Hope in Langley.



Tourism Fund

Tourism funds from the Hotel/Motel (Lodging) tax have been increasing in the last few years. These funds are used to support the activities that increase and promote tourism, by supporting the County-wide Tourism Committee, the Langley Chamber of Commerce, and other local non-profits. Maintenance and repair of the public restrooms is also funded from the Lodging Tax monies.

Throughout this document you will see codes for funds and on the left column of the budget spreadsheet you will find long 18-digit codes. Each of our funds has a 3-digit code that comprises the first 3 digits of the 18-digit code. The State of Washington requires these codes for all government accounting in order to improve tracking and comparisons between agencies and to facilitate the auditing process. These codes are called BARS codes and Appendix C lists some of the ones used by the City as well as some line item notes that you may find useful.

In the absence of well-organized and easy to understand budget, democracy is blinded. This budget document is an effort to get closer to that ideal, but it is still a long way off. We intend to publish a revised version of the 2023 budget in the next few months, after our new Financial Director is more acquainted with our account system. This budget, along with our adopted Council work plan, serves as our fiscal plan, operational and planning guide. The budget includes narratives, summaries, and tables to help the reader understand it. We are committed to ongoing efforts to emphasize cost-effective, customer-focused municipal services and to work in partnership with citizens to enhance our City's quality of life. We encourage questions and suggestions on the community issues important to our community and the municipal services we provide.

As we begin this new chapter in Langley's history, I hope our public will stay as engaged and inspired as possible. Despite having very tight budget constraints, it is a very exciting time for our City government. We are taking on numerous challenges including the dismantling of systemic racism; creating fertile ground for affordable housing; dealing with the climate crisis by enabling a rapid and just transition to a fossil fuel free society; supporting the homeless; and creating a welcoming village sanctuary for people of all ages, abilities, colors, ethnic backgrounds, sexual and gender identities, and so much more. Community input, volunteerism, healthy debate and optimism will keep our democracy strong and our village vibrant.



Here in the beautiful homeland where the Coast Salish People have always lived and are starting to thrive again, the best is yet to come for everyone!

Scott Chaplin, Mayor

Langley's Budget

Budget Basics

Langley's budget consists of fourteen separate funds. These funds are for general government purposes, utilities, streets, tourism, the Cemetery, reserves (savings/capital accounts) and debt service. Each fund is by state law, a separate accounting entity. This means that each fund supports itself and cannot use the money of other funds except in payment for services. The only exception to this is the General Fund which can give money to the other funds. The budget includes both operating costs and the current year costs of capital projects, debt service, and payments to City reserves.

The City's funds are made up of the following categories:

General Fund – This fund is the primary operating fund of the City. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds – These funds account for revenues that are legally restricted or designated to finance particular activities of the City. (Street Fund, Cemetery Fund, Lodging Tax Fund)

Debt Service Funds - These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt. (Langley Infrastructure Bond)

Capital Funds – These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

Enterprise Funds – These funds account for operations that provide goods or services to the general public and are supported primarily through user charges similar to a private business enterprise. (Water, Sewer, Stormwater Funds) This also includes reserve or capital funds for enterprise fund capital/infrastructure improvements.

The largest operating fund is the *General Fund*, which includes police, finance and administration, planning & building, City Hall and the library building maintenance, parks, legal, emergency services and other general services. Most tax revenue collected by the City goes into the General Fund. The General Fund is therefore the primary focus of the City Council during the budget process.

Development of the Budget

The municipal budget process serves a variety of functions. The annual budget is the City's statement of policy, objectives, and operations, and the fiscal plan to carry them out. It should outline the efficient use of available community resources by the City to accomplish its goals and realize its visions. The City budget is the single most important communication tool available to describe the policies, operations, and fiscal planning to the community it serves.

Langley uses the State Auditor's BARS structure (Budget, Accounting, & Reporting System) for our budgeting and accounting. The BARS system provides for a consistent chart of accounts between all Washington cities, so that the accounting records of one City are comparable to those of another. This system creates a structure, or "chart of accounts", consisting of a series of funds (general fund, capital fund, etc.), of functions (e.g. legislative, public safety, etc.), and of activities classified by their type. The structure describes, in numbers, the basic operations and services of the City. Sub-accounts within each activity category are used for local budget management purposes. (E.g. personnel costs include training and association dues, while street construction activities consist of individual projects identified by name.)

In preparing the budget, many things must be taken into consideration. The budget is comprised of estimates and predictions about the future that are based on the past. To make those forecasts and the distributions of those expected resources reliable, it is important to have good historical information. Past levels of revenue and expenditures by type and source must be known, and the causes of any variations in the data.

These irregularities can be due to a number of reasons, such as changes in tax rates or fees, large, one-time construction projects, annexation, or other significant events. Trends in revenue sources are based on business and economic data, construction activity, retail sales, tourism activity, employment rates, and several other factors. Expenditure estimates are based upon fixed costs (rents, leases, set assessments, and contractual commitments), estimated costs based on past trends and other economic information.

Langley's 2023 budget will directly allocate costs out to the functions/departments that are supported by that expenditure. In the past, other funds would "reimburse" the General Fund via bulk transfers which were recognized as revenues to the General Fund and offsetting expenditures to the other funds. In addition, some expenditures were not allocated in ways that allow the City to know the true cost or benefits of certain assets. These assets include numerous properties, including the Post Office (land only), the old fire station, the library land and building, City Hall, numerous vehicles, the water/sewer infrastructure, and numerous parcels of land within City limits. This new approach will provide more transparency into the costs of operations, but it will mean that the 2023 budget line items cannot be compared directly to prior years.

