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UPPER VALLEY PARK AND RECREATION SERVICE AREA BOARD

BOARD CHAIR JASON LUNDGREN – LEAVENWORTH CITY COUNCIL
VICE CHAIR MIA BRETZ – LEAVENWORTH CITY COUNCIL
SECRETARY LAURI MALMQVIST – PESHASTIN
AARON SIMON – CASCADE SCHOOL DISTRICT
BOB BUGERT – COUNTY COMMISSIONER
ERON DREW - CHUMSTICK
SECTION 1: BOARD CHAIR AND ADMINISTRATOR'S BUDGET MESSAGE

Honorable Upper Valley Park and Recreation Service Area Board and Citizens of Leavenworth City of Leavenworth, Washington.

Submitted herein is the 2021 Upper Valley Park and Recreation Service Area (PRSA) annual operating Budget. This annual budget is submitted consistent with RCW 36.68.530. The enclosed financial data has been reviewed by both the PRSA Board and City of Leavenworth staff toward final adoption of the 2021 annual budget by Resolution to be held at the November 12, 2020 PRSA Board meeting. In addition to representing the legal authority to expend public funds, this document describes the 2021 budget process and resulting transfers of the Districts funds to the City of Leavenworth for authorized use in support of the operation of the Leavenworth Hopkins Memorial Pool.

READER'S GUIDE TO THE BUDGET / Explanation of the Budget Document

The PRSA was established by voter approval at the November 4, 1997 General Election and the PRSA Board was formed in April 1998. Through the creation of an Interlocal Agreement, as authorized under RCW Chapter 39.34 Interlocal Cooperation Act, the Board established membership to include one County Commissioner, two Leavenworth Cty Council Members, and one representative each from the Cascade School District #228, the Peshastin Community Council and the Chumstick Community Council. The budget document incorporates the PRSA Board’s priorities that are annually incorporated in the Board’s Resolutions for passage of a budget to assist in operating the Leavenworth City Pool.

Budget Preparation Timeline

The Board’s budget is prepared with the input of the Chair, Board members, and city staff based upon on-going reviews of the pool’s budget. The 2021 budget development process incorporates quarterly meeting discussions of the pool’s annual priority needs and future capital improvements. Due to the limited time that the Board meets, the budget is compiled by city staff and distributed for Board consideration prior to the annual meeting in November of each year. The Board is tasked with adopting the annual operational budget and any bond levy resolutions necessary to request property taxes through the Chelan County Assessor’s Office by no later than November 30 of each year.

Key Budget Issues: Revenue, Initiatives and Expenditure Sources

The PRSA’s funding is comprised of revenue from property, excise and timber taxes which are then transferred to the City of Leavenworth for the operation of the Leavenworth City Pool. The property tax funding includes an Operation and Maintenance Levy. Prior to 2020 the funding included a bond fund for property tax collections that is being completed in 2020. Starting in 2018, the Board began working on strategic planning for the future of the PRSA as the current entity will cease to exist by December 2022 if a new entity is not established through voter approval. The Board developed and prepared a new 6-Year Operation and Maintenance (C&M) levy request in 2018 that voters approved beginning in 2019 at a rate of $0.11 cents per thousand of assessed property values. This approval ensures the continued operation of the pool through the 2022 season. Over the past three years, the Board’s discussions have been centered on the structure of the PRSA, the current and future services provided by the PRSA, and any capital improvements needed at
the pool or other recreational improvements within the Park and Recreation Service Area. These
discussions and public outreach are planned to continue through 2022 when a new ballot measure
will be presented to the voters. In 2021 / 2022 the PRSA Board will gear up to take formal action
to maintain the existence of the PRSA. The PRSA board will need to consider the future function
of the PRSA moving forward and geographical represented area.

