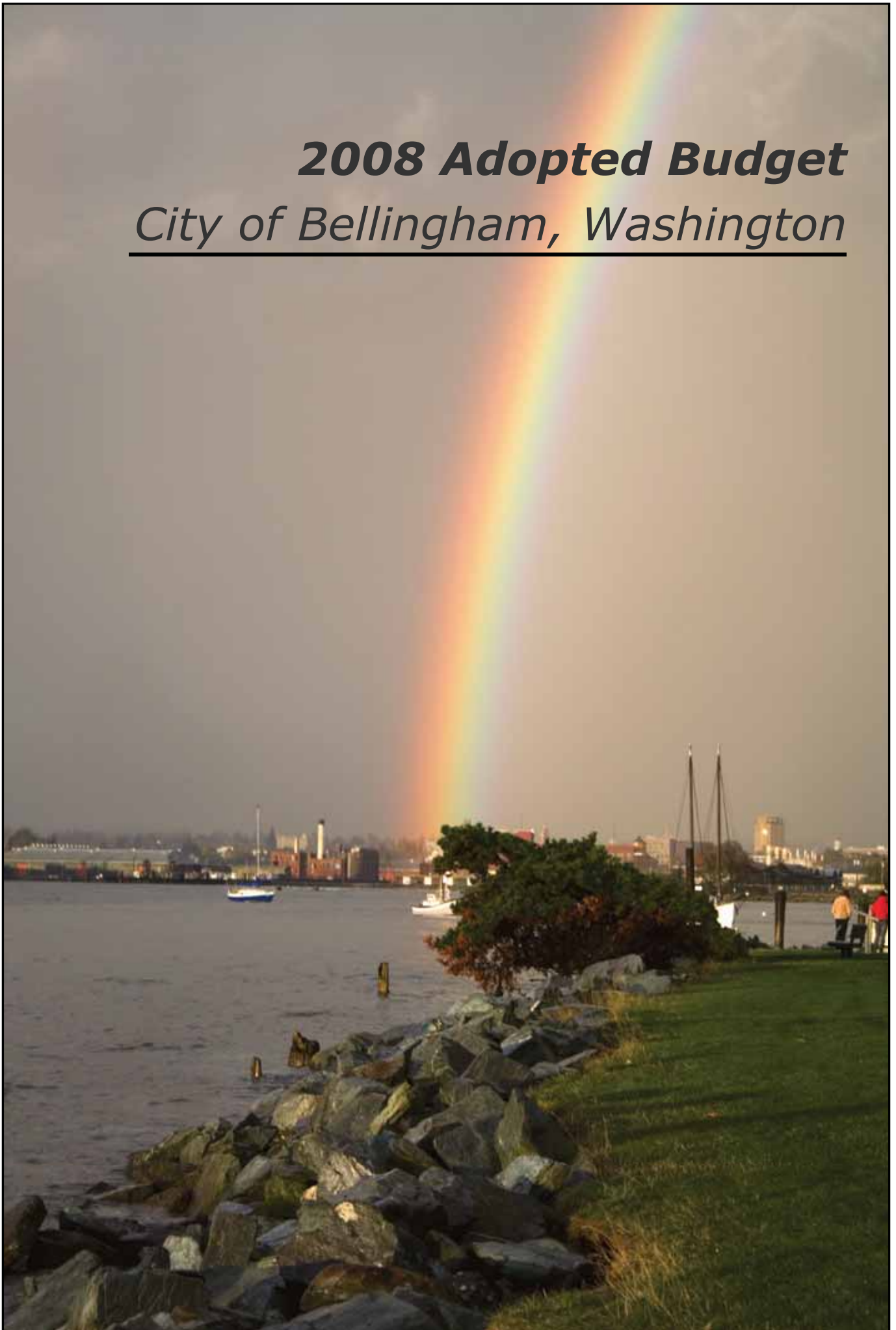


2008 Adopted Budget
City of Bellingham, Washington





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Bellingham

Washington

For the Fiscal Year Beginning

January 1, 2007

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Bellingham Washington for its annual budget for the fiscal year beginning January 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Cover photo courtesy of cdtphotoart.com

CITY OF BELLINGHAM MISSION STATEMENT

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.

CITY OF BELLINGHAM, WASHINGTON

2008 ADOPTED BUDGET

Budget Team

John Carter, Finance Director
(360) 778-8000

Jason Kuest, Budget Manager

Pat Starcher, Budget Specialist

Karla Buckingham, Budget Technician

The budget process is a City-wide, year-long effort. Success depends on the combined efforts of budget staff along with City Department Heads and “Budgeteers.”

Thanks to all of you for your hard work and cooperation!

TABLE OF CONTENTS

Table of Contents 1-4

Mayor’s Budget Message 5-11

City Council Goals – 2007 and 2008 13

Budget Overview 15-64

 Directory of Elected Officials and Administration 15-17

 Organization Chart 18

 Services Provided by the City, Organizational Structure 19

Community and Local Economy..... 20-30

 Community Information, Population Trend, Demographics 20-22

 Employment and Unemployment Trend 22-23

 Business Tax Activity Trend..... 24-25

 Sales Tax Receipt and Distribution..... 25

 Building Permit Activity Trend 26

 Property Tax Assessment, Tax Base, and Tax Levy Trend 27-29

 Property Tax Distribution 30

 Preparing and Amending the Budget (includes Budget Calendar) 31-32

 Budget Development Policies, including Reserve Goals 33-38

 Explanation of Accounting Basis and Account Structure 39-40

 Fund Descriptions and Accountability 41-48

 Historical Expenditure Graphs..... 49

 Summary of Estimated Revenues, Expenditures and Reserves by Type 50-51

 Summary of Estimated Revenues, Expenditures and Reserves by Dept..... 52-53

Revenues – Explanations and Trend Graphs 54-64

 Revenue Overview..... 54

 General Fund 55-58

 Public Works Utility Funds 59

 Street Funds..... 60

 Medic One Fund 61

 Parks Greenways Levy and Impact Fee Funds 62

 Public Safety Dispatch Fund..... 63

 Development Services Fund..... 64

TABLE OF CONTENTS

Departmental Sections – Budgets, Objectives and Performance Measures.....65-258

Public Safety

Fire Department 65-78

Police Department..... 79-89

Judicial and Support Services Department..... 89-94

Culture and Recreation

Parks and Recreation Department..... 95-106

Library Department..... 107-116

Museum Department..... 117-124

Planning and Development

Planning and Community Development..... 125-140

Hearing Examiner Department..... 141-144

General Government

Human Resources Department..... 145-152

Finance Department..... 153-158

Information and Technology Services Department..... 159-166

Legal Department..... 167-172

Executive Department..... 173-186

Legislative Department..... 187-212

Non-Departmental

Non-Departmental 213-214

Discrete Component Unit

Public Facilities District..... 215-222

Public Works

Public Works Department..... 223-258

City-wide Budget Reports.....259-320

City-wide Budget Reports (description)..... 259

Revenues, Sources, Expenditures and Uses – All Funds Report..... 260-289

Revenue Graphs City-wide by Revenue Type and by Fund Type..... 290

Revenue Type Definitions 291

Revenue Summary by Fund Department and Type..... 292-301

Expenditure Graphs City-wide by Expenditure Type and Fund Type 302

Expenditure Type Definitions 303

Expenditure Summary by Fund, Department and Type..... 304-313

Expenditures by Subobject – All Funds Report..... 314-315

Changes in Reserve Balances with Explanations..... 316-319

TABLE OF CONTENTS

Capital Budget321-418

 2008 Capital Budget Description and Reconciliation to City-wide Reports... 321-322

 Capital Budget Summary Graphs and Table 323-324

 Fire Department 2008 Capital 325

 Police Department 2008 Capital 325

 Judicial and Support Services Department 2008 Capital..... 325

 Parks and Recreation Department 2008 Capital..... 326-329

 Parks and Recreation Capital Project Summaries..... 330-340

 Library 2008 Capital 341

 Museum 2008 Capital 341

 Planning and Community Development Department 2008 Capital..... 342

 PCD Capital Project Summary..... 343-344

 Information Technology Services Department 2008 Capital..... 345

 Non-Departmental 2008 Capital..... 346

 Public Facilities District 2008 Capital 346

 PFD Capital Project Summaries 347-348

 Public Works Engineering – Streets 2008 Capital 349-352

 PW Engineering – Streets Capital Project Summaries..... 353-373

 Public Works Engineering – Water 2008 Capital 374

 PW Engineering – Water Capital Project Summaries..... 375-377

 Public Works Engineering – Wastewater 2008 Capital..... 378

 PW Engineering – Wastewater Capital Project Summaries 379-382

 Public Works Engineering – Stormwater 2008 Capital 383

 PW Engineering – Stormwater Capital Project Summaries..... 384-391

 Public Works Operations – Facilities 2008 Capital 392

 Public Works Operations – Wastewater 2008 Capital 393

 Public Works Operations – Water 2008 Capital..... 394

 Public Works Operations – Stormwater 2008 Capital 395

 Public Works Operations – Fleet 2008 Capital 395

 Public Works Operations – Street 2008 Capital..... 396

 PW Operations – Street Capital Project Summary 397

 Public Works Operations –Transportation Management 2008 Capital 398

 PW Operations – Transportation Mgmt. Capital Project Summary 399

 Waterfront Project Summaries (from multiple departments’ 2008 Capital)... 400-401

 Six – Year Capital Facilities Plan 403-418

Long – Term Debt419-426

TABLE OF CONTENTS

Personnel427-454
 General Salary Information for 2008 427
 Budgeted Positions
 Fire Department 428
 Police Department 429-430
 Judicial and Support Services Department..... 431
 Parks and Recreation Department..... 432-433
 Library Department 434-435
 Museum Department 436
 Planning and Community Development Department..... 437-438
 Hearing Examiner Department 439
 Human Resources Department 440
 Finance Department 441
 Information and Technology Services Department..... 442
 Legal Department 443
 Executive Department..... 444
 Legislative Department 445
 Public Facilities District 445
 Public Works Department 446-451
 City-wide Total 451
 10 – Year History of Budgeted Positions 452-453

Glossary455-462



MAYOR'S OFFICE
Daniel V. Pike, Mayor
City Hall, 210 Lottie Street
Bellingham, WA 98225
Telephone (360) 778-8100
Fax (360) 778-8101

TO: Bellingham City Council and the Bellingham Community
FROM: Mayor Daniel V. Pike
DATE: December 31, 2007
RE: Presenting the Adopted 2008 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.

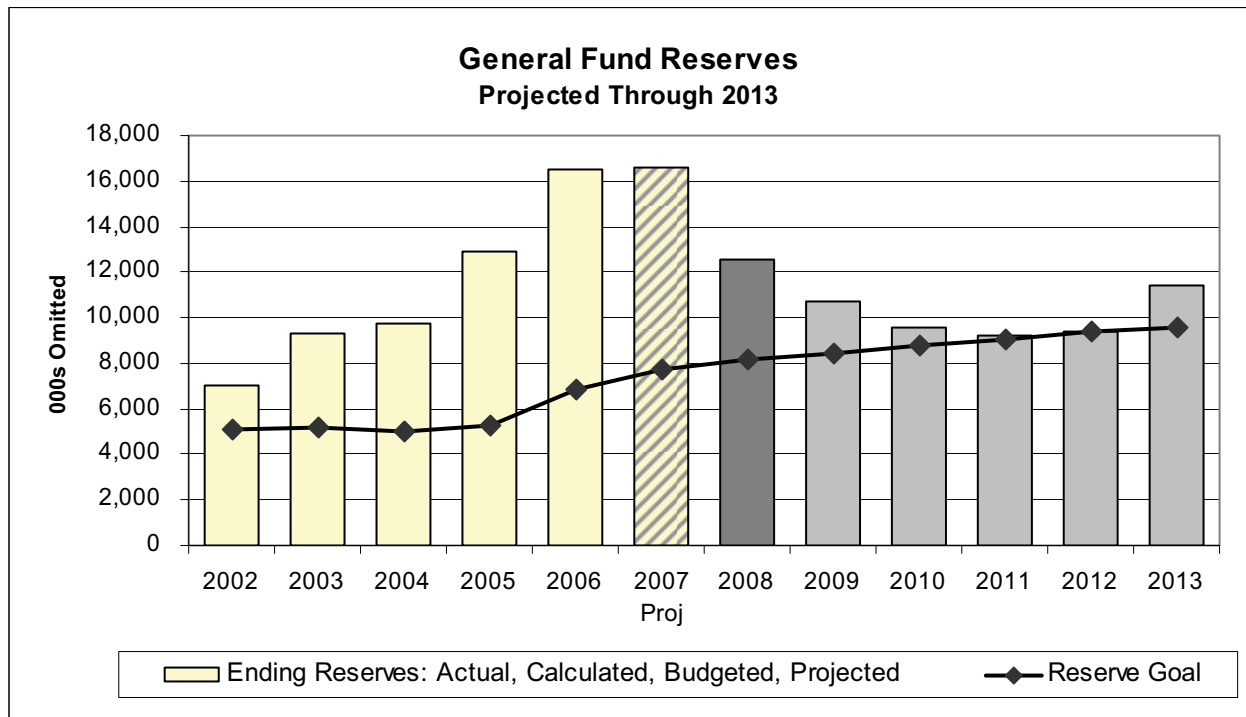
City Financial Health

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.



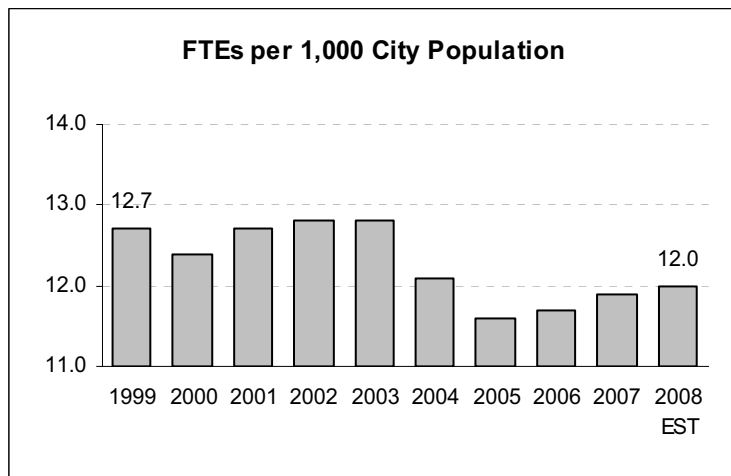
The budget includes a 1% Property Tax increase (\$170,500) which amounts to about 64 cents per month for the median priced home. The unrestricted portion of the increase, \$115,900, will be directed into reserves necessary to cover LEOFF-1 pension expenses in future years.