A BALANCED BUDGET -- Once all the estimates and projections are made, the difficult job of balancing the budget begins. Utility funds and other like funds are easier to balance because they have dedicated revenue sources and are usually self-supporting (i.e. water dept. expenses are funded through user fees and permits). The general fund and other closely related funds, such as the street fund, are another matter. This is where scarce resources must be allocated to meet many

different needs/wants of the community. Balancing the budget often means coming up with innovative plans for delivery of services, searching for new revenue sources or attempting to maximize those sources available. It may mean reducing appropriation requests while level-setting expectations regarding the projected level of service. In some instances, taxes or fees must be raised to meet the service demands. Although the budget in this document is technically balanced, it does not include funding for many things the City wants and needs. The City plans on revisiting it soon in 2023 so that we can reassess the potential for funding badly needed projects that have been left out of this version.

The Council established a goal of a minimum 10-15% of fund cash carryover in each fund to provide enough cash flow and cover any unbudgeted emergency. The General Fund requires that much to keep a positive balance in the first part of the year. One of the largest sources of revenue to the General Fund is property taxes. Taxes are not due until the end of April, and the City receives them in May and June. Yet in the first month of the year, the City pays many of its largest annual expenses. It is also important that the City build its reserves to cover any catastrophes or emergencies. 2020 brought about a huge reduction in the reserve funds, but 2021 brought the City back on track with past trends for income and revenues. Due to cost overage on some Streets Projects and COVID 19, the City used reserve funds to keep Streets in the positive. This has had a continued effect on the 2021 through 2023 budget in which the General Fund transfers money to support the Streets Fund, including for the repayment of a 2020 loan from the Sewer Fund to the Streets Fund.

Revenue

The revenues received by the City fall into the following categories:

TAXES – The City only has the right to assess taxes legally authorized by the state legislature. Many people have the perception that the City can create new tax sources when additional revenue is needed. That could not be farther from the truth. Following are the tax revenues that Langley receives.

Property/Ad Valorem Tax - Revenue derived from taxes on the assessed value of real property including land, buildings and improvements and the assessed value of personal property. Property tax is levied based on the full market value of property as determined by the Island County Assessor annually. The County Treasurer's office is responsible for billing and collecting the tax. The City is anticipating \$460,125 in revenue from this tax in 2023.

This tax represented approximately 29% of the City's 2022 budgeted revenue for the General Fund. The overall dollar amount of the property tax levy may be increased by no more than one percent annually ("Levy Lid" Initiative 747, passed in 2001). So when assessed value *rises*, the levy rate per \$1,000 of assessed value *decreases*. This threshold may be crossed by a taxpayer vote. In 2005 the citizens of Langley voted to lift the levy lid from the 2005 rate of \$1.04 cents per \$1,000 of property valuation to \$1.83 for taxes collected in 2006.

Sales and Use Tax. Revenues distributed by the State for the City's share of taxes imposed upon the sale and consumption of goods and services within the City. When \$100 worth of goods is purchased within the City limits, sales tax of \$8.70 is charged. Of that \$8.70, the City receives \$0.85. This tax represented approximately 30% of the City's 2022 budgeted revenue within the General Fund. For 2023, the City is anticipating approximately \$587,254 in revenue from these taxes.

Criminal Justice Sales Tax. An additional local sales/use tax of 0.1 percent for criminal justice programs. This tax may be levied only by counties, although the receipts are shared with cities. 10 percent goes to the county and the remaining 90 percent is apportioned to the county and cities within the county on a per capita basis. The City is anticipating receiving a total of \$19,975 for 2022 from this source and is budgeting for \$20,000 in 2023.

Lodging (“Tourism” a.k.a. Hotel/Motel Taxes). This is a consumer tax on lodging charges for periods of less than 30 consecutive days for hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. The tax is paid to the State and then distributed to the Cities and Counties that levy the tax. Langley's Tourism Fund is expecting to receive \$230,000 from this tax in 2023. These funds are used solely for the purpose of paying all or any part of the cost of tourism promotion and acquisition or operation of tourism related facilities and events.

Leasehold Excise tax. The State levies a tax of 12.84 percent on private leases of public property. Cities and counties may levy a local tax on public property within their jurisdictions (City maximum is 4%), thus reducing the state rate. Langley is budgeting \$10,561 from this source in 2023.

Marijuana Excise Tax. The State distributes a portion of the marijuana excised taxes to the Liquor and Cannabis Board and various state agencies and programs. At the end of the fiscal year (June 30), the state treasurer must transfer any remaining unappropriated revenues into the state general fund. If those collections deposited in the general fund exceed \$25 million (surpassed every year) then the Legislature must apportion 30% of that excess to cities, towns and counties that do not prohibit marijuana production, processing or sale. Langley began receiving small distributions of this tax in the 3rd quarter of 2017. The City of Langley is budgeting for \$1,529 in 2023.

Real Estate Excise tax. The State of Washington is authorized to levy a real estate excise tax on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages and other debts given to secure the purchase. We are anticipating \$72,343 from these sources in 2023.

Utility taxes. This is a 6% tax on electric utilities, water, sewer, garbage, cable tv, and telephone services. This is the third largest source of tax revenue in the general fund, and we are budgeting \$278,684 for 2023.

LICENSES and PERMITS - License and permit fees are designed to cover the cost of administration, inspections and services for those occupations, trades and activities which are regulated by City ordinance. The following fees are collected: Business Licenses; Building Permits; Dog Licenses, Temporary vendors and contractor Licensing; and Franchise Fees. The City expects to bring in \$86,334 from these fees in 2023.

INTERGOVERNMENTAL REVENUES - Grants, entitlements, shared revenues and payments for goods and services provided by one governmental entity to another. This includes grants, criminal justice funds, liquor excise taxes and state liquor profits and should yield \$145,139.

CHARGES for GOODS and SERVICES - Fees charged for the purchase of goods or services from the City such as: fees for processing passport applications, copy/fax fees, building plan check fees, zoning and subdivision and other land use fees. It also includes Water, Sewer and Stormwater charges and inspection fees in the utility funds. We anticipate \$44,952 in 2023.

FINES and PENALTIES – Fines and penalties imposed from traffic and non-traffic citations, but do not make up a significant amount of revenue.

RENTS – Income received from the rental of City property (firehall, visitor center and property on Wharf Street).