Another area of focus for the PRSA are investments for capital improvements of the pool. The pool,
which was constructed between 2000 and 2002, is currently 18 years old. Over the last several
years a number of mechanical components have been replaced and the pool filter rebuilt. In 2018
the Board identified the need for a significant funding source by 2019 to resurface the interior of
the pool; the anticipated cost was estimated at $150,000. The 2018 budget year did not address
the capital needs; however, a small funding reserve has slowly been growing for month to month
cash flow purposes that began in 2013 with an increase in the annual operation and maintenance
levy that was approved by voters in 2012. The increase in the annual levy approved by voters in
2018 continues to build that reserve to a healthy operational balance for the first time. This cash
reserve is maintained within the City of Leavenworth Pool Budget. In 2017 the Board looked at
revenue options, including but not limited to, a new construction bond option for 2019 to assist in
covering the cost of the resurface project and other potential improvements. Unfortunately, a
request for a new six-year maintenance and operation levy was rejected by voters in August 2018
that included the necessary increase in funding to address the pool resurfacing project. The Board
subsequently submitted to the voters another request to maintain just enough funding for the
maintenance and operation of the pool at eleven cents per thousand that successfully passed in
November. In late 2018, after the failure of the larger levy request to fund the resurface project,
the Leavenworth City Council authorized a partnership of funding to proceed with the project by
providing two-thirds of the funding from the City’s General Fund and Lodging Tax Funds and
provided the PRSA with a 3-year loan for the remaining third; the project was subsequently
awarded at a final cost of $183,139.01 that included the resurface project and a new surge tank
that had failed over the 2018-2019 winter season. The project got underway in 2019 with the surge
tank being completed prior to the pool opening in May of 2019 and the resurfacing was completed
in the spring of 2020. Due to the COVID-19 Pandemic in 2020, the City was not able to open the
pool to the public; however, this created a reserve for the Pool Fund and the ability for the Board
to address other capital improvements that have been discussed for nearly a decade, such as the
replacement of the diving board, consideration for shade area options, the expansion of tables and
concrete seating areas from underutilized sections furthest from the diving tank. In addition, the
Board continues to explore the potential for either a dome or full coverage of the facility; this capital
expense could be funded with grants, donation, or from a separate voter approved construction
bond in the future.

As noted above, the PRSA’s budget is solely comprised from the collection of property taxes which
are then directed towards debt service or pool operations. Included within the PRSA’s current
budget is property tax funding for the annual operation and maintenance (O&M) levy that must be
renewed at least every six years for the pool to remain viable. The operation and maintenance levy
collections are captured within the General Fund while the bond collections were captured in a
separate Bond Fund.

Of the taxes collected by the PRSA in 2020, $166,000 is anticipated to be transferred to the City of
Leavenworth for operations; due to the Board’s previous collections for the Construction Bond
Fund, no taxes were needed for the final payment that is due in 2020. The original capital loan to
build the pool will be paid off in December 2020.
In 2021, the Board will consider the annual increase of 1% in property taxes for the operations and maintenance levy that will generate approximately $1,677 additional dollars for a new budget of $169,400. This figure could come in slightly higher due to annexations and new construction within the PRSA’s boundaries. A 1% increase for the PRSA’s tax request is an increase for the entity itself; individual property owners’ assessments can vary from year to year based on reassessment of their property by the Chelan County Assessor’s Office; individual property taxes could be lower or higher based on those specific assessment adjustments. Below is a chart of the PRSA’s annual property tax requests for the Construction Bond and Maintenance and Operations Levies:

PRSA Annual Property Tax Requests

In addition to the property tax funding, user fees provide for approximately 37% of the operating budget. User fees include seasonal/daily passes, rentals, and swim lessons. These user fees generate approximately $99,500 to assist in offsetting the Pool’s estimated annual $300,000 operating budget.

Acknowledgments

We would like to express our sincere appreciation to the PRSA Board and city staff for their effort, dedication and diligence in developing a budget that reflects the expectations of the Board and citizens of the Upper Valley Park and Recreation Service Area. We also want to express our gratitude to the residents within the Service Area and the citizens of Leavenworth for their support of the operations and maintenance tax levy and in providing the City with the tools to accomplish the maintenance and improvements necessary to operate the City Pool.

We would also like to thank the Leavenworth City Council for their interest and support in planning and conducting the financial operations of the City Pool in a responsible and progressive manner.