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

This page intentionally left blank.

CITY COUNCIL LONG-TERM GOALS – 2007 and 2008

Council long-term goals are reviewed each year during the City Council's planning retreat. These goals are periodically amended to reflect changing priorities. See the Legislative Department section for Council's specific budget year objectives.

Goal 1: 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.

Goal 2: Protect and improve the quality of drinking water in the Lake Whatcom Reservoir.

Goal 3: 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.

Goal 4: 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.

Goal 5: Develop and implement plans that preserve and shape Bellingham as a city of neighborhoods that work together and function interdependently as a vibrant, livable community with a distinct sense of place.

Goal 6: Protect and enhance the City's cultural, educational, recreational, and environmental assets.

Goal 7: Improve coordination of transportation, parking and land use decisions to provide a system that effectively moves people and goods through and around the City.

Goal 8: 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.

Goal 9: Improve communication between the City and its citizens about all goals, priorities, and challenges.

Goal 10: Support programs and provide facilities that serve low income families and individuals.

Goal 11: Improve the City's disaster preparedness and response capability.

Departments relate their departmental objectives to Council goals by goal number where applicable.

This page intentionally left blank.

ELECTED OFFICIALS

MAYOR

Dan Pike, Mayor
Executive Office.....(360) 778-8100
email mayorsoffice@cob.org

**CITY COUNCIL
2008**

Council Office(360) 778-8200
email citycouncil@cob.org

Jack Weiss..... 1st Ward

Gene Knutson..... 2nd Ward

Barry Buchanan 3rd Ward

Stan Snapp 4th Ward
Mayor Pro-Tempore

Terry Bornemann..... 5th Ward
Council President Pro-Tempore

Barbara Ryan..... 6th Ward
Council President

Louise Bjornson At-Large

MUNICIPAL COURT JUDGE

Debra Lev
Bellingham Municipal Court.....(360) 778-8150
email dlev@cob.org

The Finance Director changed from an elected to an appointed position beginning in 2008 by a City Charter Amendment passed during the 2006 election.

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

DEPARTMENT HEADS

Fire Chief	(360) 778-8400
Bill Boyd	bboyd@cob.org
Interim Police Chief	(360) 778-8600
Todd Ramsay	tamsay@cob.org
Judicial and Support Services Director	(360) 778-8150
Linda Storck	lstorck@cob.org
Parks and Recreation Director	(360) 778-7000
Paul Leuthold	pleuthold@cob.org
Library Director	(360) 778-7220
Pamela Kiesner	pkiesner@cob.org
Museum Director	(360) 778-8930
Patricia Leach	pleach@cob.org
Planning and Community Development Director	(360) 778-8300
Tim Stewart	tstewart@cob.org
Hearing Examiner	(360) 778-8399
Dawn Sturwold	dsturwold@cob.org
Human Resources Director	(360) 778-8220
Jane Weston	jweston@cob.org
Finance Director	(360) 778-8800
John Carter	jcarter@cob.org
Information Technology Services Department Director	(360) 778-8050
Marty Mulholland	mmulholland@cob.org
City Attorney	(360) 778-8270
Joan Hoisington	jhoisington@cob.org
Public Works Director	(360) 778-7900
Dick McKinley	rmckinley@cob.org

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

EXECUTIVE STAFF

Chief Administrative Officer(360) 778-8100
 Vacant mayorsoffice@cob.org

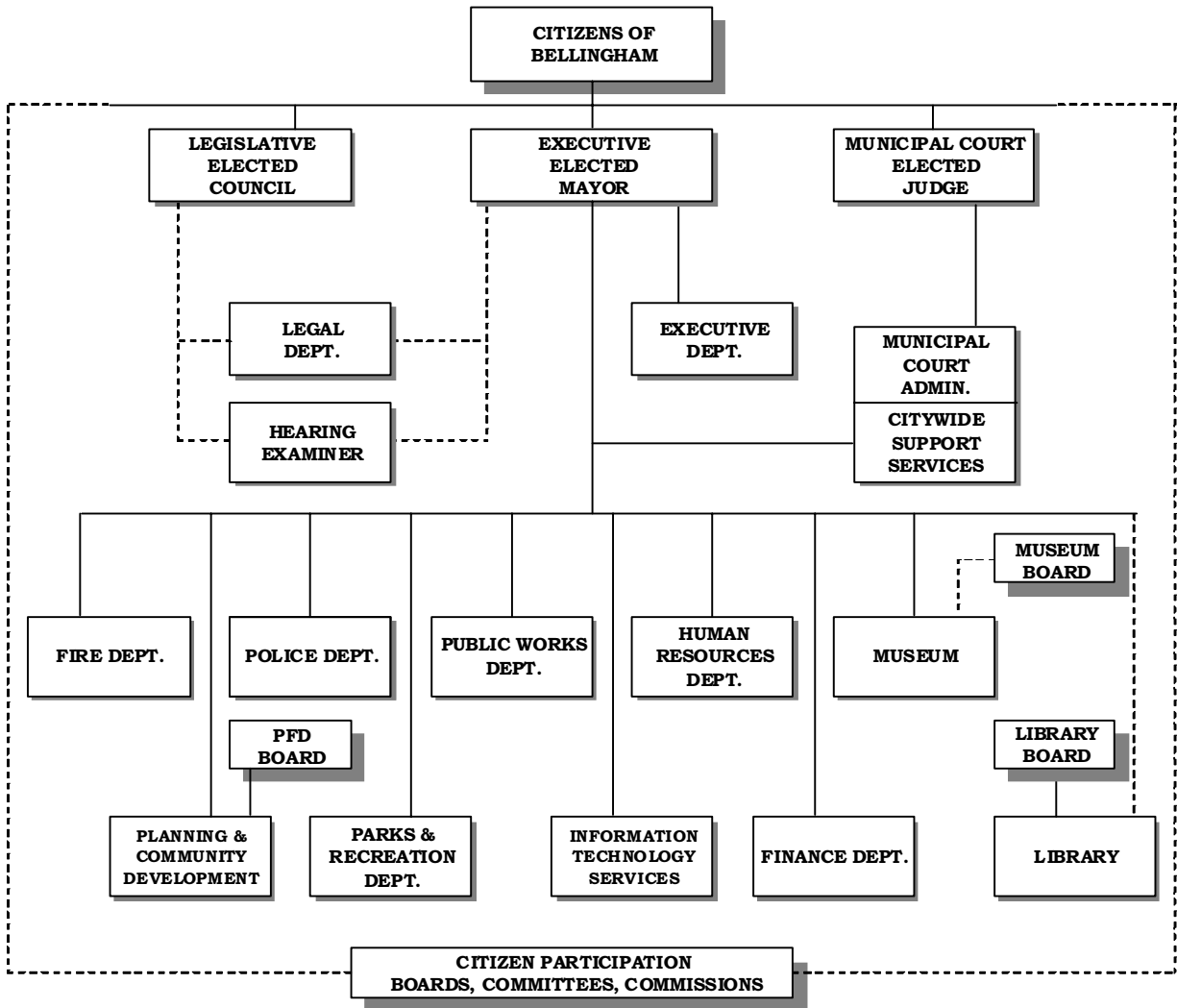
Communications Manager.....(360) 778-8100
 Janice Keller jkeller@cob.org

Neighborhood Services Coordinator.....(360) 778-8100
 Linda Stewart lstewart@cob.org

Waterfront Redevelopment Manager.....(360) 778-8103
 Len Johnson ljohnson@cob.org

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

ORGANIZATION CHART



TEXT BOX

A text box indicates a department or elected official within the City organization.

TEXT BOX

A divided box indicates dual function and responsibility within the same department.

TEXT BOX

A box with double-width shadow indicates an entity outside the City organization.

A dotted line indicates an indirect or advisory relationship.

A solid line indicates a formal and direct relationship.

PFD

Public Facilities District

This key applies to all organization charts throughout the Budget Document, which appear at the beginning of each Departmental section.

SERVICES PROVIDED BY THE CITY

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 Branch Library, nearly 100 parks, a civic stadium, athletic fields, and the Arne Hannah Aquatic Center. The City operates Medic One to provide county-wide emergency medical services under an agreement with Whatcom County.



ORGANIZATIONAL STRUCTURE

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. 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 administrative department heads are appointed by and serve at the mayor's discretion, with the following exceptions: The Chief Administrative Officer (CAO), City Attorney and Finance Director require approval of the City Council for appointment or removal, and the Library Director is appointed by the Library Board.

The City of Bellingham is structured into sixteen departments or service areas, which may be further divided into operating divisions. Each department or division is broken down into its functional units, or groups. The City organization chart shows the elected officials, the operating departments and the citizen boards, committees, commissions, etc. that assist the City to function.

COMMUNITY AND LOCAL ECONOMY

Located on Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. Bellingham is 85 miles north of Seattle and an hour south of Vancouver, B.C. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area that offers a rich variety of recreational, cultural, educational, and economic activities and opportunities.

Bellingham citizens have made strategic investments in parks, trails, and preserved open spaces, offering recreation and respite to the young and young-at-heart. From salt-water bays, rivers and lakes to the peak of Mount Baker, area residents and visitors alike can literally “do it all” in one day from Bellingham. Skiing, kayaking, mountain biking and other adventure sports abound, as well as slower-paced activities like hiking, golfing, bird watching and fishing.

Downtown Bellingham and the historic Fairhaven district feature an interesting mix of restaurants, art galleries and specialty shops. The growing downtown cultural district includes the respected Whatcom Museum of History and Art, owned and operated by the City of Bellingham with the generous support of many organizations and individuals. Originally built in 1892 as City Hall, the Museum's striking brick building is the centerpiece of a four-building campus, including a children's museum.

Bellingham's renowned Fairhaven district offers Victorian-era buildings, shops offering hand-crafted products, local restaurants serving fresh seafood and art galleries featuring Northwest artisans. Visitors bound for Alaska depart on the Alaska Marine Highway System ferries from the Bellingham Cruise Terminal, also in the Fairhaven District. Bellingham's active waterfront port supports fishing, boat building, shipping, and marina operations. Squalicum Harbor is the second largest in Puget Sound, with 1,900 pleasure and commercial boats moored.

Bellingham is home to Western Washington University on Sehome Hill, one of several hilltop locations in Bellingham that feature sweeping views across the bay to the San Juan Islands. Western is the third largest university in the state with enrollment of more than 12,000 students. Whatcom Community College and Bellingham Technical College serve more than 10,000 students, offering undergraduate courses and a wide variety of technical training. Bellingham Public Schools operates 12 elementary schools, four middle schools and three high schools.

Multiple transportation links connect the community to the region and the world. Allegiant, Delta, and Horizon airlines and various charter services depart from the Port-operated Bellingham International Airport. Amtrak rail service and Greyhound bus service connects Bellingham to Seattle and Vancouver BC, both departing from the Fairhaven district. From Bellingham's ports, tour boats and ferries leave for whale watch cruises, tours to Victoria on Vancouver Island, cruises to the San Juan Islands and longer voyages to Alaska. Whatcom Transportation Authority (WTA) provides transit service within Bellingham and throughout Whatcom County and transit connector service to Skagit Station in Mount Vernon.

Some Key Facts

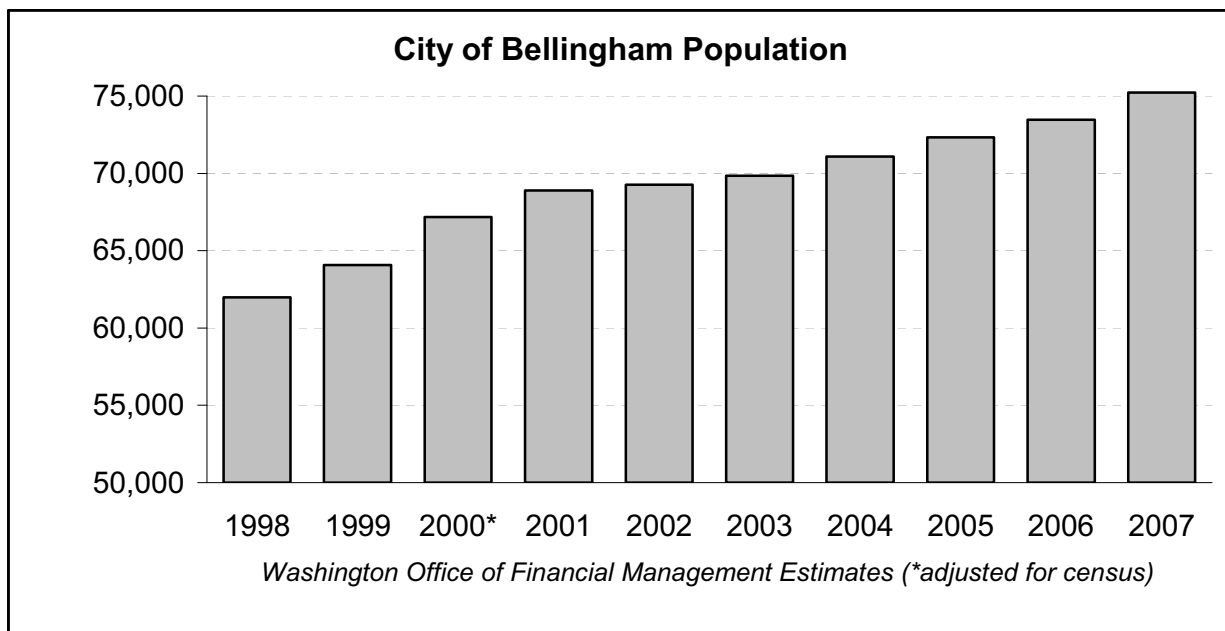
Elevation: Ranges from sea level at the waterfront to approximately 240 feet above on Western Washington University’s campus.