OTHER FINANCING SOURCES – Operating transfers and/or cost allocations in payment for services from one fund to another.

Expenditures

Expenditures are segregated by fund. Expenditures in each utility fund are for the purpose of operation, maintenance and improvement of that distinct utility, including staff salaries and other administrative costs. Capital Reserve funds are savings accounts that accumulate and spend dollars on capital or infrastructure improvements. The Cemetery fund pays the expenses of operation and maintenance for the Cemetery. The Tourism fund spends lodging taxes to promote tourism within the City. The Public Works Vehicle and Equipment fund is used to replace vehicles and equipment for the Street and utility funds. The Street fund expenditures are for the maintenance, operation and improvement of streets, sidewalks, and rights-of-way including street lights, parking lots, signage and traffic control devices.

The General Fund is the multi-purpose fund that pays the expenses of all other governmental operations. The budget for the general fund is organized into the following functional areas:

LEGISLATIVE - The City Council is the legislative arm of the City's government. The Council grants franchises; sets policies; approves ordinances and resolutions; approves the annual budget and the monthly City expenditures; sets rates and fees and makes the final decisions on annexation, zoning, and other land use issues. The expenditures for this function cover the monthly Council stipends; training; voter registration and election costs, and Council portion of utilities and phones. This also covers the costs of codification of the municipal code.

ADMINISTRATION - The Mayor is the chief executive officer whose duties include: presiding over all meetings and hearings of the Council; signing and enforcing all ordinances, resolutions and contracts passed by the Council; and appointment and supervision of all City officers and employees. The Mayor represents the City at all public functions and serves on various boards and committees within the region. Expenses include the Mayor's salary; training and travel; and office supplies, phone and utilities.

MUNICIPAL COURT - The Island County District Court is contracted to provide municipal court services for the City. The costs paid to the County include court services; judicial services; prosecuting attorney services and public defender costs.

FINANCE AND RECORDS - The Finance and Records function provides assistance to the Legislative body and to other City departments in accomplishing their duties. The department oversees and directs all finance functions including cash management; debt management; preparation, implementation and administration of the budget; financial reporting; accounts payable and receivable; utility billing; cashiering; banking and investment of City funds; and payroll. It also provides City Hall reception; maintains all City records and manages public disclosure issues; issues permits and licenses; and codifies City ordinances. It also manages all insurance issues and legal claims. The primary expenses are salaries and benefits, training, office equipment leases; and the costs of state audit.

LEGAL SERVICES - The City attorney reviews all ordinances and contracts, reviews Council packets and issues before the legislative body and gives legal advice to all departments. Costs for this service can vary greatly from year to year depending on the complexity of issues the City is facing.

EQUIPMENT AND TECHNOLOGY - This category covers technology costs that are not directly related to a specific fund or department. It includes computers; IT services; office equipment; furniture; software; support for City financial and utility billing software; and repair and maintenance of equipment in addition to the cost of the City website and its maintenance.

CIVIL SERVICE - By law, all jurisdictions which employ three or more full-time police officers must have a civil service commission. The commission does testing and interviewing of potential new officers and hears discipline and termination appeals. The commission consists of three volunteer members and a staff Secretary. Costs are for testing supplies and advertising.

POLICE DEPARTMENT - The Police Department maintains a community policing approach to public safety while making every effort to help control or reduce costs and liability. This

includes, where possible, partnering with other local law enforcement agencies to achieve training goals and Washington State standards. The budget supports four officers including the police Chief. This year the Langley Police Department brought on a new Police Chief, Tavier Wasser. Before the hiring of the new Chief, the patrol officers were handling the entire coverage of the City. This coverage caused a drain on the over-time budget and the Officers. The short-term focus is on the hiring of the fourth officer position and the purchase of a new patrol vehicle.

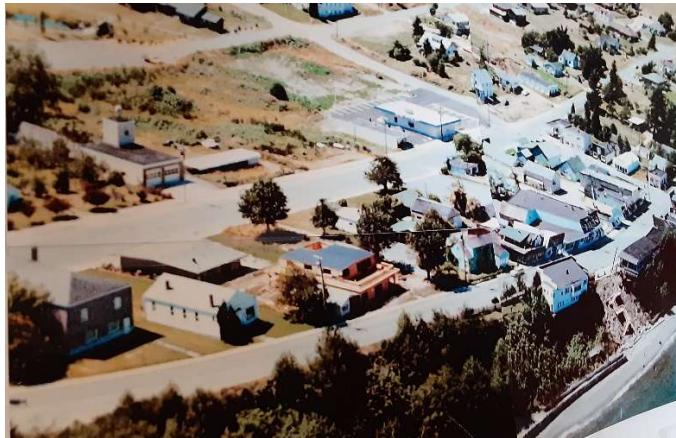
Several appointed assignments have been created and outlined, per new policy, such as Evidence Custodian, Training Coordinator, and Records manager. These positions have been filled by current staff and are a heavy load for a patrol officer to fill. A suggestion from surrounding agencies and subject matter experts is that the records and evidence position be filled by a citizen full time/part time employee. This will be discussed in the 2023 year.

DISPATCH & COMMUNICATIONS - Emergency dispatch services are provided by a contract with I-COM (Island County Emergency Services Communications Center). The cost of Spillman (state wide police data service); radio services; and State Patrol LEARN services.

PHYSICAL ENVIRONMENT - – The physical environment category covers facilities maintenance wages and expenses for City Hall (112 Second Street) and Old Fire Hall (179 2nd Street). The total 2023 budget is \$175,142 this includes \$60,142 for operations and \$115,000 for Capital Improvements.



PUBLIC WORKS - Public Works Department manages 13 individual operating or capital funds within the City's budget. These areas of responsibility include the Physical Environment (includes building maintenance and operations), Library Building, Parks, Transportation, Cemetery, Water Improvement Fund (Langley Infrastructure Project Funds), Water Operations and Capital, Sewer Operations and Capital, Stormwater Operations and Capital and Fleet Reserves. The Department is staffed by 6 full time and one seasonal (5 month) employee.



