

TO: Bellingham City Council and the Citizens of Bellingham
FROM: Mayor Mark Asmundson
DATE: September 25, 2006
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 spectacular natural beauty, outstanding public facilities, and engaged, energetic citizens. Bellingham has a bright future with many exciting opportunities.

To continue supporting this bright future I am pleased to present the 2007 Budget for the City of Bellingham. This budget is the 2007 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 \$193 million, with a net General Fund budget of \$66.2 million (including an anticipated \$5 million toward a new library). This budget funds key community priorities, provides a wide range of services that are requested and expected by our community, and contributes significantly to the high quality of life that Bellingham residents enjoy. This budget also builds on the significant successes we achieved in 2006.

Approach to budget

In this my final budget, I faced two basic choices: maintain the status quo or address key unmet needs in service to our citizens.

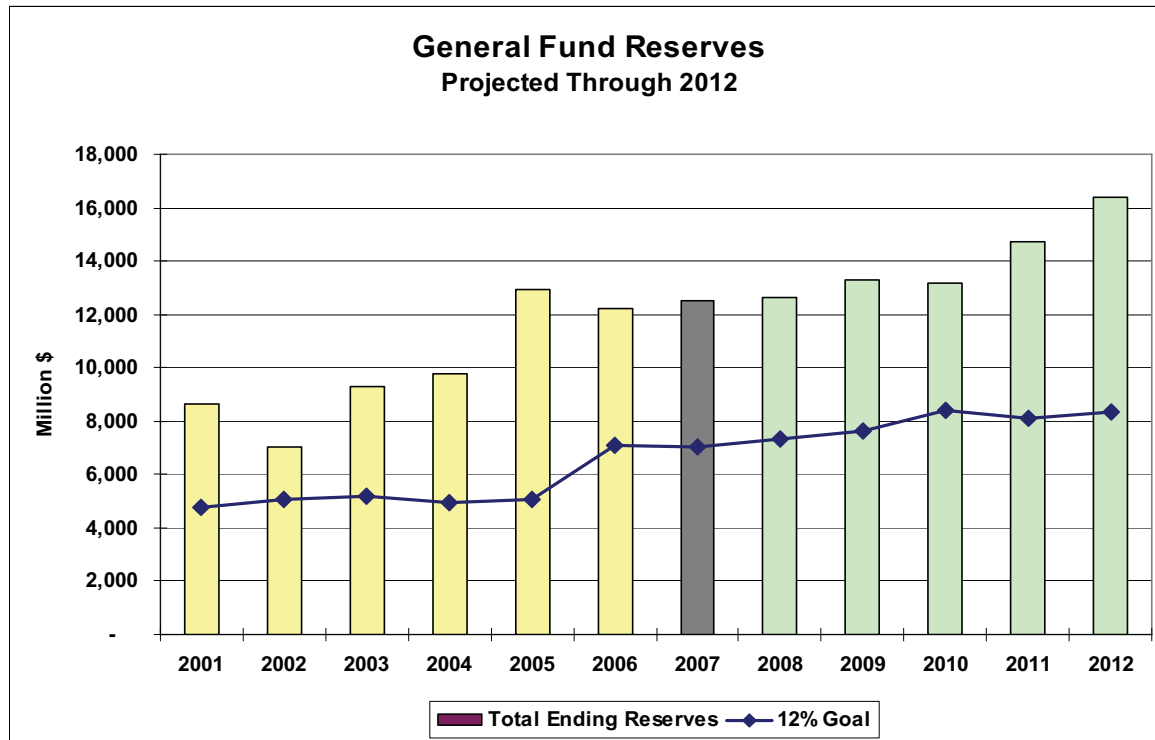
As Bellingham has enjoyed another year of a robust local economic activity, I have chosen the latter option.

Accordingly, this proposed budget:

- Strategically adds staff to maintain the existing level of service as the population of the City grows over time.
- Adopts an emergency management approach which takes seriously the responsibility we have to provide this service to our citizens.
- Addresses long term productivity of City staff by investing in staff and key capacity enhancements related to Information Technology.
- Anticipates the first phase of funding a new main library.
- Provides adequate dedicated staff to manage the Waterfront Redevelopment effort.

These changes add 15 positions in various departments in the General Fund, which will be phased in over 2007 as hiring can occur. Notwithstanding these additions, the City General Fund reserve is projected to grow.

The following graph reflects the changes in actual reserves over the past six years and the projected reserves that 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. This increase is essential to maintain the relative balance of General Fund resources over time.

Fortunately the strong Bellingham economy is contributing to our City's financial health and this year is again expected to help bridge the otherwise large gap between the revenues from this 1% property tax increase and the larger increases in the City's mandated costs. Bellingham's diverse economy is growing rapidly.

Local governments always have 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.