Sincerely,

Jason Lundgren
Board Chair

Ana Cortez-Steiner
City Administrator
SECTION 2: POLICIES, ORDINANCES AND RESOLUTIONS

The Policies, Ordinances and Resolutions section reviews the Board’s accounting and budgeting procedures. This section includes the budget creation process which explains the steps involved in the preparation and administration of the budget that reflects the final adoption by resolution for the 2021 Operating Budget.

BUDGET CREATION AND PLANNING

This operating budget represents the Upper Valley Park and Recreation Service Area’s comprehensive financial and operational plan for 2021. The primary intent of this document is to answer two basic questions: Where do the District’s funds come from? And how will those funds be used?

In addition to providing financial planning and legal authority to obligate public funds, the annual budget provides policy direction from the PRSA Board to the City of Leavenworth Staff and the Community. As a result, the PRSA Board, Staff, and public are all involved in the process of budget development.

Since the PRSA only has one source of revenue, property taxes, it is simplistic from a budget perspective in that only one revenue source is necessary for the budget. Due to the varied nature of projects and funding packages that the City of Leavenworth needs to operate the pool, funds generated by the District will be directly transferred to the City for project specific expenditures. This process allows for the District to be less restricted in budget development and annual reporting requirements with only one general fund being identified. In addition to the General Fund, a separate Bond Fund was established to receive property taxes and make the annual debt service payments for the construction of the pool that are completed by the Chelan County Treasurer’s Office; this fund will be closed out in the 2020 budget year after the final payment is made.
SECTION 3: Board Roles and Protocol

Board Roles

The Board Chair and the Board Members have previously discussed their respective roles and expectations in order to reach an understood protocol for conducting Board business. The Board operates similar to a Mayor/City Council form of government.

The role of the Board Members is to adopt policies for the District, while the Chair’s role is to administer and execute those policies. This accurate yet simplistic distinction, however, can create both confusion and antagonism. Although the Chair does not specifically set policy, it is certainly appropriate for the chief executive to introduce policy options and recommendations, which comprises part of the leadership role of the Chair.

Under the ‘separation of powers doctrine’, the Chair and Board Members exercise certain defined powers that are free from unreasonable interference by the other. As the chief executive and administrative officer of the Board, the Chair is responsible for carrying out the policies set by the Board and seeing that local laws are enforced. Additionally, the Chair and his/her administrative staff run the day to day operations of the Service Area.

It is also the role of the Chair or Chair’s designee, in this case it includes the Leavenworth City Staff, to prepare meeting agendas, preside over meetings, report to the Board on matters involving Administration, and to propose policy initiatives or changes. While agenda preparation is left to the City Staff, the agenda content is based on both Staff and Board Members input.

In addition to setting policy, the Board Members have final authority over budgeting and contracting. The Board may, however, delegate purchasing authority to the Chair and Staff.

Parliamentary Procedure

Additional clarification is presented regarding parliamentary procedure. Upon considering an agenda item, the Chair will entertain a motion and a second of that motion from the Board to approve an agenda item in order to open Board discussion of an issue.

In the event that a staff presentation and/or public hearing are required for the agenda item, the presentation and/or hearing will take place prior to any Board discussion. Board Member questions of staff will take place during the staff presentation, which will be followed by the public hearing, if required.

The Chair, upon completion of the staff presentation and/or public hearing, will then entertain the motions from the Board, as described above, in order to begin discussion of the issue. Board Members may ‘call for the question’ to bring forth a vote on the issue, but that ‘call for the question’ itself may require a vote to end Board discussion on the item of business.
SECTION 4: Revenues and Expenditures

GENERAL FUND

The PRSA's General Fund is used to account for the revenues and expenditures that provide general government services. Revenues for the General Fund come solely from taxes that are collected by the Chelan County Treasurer and issued to the PRSA Board when requested. In order to minimize reporting requirements and ease of distribution of revenues, the PRSA Board only adopts one operating expenditure line that will transfer funds to the City of Leavenworth's Pool Fund. The Board Members will annually evaluate the City Pool's revenues and expenditures to determine the amount of funds to be transferred each year. In compliance with budgeting and annual reporting requirements, the budget includes reviewing two previous years of actuals with the current year showing budget versus actual year to date totals and the future year's budget estimate.