Community Planning and Building

The Community Planning Department performs all regulatory functions required to implement the Comprehensive Plan, Zoning Code, Subdivision Ordinance, Critical Areas ordinance, State Environmental Policy Act (SEPA), and Shoreline Master Program. Planning also does permit and development review, provides public information about development policies and regulations, enforces development codes, and provides staff support to the Hearing Examiner, Planning Commission, Design Review Commission, Historic Preservation Commission, Parks and Open Space Commission, Climate Crisis Action Commission, Dismantling Systemic Racism Commission, and City Council. The Community Planning Department emphasizes public involvement and input in all planning related decisions. Expenses budgeted cover the salary and benefits of the Director of Community Planning, the Permit Technician position, and the contract Building Official. As well as funds for ordinance and plan updates. Additional expenses include supplies, software, utilities, association dues, training & travel, and professional services.

In 2021, the Department entered into an interlocal agreement with the Town of Coupeville to share building inspection and plan review services through a joint Building Official. On November 28, 2022, Council passed a resolution to continue this agreement through 2023. The Building Official issues occupancy permits, answers the public's questions regarding building codes and regulations, and ensures safety in all new or remodeled buildings and structures.

The City's Permit Technician continues to assist with the building permit application process and supports the Planning side of the Department in other ways, such as taking minutes during committee meetings and making GIS mapping improvements. The major task the Permit Technician undertook in 2022, was to get the City's new asset management program up and running. This involved inventory, mapping, and redrawing of all the City's assets from manholes and hydrants to pump stations and well houses. Moving into 2023, efforts will begin on getting the online permitting portion of this software operational, so that all building, planning, and public works permits are applied for and reviewed electronically.

The Community Planning and Building Department continues to tackle housing issues in Langley. In early 2022, the City was awarded a \$65,625 grant from the Washington State Department of Commerce to develop a Housing Action Plan and conduct a few implementation items. The grant will run through June of 2023. The City was also awarded two grants from the Washington State Department of Commerce in partnership with Habitat for Humanity and THINC for their affordable housing projects. These Connecting Housing to Infrastructure Program (CHIP) grants were to reimburse the City for waiving the utility participation fees for these two affordable housing projects. During 2022, staff also worked with an Affordable Housing Ad Hoc Advisory Committee to help the City establish affordable housing requirements for inclusion in a Development Agreement for the proposed Coles Valley Planned Unit Development (PUD). The committee presented their recommendations to Council who voted to accept it on May 2, 2022. The ad hoc committee has since been disbanded. Aside from housing issues, the Department also worked to adopt a new wireless communication facilities ordinance, is in the process of an update to the City's Critical Areas Ordinance, and has been processing the Coles Valley PUD application.

In 2023, the Department expects to finalize the Housing Action Plan and Critical Areas Ordinance, continue processing the Coles Valley PUD application, process a rezoning at the Fairgrounds, and begin work on the 2025 Comprehensive Plan periodic review and update.

LIBRARY – The library and its grounds are owned and maintained by the City of Langley. Administration of the library service is paid by property taxes collected directly by Sno-Isle Library District. City expenses cover building maintenance and repair. Some capital improvements to the facility may be budgeted in the Capital Reserve Fund. A 2022 windstorm resulted in roof damage and sections of the roof have been repaired. The roof is in the beginning stages of failure and appropriate funding will need to be in place for replacement. The 2023 budget for the library is \$25,850 this includes indirect allocation of wages and a transfer to the Municipal Capital Fund of \$2,000.



PARKS DEPARTMENT – The purpose of the parks department is to provide the citizens and visitors of Langley with safe and aesthetically pleasing parks and open spaces where they can enjoy the natural beauty of Saratoga Passage and the surrounding area. The City owns six parks. Expenditures for this department consist of staff wages and benefits for maintenance and mowing of open spaces, and garbage collection provided by the Public Works Department; park supplies and repairs, electrical lighting, contracted tree trimming, garden maintenance, and utilities/waste disposal. The 2023 total budget for the Parks Department is \$133,147 which includes \$30,000 for the creation of a bluff management plan.

DEBT SERVICE - This category pays the debt service for municipal bonds. It includes payments on bonds issued in 2014 for Second Street re-construction and bonds issued in 2020 for the Langley Infrastructure Project.

TRANSFERS OUT - This budget area covers transfers between the distinct funds. There is also a budgeted transfer to reserves to cover accumulated employee benefits, and other fund reserves as established by Council during the budget process.



Street Fund (101)



The Street fund is used to construct and maintain the City streets, parking areas, sidewalks, walkways, right of ways, and signage. The City public works department is responsible for approximately 12 miles of roads, not including easements or unimproved rights of way. Revenue is from intergovernmental entitlements and general fund transfers. The following are some of the major sources of funding:

Capron Refunds – An entitlement distributed to cities within Island and San Juan Counties only, consisting of motor vehicle license and fuel taxes paid by residents of those two counties. These monies must be deposited into a road or street fund. Because of the use of electric vehicles and alternate modes of traveling and commuting, Langley's Capron revenues have declined over the past few years.

Motor Vehicle Fuel Taxes – A per capita state distribution of gas taxes to be used for construction, repair, or maintenance of City streets or for the payment of indebtedness contracted after June 30, 1963. This tax revenue has declined due to the increased use of alternate modes of travel.

State & Federal Grants – Grant funds received from federal and state agencies for capital construction of streets, parking facilities, walkways, and associated projects.

Transfer from General Government Fund – In late 1999, the City annexed to Fire District 3. Prior to that time the City's fire department was supported by the General fund with an annual appropriation of approximately \$25,000. Following the annexation, the City devoted the money previously spent for fire protection to the street fund. Additionally \$25,000 from property tax revenue was also transferred from the General fund to support the streets. In 2023, the General fund will continue to pay off an interfund loan to 408 on behalf of the street fund until May 2023.