Weather: Seasonal. The temperature range in winter averages from 36° to 48°. In summer the average low is 54° to an average high temperature of 72°. Average annual rainfall is 34.83 inches per year. (*Weather.com*)

Land size: The City encompasses approximately 28 square miles.

History: Lummi, Nooksack and other Coast Salish people first thrived on the resources of what would become Bellingham Bay. English Captain George Vancouver explored the area in 1792 and named Bellingham Bay for Sir William Bellingham, Vancouver’s British Navy provisioner. Small communities came and went on the shores of Bellingham Bay through boom and bust cycles throughout the 1800s. The City of Bellingham incorporated as a Washington Municipal Corporation in 1904, after the populations of four bayside towns voted to consolidate.

Bellingham’s population of 75,220 in 2007 has increased over 22% from 1997.



Demographics

Median resident age: 30.4 years
 Median household income: \$35,612
 Median house value: \$252,100
 Median gross rent: \$705
 Residents living in poverty 22.6%
 85.9% White Non-Hispanic

For population age 25 and over:

- High school or higher 88.5%
- Bachelor’s degree or higher 33.0%
- Graduate/professional degree 10.3%

(2005 Estimates from City-Data.com)

Employment

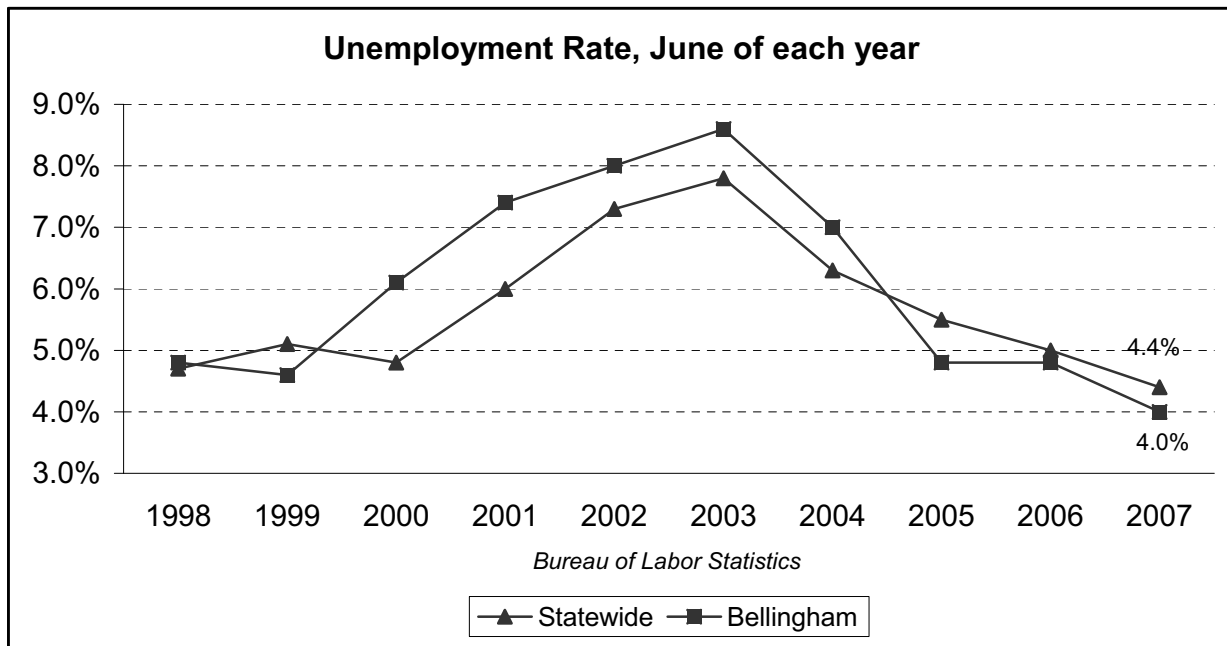
Largest Employers in Whatcom County

Rank	Name	Employees	Type
1	ST JOSEPH HOSPITAL	2,217	Health Care
2	WESTERN WASHINGTON UNIVERSITY	1,664	Education
3	BELLINGHAM SCHOOL DISTRICT	1,300	Education
4	WHATCOM COUNTY	942	Government
5	CITY OF BELLINGHAM	795	Government
6	BP CHERRY POINT REFINERY	725	Manufacturing
7	HAGGEN INC	720	Retail
8	LUMMI TRIBAL OFFICE	700	Tribes - Admin
9	FERNDAL SCHOOL DISTRICT	681	Education
10	SODEXHO SERVICES	671	Food Service
11	ALCOA INTALCO	544	Manufacturing
12	BROWN AND COLE	524	Retail
13	SILVER REEF CASINO	520	Tribes - Gaming
14	HEATH TECNA INC	487	Manufacturing
15	FRED MEYERS	480	Retail
16	LYNDEN SCHOOL DISTRICT	474	Education
17	MADRONA MEDICAL GROUP	450	Health Care
18	T-MOBILE (not verified by T-Mobile)	440	Cell Phone Svc
19	OLYMPIC HEALTH MANAGEMENT	415	Health Insurance
20	WAL-MART	395	Retail
21	WHATCOM COMMUNITY COLLEGE	365	Education
22	BELLINGHAM TECHNICAL COLLEGE	345	Education
23	MT. BAKER SCHOOL DISTRICT	330	Education
24	ANVIL CORP	320	Engineering
25	CONOCO PHILLIPS COMPANY	300	Manufacturing

Source: Western Washington University College of Business and Economics, Economics and Business Research - Top 25 Employers. Data as of January 2007

Note: Estimates of employed workers may vary depending on the method of calculation. Most companies report only the number of full and part-time employees. However, some companies include seasonal workers. The number of workers in any given company may also vary depending on the time of year. As such, these numbers should be used as general reference figures - not exact employee counts.

Employment (continued)



The Bureau of Labor and Statistics has revised Unemployment figures for the period from 2002 to 2006 since the last Budget Document publication.

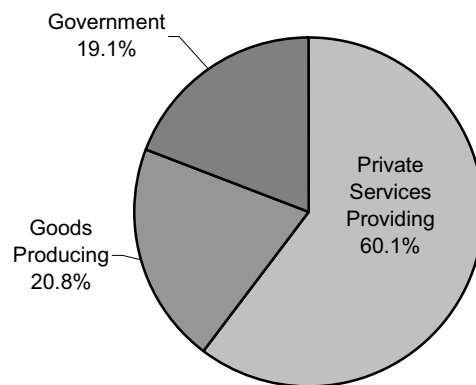
Nonagricultural Wage and Salary Employment

Bellingham Metropolitan Statistical Area (Whatcom County)

Not Seasonally Adjusted, in Thousands

Jun-07

TOTAL PRIVATE	68.6
GOODS PRODUCING	17.6
NAT. RESOURCES, MINING, & CONSTR.	8.5
MANUFACTURING	9.1
SERVICES PROVIDING	67.2
PRIVATE SERVICES PROVIDING	51.0
TRADE, TRANSPORT., WAREHSG, & UTIL	15.9
Retail Trade	10.6
FINANCIAL ACTIVITIES	3.2
PROFESSIONAL & BUSINESS SERVICES	7.4
LEISURE and HOSPITALITY	10.0
GOVERNMENT	16.2
Federal Government	1.1
State Government	5.5
Local Government	9.6



Washington State Employment Security Department

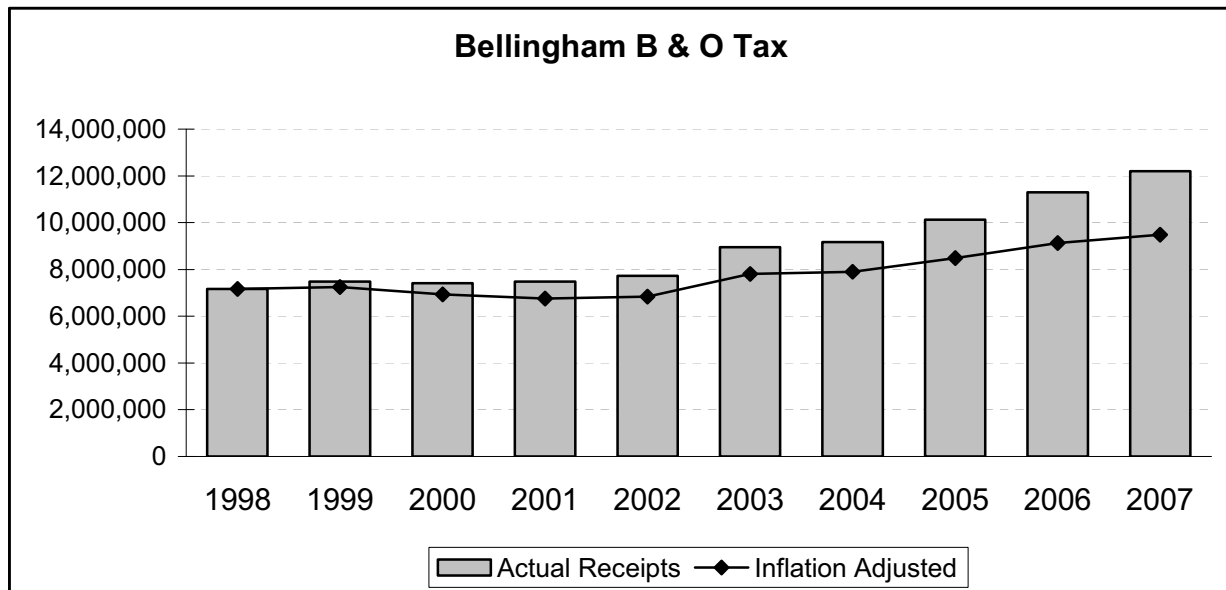
Makeup of Retail Sales Tax Base

Taxable Retail Sales - Bellingham					
By North American Industrial Classification System (NAICS)					
	2004	2005	2006	% of Total	Change '05 to '06
Retail Trade	\$ 986,264,657	\$1,074,419,914	\$1,129,453,949	55.0%	5.1%
Construction	248,394,856	262,574,721	299,862,388	14.6%	14.2%
Services	236,796,832	243,953,248	253,274,120	12.3%	3.8%
Accommodation & Food Svc; Arts, Ent & Rec	179,399,862	189,875,455	199,243,226	9.7%	4.9%
Wholesale Trade	103,824,062	107,042,260	124,172,571	6.0%	16.0%
Manufacturing	26,296,678	31,246,770	31,185,479	1.5%	-0.2%
Transportation & Warehousing; Other	13,924,814	15,922,872	18,012,485	0.9%	13.1%
Total	\$1,794,901,761	\$1,925,035,240	\$2,055,204,218	100.0%	6.8%

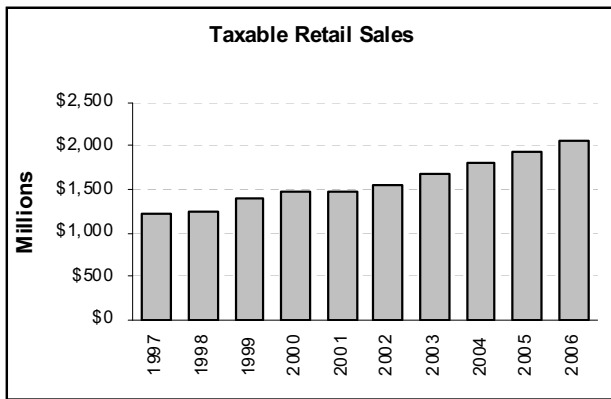
Department of Revenue, Quarterly Business Review

Business and Occupation Tax

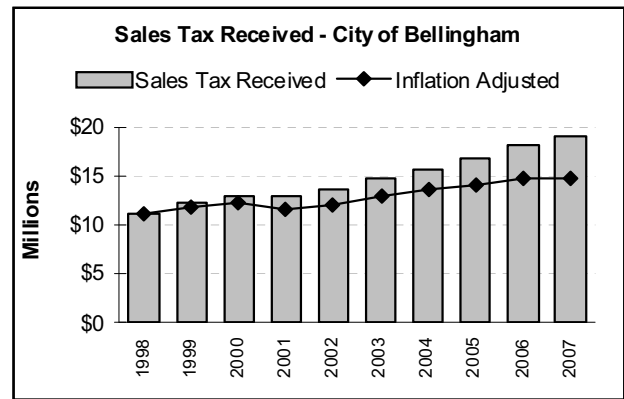
This chart shows a ten-year history of the City's Business and Occupation Tax revenue. B & O Tax rates have not changed during this period.



