



OFFICE OF THE MAYOR

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TO: Bellingham City Council and the Citizens of Bellingham
FROM: Mayor Tim Douglas
DATE: February 7th, 2007
SUBJECT: Presenting the 2007 Budget

The City of Bellingham is among the most livable, vibrant communities in the United States. It is a city of engaged, energetic citizens, spectacular natural beauty, and outstanding public facilities. Bellingham has a bright future with many exciting opportunities.

The 2007 Budget is a blueprint for the City's mission: To support safe, satisfying and prosperous community life by providing the citizens of Bellingham with quality, cost-effective services that meet today's needs and form a strong foundation for the future.

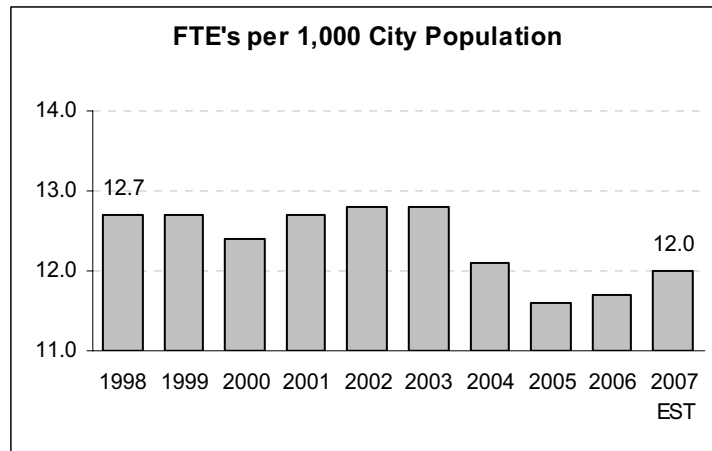
This balanced budget totals \$205.4 million, with a net General Fund total of \$66.6 million. It funds key community priorities and provides a wide range of services that are expected by Bellingham residents and/or mandated by federal and state governments. The budget enables the City to proceed with the goals adopted by the City Council.

The 2007 Budget:

- Strategically adds staff to maintain existing levels of service as the City's population grows over time.
- Enables the City to advance water quality protection in the Lake Whatcom watershed, with further land or property rights acquisition measures still pending Council consideration and action.
- Provides adequate dedicated staff to manage the Waterfront Redevelopment effort - an unprecedented opportunity to shape the community's economic and environmental future.
- Adopts an emergency management approach which takes seriously the responsibility we have to assure our ability to respond to natural disasters and other emergencies.
- Provides improved tools through Information Technology to enable the City to work more productively and efficiently.
- Anticipates the first phase of meeting citizens' library service needs, including a new main library.

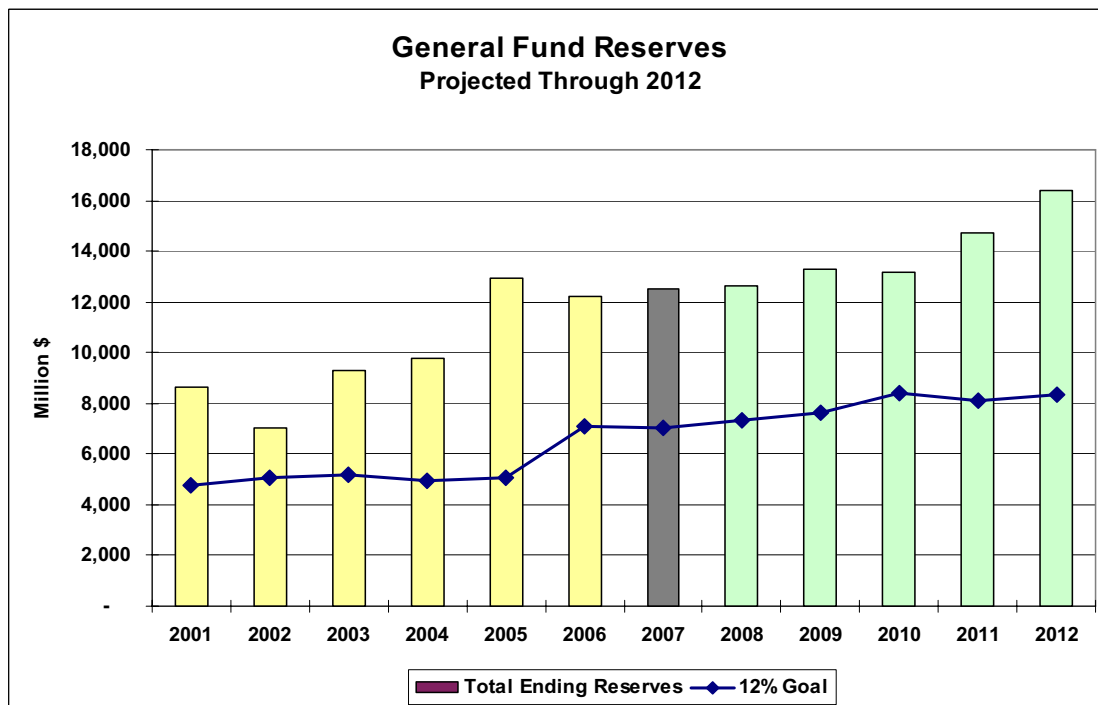
These changes add 15 positions in various departments in the General Fund. Reserves and projected personnel expenses have been reviewed to assure that positions can be sustained during the projects to which they are assigned. It is important to make sure that the overall ratio of staff to population is not excessive. As the following graph

illustrates, that ratio will be 6% below the staffing ratio we experienced in past years. We continue to operate effectively *and efficiently*.