Other smaller revenues include inspections and right of way permits, interest, and miscellaneous revenues.

The street fund pays traffic control (such as signage, barricades, and cones), traffic and pedestrian services (pothole repair, traffic paint, sidewalk replacement, crushed rock for shoulders and unpaved roadways), roadside equipment, staff wages, employee training, utilities, fuel and vehicle maintenance, supplies, uniforms, engineering, administration costs related to the street fund and property insurance (for treatment plant shop) are allocated, a transfer to the vehicle and equipment replacement fund, and a transfer out to the street reserve. Street lighting is a function of public safety and is paid from streets. Beginning in 2023, street lighting will be covered by a transfer-in from the General Fund.

There were no street projects completed in 2022. In 2023, the City is budgeting \$17,000 to finalize engineering for Transportation Improvement Board (TIB) grant support for Saratoga Road Reclamation. The Langley Infrastructure Project includes restoration to Sixth Street (Park Ave to Cascade), Decker and Furman (Edgecliff to Sandy Point) and Edgecliff (Noblecliff to Furman). In addition, the City will be participating in a regional transportation planning effort funded through the Safe Streets for All grant. The City portion of the grant match is \$7,500.



2023 Street Fund Budget

Estimated Beginning Balance	\$231,223
Estimated Revenue	\$171,340
Estimated Expenditure*	\$243,240
Ending Balance	\$149,323

*Includes Transportation Improvement Board grant support, engineering and bid documents for pavement restoration on Saratoga Road from DeBruyn to City Limits, City's portion of a grant match for participation in a regional transportation plan through the Safe Streets for All program.

Cemetery Fund (104)



The Langley-Woodman Cemetery is located on Al Anderson Road on the south end of town. It was started by the Woodmen's Lodge in 1902 and maintained by that group until 1913, the year the City of Langley incorporated as a municipality. In September of 1913 the

Woodmen donated the cemetery to the town.

This municipal cemetery is supported by the sale of cemetery plots, ash garden sales, and occasional public donations. These funds are spent to keep the cemetery mowed, weeded, and maintained, to design new plot sections, pay utilities and the repurchase of some lots by the City.

In 2007, the "Ash Scatter Garden" was installed. This is a beautiful garden and woodland area for scattering ashes with large stone pillars where engraving or plaques memorializing loved ones can be installed. In 2010, a "Green Burial" section was established where burials can occur without cement liners, without embalming, and using only biodegradable materials.



In the early 1990's, revenues had declined to almost nothing because the old section of the cemetery was nearly full. The City did not have funds to survey and plot a newer section. The general fund could not afford to transfer funds to the cemetery and little maintenance was being done. The City cemetery was in bad shape and seeing no other way out, the City decided to sell it in late 1995. A group of citizens banded together to save the City's historic graveyard. The group incorporated as the "Friends of the Langley-Woodman Cemetery". The City's Cemetery Board makes recommendations to the City Council as to rules and regulations, budgeting & the buy-back of plots. These citizen volunteers have done a wonderful service for the City.

2023 Cemetery Fund (104) Budget

Estimated Beginning Balance	\$53,063
Estimated Revenue	\$19,799
Estimated Expenditure*	\$37,522
*No transfer to capital reserve was included for 2023.	
Ending Balance	\$35,320



Lodging Tax Fund (“Tourism”) (105)

The resources of the Lodging Tax Fund is generated from a 4% Hotel/Motel tax distributed by the State as well as interest earned on the investment of those funds. Funds are awarded on a contract basis and expended in support of the Chamber of Commerce for promotion of tourism, to construct and maintain the public restrooms and Visitor Information Center, to support the promotion of the arts through Whidbey Island Center for the Arts [WICA], the County-wide Interlocal program, Island Shakespeare Festival, various Chamber programs, the Langley Whale Center, Whidbey Island Fair, the South Whidbey Historical Society and other local non-profits. In the past, it has supported Wayfinding signage, the Sea float scramble, and various other events.

1% of the hotel/motel tax is contributed to a county-wide tourism promotion program. The City of Langley, Coupeville and Island County all contribute to this pool.

The City set aside a reserve each year for several years to fund the construction of public restrooms. In 1996, U.S. Bank generously donated a piece of property on Anthes Street for the construction of restrooms and a Visitor Information Center. The long-awaited construction was completed in 1997. In addition to the City's reserve fund, a grant from the Port of South Whidbey, a grant from the State Coastal Zone Management Department and a small inter-fund loan were used to fund the facility.

2023 Preliminary Tourism Fund Budget - \$194,655

Beginning Balance	\$165,028
Estimated Revenue	\$235,000
Estimated Expense	\$293,460
Ending Balance	\$106,568

Capital Reserve Fund (303)

In 2023, the City's budget includes \$100,000 for engineering and demolition of the tower at the Old Firehouse (179 Second Street) and \$15,000 to finish the repair of the exterior brick at City Hall (112 Second Street) which will complete this project started in 2022. This project stabilized the building foundation by installing Helical Piles and polyurethane foam. The building restoration process will continue in 2023.



Water Improvement Project Fund (306)

The City is planning \$7,000,000 of infrastructure improvements. The \$4 million bond issue is joined by a \$3,000,000 Rural County Economic Development grant from Island County and \$250,000 from the Local Community Programs grant from the Department of Commerce. The project combines multiple capital improvements identified from each water, sewer and stormwater utility comprehensive plans and includes pavement restoration and a walkway. Each of the funded projects will be removed from the individual utility's capital budget. Project engineering is underway and is expected to be complete in June 2023. Construction is anticipated to begin at the end of 2023. The COVID 19 pandemic has caused supply chain issues as well as delays that will interfere and likely prevent the completion of some of the original project(s) contained in the Langley Infrastructure Project.

The Water Improvement Project Fund was established in 2019. It was funded by a \$4,000,000 bond (passed in November 2019), a \$3,000,000 Rural Economic Development Grant from Island County, and a \$250,000 grant from a Department of Commerce Local Community Programs Grant.