**General Fund Revenues – Fund 001**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020 Budget</th>
<th>2020 Actual thru 6/30/2020</th>
<th>2021 Budget Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$ 1,918</td>
<td>$ 1,647</td>
<td>$ 1,950</td>
<td>$ 891</td>
<td>$ 1,000</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$126,643</td>
<td>$160,267</td>
<td>$166,000</td>
<td>$ 91,675</td>
<td>$169,400</td>
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<tr>
<td>Leasehold Taxes</td>
<td>$ 78</td>
<td>$ 112</td>
<td>$ 50</td>
<td>$ 49</td>
<td>$ 120</td>
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<tr>
<td>Timber Excise Taxes</td>
<td>$ 8</td>
<td>$ 165</td>
<td>$ 100</td>
<td>$ 63</td>
<td>$ 150</td>
</tr>
<tr>
<td>Transfer From Bond Fund</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 121</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Total Revenues:</td>
<td>$128,647</td>
<td>$162,191</td>
<td>$168,221</td>
<td>$ 92,678</td>
<td>$170,670</td>
</tr>
</tbody>
</table>

**General Fund Expenditures**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020 Budget</th>
<th>2020 Actual thru 6/30/2020</th>
<th>2021 Budget Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to City of Leavenworth.</td>
<td>$127,000</td>
<td>$161,300</td>
<td>$166,000</td>
<td>$ 88,500</td>
<td>$170,000</td>
</tr>
<tr>
<td>Total Expenditures:</td>
<td>$127,000</td>
<td>$161,300</td>
<td>$166,000</td>
<td>$ 88,500</td>
<td>$170,000</td>
</tr>
<tr>
<td>General Fund Balance:</td>
<td>$ 1,647</td>
<td>$ 891</td>
<td>$ 2,221</td>
<td>$ 4,178</td>
<td>$ 670</td>
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</tbody>
</table>
BOND FUND

The PRSA’s Bond Fund is used to account for the revenues and expenditures that provide for the debt service payments for the original construction of the Pool. The current debt schedule identifies December 1, 2020 as the maturity date for final payment of the bond. In the past several years, the Board has been maintaining the annual request of $89,000 in tax collections to build up the ending fund balance with the expectation of having the debt payments available one year earlier than required. By doing this the Board was able to reduce the property tax collections by nearly half in the 2019 year to cover the final payment due in 2020. Staff has annually evaluated the progress of this schedule to ensure excess collections are not requested, which would require a refund process to the tax payers. A small carryover of bond funds is acceptable and can be transferred to the General Fund in the final year of debt payments.

**Bond Fund Revenues – Fund 110**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020 Budget</th>
<th>2020 Actual thru 6/30/2020</th>
<th>2021 Budget Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$103,750</td>
<td>$114,747</td>
<td>$ 78,234</td>
<td>$ 78,528</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$88,754</td>
<td>$39,320</td>
<td>$ 0</td>
<td>$ 835</td>
<td>$ 0</td>
</tr>
<tr>
<td>Leasehold Taxes</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Timber Excise Taxes</td>
<td>$ 81</td>
<td>$ 24</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Total Revenues:</strong></td>
<td>$192,585</td>
<td>$154,091</td>
<td>$ 78,234</td>
<td>$ 79,363</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

**Bond Fund Expenditures**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020 Budget</th>
<th>2020 Actual thru 6/30/2020</th>
<th>2021 Budget Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Processing Fee</td>
<td>$ 300</td>
<td>$ 300</td>
<td>$ 300</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Bond Debt Principle</td>
<td>$70,000</td>
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<td>$75,000</td>
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<td>$ 0</td>
</tr>
<tr>
<td>Bond Debt Interest</td>
<td>$ 7,538</td>
<td>$ 5,263</td>
<td>$ 2,813</td>
<td>$ 1,406</td>
<td>$ 0</td>
</tr>
<tr>
<td>Transfer to General Fund</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$121</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Total Expenditures:</strong></td>
<td>$77,838</td>
<td>$75,563</td>
<td>$ 78,234</td>
<td>$ 1,406</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Bond Fund Balance:</strong></td>
<td>$114,747</td>
<td>$78,528</td>
<td>$ 0</td>
<td>$ 77,957</td>
<td>$ 0</td>
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</tbody>
</table>