

A photograph of a vibrant rainbow arching across a grey, overcast sky. Below the rainbow, a waterfront city skyline is visible, including several buildings and a lighthouse. In the foreground, there is a body of water with a few boats, a rocky shoreline, and a grassy area with some trees and people in the distance.

**CITY OF BELLINGHAM
WASHINGTON**

**2008
BUDGET IN BRIEF**

BELLINGHAM CITY COUNCIL LONG-TERM GOALS

- Maintain or improve the current level of City services, ensure that all City programs and services help protect or enhance the quality of life in Bellingham, and assure that the City's financial and human resources are allocated to achieve the Council's goals.
- Protect and improve the quality of drinking water in the Lake Whatcom Reservoir.
 - Continue to develop a vibrant downtown that includes a mix of residential, commercial, educational, retail, and cultural uses and amenities with connections between the downtown and waterfront areas.
- In partnership with the Port of Bellingham and the broader community, establish and implement a plan to redevelop the central waterfront to substantially reduce contaminants and improve environmental health, increase living-wage jobs, provide public access, recreation and housing, and complement the City's other neighborhoods.
- Develop and implement plans that preserve and shape Bellingham as a city of neighborhoods that function interdependently as a vibrant, livable community with a distinct sense of place.
- Protect and enhance the City's cultural, educational, recreational, and environmental assets.
- Improve coordination of transportation, parking and land use decisions to provide a system that effectively moves people and goods through and around the City.
 - Support development of a more diverse and sustainable economy by providing services that maintain a high quality of life. Work with businesses and agencies to support economic development activities that increase living-wage jobs in Bellingham.
- Improve communication between the City and its citizens about all goals, priorities, and challenges.
- Support programs and provide facilities that serve low income families and individuals.
 - Improve the City's disaster preparedness and response capability.

CITY OF BELLINGHAM MISSION

Support safe, satisfying and prosperous community life by providing the citizens of Bellingham quality, cost-effective services that meet today's needs and form a strong foundation for the future.

CITY GOVERNMENT

The City's charter establishes a council-mayor form of government. City management is led by the elected Mayor in a strong-Mayor, weak-Council form of government. In November 2006 voters approved a charter amendment changing the Finance Director from an elected position to one appointed by the mayor and subject to confirmation by the City Council beginning in 2008. State statute provides for an elected Municipal Court Judge.

Six council members are elected by wards and serve four-year terms. Three are elected every two years. The seventh council member is elected every two years in an at-large capacity. The Mayor is elected for a four-year term. A Municipal Court Judge is elected for a four-year term at the mid-point of the Mayor's term of office.

The City provides a full range of municipal services that include public safety, culture and recreation activities, economic development, street and parking, utilities, and general administrative services.

Activities owned and / or operated by the City include water, wastewater and stormwater utilities, municipal parking facilities, Lake Padden Golf Course, Bayview Cemetery, Whatcom Museum of History and Art, Bellingham Public Library and Fairhaven Library, nearly 100 parks, a civic stadium, athletic fields, and the Arne Hannah Aquatic Center. The City operates Medic One to provide countywide emergency medical services under an agreement with Whatcom County.

MAYOR

Daniel V. Pike
(360) 778-8100

mayorsoffice@cob.org

BELLINGHAM CITY COUNCIL

City Council Office: (360) 778-8200 • citycouncil@cob.org

COUNCIL MEMBERS

Jack Weiss, Ward 1 • Gene Knutson, Ward 2

Barry Buchanan, Ward 3 • Stan Snapp, Ward 4, Mayor Pro-Tem

Terry Bornemann, Ward 5, Council President Pro-Tem • Barbara Ryan, Ward 6, Council President

Louise Bjornson, At-Large

Visit us on the City's website at www.cob.org

THE BUDGET PROCESS

Preparing the City's Budget

Preparation of the City's budget is governed by the City Charter and State Law. Budget development is a year-long process. The City is constantly looking for ways to streamline operations, be more efficient, and make adjustments to improve service delivery. Many of the Council's actions throughout the year have budgetary implications for the coming year. Citizen input and ideas received during the year are reflected in the budget proposals prepared by City staff. Public hearings are held that specifically relate to the budget. A budget calendar is developed annually. Some of the significant steps in developing the budget and approximate timeline are listed below.