City Reserve Levels

The following graph reflects changes in actual reserves over the past six years and projected reserves. The projections are based on what we can expect during the next six years as we anticipate the events listed above and if the historical trends in expenditures and revenues continue. As the graph indicates we expect to remain in strong financial shape for the next six years.



As in prior years, the budget includes a 1% Property Tax increase which amounts to about 35 cents per month for the average home. While this increase does not keep

pace with inflation, it is essential to maintain the relative balance of General Fund resources over time. It has been directed into reserves necessary to cover LEOFF-1 pension expenses in future years.

Local governments everywhere face financial challenges. Even in good times, the demands for services exceed the revenues available. Consequently we must continue to:

- Develop funding solutions for Public Employees Retirement System (PERS) and Washington Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement System increases, including internal and legislative options.
- Fine-tune our forecasts of both expenses and revenues.
- Ensure priorities remain in line with community needs/wishes. Work closely with all of the City's collective bargaining units and employees to identify cost saving measures without lowering service levels. Maintain our extraordinarily successful efforts to obtain State and federal funds for capital projects.
- Evaluate City programs to ensure high quality services are delivered in the most cost-effective manner possible. Other key areas of emphasis, activities and projects funded in the 2007 Budget include:
 - **Growth Management.** We will reappropriate unspent funds from the 2006 budget targeting growth and community building issues. This is intended to create a coordinated system for planning and addressing growth management issues that has broad public support and effectively maintains and improves the quality of life throughout the City and in the region.
 - **Capital Facilities Projects.** Real estate activity has declined in recent months, but many capital projects will be funded from Real Estate Excise Tax revenues. These revenues can only be used for specific expenses related to certain types of capital facilities. The 2007 budget includes funding from these restricted revenues, as well as funding available from grants, impact fees, utility revenues and sales tax revenues, for an array of capital projects, including:
 - A new bridge on Laurel Street to expand access to the Waterfront Redevelopment area.
 - Water and Sewer main extensions on Meridian in conjunction with the State's road widening project.
 - San Juan Boulevard improvements to provide alternate access to Interstate 5 thereby relieving some congestion along Lakeway Drive.
 - Sunset Drive improvements to expand vehicle, bicycle and pedestrian access out towards the city limits.
 - Continued enhancement of the City's pedestrian and bike access, specifically on Fraser Street, Northwest Avenue, Birchwood Avenue and James Street.
 - Continued annual street resurfacing program.
 - Preliminary design for a new City Library and for preservation of the Fairhaven Branch.
 - Anticipated construction of a new Art and Children's Museum.
 - Land acquisition as part of the Greenways III program.
 - Replacement of the City's aging telecommunications system.
- **LEOFF Medical and Pension Funding.** The City is required under RCW 41.18 and 41.20 to pay the pension and medical costs of LEOFF-1 current and former Fire and Police employees who meet certain hire or retire date requirements. A recent

actuarial study indicates that the present “value” of this liability is over \$48 million. As of October 1, 2006, the City has a total of \$7.8 million available in Fund Balance in both Fire and Police Pension and Long-Term Care Funds to cover this liability. The 2007 Budget directs all of the 1% increase in the property tax to the reserve to offset gradually this significant liability. This will reduce amounts required from the General Fund in the future.

The 2007 budget reflects our commitment to maintaining existing levels of service as our population grows, particularly in our top priority public safety services, by devoting more than 50 percent of the City's General Fund resources to Police, Fire and Judicial Support Services. It addresses other key priorities including protecting Lake Whatcom; redeveloping our waterfront; expanding our parks and trail systems; maintaining public facilities; strategically applying technology to streamline and improve our operations; addressing needs stemming from our steady population growth; providing resources for programs and the needs of disadvantaged members of our community and enhancing the quality of life for all Bellingham neighborhoods.

Finally, thanks to the hard work of the budget staff, the City Finance Director and staff City-wide who work on the budget, Bellingham has earned the Government Finance Officers Association (GFOA) “Distinguished Budget” award for the last three years; winning that designation again in 2006.

The budget is the City's most important policy action; the achievements it makes possible help realize a better life for the citizens of Bellingham. I have the unique and wonderful opportunity to serve as Bellingham's mayor for a year. In this year, I will do everything possible to further these achievements in a fiscally prudent manner while meeting the City's mission to form a strong foundation for the future.

A handwritten signature in black ink, appearing to read "Tim Douglas". The signature is fluid and cursive, written in a professional style.

Tim Douglas, Mayor
City of Bellingham