2023 Preliminary Water Improvement Project Fund Budget

Beginning Balance	\$3,998,094
RCEDG Funds	\$2,064,027
Total Revenues and beginning balance	\$6,062,121
Capital Expenses & Transfers Out	\$6,062,121
<u>Ending Balance</u>	\$0

The Water Fund (401)

The water utility maintains a commitment to provide safe, continuous, and quality service to its water customers and the community it serves.

The City of Langley provides water service 24 hours a day, currently supplying approximately 120,000 gallons per day of quality drinking water to customers. The utility spans over a service area of approximately 2.5 square miles, located both inside and outside of City limits. The public works department employs certified water operators who are responsible for the maintenance and operation of the water system, including 4 wells, 2 booster pump stations, 105 hydrants, and over 45,000 linear feet of water mains.



The Department assures consumers are provided quality drinking water as required by local, State and Federal regulation and meet industry best management standards. The programs consist of operation and maintenance, valve exercising, directional flushing, cross connection control, water use efficiency, coliform monitoring, emergency response and sampling. A Consumer Confidence Report is distributed to all system users yearly.

Maintenance includes main and service line repair or replacement, daily monitoring of chlorine residual and well production, meter change outs, water facility grounds maintenance, leak checks, responding and troubleshooting customer concerns, meter installation and inspections, operation and recording of pumps and pressure checks, water main maintenance and meter reading, and ordering of needed supplies and parts. For a more detailed list, please refer to the State Department of Health approve 2018 Comprehensive Water System Plan.



The water utility fund provides for the services outlined above. It is a self-supporting proprietary fund which derives its revenues from providing water service through Council adopted water

rates, inspection fees collected for the inspection of new hookups to the system, late fees, account set up fees, water turn off/on fees, water lab testing, and interest earned on those revenues. The estimated revenue for the 2023 Budget is \$879,824.

The water utility fund pays for the staff wages, state excise tax, employee training, water sampling expenses, utilities, fuel and vehicle maintenance, parts, chemicals, supplies, repairs, postage, equipment, uniforms, operating permits, engineering, the water conservation program, administration costs related to the water utility and a transfer to the vehicle and equipment replacement fund, and a transfer to the Capital Fund.

2023 Water Fund Budget

Revenue

Beginning Fund Balance (estimated)	\$728,472
Water Services	\$866,324
Service Charges (on/off, late fees, setup)	\$2,500
Refunds-Temporary Receipts	\$5,000
Interest	\$3,000
Inspection/Permit Fees	\$3,000
Total Revenue and beginning balance	\$1,608,296

Expenses

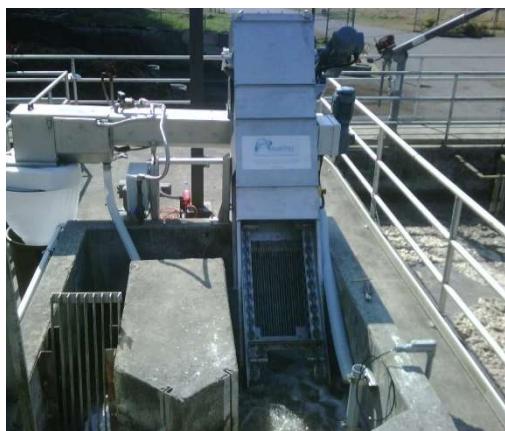
Operation & Maintenance	\$438,011
Transfer to Vehicle/Equip/Facility Reserve	\$15,000
Transfers to Capital Reserve	\$500,000
Transfer to Employee Cash-out Reserve	\$3,000
Transfers to Emergency Reserve	\$10,000
Total Expenditures	\$966,011
Ending Fund Balance	\$642,285

City Sewer Fund (402)

In 1992, the City completed the secondary sewer treatment plant construction. The plant has just completed its 30th year of operation. It is located on Coles Road at the southwest City limits. It contains three basic wastewater treatment process steps: preliminary treatment, secondary treatment, and disinfection. Treated effluent is discharged into Saratoga Passage. The plant is operating subject to permit conditions issued through the Washington State Department of Ecology. NPDES Permit, and Nutrient Discharge Permit for the effluent discharge, and a Biosolids Permit for a compost facility, to process the remaining solids.



The City public works department personnel are responsible the sewer collection and treatment, which must safely be conveyed from homes and businesses throughout the service area to the treatment facility. This is done through a sanitary sewer collection system, which consists of approximately 6.87 miles of pipe, and three lift stations (necessary due to the treatment plant being located at a higher elevation than the collection system). The City processes approximately 150,000 gallons per day. The treated water flows through 7,200 feet of pipe into Saratoga Passage. The solids are treated and composted on site. The City also accepts small amounts of septage to offset the cost to the ratepayers to operate the treatment facility. Small extensions to the system have been made in only a few areas in recent years.





Operation and Maintenance of the sewer system is handled by City staff, including billing, collection system maintenance, repair or replacement of sewer lines, side sewer inspections, yard waste and compost selling, yard waste receiving, daily sampling, daily recording, and reporting, ordering of needed supplies and parts, pump and generator maintenance, facility maintenance, emergency response, and equipment maintenance.

The sewer utility fund is a self-supporting enterprise fund which derives its revenues from providing sewer service through Council adopted sewer rates, inspection fees collected for the inspection of new hookups to the system, septage receiving, compost and yard waste ticket sales, office rental to the other departments, miscellaneous items, and interest earned on those revenues.

The sewer utility fund pays for the staff wages, state excise tax, engineering, repairs, fuel and vehicle maintenance, composting and yard waste program, employee training, state required sampling expenses, utilities, parts, chemicals, supplies, equipment, uniforms, operating permits, an operating transfer to the General Fund for administrative costs related to the sewer utility, a transfer to the vehicle and equipment replacement fund, and a transfer to the sewer equipment reserve.