- March** *Council meets to discuss goals and priorities for the current and future budget years.*
- June** *Council holds its mid-year budget review, receives a status report on the current budget and a financial forecast for the coming year.*
- July** *Departments submit estimates of revenues and expenditures for the next year's budget to the Budget staff in the Executive Department.*
- Aug. – Sept.** *Budget staff provides the proposed budget to the Mayor. The Mayor makes revisions to the preliminary budget and submits it to the Finance Director and Council. Copies of the Preliminary Budget Document are then available to citizens on the City's website, at the City Library, and at the Mayor's Office and Finance Office reception desks.*
- October** *A public hearing on revenue sources, including property tax, is held.*
- November** *The Council holds work sessions and public hearings on the budget. Citizens may appear at the sessions and hearings and make comments on any part of the budget.*
- December** *Council makes changes to the Preliminary Budget and adopts the Final Budget prior to the end of the year.*
- Jan. – Feb.** *The Adopted Budget Document is published.*

Amending the Budget

The City Council can, by ordinance, increase or decrease the appropriations in any fund. Transfer of appropriations within a single fund or within any single department of the General Fund can be made with the Mayor's authorization. Transfer of appropriations between funds or between departments in the General Fund, requires Council approval.

Budget Control

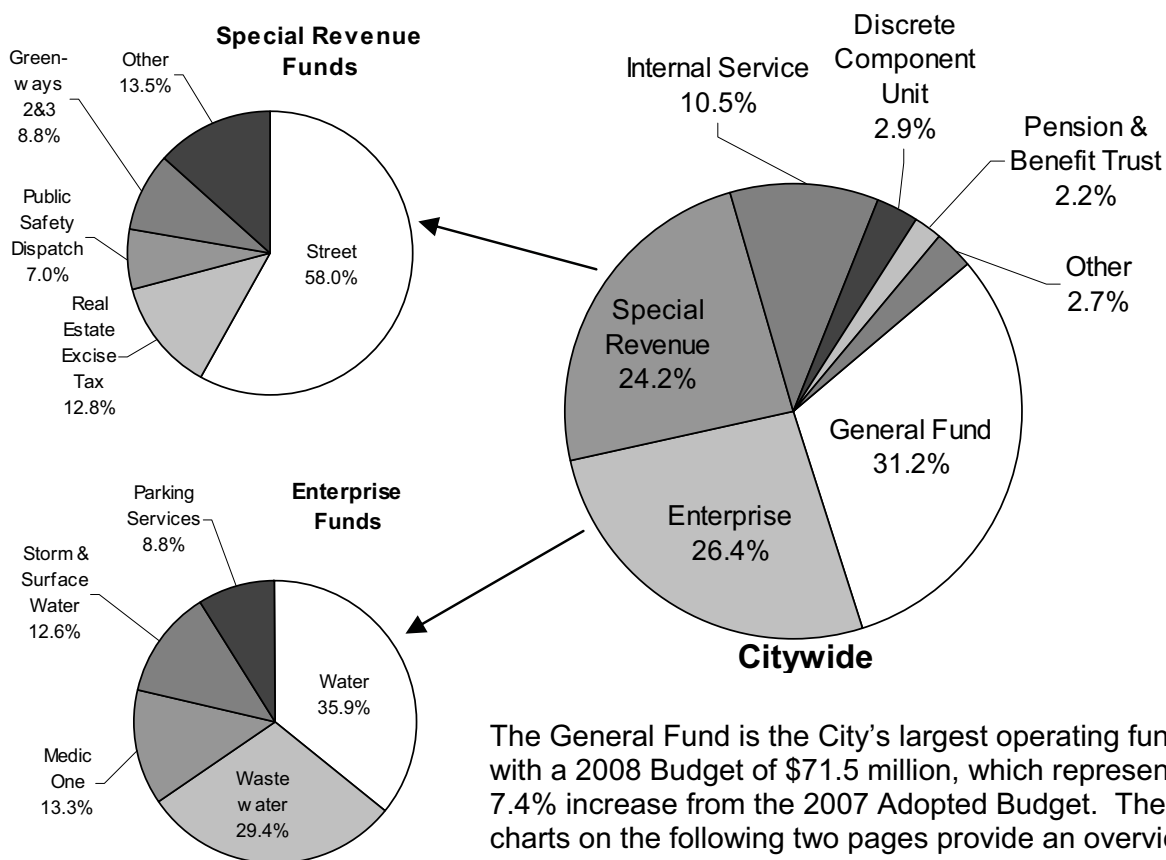
The Finance Director presents a quarterly report to the Mayor and City Council, which compares estimated and actual revenues and expenses to date. If revenues appear to be less than anticipated, the City Council, by ordinance, reduces appropriations to keep expenditures within the available resources and to maintain appropriate reserves.