Distribution of Sales Tax



Washington State Department of Revenue

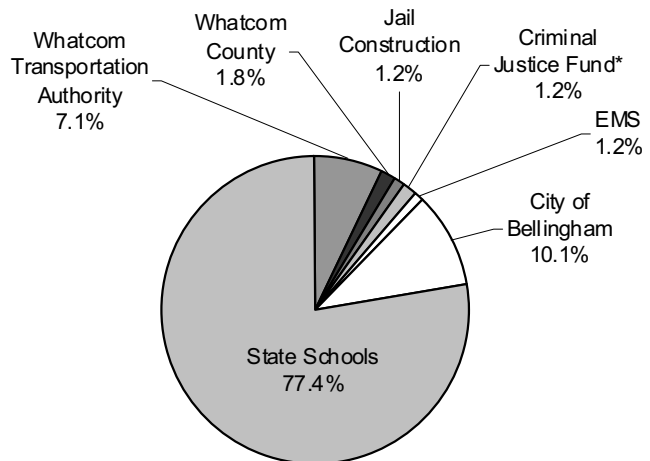


City tax receipts - TaxTools database

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%

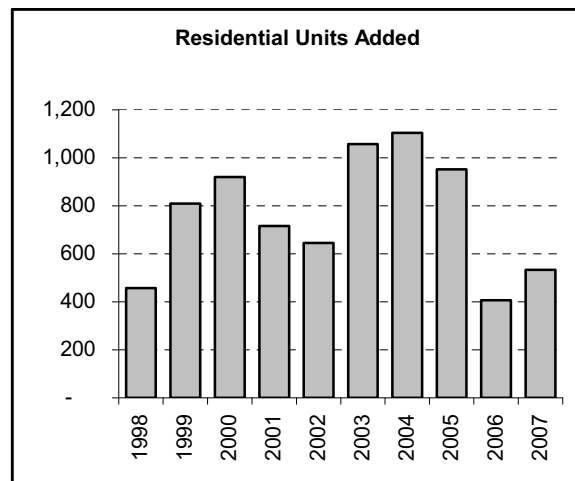
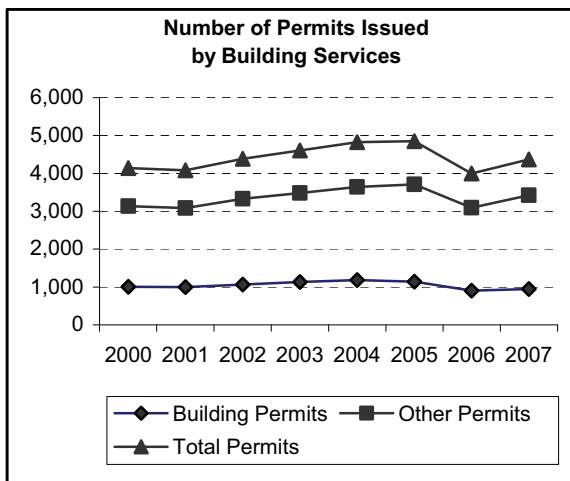
*Criminal Justice Fund money is divided between the City and County based on population.



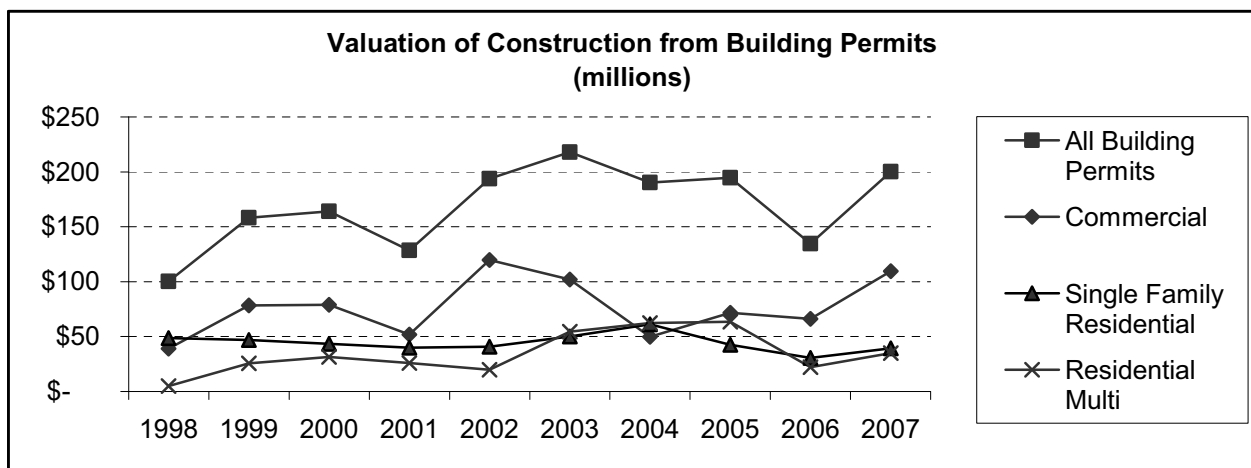
The .85% sales tax received by the City is divided with approximately 50% going into the General Fund and 50% going into the Street Fund.

Building Permit Activity

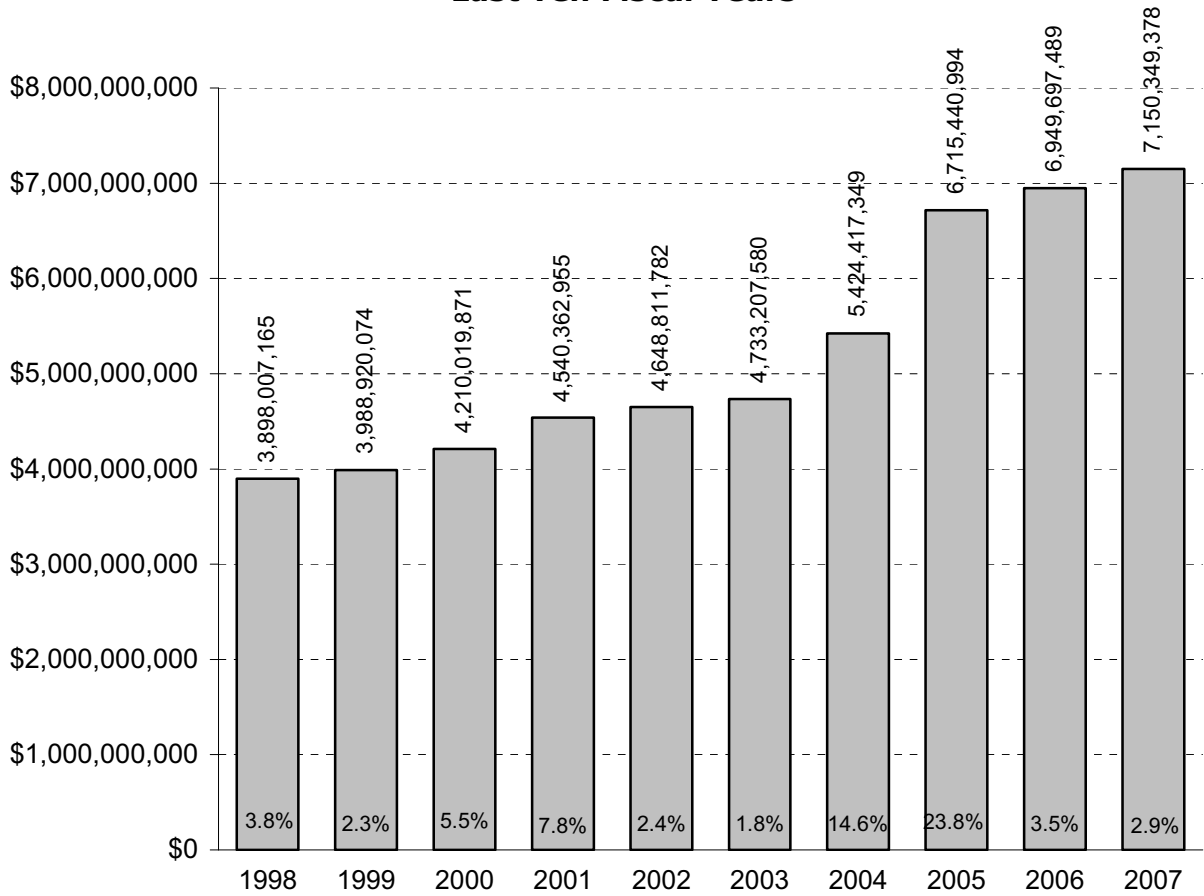
The number of residential units added within the City, the number of permits issued, and the valuation of new construction are summarized from the Building Services permit tracking system.



Valuation is based on the square foot valuation in the permit tracking system. The valuation for All Building Permits includes more categories than are summarized in separate lines on the graph.



**ASSESSED VALUATION - REAL PROPERTY
Last Ten Fiscal Years**



Percentage is Increase Over Prior Year. 2007 is Assessment for 2008 Taxes.
Source: Whatcom County Assessor's Certification of Assessed Valuations memo.

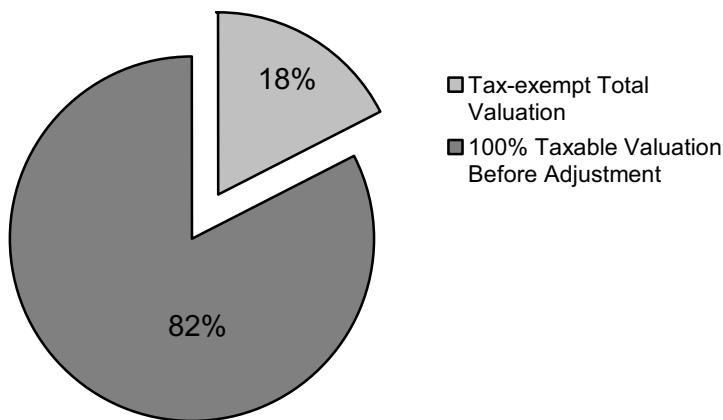
Assessed Valuation of New Construction and Annexations



Budget Overview

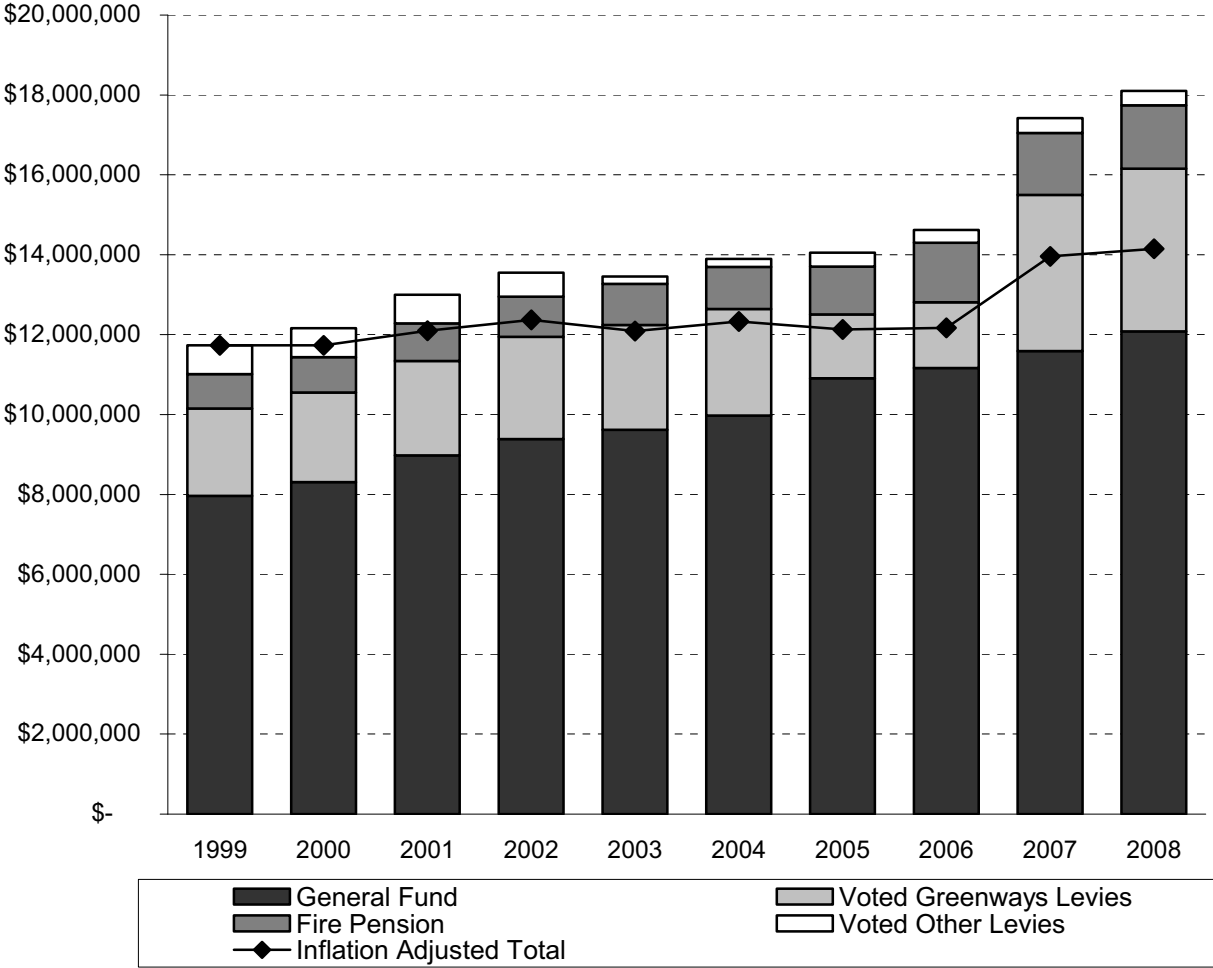
The Whatcom County Assessor revalues property inside the city limits in four-year cycles with the North and South segments of the City being assessed in different years. Annexations and major new construction also can cause the total assessed value to increase more than normal in a given year.

Government owned property (federal, state, local, school) is statutorily exempted from taxation. Non-profit organizations must apply for exemption through the Washington State Department of Revenue and file annually to keep the exemption. The pie chart below shows the percentage of tax exempt property within the City.