2023 Sewer Fund Budget

Revenue

Beginning Fund Balance (estimated)	\$768,617
Sewer Services	\$732,116
Septage Receiving/Compost	\$8,000
Yard waste	\$11,000
Interest	\$3,500
Inspection/Permit Fees	\$500
Total Revenue and beginning balance	\$1,523,733

Expenses

Operation & Maintenance	\$527,098
Transfer to Vehicle/Equip/Facility Reserve	\$10,000
Transfers to Capital Reserve	\$255,000
Transfer to Employee Cash-out Reserve	\$4,000
Transfers to Emergency Reserve	\$750
Transfers to Facility Reserve	\$500
Total Expenditures	\$797,348
Ending Fund Balance	\$726,385

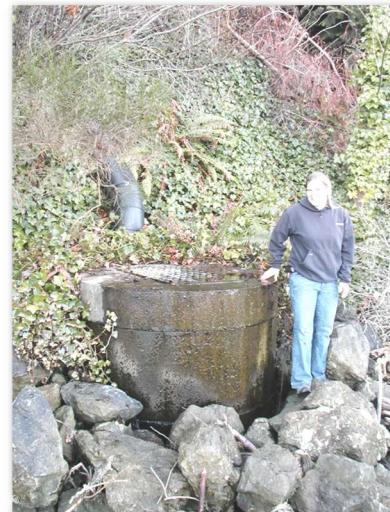
Stormwater Utility Fund (403)



This fund was implemented in 2010. Stormwater was included in the Street Fund before this time. An update of the Comprehensive Stormwater Management Plan in 2009 identified many deficiencies in our stormwater system and recommended a plan to make improvements. Langley is bowl-shaped where rainwater flows downhill to the central core of Langley. The rainwater runs off impervious surfaces, such as streets and driveways. A system of ponds, collectors, catch basins, pipes, drainage ditches, and filters handles the runoff to prevent flooding, street deterioration, and to ensure runoff meets environmental standards when it flows into Puget Sound.

The City's current stormwater system is not adequate to prevent flooding and many of our streets are deteriorating because of this. The costs are substantially more to fix streets than to install adequate stormwater systems. The comprehensive plan identified needed capital improvement projects where there is not a conveyance system, or there is inadequate equipment, or where water quality needs to be improved before the water reaches the sound.

For many years storm drainage had been a part of the street fund. Stormwater fees had not been raised since 1994 and were inadequate to cover the payment on a PWTI loan for the Park Avenue Interceptor Project, with no maintenance on the existing systems. It also provided no capital for improvements. The street fund was using money needed for roads and streets to pay for the stormwater maintenance. The City Council members acted in 2009 and raised the fees to cover maintenance and start to accumulate funds for improvements.



Operation and Maintenance includes stormwater line repair or replacement, inspections of stormwater facilities, catch basin cleaning, ditch maintenance (mowing, debris and litter removal, and sediment removal) and clearing of culvert openings,

detention pond sediment control, infiltration basin maintenance, leaf pick up in street gutters, and rain garden maintenance.

The stormwater utility fund provides for the services outlined above. It is a self-supporting proprietary fund, which derives its revenues from providing stormwater service through Council adopted stormwater rates and interest earned on those revenues.

The stormwater utility fund pays for the staff wages, state excise tax, employee training, utilities, fuel and vehicle maintenance, equipment, uniforms, engineering, an operating transfer to the General Fund for administration costs related to the stormwater utility, a transfer to the vehicle and equipment replacement fund, and a transfer to the Capital Fund. A low interest loan from the State Public Works Trust Fund for the 1998 Park Avenue Stormwater System was paid off in 2018.

2023 Stormwater Fund Budget

Revenue

Beginning Balance (estimated)	\$330,614
Rates & interest	\$294,594
Interest & Other Earnings	\$1,500
Total Revenue and beginning balance	\$626,708

Expenses

Operation & Maintenance	\$124,382
Transfers to Emergency Reserve	\$750
Transfers to Capital Reserve	\$150,000
Employee Cash-out Reserve	\$3,000
Transfers to Vehicle/Equipment/Reserve	\$2,000
Total Expenditures	\$280,132
Ending Fund Balance	\$346,576

Water Capital Reserve Fund (405)

This fund was created in 2011 to save money for capital water expenses. The money in this fund comes from the water system connection fees and contributions made from the water operating fund through rates adopted by the City Council. The estimated 2023 revenue is \$2,608,697 including the beginning balance.

These monies are used for capital improvements to the water infrastructure and to pay for debt service on those improvements.

In 2023, the City is planning five watermain replacements. Water Capital Reserve from this fund will cover \$1,283,869 for the Edgecliff watermain replacement and a portion of the Fourth Street watermain replacement. The project design and construction of 4 of the 5 projects will be funded through the Water Improvement Project Fund (306) which contains funds from the Rural County Economic Development grant from Island County.

The estimated 2023 revenue, including cash carryover is \$2,608,541.

2023 Water Capital Reserve Fund Budget

Revenue

Beginning Balance (estimated)	\$2,046,477
Estimated Connection Fees	\$57,220
Interest & Transfers In	\$505,000
Total Revenue and beginning balance	\$2,608,697

Expenses

Capital Improvements Expense	\$1,283,869
Total Expenditures	\$1,283,869
Ending Fund Balance	\$1,324,828



Stormwater Capital Reserve Fund (407)

This fund was established in 2013 to accrue funds to construct the capital projects identified in the 2009 Comprehensive Stormwater Management Plan. Monies from this fund went to the stormwater improvements on Second Street in 2014, and improvements to the Northview stormwater detention pond in 2015. Minor storm repair projects were carried out in 2016 and 2017. Unexpected mandatory repairs were completed in 2019 during the Third Street Water Main replacement project.

In 2023, the City is planning four stormwater capital improvements. The remaining project design engineering and construction of the stormwater main extension on Edgecliff are eligible to be funded by the Rural County Economic Development grant from Island County. The three remaining projects will be funded by the Water Utility Management Bond. \$50,000 has been allocated for unexpected repairs.