GUIDE TO BELLINGHAM'S BUDGET

The City's Budget is composed of approximately 50 separate funds that are independently balanced. **Enterprise Funds** operate similar to a business with customer charges supporting all costs. Resources from these funds cannot be used to subsidize other government functions. The **General Fund** accounts for services to the public such as public safety; planning, park, museum and library operation; and for City administrative activities such as finance, legal, and human resources. Taxes, fees and charges are the major funding sources for the General Fund. **Special Revenue Funds** account for proceeds from revenue sources that are legally restricted to be spent for specified purposes. **Internal Service Funds** account for the financing of goods or services provided by one department to another. **Debt Service Funds** account for principal and interest payment on outstanding debt. **Pension Trust Funds** account for resources held in trust for pension and other benefits. **Capital Projects Funds** account for financial resources designated for the acquisition or construction of major capital facilities. **Permanent Funds** are legally restricted to use of earnings only, not principal, for purposes that support the City's programs. The Public Facilities District Fund is now treated as a **Discrete Component Unit**.

The City's Adopted 2008 Budget totals \$229.6 million, which represents an 11.8% increase over the 2007 Adopted Budget.

Expenditures by Fund Type \$229,627,274

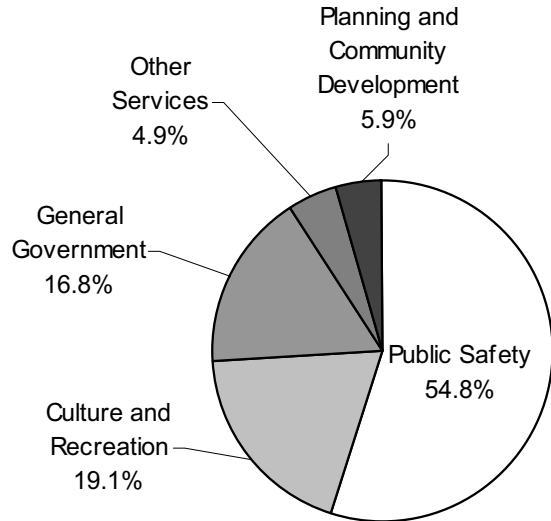


The General Fund is the City's largest operating fund with a 2008 Budget of \$71.5 million, which represents a 7.4% increase from the 2007 Adopted Budget. The charts on the following two pages provide an overview of the revenues and expenditures included in the City's General Fund.

BELLINGHAM'S GENERAL FUND BUDGET AT A GLANCE

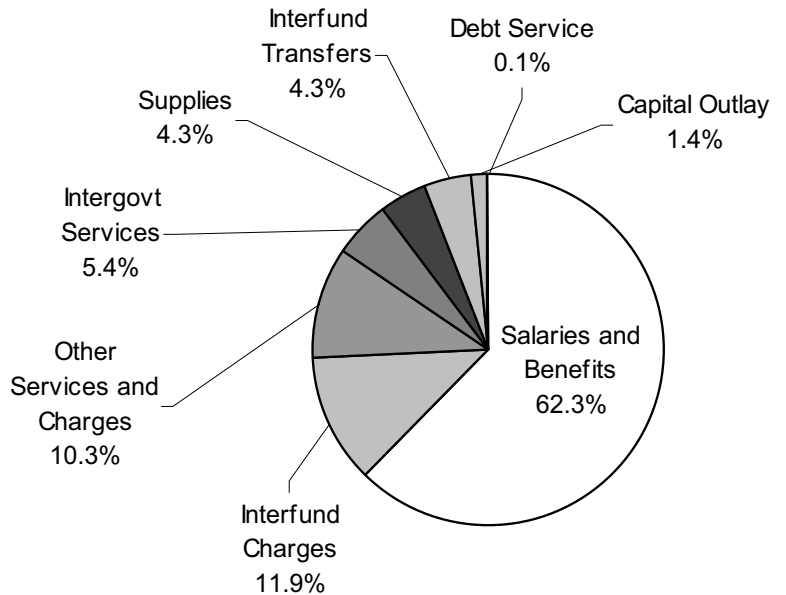
General Fund Expenditures by Program \$71,534,020

The General Fund accounts for 31% of the City's Budget. The majority of the expenditures in the General Fund are devoted to Public Safety (Police, Fire, and Municipal Court). Culture and Recreation (operation of Parks, Museum and Library) also account for a large portion of General Fund expenditures. General Government includes Legislative, Executive, Legal, Financial, and Human Resources services. Other Services includes financial and debt services.