Assessed Values of Ten Largest Valued Taxable Accounts within the City of Bellingham			
Tax Year 2008 (2007 Assessment Year)			
1	Puget Sound Energy/Elec	State Assessed Utility (B'ham)	\$ 145,426,941
2	Bellis Fair Partners	ptn Bellis Fair Mall	\$ 32,856,940
3	Pk II Sunset Square LLC	ptn Sunset Square	\$ 20,891,450
4	Qwest Corporation	State Assessed Utility (B'ham)	\$ 19,597,018
5	MWSH Bellingham LLC, etal.	Spring Creek Retirement Center	\$ 15,863,025
6	Roundup Co	Bakerview Fred Meyer	\$ 15,537,950
7	Carey NW LLC	Belleau Woods Apartments	\$ 14,608,300
8	4545 Cordata Parkway LLC	Madrona Medical	\$ 13,471,175
9	Metropolitan Life Insurance Co	Lakeway Fred Meyer	\$ 13,356,365
10	Haggen Talbot Co Ltd	2211 Rimland Dr.	\$ 13,315,970

Property Tax Levy Total - 10 Year History

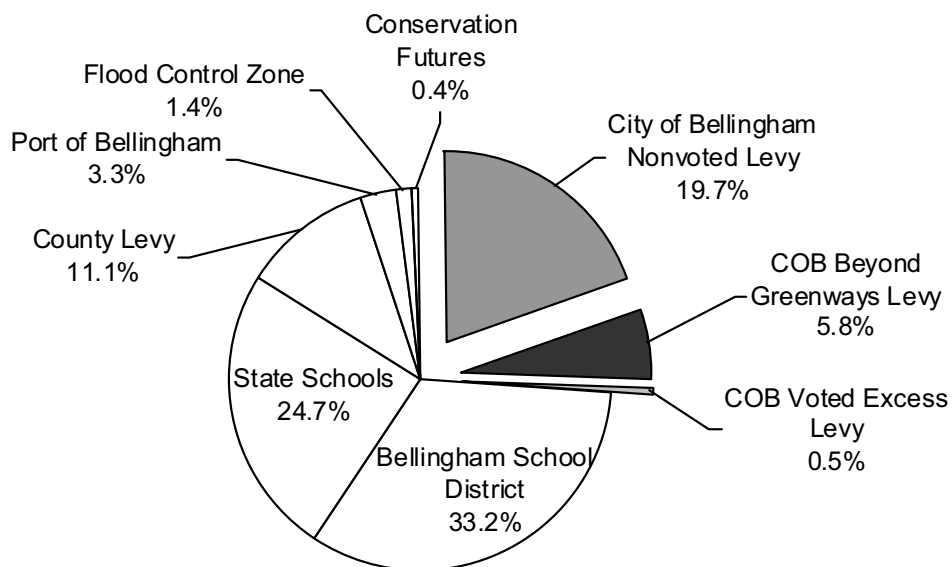


Distribution of Property Tax Dollars

The chart below shows how Property Tax dollars are distributed for a taxpayer residing within the City of Bellingham. The distribution is based upon the 2008 property tax levy.

Jurisdiction	2007 Levy Rate Per \$1,000 Valuation	2008 Levy Rate Per \$1,000 Valuation	2008 Percent of Levy	2008 Cost for \$250K HOME
City of Bellingham				
General Fund	\$1.68677	\$1.70917	17.36%	\$427.29
Fire Pension	0.22500	0.22500	2.29%	56.25
Nonvoted Levy	1.91177	1.93417	19.65%	483.54
Voted Greenways	0.57000	0.57493	5.84%	143.73
Total Regular Levy	2.48177	2.50910	25.49%	627.28
Voted Excess Levies	0.05486	0.05197	0.53%	12.99
Total City of Bellingham Levy	2.53663	2.56107	26.02%	640.27
State Schools	2.69846	2.42701	24.66%	606.75
County Levy	1.14785	1.08884	11.06%	272.21
Conservation Futures	0.04453	0.04229	0.43%	10.57
Flood Control Zone	0.14354	0.13625	1.38%	34.06
Port of Bellingham	0.34220	0.32465	3.30%	81.16
Bellingham School District (1)	3.27693	3.26299	33.15%	815.75
Total Levy	\$10.19014	\$9.84310	100.00%	\$2,460.78

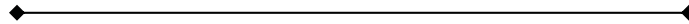
(1) Small portions of the City of Bellingham are within the Meridian or Ferndale School Districts rather than the Bellingham School District, resulting in a slightly different total property tax levy rate in those areas.



PREPARING AND AMENDING THE CITY’S BUDGET

2007 PROCESS CALENDAR FOR 2008 BUDGET

Council Retreat #1 to discuss goals and priorities for 2008.....	January 20
Council Retreat #2 to discuss goals and priorities for 2008.....	March 14
Departments prepare annual estimates	July 23 – August 17
Departmental requests filed with the Budget Manager.....	August 17
Departmental requests presented to the Mayor	September 6
Preliminary Budget presented to Council	October 15
Departmental Presentations and Hearings on the Budget	October 22 and 29
Public Hearing on revenue sources including Property Tax.....	October 15
Property Tax Ordinance presented to Council	November 5
Final Public Hearing on Budget.....	November 5
Council adopts Property Tax Ordinance.....	November 19
Council adopts Budget	November 26
Adopted Budget Document Printed.....	February 2008



Preparing the City’s Budget

Preparation of the City’s budget is governed by the City Charter and Revised Code of Washington (RCW), Chapter 35.33. The deadlines in the following narrative describe state minimum requirements. The City sometimes chooses to accelerate this schedule. The schedule that was used for this budget year is found above.

On or before the second Monday in September, Departments are notified that they have *until the fourth Monday in September* to submit their estimate of revenues and expenditures for the next year’s budget. Department heads provide these estimates along with their proposed method of financing expenditures from funding sources (bonds, etc.) not yet authorized. Estimates of interest and debt redemption requirements are prepared.

On or before the first business day in October, the Budget Manager submits a proposed preliminary budget to the Mayor, which shows the expenditures requested by each department and the related sources of revenue. The Mayor makes revisions to the preliminary budget and submits the Mayor’s Budget Message and the preliminary budget document to the Finance Director *on or before November 1st*. The Finance Director makes copies of the preliminary budget document available to taxpayers *no later than six weeks prior to January 1st*.

The City Council certifies the estimated amounts to be raised by taxation on the assessed valuation of property within the City through the adoption of an ordinance setting tax levy rates for the budget year. A public hearing on revenue sources is held by the Council prior to taking action on the proposed tax levy ordinance. The Finance Director sends a copy of the adopted ordinance to the Whatcom County Assessor *on or before the last day of November*.

The City Council holds hearings on the budget prior to the final public hearing. These hearings may include presentations from departments on their estimates and programs. These hearings take place *during the month of November*.

The clerk publishes the notice of public hearing *during the first two weeks of November*. The final hearing on the budget is held *on or before the first Monday of December*. Any taxpayer may appear at the final hearing and make comments on any part of the budget. The final hearing may be continued from day-to-day, but must be completed *no later than December 5th*.

The City Council makes changes to the preliminary budget as it deems necessary and adopts the Final Budget, by ordinance, *prior to January 1st*.

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 in 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.

Re-appropriating Prior Year Funds

All appropriations in any fund lapse at the end of the fiscal year. Amounts authorized during the fiscal year to pay for goods and services not received or completed by the end of the fiscal year may be re-appropriated to the next year by ordinance.

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.

BUDGET DEVELOPMENT POLICIES

Budget and Financial Policies were reviewed and re-written during 2006 and 2007. The new policy is presented here:

City Philosophy and Guidelines

The City of Bellingham strives to provide a healthy balance of services to promote an outstanding quality of life in the City. While recognizing the importance of all programs to promote this goal, it is understood that the City's ability to provide services can vary according to shifts in the local and state economy. During periods of flat or declining revenues the City's emphasis on programs for public safety and maintaining previous investments in capital facilities will increase. During periods of increasing revenues the City will generally work to improve the balance among different program areas.

This philosophy is illustrated in these five guiding principles:

1. Policy and administrative decisions should reflect long-term community goals.
2. All City decisions should reflect both immediate and long-term costs.
3. Encourage citizen stewardship through involvement in civic affairs.
4. Promote and support intergovernmental and public/private partnerships.
5. Planning a healthy environment for children fosters a healthy environment for us all; therefore, all City policies and decisions will consider the well-being and safety of children.

The following sections layout policies that follow this philosophy. In addition to the policies, the City of Bellingham's budget process is governed and it's policies superseded by the Revised Code of Washington (RCW) 35A.33.

General Budget Policies

1. Strategic Plan – The City Council will issue its Goals & Objectives at the start of each budget cycle. These Goals & Objectives will be used as the framework to help guide spending prioritization within the City.
2. Budget Preparation – Department Heads have primary responsibility for formulating budget proposals that support the priorities and direction provided by City Council and the Mayor, and for implementing them once they are approved.

The Budget Office is responsible for coordinating the overall preparation and administration of the City's budget and Capital Investment Program Plan. This function is fulfilled in compliance with applicable State of Washington statutes governing local government budgeting practices.

The Budget Office assists department staff in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

Budget Overview

3. Examination of Existing Base Budget – During the annual budget development process, departments will thoroughly examine their existing base budget to remove one-time appropriations and to reduce or eliminate any services that are no longer priorities or do not create value that at least offsets the cost of providing the service.
4. Performance Budgeting – Performance measures will be utilized and reported in department budgets. The City will prepare trends, comparisons to other cities, and other financial management tools to monitor and improve service delivery in City programs.
5. Services to Keep Pace With Community Needs – The City will strive to ensure that City service priorities keep pace with the dynamic needs of the community by incorporating a service needs review as part of the budget process.
6. Balanced Budget – In compliance with RCW 35.33.075, the City adopts a statutorily balanced budget, which requires total estimated resources (beginning reserves plus revenues) equal the total appropriation (expenditures plus ending reserves). Semiannually the Budget Manager will prepare a six-year forecast of revenues, expenditures and reserves so the City can ensure that expenditures are limited to an amount that can be sustained within projected revenues while maintaining prudent reserves.
7. Distinguished Budget Presentation – The City will prepare its budget in accordance with the Government Finance Officers Association’s (GFOA) recommendation. It will also seek to obtain the GFOA Distinguished Budget Presentation Award for its annual budget.

Revenue Policies

The City must be sensitive to the balance between the need for services and the City's ability to raise fees, charges, and taxes to support those services.

1. Mix of Revenues – The City should strive to maintain a diversified mix of revenues in order to balance the sources of revenue amongst taxpayers and to provide ongoing stability and predictability. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development investments.
2. Charges for Services – Charges for services that benefit specific users should recover full costs, including all direct costs, capital costs and overhead. Departments that impose fees or service charges should prepare and periodically update cost-of-service studies for such services. A subsidy of a portion of the costs for such services may be considered when Council determines such subsidy is in the public interest.
3. One-time Revenues – The City will not use resources received, that are considered to be of a one-time nature, to fund on-going operational costs.

4. Grant Agreements – Prior to application and again prior to acceptance, grant agreements will be reviewed by the appropriate City staff to ensure matching requirements are reasonable and attainable, and ensure compliance with regulatory requirements is possible.

Operating Expenditure Policies

1. Adding New Staff – The City allocates staff and resources necessary to safely, effectively, and efficiently meet the needs of our citizens. Any change to staffing and resource levels will be consistent with the overall goals and priorities of the City Council. The Executive, Finance, and Human Resources Departments will consider the following factors to closely manage staffing changes to maintain city priorities:
 - a. The nature and duration of work assignments/projects;
 - b. Amount and sustainability of funding sources;
 - c. Consistency with City Council goals; and,
 - d. Feasibility and cost effectiveness of all service delivery options.
2. Public Stewardship – In all Operating Expenditure areas the City will strive to balance prudent decision making with fair market considerations in order to receive optimal value for the funds being expended.
3. Compensation – The City strives for a compensation practice that will attract and retain competent employees and be in harmony with the community served. In establishing compensation, which includes salary and benefits, the City will normally reflect the compensation practices of employers in the geographic area from which job applicants are recruited.
4. Full Cost Allocation – Department budgets should be prepared in a manner to reflect the full cost of providing services. The only exception would be for General Fund department costs that would be attributable to other General Fund department services.

Financial Planning & Forecasting Policies

The City maintains a six-year Financial Forecast of resources and expenditures for the six years beyond the current budget period. This Forecast is updated quarterly to provide the City's decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions. The City will regularly test both its planning and forecasting methodology and use of planning and forecasting tools in order to provide information that is timely and accurate.

Budget Adjustments & Amendments

The current period's Operating Budget may be adjusted during the year using one of two methods.

The first method is an Adjustment. This involves a reallocation of existing appropriations and does not change the Fund's, or for the General Fund the Department's, budget "bottom line." No City Council action is needed as State law allows budget adjustments to be done administratively with approval from the Mayor and/or CAO.

Budget Overview

The second method is an Amendment. This involves an addition to or reduction of existing appropriations which results in a change to the Fund's, or for the General Fund the Department's, budget "bottom line." This type of change requires an ordinance that amends the original budget and states the sources of funding for the incremental appropriations.

1. Budget Amendments – The City's preferred method for budget changes is an Adjustment. That is, finding availability within existing budget before requesting incremental funding. Amendments to the City's budget should only be requested for material changes that impact a department and/or fund's existing appropriation. For purposes of this policy, an unanticipated mid-period grant would be considered a material change.
2. Budget Ordinances – The Budget Manager will review all agenda bills submitted to City Council which require a Budget Ordinance. The objective of these reviews is to ensure disclosure of all fiscal issues to the Council and to draft the Budget Ordinance.

Reserve Policies

The City will maintain adequate reserves in order to reduce the potential need to borrow to fund operations or abruptly reduce services during periods of economic downturn or other emergencies. It will also place resources into reserve for long-term capital needs and pension obligations. To accomplish these goals the City has specified specific reserve requirements in several funds. These detailed requirements can be reviewed in the table at the end of the policies.

1. Definition of Reserves – The City defines budgetary reserves as the difference between:
 - a. Those assets that can reasonably be expected to be available for use within the year or shortly thereafter; and
 - b. Those liabilities that can reasonably be expected to be extinguished during the year.
2. Unrestricted General Fund Reserves – Before using unrestricted General Fund reserves on expanding or funding operations, consideration will be given to investing those funds in specific Capital reserve and Pension reserve funds.

Investment & Debt Policies

1. Asset Preservation – Preservation and safety of assets is a higher priority than return on investments. Therefore, the City will seek a reasonable return on its investments while also preserving the original capital investment. This is typically referred to as the 'Prudent Person' policy. The City also has an Investment Policy which Council reviews and adopts annually.
2. Interfund Loans – The City will use interfund loans when possible to provide for cash flow coverage, which must be separately approved by the Council. Longer-term uses will be allowed on a case-by-case basis. The Finance Director will establish rates of return to assure the loaning fund receives a return equal to the pool investment rate. In addition, the department responsible for the loaning fund will be consulted to determine whether funds are available for the term of the loan.