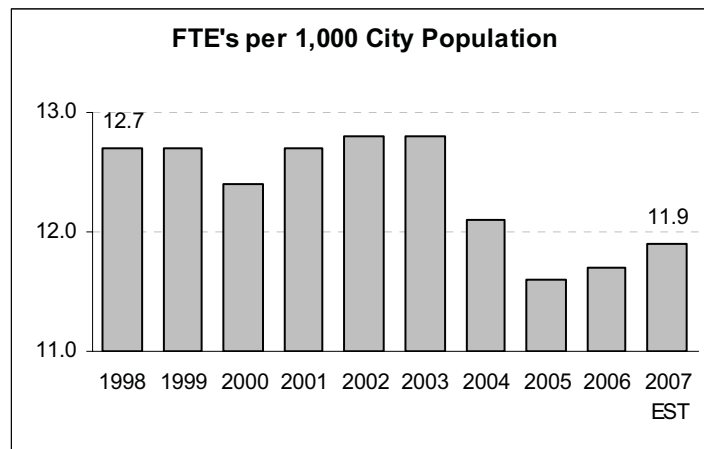
Highlights of the 2007 Budget

The very nature of City services, such as Police, Fire and Emergency Medical Services, Court Services, Parks and Recreation and Planning, require *people*—City employees—to provide those services.

The 2007 budget strategically adds staff in a few key areas, primarily Public Safety, Information Technology (our computer systems) and Parks Maintenance. These staff additions are necessary because of our growing population and increase in demand for City services. They include:

- Five additional dispatch positions (three in Police Dispatch and two in Fire Dispatch) to provide adequate coverage of the expanding system.
- Four new positions in Information Technology to expand web-based services, provide stability and security to our network, expand applications and use our existing software applications more effectively and provide help-desk services for departments.
- Three new Firefighters to provide a relief pool to reduce overtime to an acceptable level.
- Two new positions to improve the City's emergency preparedness and response.
- Two new positions in Police to enhance patrol response time and increase Police presence in our downtown and throughout the community.
- One new Court Process Specialist to help process the increased workload resulting from additional Police Officers added last year and this.
- One new Parks Maintenance Technician and additional parks maintenance hours.
- Continued staffing for coordination of the Waterfront Redevelopment program.

It is critical to address these specific areas of need. However, it is also important to make sure that the overall ratio of staff to population is not excessive. As the following graph illustrates, if the City Council approves these positions that ratio would still be 6% below the staffing ratio we enjoyed in past years. We continue to operate effectively *and efficiently*.



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.
 - Extend Water and Sewer mains on Meridian in conjunction with the State's road widening project.
 - Improve San Juan Boulevard to provide alternate access to Interstate 5 thereby relieving some congestion along Lakeway Drive.
 - Continue Sunset Drive improvements to expand vehicle, bicycle and pedestrian access out towards the City Limits.
 - Continue to enhance the City's pedestrian and bike access, specifically on Fraser Street, Northwest Avenue, Birchwood Avenue and James Street.
 - Continue the annual street resurfacing program.
 - Land acquisition for a new City Library, if a City-owned site is not selected.
 - Begin construction of the new Art and Children's Museum.
 - Land acquisition as part of the Greenways III program.
 - Replace 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. As we did this year, I recommend that we continue in 2007 to transfer most or all of the difference between our budgeted and actual year-end General Fund undesignated reserves to gradually offset this significant liability. Transferring these "excess" reserves—which we expect to occur—from the General Fund now will reduce amounts required from the General Fund in the future.

The budget is the City's most important policy action

This budget is a financial document in that it outlines anticipated revenues and proposed expenditures for 2007. But more than a financial document, it is a policy document. It specifies how City resources will be allocated to achieve the City Council's established goals and a broad array of City programs and services.

This budget reflects the highest priority of the City—public safety—and devotes more than 50% of the City's General Fund resources to Police, Fire and Judicial Support. It

also addresses other key objectives 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 needs of the poorest members of our community and enhancing the quality of life for all Bellingham neighborhoods.

The budget is a plan for the future. Adopting the budget is the single most important policy action that the Council takes each year. We have developed this budget based on the goals that the Council has adopted, on suggestions from various citizen advisory groups, on requests and comments from the public—including the Budget Advisory Committee—and on our best professional judgment. To make the policy clear, the budget is organized to make it easy to find the information required to understand how City services are provided, where the funding for each service comes from and how that funding is used.

Thanks to the hard work of the budget staff, the City's budget has earned the Government Finance Officers Association (GFOA) "Distinguished Budget" award for the last three years and I anticipate that it will do so again for 2007. I want to thank the Budget Team, the Department Directors and all of the staff who helped put the budget together.

Bellingham is my hometown. During my 50-plus years here I have experienced dramatic change throughout our community. The Bellingham of today is better than ever. The vision, vigilance, support and creativity of our community and its elected officials will ensure that the changes we face today are shaped so as to enhance our City.

It has been an honor to serve as Mayor for these last 11 years. I leave office with the City in excellent financial condition, strong managers, capable employees and a bright future.

Sincerely,

A handwritten signature in cursive script that reads "Mark Asmundson".

Mark Asmundson, Mayor
City of Bellingham