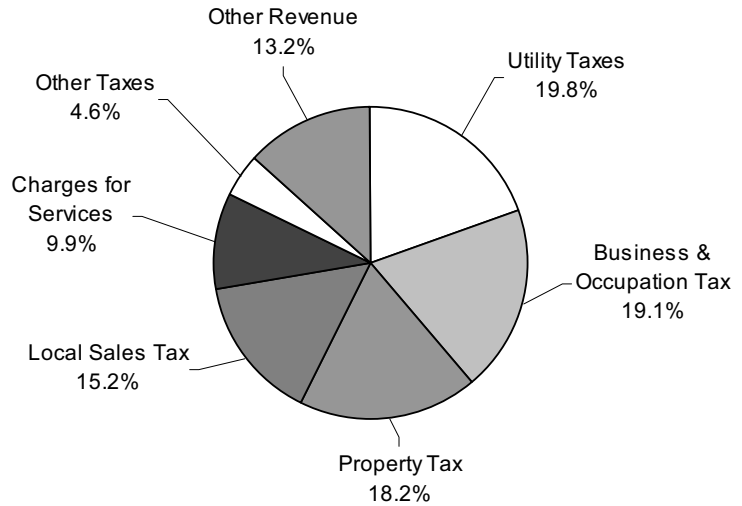
General Fund Expenditures by Category \$71,534,020

Salaries and Benefits comprise over 60% of the General Fund budget, with Public Safety representing about 60% of these Salaries and Benefits. Interfund Transfers and Interfund Charges are loans from one fund to another and charges for goods and services from one fund to another. Other Services and Charges are composed primarily of contracted services, and Intergovernmental Services are charges for services provided by another government agency.

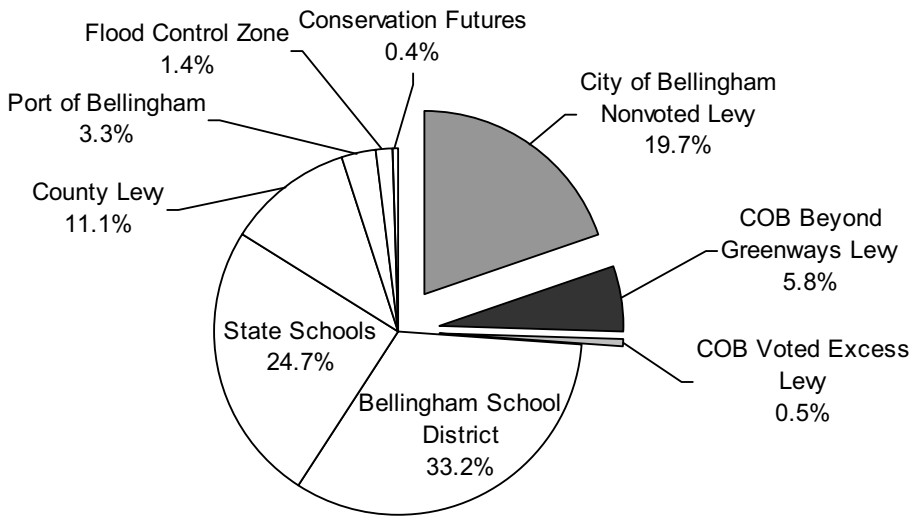


General Fund Revenue Sources \$65,324,915

The difference between Revenue Sources and Expenditures in 2008 represents a decrease in the Reserve balance for the General Fund. General Fund Revenues are typically available for any public purpose. Over 75% of General Fund revenue sources in 2008 are from taxes.



