2021 Budget Notes

Levy

- The rate of inflation for Washington State (aka implicit price deflater) is actually below 1% for 2021 at .602%. We must go with this rate unless we submit a letter indicating "Substantial need" for 1%. Otherwise, we could choose to bank capacity for the future.
- Assumption: we apply for substantial need. Levy up 1%; assumes new construction of $5,000. **Have not received the preliminary levy worksheet from the County yet.** Received the Preliminary Levy Worksheet. Total Vashon assessed property values are down $43m over last year. Therefore, our rate does not erode, but we get less -- $1,497,413 (2020 was $1,517,518; down $20k from 2020 and $40k from our forecast).

- By November 30, must submit the attached resolution and ordinances to King County - motion to pass this meeting and vote to approve next meeting with up dated numbers.

This drop in value is consistent with information provided by the King County Dept of Assessments for Vashon. Sales prices from 2019 to 2020: Land down 9.2%; Improvements up 2.6%; total value down 1.2%. Comparatively, King County home values went up 10.5% over the past year and are expected to increase 8.5% in 2021.

At the last meeting, we determined that we had an extra $300kish due to this year's cash carry-over. I was tasked with looking at various combinations of capital projects, wage increases, and increased recreation programming relative to future forecasts, particularly concerning our ability to sustain wage increases over the years.

I looked at the forecasted Unincorporated King County assessed value to see if our levy might go up or decrease over time.
I looked at the forecasted Seattle CPI-U to get a sense for cost of living increases.

Unincorporated King County assessed value was up 4.87% from 2019 to 2020. Forecasts:

		Assumed Vashon Total assessed value:	Seattle CPI-U
2021	1.18%	3,327,584,519	2.29%
2022	1.88%	3,390,143,108	2.74%
2023	3.20%	3,498,627,687	2.56%
2024	-1.51%	3,445,798,409	2.81%
2025	-1.28%	3,401,692,189	2.76%
2026	-5.42%	3,217,320,473	2.64%
2027	1.31%	3,259,467,371	2.71%
2028	-2.22%	3,187,107,199	2.73%
2029	3.49%	3,298,337,237	2.69%

These forecasts drive my assumptions about 1% increases for VPD's levy dollars in 2022 and 2023 but indicated long term flat levy dollars if we stay at a 45 cent rate in future levies.

Unfortunately, too our Beginning cash is less than what we anticipated at the last meeting- Enduris changed their policy of allowing Districts to split the payment relative to our cash flow. Got zinged by an auditor. Had to pay in full in November 2020 - extra $45k this year. Also, I sense October receipts were short, although not confirmed. Assume $800k starting cash (down from $870k}.

Two pieces of bad news concerning our levy revenue for 2021:

1) I received an updated Preliminary Levy Limit worksheet from the Assessor's office. Property value assessments are even lower than originally projected – down $63 million, as opposed to the $43 million decrease reported from the first preliminary worksheet. That translates to a decrease in our levy dollars of an additional $8700 and a drop from 2020 of $28,000. The attached "2021 Budget – Draft 2 – revised levy down" reflects that hit – not the end of the world.
2) Then, we learned last week that the Healthcare District is not taking 52 cents as was reported in the Beachcomber a couple weeks ago – they are taking $.588. This rate was approved at the Healthcare District's last Board meeting. As a stand-alone, that hits us by .02054 cents, or nearly $68,000.

And we know the Fire District is going back up to their full $1.50, which hits us by another .02053, or nearly $68,000.

So all told, we are potentially being pro-rationed just over 4 cents (.04107), or nearly $136,000 ($135,864). This translates to 9.1% of our levy dollars. Together with the drop in dollars from the property value decrease, we are down $164,000, or 10.8% from 2020 – from $1,516,860 to $1,352,787, close to where we were in 2019 at $1,337,742. "2021 Budget – Draft 2 – prorationed" illustrates how we are affected – reserves down to $373, 158 and completely unsustainable going forward.

Now, we don't know what the King County rates will be – there could be some erosion there, since property values rose in King County as a whole. I have reached out to the assessor's office for any information about those rates, but they say it is a bit too early to know. She hopes to have an update early next week.

I think we need to plan to these numbers, then happily add back in as the levy dollars allow. Options are to cut staff costs, services, or capital projects.

Admin

- Wages: https//: www.bls.gov/regions/west/news-release/consumer priceindex_seattle.htm

August CPI -1.6% from last year. Since our numbers are so skewed, I am going with 2019 budget numbers and assuming a 3% increase. Staff is a bit grumbly about not receiving their 3rd "$50k bucket increase," although they understand we can't do it at a 45 cent levy rate; potential pro-rationing; and optics of a substantial pay increase given the economic downturn. $50k bucket increase+ 1.6% COL - can't do it. Reserves plummet, and cash gets tight September, 2023. Cannot go higher than 3% for 2021 to sustain a $400k reserve. Future years will have to be in line with CPI, since levy dollars appear flat at the 45 cent levy rate.

Marshall - assume½ time through March. Assume full time January.
Sue - assume 17 hours per week through March.

- Health going up @ $200 per person
- Election/Audit/Contingency-2 board position elections+ audit
- Insurance - up about $10k over last year
- Walking Trail books -$3,000

Maintenance

- Reduced revenue to COVID assumption.
- Wages - assumes Jason out through August, so no Maintenance Lead until then. Added Gate Attendants.
- Materials - only one topdressing due to light use.
- Vehicle Maintenance - three trucks need new tires.