3. Debt Issuance – The City will strive to keep a strong bond rating by monitoring and improving its financial stability. Before debt is issued consideration will be given to: a) whether revenue stream is available to repay the debt, b) alternate methods of financing, and; c) whether it would not be cost effective to delay issuing debt.

Capital Investment Policy

1. Relationship to Long-Range Plans – Capital projects will typically be based on formal long-range plans that have been adopted by the City Council. This ensures that the City's Capital Facilities Plan (CFP), which is the embodiment of the recommendations of these individual planning studies, is responsive to the officially stated direction of the City Council as contained in the Comprehensive Plan, Goals and Objectives, or other long-range supporting documents. Each project will be evaluated based on its relative contribution to these studies. It is also recognized that capital maintenance projects will arise on a regular basis that are not listed in the CFP or other formalized plans.
2. Types of Projects Included in the CFP Plan – A CFP project is generally defined to be any project that:
 - a. Involves design, physical construction, reconstruction, or replacement of a major component of City infrastructure, or acquisition of land or structures; and
 - b. With the exception of projects utilizing REET funds, is estimated to exceed \$50,000. Any project using REET funds, regardless of project amount, will be included on the CFP.
3. Project Tracking – Each Capital Project is required to be tracked with a Job Cost Project Number in Finance's Accounting System. Finance will also provide budget to actual reports on a quarterly basis to ensure proper funding.
4. Budget Upfront – Capital projects will be budgeted at the full estimated cost of completing the project, or unique phase for larger projects, in the year the project is expected to be started. Once adopted, unspent CFP budgets will be reappropriated at the end of each fiscal period until the project is completed or abandoned.
5. Calculation of Operating Impact – The operating and maintenance cost impact of new capital facilities will be calculated and considered prior to the authorization of the project.

Accounting, Audit & Financial Reporting Policies

1. Budget Monitoring – The Finance Department will maintain a system for monitoring the City's budget performance. This system will provide the City Council with quarterly presentations regarding fund level resource collections and department level expenditures. The system will also provide monthly reports to Department Heads. The Department Heads will have primary responsibility for ensuring their Departments and/or Funds stay within their annual adopted budget.

Reserve Goal Table

Fund Name	Goal	Rationale
General	12% of Operating Expenditures	Service continuity during slower economic periods (Res. 2005-48)
Street	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Capital Maintenance	\$100,000	Ensure appropriate funding to cover cash flow concerns
1 st & 2 nd Quarter REET	\$100,000 per Fund	Ensure appropriate funding to cover cash flow concerns
Public Safety Dispatch	15% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Public Facilities District	5% of Operating Expenditures, or \$10,000, whichever is greater	Ensure appropriate funding to cover cash flow concerns
Water	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Wastewater	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Storm Water	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Solid Waste	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Cemetery	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Golf Course	11% of Green Fees	Ensure appropriate funding to cover cash flow concerns
Parking Services	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Medic One	8% of Operating Expenditures	One month's worth of funding to cover cash flow concerns (ILA. 2007-0050)
Development Services	50% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Fleet	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Purchasing	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Facilities	5% of Operating Expenditures	Ensure appropriate funding to cover cash flow concerns
Unemployment	75% of Expected Claims	Ensure appropriate funding to cover cash flow concerns
Health Benefits	5% of Medical Insurance Payments	Ensure appropriate funding to cover cash flow concerns

EXPLANATION OF ACCOUNTING BASIS AND ACCOUNT STRUCTURE

Basis of Accounting

The basis of accounting defines when revenues, expenditures, or expenses are recognized in the accounts and included in the budget estimates. The basis of budgeting and the basis of accounting used in the City's audited financial statements are the same.

The modified accrual basis of accounting is used for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Benefit Trust Funds, and Permanent Funds. Under this method, expenditures are recognized in the accounting period in which the liability is incurred. Revenues are recognized when they become both measurable and available to finance expenditures of the current period (no more than 60 days beyond period end). Revenues that are measurable but not available are recorded as deferred revenues and offset by receivables.

- Taxes, entitlements and shared revenues are recognized when cash is received.
- Grant reimbursements are recognized in the year in which the expenditures are incurred.
- Special assessments are considered measurable and available when they become current.
- Interfund revenues for goods and services are considered measurable and available when earned.
- Proceeds from refunded debt are recognized as an "Other Financing Source" and the amount remitted to the refunding trustee is recognized as an "Other Financing Use."
- Redemption of long-term debt principal is considered an expenditure when due.
- Interest on long-term debt is recorded as an expenditure when due.
- Proceeds from the sale or loss of general fixed assets are recognized as an "Other Financing Source."
- Purchases of capital assets and inventories are considered expenditures.
- Prepaid items, for benefits not yet received, are recorded as expenditures when the benefits are realized.
- Accumulated unpaid sick pay and other health-related employee benefits are considered expenditures when paid. Accumulated vacation and compensatory time is expensed when earned and the resulting liability is reduced when the time is taken off or paid.
- All other revenues are either not measurable or considered not available until collected.

The accrual basis is used for Enterprise Funds, Internal Service Funds, and Pension Trust Funds. Under this method, revenues are recognized when earned, expenses when incurred.

Account Numbers

The State of Washington prescribes the account code structure cities must use for reporting. Cities may use any accounting system during the course of the year, but they must prepare their Comprehensive Annual Financial Report (CAFR) and Budget using the State's Budgeting, Accounting, and Reporting System (BARS) codes.

For regular accounting, the City uses an alternative numbering system called the User Account Code (UAC). The budget document shows portions of the UAC and portions of the expense code that are the same in both the BARS and UAC systems. The City sets up a one-to-one relationship between the UAC and BARS numbers but leaves the full BARS account code in the background. This allows the City to change the BARS account for reporting to the state without affecting departments that use a UAC code.

Fund descriptions, including which departments are responsible for each fund, appear under the title Fund Descriptions and Accountability at the end of this description of account structure.

For both revenues and expenditures, the City uses additional levels of account code detail that are not shown in the budget document. The budget detail report may be viewed on request at the Finance front counter.

Reserves

For budget preparation and monitoring purposes, the City uses reserves rather than fund balances. The reserve concept is used because it better defines for City Council and Administration the resources expected to be available at the beginning of the year for expenditure. The ending reserves also better define what will be left at year-end for use in the following year.

The City defines budgetary reserves as the difference between:

- those assets that can reasonably be expected to be available for use within the year or shortly thereafter, and
- those liabilities that can reasonably be expected to be extinguished during the year.

FUND DESCRIPTIONS AND ACCOUNTABILITY

To comply with the BARS system, the City must use a three-digit number for funds. The City classifies funds by different types. These are:

001 General or Current Expense Fund - To account for all financial resources not required to be accounted for in another fund.

100 Special Revenue Funds - To account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

200 Debt Service Funds - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

300 Capital Projects Funds - To account for financial resources to be used for the acquisition or construction of major capital facilities.

400 Enterprise Funds - To account for operations that are normally financed and operated in a manner similar to private business enterprises.

500 Internal Service Funds - To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.

611-620 Pension (and Other Employee Benefit) Trust Funds - To account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, and other employee benefit plans.

700 Permanent Funds – To account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Discrete Component Unit – A special fund, 965, has been set up to account for the Public Facilities District. Starting in 2008 the PFD will no longer be accounted for as a blended component of the City with a Special Revenue type Fund. For the purpose of budgeting and accounting, the PFD will be moved from Fund 165 to Fund 965 effective January 1, 2008.

The Mayor is ultimately responsible for all expenditures of City government. Day-to-day responsibility for fund management is delegated by the Mayor to Department Heads. In some instances, a specific department has total responsibility for a fund; in other cases, more than one department or division draw on the resources of a fund. The following table identifies the budgetary areas included in each fund. For those funds where the responsibility for reserve management is not the same as budgetary responsibility, the responsibility for reserve level management is shown separately.

Budget Overview

Fund#	Fund Name and Description	Budgetary Responsibility
001	General Fund: The primary operating fund of the City. It accounts for all financial resources not required to be accounted for in a special purpose fund, and finances operations for funds that do not have adequate dedicated revenues, such as Police and Fire Pensions, Medic One, Cemetery, reserve balances and debt services.	All Departments except Public Works and Public Facilities District Reserve responsibility: Budget for general reserve and Departments for special reserves.
111	Street Fund: For maintenance of all City streets. Revenue is primarily from state sales tax, grants and interfund payments for administrative and engineering services.	Public Works
112	Arterial Street Construction Fund: For upgrading arterial roadways. Recurring revenue comes from state shared fuel tax. Project funding is supplemented by street related grants.	Public Works
113	Paths & Trails Reserve Fund: To establish and maintain paths and trails for bicyclists, equestrians and pedestrians. Source of revenue is one-half of one percent of motor vehicle fuel taxes received by the Street Fund.	Public Works
123	Park Site Acquisition Fund: Used for acquisition of land for parks, playgrounds, open space or greenbelts in areas deemed appropriate by the City Council. Source of revenue is a per-lot charge in subdivisions that do not dedicate or set aside property for park purposes.	Parks & Recreation
124	Technology Replacement and Reserve Fund: For a designated reserve for emergency use as approved by City Council for technology resources plus budgeted transfers into the fund based on the General Fund projected technology expense needs according to a four-year forecast. (former name Computer Reserve Fund)	Information Technology Services
125	Capital Maintenance Fund: A cumulative reserve to meet needs for repairs, maintenance, and non-capital improvements to General Fund supported facilities.	Public Works, Library, Museum, Parks & Recreation, and Fire Reserve responsibility: Budget
126	Library Gift Fund: Accumulates cash gifts to the library from private sources. Expenditures are made to provide books or other materials for the library.	Library
131	Olympic Pipeline Incident Fund: To account for funds to implement maintenance and monitoring tasks on Whatcom Creek pursuant to the Olympic Pipeline Whatcom Creek Restoration Plan.	Public Works

Fund#	Fund Name and Description	Budgetary Responsibility
132	Squalicum Park / Olympic Fund: To account for a portion of the proceeds of the settlement from Olympic Pipeline to be used for Squalicum Park.	Parks & Recreation
133	Olympic – Restoration Fund: To account for fund to complete restoration projects on Whatcom Creek pursuant to the Olympic Pipeline Whatcom Creek Restoration Plan.	Public Works
134	Olympic-Whatcom Falls Park Addition Fund: To account for settlement funds from the Olympic-Whatcom Falls Park Addition property settlement.	Parks & Recreation
135	Little-Squalicum-Oeser Settlement Fund: To account for the settlement funds from the Oeser property settlement	Parks & Recreation
141	First 1/4% Real Estate Excise Tax (REET) Fund: Proceeds from this tax fund construction, repair, replacement, rehabilitation, or improvement projects as authorized by state law.	Parks & Recreation, Planning & Community Development, Public Works, Police, and Fire Reserve and debt responsibility: Budget
142	Second 1/4% REET Fund: Used solely for financing capital projects specified in the capital facilities plan element of the comprehensive plan, as authorized by state law.	Parks & Recreation, Public Works Reserve and debt responsibility: Budget
151	Police Federal Equitable Sharing Fund: Created when the City entered into agreement with the Treasury Department to participate in the program for federally forfeited property or proceeds. Money received under the program is spent pursuant to federal guidelines.	Police
152	Asset Forfeiture/Drug Enforcement Fund: Proceeds of seizures are deposited into this fund, and used exclusively for expansion of narcotics enforcement.	Police
153	Criminal Justice Fund: Supplements staffing costs and capital equipment purchases. Funded by State entitlements.	Police
160	Public Safety Dispatch Fund: Provides efficient communication services for Bellingham’s Police, Fire and EMS units, and participating public safety agencies in the surrounding county. This separate fund facilitates reporting financial operations to user agencies and to the 911 Center’s Board of Administration. It is funded by user agencies.	Police

Budget Overview

Fund#	Fund Name and Description	Budgetary Responsibility
171	Greenways Levy Fund: The proceeds of this additional levy were collected from 1991 to 1996 to acquire and improve real property for open space, parks and trails. Fund closed in 2006.	Parks & Recreation
172	Beyond Greenways Fund: To continue acquisition improvement and maintenance of greenway areas begun by the original Greenway Levy. Funded by voter-approved \$20 million property tax levy, of which 90% is designated for capital projects.	Parks & Recreation
173	Greenways III: Funded by increased property tax of .57 per thousand of assessed valuation, the amount to be collected will total \$44,300,000. To continue the acquisition, improvement and maintenance of greenways areas begun by the original greenway levy. Voter approved levy passed in 2006.	Parks & Recreation
177	Park Impact Fee Fund: Park impact fees, as authorized by Ordinance 2006-02-012, are placed in this fund. Funds are invested until needed, and the interest income remains with the park impact fee fund until the fees and interest are either refunded to the property owner or utilized as part of the resources for an approved project.	Parks & Recreation
178	Sportsplex Fund: Created to accumulate amounts specified in lease with Whatcom Soccer Commission to be paid to the City for Security Deposit and Capital Improvement /Major Maintenance. These funds may only be spent by mutual agreement for capital improvements, major maintenance or early retirement of bonds.	Parks & Recreation
180	Tourism Fund: To pay costs of tourism promotion or acquisition and operation of tourism-related facilities. The source of revenue is a special excise on transient lodging.	Planning & Community Development
190	Community Development Block Grant Fund: To upgrade neighborhoods and expand affordable housing choices, assist community social service agencies, address human needs, and create employment opportunities for individuals with low and moderate incomes. The source of revenue for this fund is a Community Development federal block grant.	Planning & Community Development