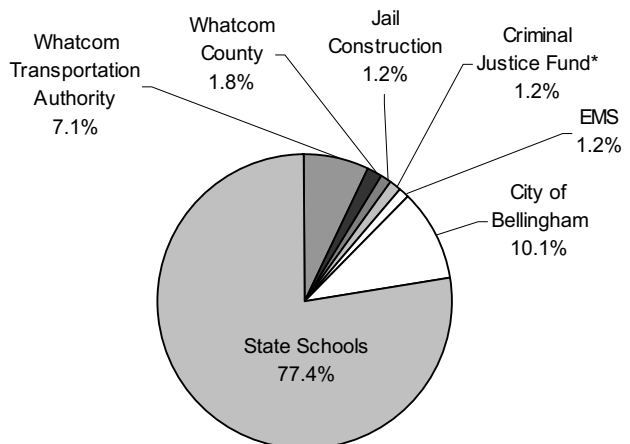
PROPERTY AND SALES TAX DISTRIBUTION



Although property taxes represent a significant source of funding for City services, the portion of each property owner's tax bill that is distributed to the City is about 25%. In 2008, the total property tax rate in Bellingham is \$9.84 per \$1,000 of assessed valuation, with \$2.56 (per \$1,000 assessed valuation) of that going to the City.

Breakdown of Retail Sales Tax Rate for Distribution

Whatcom Transportation Authority	0.60
Whatcom County	0.15
Jail Construction	0.10
Criminal Justice Fund*	0.10
EMS	0.10
City of Bellingham	0.85
State Schools	<u>6.50</u>
Total Retail Sales Tax Rate	8.40%



*Criminal Justice Fund money is divided between the City and County based on population.

MAYOR'S MESSAGE

TO: Bellingham City Council and the Citizens of Bellingham
FROM: Mayor Daniel V. Pike
DATE: December 31, 2007
SUBJECT: Presenting the 2008 Adopted Budget

I present to you the Adopted 2008 Budget which serves as a financial and work plan for the coming year as well as the means for achieving the City's mission:

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.

With the 2008 City Council Goals and Objectives as a basis, we have carefully developed a balanced budget that totals \$230 million, with a General Fund total of \$72 million. We continue to fund a wide range of services in keeping with community priorities and needs as well as those services mandated by federal and state governments.

The financial condition of the City is strong. The revenues we receive to run our day-to-day operations are healthy, and our reserve funds are adequate for future and emergency financial needs.

Approach to Budget

This budget reflects a disciplined operating philosophy, maintenance of infrastructure, delivery of services, and consideration for the City's long-range goals and financial position, including consistently meeting reserve goals.

Highlights of the 2008 Budget

- Adopts a proposed joint management structure with Whatcom County to unify the governments in protection of the Lake Whatcom Watershed.
- Continues work with the Port of Bellingham to carry forward the Waterfront Redevelopment Plan.
- Acquires fire response equipment to replace an aging fleet.
- Continues "Map Your Neighborhood" efforts for emergency preparedness.
- Advances affordable housing programs and projects.
- Partners with the Bellingham School District by contributing toward construction of a community-use gymnasium in the North City area at the Aldrich Road school site.

Community Financial Health

This year's budget was developed with the backdrop of a stable local and regional economy. Unemployment continues to hover around historic lows (4%); local real estate values are stable; inflation is moderate; and the value of the Canadian dollar is at a 30-year high. Our recent Economic Development Survey indicates local businesses feel positive about the economy and about their ability to succeed and grow in Bellingham. We consider our work to support parks and recreation, arts and culture, neighborhoods and other quality of life initiatives as an essential and effective element of our future economic vitality.