Commons

- Revenue - Assume very little inside reservation through March, but there will be field use. Reduced revenue to COVID assumption.
- Interlocal fee - VISD was very gracious about discounting the fee in 2020, but field use is picking up. I assumed the ordinary fee, but I will push for a discounted fee if use is still low.

Programs

Wages - Vandalism is a constant problem at BARC. We would like to staff it 32 Hours per week@ $15 per hour Wed - Sun. Otherwise, the open building is a haven for drug and alcohol use. Increase wage budget $23k.
Misc Programming - see attachments
Added $25,000 for programming
Remove $10,000 from programming

Pool

- Assume full service in summer, although I doubt that will happen
- January -April likely lap swim + family reservation, but lifeguard costs are still the same for the number of hours open. Assume normal hours, just lighter attendance. Assume normal Fall.
- Supplies - up $3750:
  - Uniforms -- $750
  - Swim Equipment (Boards/ buoys/ clock) -- $600
  - Lifeguard Supplies -- $600
  - New Radios -- $400
  - FA/CPR/ AED Manikin kit -- $1400 [The ones we have are not very functional)
- Tools and equipment - up $3155
  - Chemical Room Fan -- $475
  - Boiler Room Fan -- $500
  - Mower Blade -- $30
  - Elevated Guard Chair Maintenance -- $350
  - Signage for Doors -- $100
  - New heaters w/ re-wire for locker rooms -- $500
  - Stenner Pumps x2 -- $350 each [as backup when current ones fail]

Point Robinson

- Extraordinary Maintenance - add 4 6-foot picnic tables
- Furnishings
  - QA Lower Bathroom:
    Tile 600 - Seal on existing lenolium failed and the flooring needs work.
    Sink 500 - current model outdated
    Light + attachments 200 - current model outdated
    Mirror 250 - current model outdated
  - QB Tub 700 - badly chipped

Fern Cove

- Extraordinary Maintenance - extra $700 for tub reglaze.
- Furnishings - High capacity washer $1300; High Capacity Dryer $1,000. Current units (donated in 2016) are aging out.

RFA

- Add Scholarship budget of $5004 based on trend of past 3 years average.

Capital

- VES restroom $66,067 outlay; $60k grant income
- Ober-$175k outlay; $175 grant income; $22,718 outlay
- Lighthouse safety modifications - $5k outlay
- Village Green entry - $800
- Added scheduled CIP for 2021:
  - BARC Field Regrade $20,000 Remove $20,000
  - Burton Acres/ Wingehaven Ivy Remediation $60,000 Remove Wingehaven $30,000
  - Fern Cove Dormer Repairs $10,000
  - Fern Cove Painting $22,000
  - Fern Cove Foundation Repairs $30,000
  - Ober Park Roof Replacement $75,000 Remove $75,000
  - Ober Park Sidewalk $10,000
  - 1 truck $32,500
  - Tramp Harbor Dock Survey $10,000
  - Kiosks $10,000 Remove $10,000

Remember, we may be getting $1/2 million from the sale of our properties to King County to use for capital.

- Other Desired/Potential to Consider:
  - Add Tramp Harbor Dock?
  - Pool Needs:
    - Exterior parking lights - engineering report estimated $42,000
    - Hot water heater - $10,000
    - Natural gas burner for the boiler - $11,000
    - Repair of the solar system - ?? (not crucial, as one side still is operational)
    - Slide - ??
    - Patching or resurfacing the bottom - engineering report estimated $232,573 for a full refinish of the pool liner. Just patching adds@ $5,000, as it requires draining the pool (need hydrologist to measure groundwater level; cost to drain; cost to refill).

Other Budget Considerations

- I did not figure in the likely $1/2 million we will get from KC for the sale of the goofy properties.
- A new round of King County grants are coming up - need to think about that.
- Our forecast goal for ending cash, 2021, was $400,000. Potential big ticket items for $300k:
  - Increase staff wages by more than 3% but not the full $50k bucket
  - More recreation programming
  - More CIP (but consider my bandwidth for managing)
  - Save it in the event of pro-rationing

With the drop in beginning cash and levy receipts:

- Recreation Programming up $25k to $75,000
- CIP at $295k, up from @ $245k from last meeting's draft;
- Wages can only be increased 3% max unless we drop the above recommended CIP; every 1% increase in personnel costs is @ $11,000 annually

This leaves us, then, with ending cash at $517k- a comfortable cushion over our necessary $400k reserve. But at that, I recommend cutting back CIP until we have a better sense of where the economy is going. Drop:

- BARC Field Regrade $20,000
- Ober Park Roof Replacement $75,000
- Ober Park Sidewalk $10,000

The pro-rationed levy dollars are not sustainable. Assuming a 1% increase year after year and no capital projects, we not only cannot keep up with inflation, but our reserves drop significantly below $400k, and we're borrowing in 2024:

	Levy $	Reserve
2022	$1,366,315	$344,537
2023	$1,379,978	$267,525
2024	$1,393,778	$222,741

Assuming no capital projects, no wage increases for staff (not even cost of living), and $50k recreation programming:

2022		$453,378
2023		$317,178
2024		$303,653

It is not sustainable, just considering operations. We will have no choice but to curtail services and staff.