Fund#	Fund Name and Description	Budgetary Responsibility
191	Home Investment Partnership Grant Fund: Accounts for federal home investment partnership grant revenue, a HUD grant for the expansion of the supply of affordable housing, particularly rental housing, for low and very low income Americans.	Planning & Community Development
211-235	General Obligation Debt Service Funds: Used to account for the accumulation of resources for and payment of general obligation bond principal and interest, special assessment bond principal and interest, and state loans, when the government is obligated in some manner for the payment.	Finance
245	Local Improvement District (LID) Guaranty Fund: Assures that payments on individual LIDs will be made on time if collections from district property holders are insufficient. Property in arrears is foreclosed and the proceeds deposited to the Guaranty Fund.	Finance
251-299	LID Debt Service Funds: LIDs are issued when property owners require assistance funding improvements that benefit the entire district. The City administers LID bond funds. Since they are not an obligation, the City does not budget for individual LIDs.	Finance
313	City Hall Annex Fund: To pay the cost of purchasing and remodeling the building and adjacent parking lot to accommodate City offices.	Public Works
341	Civic Field Improvements Fund: Created to account for the multi-year project to remodel and improve the Civic Field Complex. The primary resources for the project are from transfers from other funds and the issuance of GO Bonds in 2004.	Parks & Recreation
410	Water Fund: To pay for costs associated with supplying safe water to customers of the City's water supply system. The sole source of revenue is the sale of water to the general public. Demand charges, hydrant fees and reservoir fees are collected for construction purposes.	Public Works
420	Wastewater Fund: To pay for costs associated with conveying and properly treating sewage from customers of the City's wastewater treatment system. The sole source of revenue is from services provided to the general public. Demand charges are collected for construction purposes.	Public Works

Budget Overview

Fund#	Fund Name and Description	Budgetary Responsibility
430	Storm and Surface Water Utility Fund: Created to improve existing and construct new stormwater facilities, prepare a stormwater master plan and acquire additional wetland and open space. The primary source of revenue is a service charge for impervious surface runoff.	Public Works
440	Solid Waste Fund: To pay costs associated with waste collection, transfer and disposal. A private contractor handles garbage collection and billing. The primary source of revenue is the utility tax.	Public Works
456	Cemetery Fund: To provide for operation and maintenance of Bayview Cemetery. Revenue is derived from the sale of lots and concrete boxes, interment charges, and interest. Perpetual care for upkeep of graves and cemetery property is funded from the sale of gravesites. This fund is also supplemented by a contribution from the City's General Fund.	Parks & Recreation
460	Golf Course Fund: For operation of the pro shop and Lake Padden Golf course maintenance. These services are contracted.	Parks & Recreation
465	Parking Services Fund: To operate and maintain municipal parking system consisting of parking garages, surface lots, on-street parking and commercial space rental. Revenue is primarily derived from fees and rentals.	Public Works
470	Medic One Fund: Provides countywide ambulance service through an Interlocal agreement between the City and Whatcom County. Revenues generated by fees for services and supplemented by contributions from the City and County.	Fire
475	Development Services Fund: To ensure compliance with a variety of state and local construction codes. Primary source of revenue is fees for inspection services. (Previously named "Building Services" Fund.)	Planning & Community Development
510	Fleet Administration Fund: To consolidate vehicles and equipment under one fund for acquisition, repair, maintenance and replacement. Revenue is derived from renting these assets to user funds and mechanical shop services to other funds and other government agencies.	Public Works

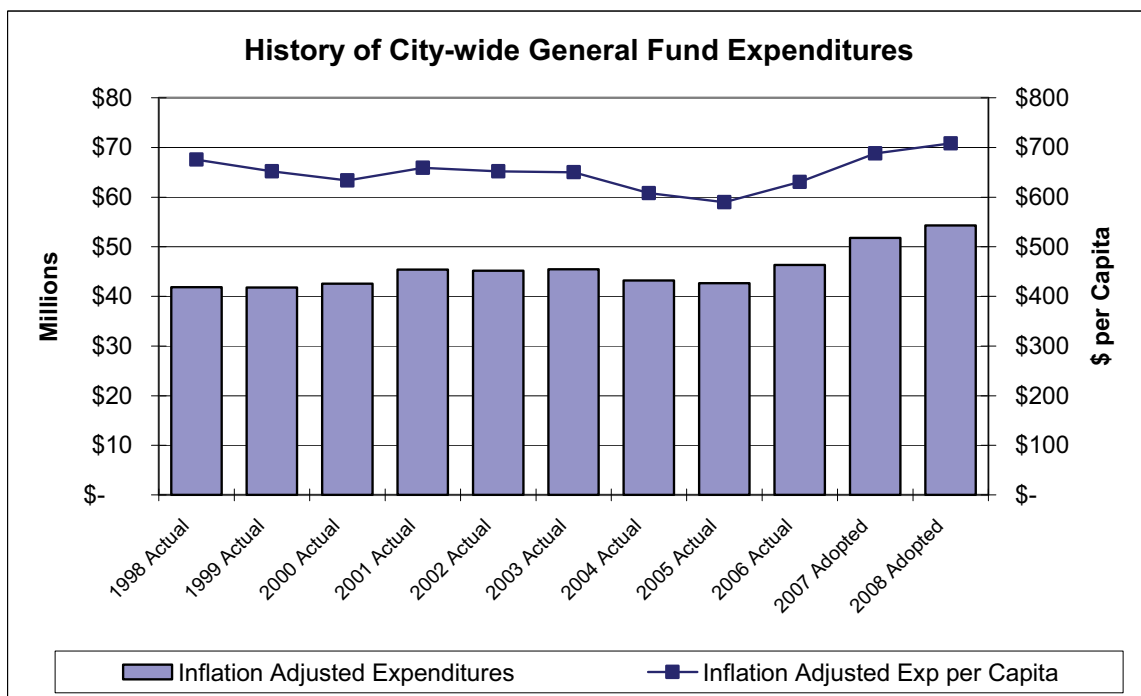
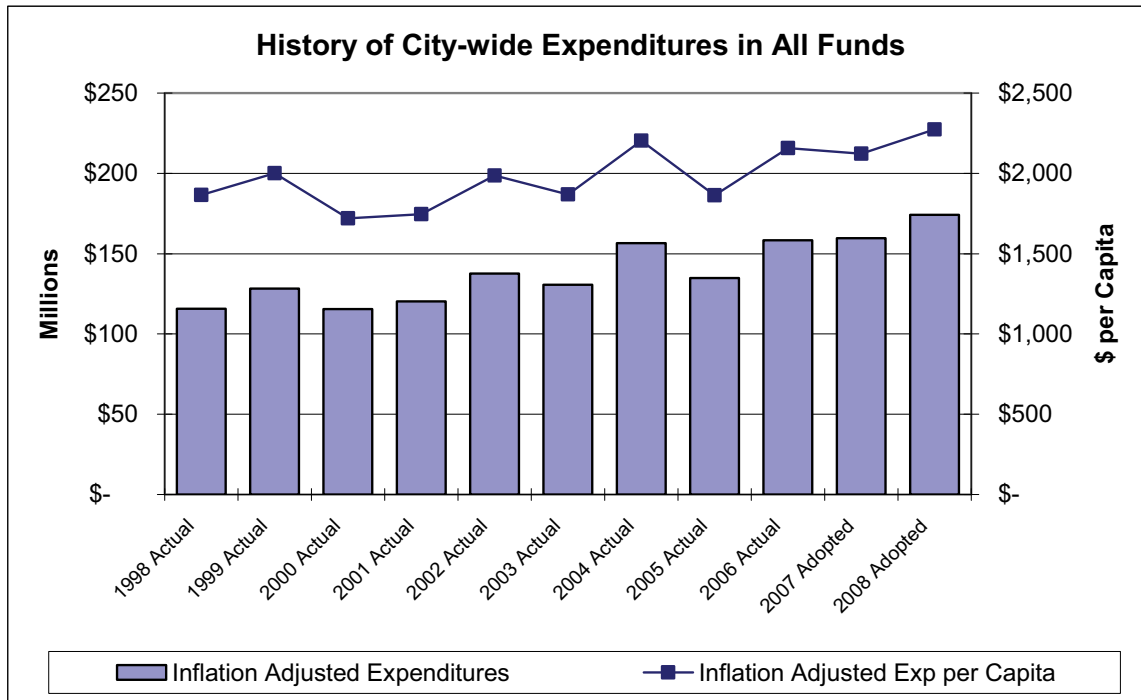
Fund#	Fund Name and Description	Budgetary Responsibility
520	Purchasing & Materials Management Fund: To consolidate the functions of purchasing, warehousing and issuing supplies to various departments of the City. Revenue is derived from inventory sales and overhead charges.	Public Works
530	Facilities Administration Fund: Consolidates the majority of custodial services and facility maintenance.	Public Works
540	Telecommunications Fund: To purchase telecommunications equipment and recover the costs from the user departments. Provides centralized payment of monthly telecommunication expenses. Additional funding is used for future acquisitions.	Information Technology Services
550	Claims & Litigation Fund: To pay expenses for claims, litigation, administrative costs, settlements and judgments on behalf of City departments. Departments pay insurance premiums into this fund for future contingencies. Costs over \$1 million are covered by excess liability insurance.	Legal
561	Unemployment Compensation Fund: Reimburses the state for unemployment claims paid to former employees, as required by state law. A percentage of payroll is transferred to this fund each payroll period.	Human Resources
562	Workers' Compensation Fund: Covers the cost of claims resulting from on the job injuries or job-related illnesses, and related preventive, safety and disability programs.	Human Resources
565	Health Benefits Fund: Covers the costs of providing medical, vision, and dental benefits to City employees, health studies and the wellness program. Revenue is from premiums charged to each department per employee.	Human Resources
612	Firefighters Pension Fund: Pension payment to firefighters or surviving spouses and medical benefits for firefighters hired prior to October 1, 1977. Revenue is from property tax, fire insurance premium tax, and General Fund contributions.	Human Resources. Reserve responsibility: Finance and Human Resources
613	Police Officers Pension Fund: Pension payment to police officers or surviving spouses and medical benefits for police officers hired prior to October 1, 1977. Revenue is from sales of unclaimed property and General Fund contributions.	Human Resources. Reserve responsibility: Finance and Human Resources

Budget Overview

Fund#	Fund Name and Description	Budgetary Responsibility
614	Firefighter's Long Term Care Fund: Provide long term care costs for firefighters hired prior to October 1, 1977. Revenue is from General Fund contributions. Consolidated within Fund 612 beginning in 2008.	Human Resources. Reserve responsibility: Finance and Human Resources
615	Police Officer's Long Term Care Fund: Provide long term care costs for police officers hired prior to October 1, 1977. Revenue is from the General Fund contributions. Consolidated within Fund 613 beginning in 2008.	Human Resources. Reserve responsibility: Finance and Human Resources
701	Beyond Greenways Endowment Fund: Revenue is derived from a voter approved \$20,000,000 property tax levy, of which 10% is dedicated for the endowment fund. Interest earnings are accumulated in this fund and transferred to the General Fund for maintenance of properties acquired and developed with the Beyond Greenways levy.	Parks & Recreation
702	Natural Resource Protection and Restoration Fund: This permanent fund was created in 2004 to account for the \$4,000,000 settlement passed on by the state as a part of the Olympic Pipeline Settlement. The principal cannot be spent for 50 years. Interest earnings will be spent on projects as they are identified.	Public Works
965	Public Facilities District Fund: The Bellingham - Whatcom Public Facilities District is a separate Washington municipal corporation and an independent taxing authority created under RCW 35.57, Bellingham Municipal Code Chapter 2.94, and Whatcom County Code Chapter 1.17. The PFD was created in order to receive a state sales tax rebate for the purpose of creating a regional center, as defined in RCW 35.57. Administrative services and financial management are provided by the City through an interlocal agreement between the PFD and the City of Bellingham. From 2002 through 2007, the PFD was accounted for as a blended component of the City in Fund 165. Effective for 2008, the PFD will be treated as a discrete component unit and accounted for in Fund 965.	PFD Board of Directors/Manager

Historical Graphs – Expenditures

Expenditures only are shown - funds used to increase reserve balances are not included. CPI and population for 2008 are estimated. Capital and other non-operating expenditures are included.



Summary of Estimated Revenues, Expenditures and Reserves

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT FUNDS	CAPITAL FUNDS	ENTERPRISE FUNDS
ESTIMATED BEGINNING RESERVE BALANCE 1/1/2008	\$ 16,622,876	\$ 15,272,110	\$ 304,218	\$ 403,627	\$ 22,088,218
REVENUES					
Taxes	50,250,836	18,317,270	350,000	-	1,280,000
Licenses & Permits	863,708	63,000	-	-	2,029,590
Intergovernmental	1,937,217	18,081,138	-	-	3,235,766
Charges For Goods & Services	6,439,056	9,948,194	97,284	800	40,237,449
Fines & Forfeitures	1,165,385	-	-	-	1,113,907
Interest & Miscellaneous	1,414,532	2,362,247	368,439	-	4,938,892
Non-Revenues	2,250,000	-	-	-	-
Other Financing Sources	1,004,181	954,490	2,477,572	-	1,237,431
TOTAL REVENUES	65,324,915	49,726,339	3,293,295	800	54,073,035
TOTAL AVAILABLE RESOURCES	81,947,791	64,998,449	3,597,513	404,427	76,161,253
EXPENDITURES					
Salaries & Benefits	44,535,036	11,276,584	-	-	14,851,461
Supplies	3,106,357	1,138,044	-	-	2,360,418
Services	7,399,063	6,834,828	-	-	9,728,540
Intergovernmental Services	6,942,495	1,473,938	-	-	6,505,698
Capital	993,006	30,886,591	-	113,000	11,532,163
Principal & Interest	72,422	-	3,251,922	-	4,794,428
Interfund Charges	8,485,641	3,918,433	-	10,000	10,882,265
TOTAL EXPENDITURES	71,534,020	55,528,418	3,251,922	123,000	60,654,973
ESTIMATED ENDING RESERVE BALANCE 12/31/2008	10,413,771	9,470,031	345,591	281,427	15,506,280
TOTAL EXPENDITURES & RESERVE BALANCE	\$ 81,947,791	\$ 64,998,449	\$ 3,597,513	\$ 404,427	\$ 76,161,253