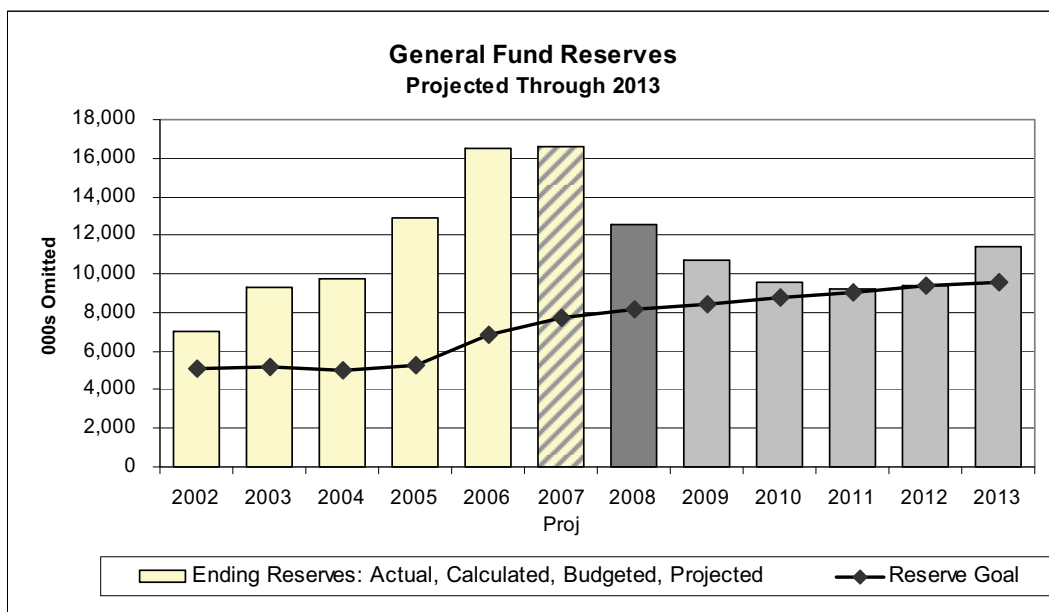
The recent closure of Georgia Pacific is a finale for a long-standing, important member of our business community. Our thoughts are with individuals and families who must find alternative employment. We believe the loss will be felt throughout the community. The City will also be impacted with decreased tax revenues. However, over the long term, with a strong local economy, the City government can absorb that financial loss.

City Financial Health

The City will continue to face financial challenges. We will make choices, set priorities, and make sure that we provide the essential and desired services and programs that make Bellingham an attractive place to live, work, and visit. To do so we will:

- Use a methodology to forecast key tax revenues that combines historical and trend analysis along with input from business leaders in our community.
- Monitor the effect of the apportionment piece of the Business and Occupation Tax that will become effective in 2008. These changes affect those businesses that provide goods or services to multiple locations. Based on a 2004 survey by the Washington Department of Revenue, staff estimates the City could lose up to \$890,000 from this change. The loss to the General Fund will be absorbed by the projected increase in other business activity and use of General Fund Reserves. We will carefully track the actual impact to guide our future financial decisions.
- Seek funding solutions – internal and legislative – for our obligations for the Public Employees Retirement System (PERS) and Washington Law Enforcement Officers’ and Fire Fighters’ (LEOFF) Retirement System. 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 \$47 million. As of October 1, 2007, the City has a total of \$8.7 million available in fund balances to cover this liability. The 2008 contribution to the Funds will be \$3.2 million (\$1.7 million from General Fund, and \$1.5 million from property tax.) The current funding plan will enable the City to actuarially fund its LEOFF-1 Pension and Long Term Care obligations by 2014. The City intends to continue to pay the medical obligations as we incur these costs.
- Communicate with citizens using surveys, our advisory committees, and other public involvement techniques to ensure that we are meeting their needs while delivering services in an efficient and cost-effective manner.
- Continue our record of successfully obtaining State and Federal funds for capital projects.
- Use the talents of our workforce to refine program delivery and to identify cost saving and conservation opportunities. The City-wide staff “Green Team” actively monitoring and suggesting improved internal policies and our Environmentally Preferable Purchasing Program are examples.

The following graph shows actual changes in General Fund Reserves for the past six years, and the projected reserve position over the next six years. As revenue growth slows, and the City provides for replacement of its capital equipment (e.g. fire fighting apparatus, fleet vehicles, and computers), funds future LEOFF-1 pension liability, and absorbs the impact from the change in the Business & Occupation Tax structure, the reserve position will more closely reflect the goal of 12% of operational expenditures. We are committed to maintaining at least that level of reserves to react to conditions we cannot foresee, and to maintain the City’s strong bond rating.