The estimated 2023 revenue, including cash carryover is \$759,772.

2023 Stormwater Capital Reserve Fund Budget

Beginning Balance (estimate)	\$657,272
Interest & Transfers In	\$152,500
Total Revenue and beginning balance	\$809,772
Capital Improvements Expense	\$50,000
Total Expenditures	\$50,000
Ending Fund Balance (estimate)	\$759,772



Sewer Expansion and Improvement Fund (408)

This fund was established in 2002 by combining the existing Sewer Revenue Bond Fund and the Sewer Construction Funds. All commercial sewer surcharges, charges in lieu of assessment (ULID 8), special assessments (LIDs), sewer connection fees or facility charges, and investment income are deposited in this fund to pay sewer capital expenses, and sewer debt service for improvements, and extension to the sewer system. The estimated 2023 revenue, including cash carryover is \$1,929,816.



These monies are used for capital improvements identified in the Sewer Comprehensive Plan. The one debt service, the State Revolving Fund loan was a 20-year, zero interest loan, which was issued to the City in 1994 to pay for the City's portion of the construction costs for the \$5.2 million secondary sewer treatment plant, was paid in full at the end of 2013. The Comprehensive Sewer System Plan was updated in 2016 and identified that inadequate resources were available to fund needed capital improvements. Rate increases were put in place to address this deficiency.

In 2023, the City is planning to replace eight segments of the sewer collection system. The project design engineering for six projects and construction of two projects will be funded with the 306 – Water Improvement Project Fund. Sewer Capital Reserve Funding of \$494,000 will fund the replacement of one section of collection system, resurface the Treatment Plant Chlorine Contact Chambers. Additionally, the Sewer Comprehensive Plan Amendment will start in 2023 to address new regulations from the Washington Department of Ecology General Nutrient Permit and The City of Langley multifamily infill code. Grant funding from the Department of Ecology is expected to cover a portion of this project, the process of drafting the grant agreement is currently underway.

2023 Sewer Capital Reserve Fund Budget

Beginning Fund Balance	\$1,537,260
Connection Fee Revenue & Miscellaneous	\$44,139
ULID#8 Surcharge/connection	\$35,000
Transfer in from Sewer Fund	\$255,000
Interest Income	\$12,000
Total Revenue and beginning balance	\$1,929,816
Expenses	
Capital Extensions/Improvements Expense	\$494,000
Total Expenditures	\$494,000
Ending Fund Balance	\$1,446,456

Public Works Vehicle and Equipment Reserve Fund (501)

This fund is dedicated to saving and paying for the replacement of vehicles and capital equipment used by the public works department. The revenue in this fund comes from contributions made by the Street Fund, Water Fund, Sewer Fund, and Stormwater Fund. The public works department is currently working to establish a plan for replacement of vehicles and equipment based on age, use, need, etc. The City, when feasible, purchases the most energy/fuel efficient vehicles available for the needed uses.

No public works vehicles were replaced in 2022. In 2023, \$24,000 is budgeted to replace Street Paint Machine.



2023 Public Works Vehicle & Equipment Reserve Fund Budget

Beginning Balance	\$82,150
Interest & Transfers In	\$33,000
Estimated Expenses	\$24,000
Ending Fund Balance	\$91,150

Appendix A – Budget Detail

(Attached 27-page spreadsheet)

Appendix B - Organizational Chart (to be included in 2023 version)

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Appendix C – BUDGET ACCOUNTING AND REPORTING SYSTEM [BARS] pgs 65 and 66

The Budget, Accounting, and Reporting System [BARS] Code protocol was established in the State of Washington in 1909 as part of a nationwide trend at the time to bring local government corruption and misuse of public funds under control. All local government municipal and county agencies in the state must use the BARS protocol and report to the State annually. Every two years municipalities are audited. Larger municipalities tend to use BARS protocol for accrual accounting (GAAP), while smaller municipalities tend to use BARS protocols for cash basis accounting. Langley has always used cash basis accounting. There are pros and cons to each, and it may be worth looking at accrual accounting as an option for the future.

In the budget spreadsheet you will see an 18-digit BARS code for every line item (row of information). In future editions of this budget there will be additional narrative, a listing of the BARS codes used by the City of Langley and line-item notes to give more detailed explanations for specific line items.

For a brief introduction to the BARS system, watch this video:

https://portal.sao.wa.gov/trainingfiles/Introduction_to_the_BARS_Manuals/story_html5.html

BARS Codes for Non-Proprietary Fund (for the first 3 digits):

Code 000s - General (Current Expense) Fund

Council, Administration, Finance, Records
Police, Physical Environment, Economic Development, Planning/Community
Development, Building Dept., Community Services, Library, Parks Department,
Debt Service, Equipment and Technology (001)

Code 100s - Special Revenue Funds

Streets/Transportation (101)
Cemetery (104)
Tourism (105)

Code 200s - Debt Service Funds

Langley Improvement Project (LIP) Fund (202)

Code 300s - Capital Projects Funds

Capital Reserve Fund (303)
Water Improvement Project /
Langley Improvement Project (LIP) (306)

Proprietary Funds:

Code 400s - Enterprise Funds

Water Fund (401)
Sewer Fund (402)
Stormwater Fund (403)
Water Reserve Fund (405)
Stormwater Reserve Fund (407)
Sewer Improvement Fund (408)
Water Quality Improvement Fund (409)

Code 500s - Internal Service Funds

Public Works Vehicle Reserve Fund (501)

Fiduciary and Permanent funds – Not used by the City of Langley

Code 600 - Fiduciary Funds
Code 600-609 - Investment Trust Funds
Code 610-619 - Pension (and Other Employee Benefit) Trust Fund
Code 620-629 - Private-Purpose Trust Funds
Code 630-698 - Custodial Funds
Code 699 - External Investment Pool Fund
Code 700 - Permanent Funds

Appendix D - Glossary (to be included in 2023 version)

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Appendix E - 2023 Budget Ordinance

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