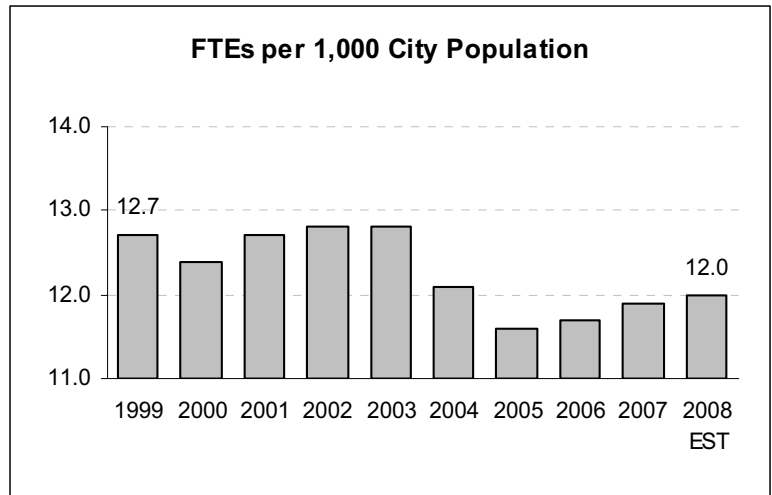
The budget includes a 1% Property Tax increase (\$170,500) which amounts to about 64 cents per month for the median priced home. The unrestricted portion of the increase, \$115,900, will be directed into reserves necessary to cover LEOFF-1 pension expenses in future years.

Staffing Needs

City services require people to deliver them. A careful analysis of needs in key service and program areas, and of requirements to meet legal deadlines or legislated mandates, calls for addition of the equivalent of 22.7 positions, 8.8 of which will be in General Fund departments.

- 4.5 positions in Public Works to meet the increasing demand for utility location services, implement state mandates, and support parking services.
- 4.0 positions in the proposed Lake Whatcom Watershed management structure. The positions will be jointly funded with Whatcom County through an interlocal agreement.
- 3.0 positions in Medic One to implement the Emergency Medical Services staffing plan approved by Council and the Ambulance Advisory Board in prior years.
- 3.0 positions in the Library to serve increasing circulation needs, including added library presence in the North and Northeast portions of the City and administrative support.
- 1.4 positions in the Police Records Division to respond to workload increases and ensure meeting of legal deadlines.
- 1.0 position in the Council office to provide research and analysis support.
- 0.8 position in Judicial & Support Services to respond to the addition of a fourth parking enforcement officer and to process the increasing demand for public disclosure requests.
- 0.5 position in Planning & Community Development to accelerate the planning and permitting process and to develop a strategic plan for economic development.
- 0.5 position in the Museum to provide clerical support for new and ongoing programs.
- The remaining increase of 4.0 is the result of increases in temporary labor and an increase in new positions from 2007 that were budgeted as mid-year hires in 2007 but will now be budgeted for the entire year.

The City continues to maintain a ratio of staff to population that is consistent and not excessive. With the addition of these positions, we will continue to operate at a level of staffing adequate with our service needs.



Key Areas of Emphasis, Activities and Projects

Growth Management. The way we manage growth will shape the City for decades to come. In 2008, the City will continue to work on neighborhood plan updates, urban center plans, and design standards that honor neighborhood character – particularly in our older districts. We will create a new Six-year Parks Master Plan, including a revision of the Level of Service calculation and impact fees. Currently, there are seven annexation petitions on file, potentially leading to the largest change to City boundaries in many years. This will require careful analysis of the future impact on City financial resources and our ability to deliver urban services to a growing city.

Waterfront Redevelopment. Bellingham, the Port, and Whatcom County face a redevelopment opportunity that comes only once in several generations. Over the next 20 to 30 years, we can achieve cleanup of contaminants, significant public access to the bay, employment opportunities, and a setting that – properly designed – can absorb some of our anticipated population growth. The final Environmental Impact Statement, Master Plan, and Development Regulations will be completed during the first half of the year.

- The City and Port will work toward a final Development Agreement for City Council review, approval for the conveyance of parkland to the City, and City funding for infrastructure related to launching the first phases of the Waterfront Project.
- The City will work toward an agreement with both the Port and Western Washington University to relocate Huxley College of the Environment to the waterfront as part of a new research triangle and major center for implementing the cleanup of Puget Sound and its estuaries.

Lake Whatcom Watershed Unified Management. The executives of the City and Whatcom County propose a new, jointly funded and managed structure to unify and focus efforts to preserve and protect the Lake Whatcom reservoir and its watershed. Staff continues to work on programs to encourage personal stewardship. Projects are focused on land acquisition and phosphorus reduction and include a new Stewardship Pledge and Residential Stormwater Retrofit Program. In addition, existing programs such as the phosphorus fertilizer ban, carbureted two-stroke engine ban, and water quality monitoring will receive continued support from staff.

Economic Development. We will begin implementing actions identified by the 2007 Economic Development and Planning Survey and the Practitioners' Summit. In a continuing effort to foster living-wage jobs and a successful small business sector, we will extend an active collaboration with local businesses to make sure that practical measures are identified and undertaken to achieve our economic goals.

Public Facilities District (PFD) – Museum – Mount Baker Theatre. Construction of the Art and Children's Museum launched in 2007 will continue in 2008. Funds for construction of the new facility will come from a combination of bonds to be repaid with the PFD sales tax rebate, private funds, and grants. The City will provide \$100,000 from the lodging tax to pay for the inaugural exhibitions that will become permanent additions to the City's collections. This is a once-in-a-lifetime opportunity to create commissioned art pieces that will bring tourists back to this facility for many, many years. Phase II renovations to the Mount Baker Theatre will bring long-needed repairs to the electrical, heating, ventilation, and air conditioning systems.

Library. The Library Board and City officials are seeking community input into the development of a building program statement which will determine the size and total cost estimates for a building project to include a replacement Central Library, preservation of the historic Fairhaven Branch, and improvement of the library system. The program statement will be completed in early 2008, after which the Library Board is expected to bring a proposal to the City Council to consider approval of a library bond election.

Neighborhoods. We will continue to build partnerships between City government and our strong, energetic neighborhood associations. Major projects include:

- Updating neighborhood plans.
- Disaster preparedness (Map Your Neighborhood).
- Input into the Six-Year Parks Master Plan.
- Input into Transportation Improvement Plan priorities (6 Year TIP and Neighborhood Traffic Safety Program).
- Building the neighborhood association role as a forum for public input.

Capital Facilities Projects. Capital projects receive funding from grants, impact fees, utility revenues, sales tax, and Real Estate Excise Tax (REET) revenues. The City's policy is to budget the estimated cost of the entire project, which means some projects budgeted in 2008 may not be completed by the end of the year. In addition to the phased Waterfront Redevelopment infrastructure, completion of the new Art and Children's Museum and improvements to the Mount Baker Theatre, there are additional capital projects anticipated in this Adopted Budget:

- Retrofit of Sunset Drive east of Woburn Street to the City Limits to urban arterial street standards.
- Land acquisition as part of the Greenways III program and for park expansion in developing areas.
- A City contribution toward construction of an expanded gymnasium to serve community recreation needs as part of the new elementary school on Aldrich Road.
- West Illinois Street extension to allow for industrial access to Marine Drive without traveling through the surrounding residential neighborhood.
- Feasibility study and design for a new facility to house Public Works staff from City Hall and Pacific Street Public Works Operations.
- Continued enhancement of the City's pedestrian and bike access, specifically on Fraser Street.
- Continued annual replacement projects including water and sewer main replacements and street resurfacing.

Goals and Objectives

A city's budget is its most important policy action. We have followed City Council goals and objectives, input from our citizen advisory boards and commissions, public requests and suggestions, and our best professional judgment to formulate this adopted budget.

I recognize all of our City employees and volunteers for their hard work and dedication in delivering community services and attaining the City Council Goals. The budget staff, in cooperation with staff in departments throughout the City who deliver the budget document, has earned the "Distinguished Budget" award from the Government Financial Officers Association for four consecutive years. I especially wish to recognize the service that Finance Director Therese Holm has given during her tenure. Much of the City's financial strength and the quality of information provided to the City Council, staff, and general public are a direct reflection of her diligence. Our citizens continue to benefit from her thorough, ethical, and professional financial management.

The achievements of a budget help to realize a community's hopes and dreams. We are a great place. We have a strong economy. We have safe neighborhoods and outstanding schools. We have numerous trails and recreation opportunities. We have a strong environmental ethic and businesses showing leadership on a global level.

We are also a City undergoing transformation. We must make critical long-term decisions, such as how to protect the Lake Whatcom Watershed, how to redevelop the Waterfront District, and how to grow gracefully while maintaining our quality of life. The good news is that, together, we have the will, the ideas, and the resources to make good decisions and implement wise, sustainable plans.

As I begin my term of office, I wish to thank the citizens of Bellingham for their involvement in the government process, creative ideas, and support for their community. I strongly encourage all citizens and groups to engage in civic dialogue. The decisions we make together in the coming years will directly shape the future of Bellingham, our home.

Sincerely,



Daniel V. Pike, Mayor