2008 Budget

INTERNAL SERVICE FUNDS	PENSION TRUST FUNDS	PERMANENT FUNDS	DISCRETE COMPONENT UNITS	TOTAL 2008 BUDGET	TOTAL 2007 ADOPTED	Change from 2007 Adopted	
						AMOUNT	PCT
\$ 13,965,316	\$ 9,393,536	\$ 7,040,175	\$ 5,284,016	\$ 90,374,092	\$ 70,432,695	\$ 19,941,397	28.3%
-	1,550,545	360,000	1,203,442	73,312,093	69,719,575	3,592,518	5.2%
-	-	-	-	2,956,298	2,947,435	8,863	0.3%
-	99,830	-	-	23,353,951	15,458,941	7,895,010	51.1%
2,423,368	-	-	-	59,146,151	57,967,262	1,178,889	2.0%
10	-	-	-	2,279,302	1,875,417	403,885	21.5%
19,647,097	2,071,954	313,970	288,846	31,405,977	25,319,811	6,086,166	24.0%
8,316	116,051	-	2,885,000	5,259,367	928,450	4,330,917	466.5%
350,000	-	-	-	6,023,674	21,944,215	(15,920,541)	-72.6%
22,428,791	3,838,380	673,970	4,377,288	203,736,813	196,161,106	7,575,707	3.9%
36,394,107	13,231,916	7,714,145	9,661,304	294,110,905	266,593,801	27,517,104	10.3%
2,777,139	2,315,000	-	80,505	75,835,725	69,559,518	6,276,207	9.0%
1,427,348	102,200	-	5,029	8,139,396	7,174,060	965,336	13.5%
13,114,897	351,150	-	344,867	37,773,345	34,165,651	3,607,694	10.6%
104,898	-	-	570,323	15,597,352	15,033,494	563,858	3.8%
4,780,000	-	-	5,000,000	53,304,760	47,139,464	6,165,296	13.1%
-	2,250,000	2,885,000	497,000	13,750,772	9,247,718	4,503,054	48.7%
1,849,826	920	-	78,839	25,225,924	23,086,744	2,139,180	9.3%
24,054,108	5,019,270	2,885,000	6,576,563	229,627,274	205,406,649	24,220,625	11.8%
12,339,999	8,212,646	4,829,145	3,084,741	64,483,631	61,187,152	3,296,479	5.4%
\$ 36,394,107	\$ 13,231,916	\$ 7,714,145	\$ 9,661,304	\$ 294,110,905	\$ 266,593,801	\$ 27,517,104	10.3%

Summary of Estimated Revenues, Expenditures and Reserves

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT FUNDS	CAPITAL FUNDS	ENTERPRISE FUNDS
ESTIMATED BEGINNING RESERVE	\$ 16,622,876	\$ 15,272,110	\$ 304,218	\$ 403,627	\$ 22,088,218
REVENUES					
Fire	2,771,937	134	-	-	7,541,887
Police	1,460,406	4,268,775	-	-	-
Judicial & Support Serv	1,832,154	-	-	-	-
Parks & Recreation	2,080,743	4,969,114	-	800	786,120
Library	311,996	15,000	-	-	-
Museum	61,195	-	-	-	-
Planning & Com Devel	53,680	2,946,278	-	-	2,832,556
Hearing Examiner	74,313	-	-	-	-
Human Resources	488,921	-	-	-	-
Finance	1,429,240	-	3,293,295	-	-
ITSD	749,917	503,202	-	-	-
Legal	325,452	-	-	-	-
Office of the Mayor	942,055	-	-	-	-
City Council	204,715	-	-	-	-
Non-Departmental	52,538,191	4,695,115	-	-	-
Public Works	-	32,328,721	-	-	42,912,472
Public Facilities Dist	-	-	-	-	-
TOTAL REVENUES	65,324,915	49,726,339	3,293,295	800	54,073,035
TOTAL AVAILABLE RESOURCES	81,947,791	64,998,449	3,597,513	404,427	76,161,253
EXPENDITURES					
Fire	17,029,880	1,293,256	-	-	7,541,887
Police	19,873,969	3,026,601	-	-	-
Judicial & Support Serv	2,884,662	-	-	-	-
Parks & Recreation	8,094,016	7,282,171	-	123,000	795,767
Library	3,892,876	27,150	-	-	-
Museum	1,653,716	313,000	-	-	-
Planning & Com Devel	3,157,370	3,176,491	-	-	3,104,758
Hearing Examiner	188,245	-	-	-	-
Human Resources	1,563,203	-	-	-	-
Finance	2,103,299	-	3,251,922	-	-
ITSD	2,707,432	518,682	-	-	-
Legal	1,431,365	-	-	-	-
Office of the Mayor	3,024,095	-	-	-	-
City Council	438,135	-	-	-	-
Non-Departmental	3,491,757	638,152	-	-	-
Public Works	-	39,252,915	-	-	49,212,561
Public Facilities Dist	-	-	-	-	-
TOTAL EXPENDITURES	71,534,020	55,528,418	3,251,922	123,000	60,654,973
ESTIMATED ENDING RESERVE	10,413,771	9,470,031	345,591	281,427	15,506,280
TOTAL EXPENDITURES & RESERVE BALANCE	\$ 81,947,791	\$ 64,998,449	\$ 3,597,513	\$ 404,427	\$ 76,161,253

2008 Budget

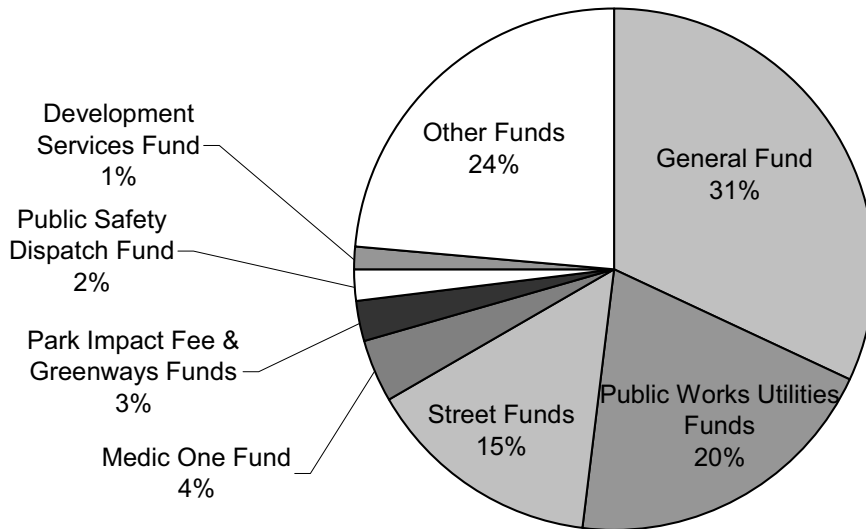
INTERNAL SERVICE FUNDS	PENSION TRUST FUNDS	PERMANENT FUNDS	DISCRETE COMPONENT UNITS	TOTAL 2008 BUDGET	TOTAL 2007 ADOPTED	Change from 2007 Adopted	
						AMOUNT	PCT
\$ 13,965,316	\$ 9,393,536	\$ 7,040,175	\$ 5,284,016	\$ 90,374,092	\$ 70,432,695	\$ 19,941,397	28.3%
-	-	-	-	10,313,958	8,393,820	1,920,138	22.9%
-	-	-	-	5,729,181	5,196,096	533,085	10.3%
-	-	-	-	1,832,154	2,074,036	(241,882)	-11.7%
-	-	473,970	-	8,310,747	8,916,396	(605,649)	-6.8%
-	-	-	-	326,996	5,325,495	(4,998,499)	-93.9%
-	-	-	-	61,195	71,893	(10,698)	-14.9%
-	-	-	-	5,832,514	6,568,910	(736,396)	-11.2%
-	-	-	-	74,313	72,153	2,160	3.0%
10,693,740	3,838,380	-	-	15,021,041	13,664,397	1,356,644	9.9%
-	-	-	-	4,722,535	4,535,804	186,731	4.1%
427,276	-	-	-	1,680,395	3,097,169	(1,416,774)	-45.7%
1,125,617	-	-	-	1,451,069	1,475,214	(24,145)	-1.6%
-	-	-	-	942,055	527,693	414,362	78.5%
-	-	-	-	204,715	190,526	14,189	7.4%
-	-	-	-	57,233,306	53,936,188	3,297,118	6.1%
10,182,158	-	200,000	-	85,623,351	70,555,130	15,068,221	21.4%
-	-	-	4,377,288	4,377,288	11,560,186	(7,182,898)	-62.1%
22,428,791	3,838,380	673,970	4,377,288	203,736,813	196,161,106	7,575,707	3.9%
36,394,107	13,231,916	7,714,145	9,661,304	294,110,905	266,593,801	27,517,104	10.3%
-	-	-	-	25,865,023	21,925,361	3,939,662	18.0%
-	-	-	-	22,900,570	20,003,511	2,897,059	14.5%
-	-	-	-	2,884,662	3,934,709	(1,050,047)	-26.7%
-	-	-	-	16,294,954	16,058,655	236,299	1.5%
-	-	-	-	3,920,026	8,462,322	(4,542,296)	-53.7%
-	-	-	-	1,966,716	1,542,414	424,302	27.5%
-	-	-	-	9,438,619	9,696,450	(257,831)	-2.7%
-	-	-	-	188,245	149,008	39,237	26.3%
11,155,013	5,019,270	-	-	17,737,486	14,308,518	3,428,968	24.0%
-	-	-	-	5,355,221	4,989,839	365,382	7.3%
462,543	-	-	-	3,688,657	5,845,734	(2,157,077)	-36.9%
1,032,659	-	-	-	2,464,024	2,319,971	144,053	6.2%
-	-	-	-	3,024,095	1,253,351	1,770,744	141.3%
-	-	-	-	438,135	356,702	81,433	22.8%
-	-	-	-	4,129,909	4,308,153	(178,244)	-4.1%
11,403,893	-	2,885,000	-	102,754,369	78,396,843	24,357,526	31.1%
-	-	-	6,576,563	6,576,563	11,855,108	(5,278,545)	-44.5%
24,054,108	5,019,270	2,885,000	6,576,563	229,627,274	205,406,649	24,220,625	11.8%
12,339,999	8,212,646	4,829,145	3,084,741	64,483,631	61,187,152	3,296,479	5.4%
\$ 36,394,107	\$ 13,231,916	\$ 7,714,145	\$ 9,661,304	\$ 294,110,905	\$ 266,593,801	\$ 27,517,104	10.3%

Revenues

The following pages describe the City's major revenue sources. The funds shown in the top section of this table generally make up at least 75% of the City's total revenue. Trends and other information used in projecting revenues for budget are explained here.

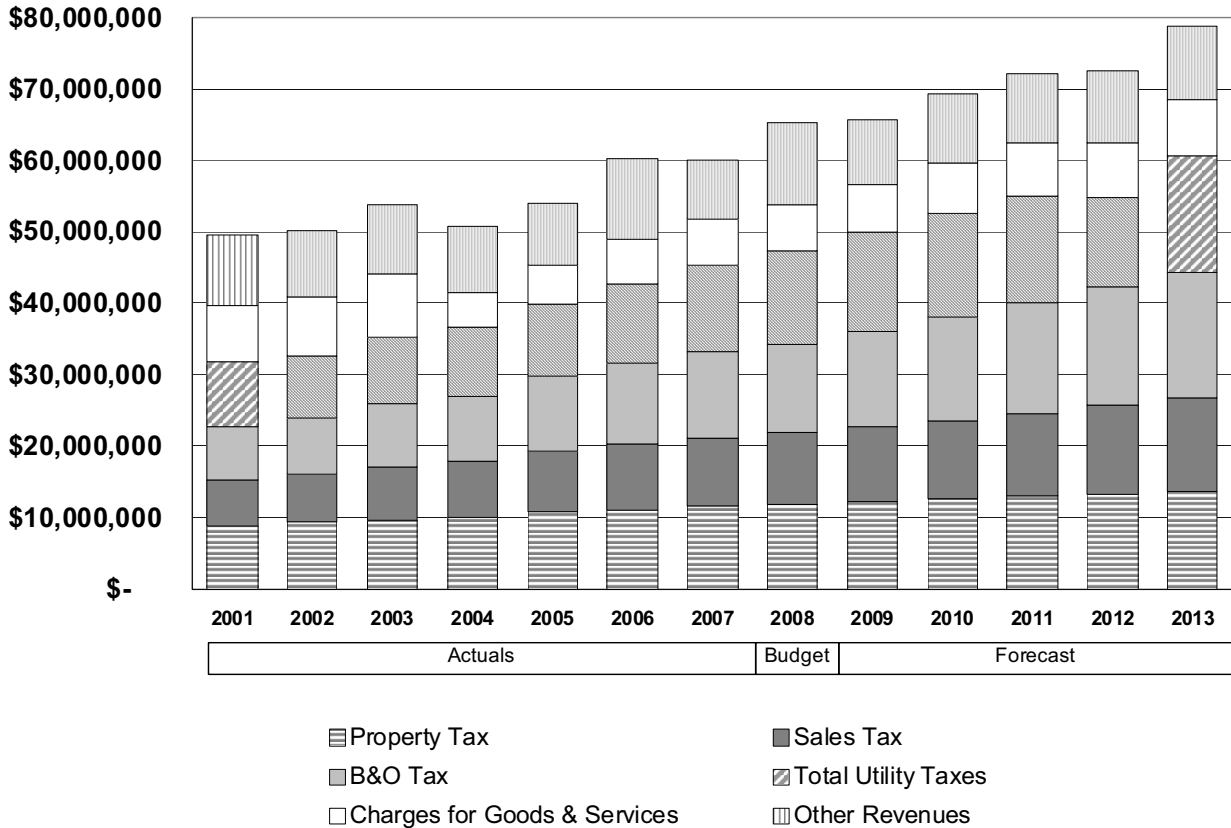
	2004 Actual	2005 Actual	2006 Actual	2007 Adopted	2008 Adopted
General Fund	50,848,182	53,918,914	60,984,673	65,029,375	65,324,915
Public Works Utilities Funds	50,754,533	45,912,892	55,351,119	37,547,403	40,288,681
Street Funds	17,395,260	17,061,462	18,919,820	24,192,478	30,419,844
Medic One Fund	5,588,095	6,925,459	5,866,946	7,226,113	7,541,887
Park Impact Fee & Greenways Funds	3,356,398	2,697,437	3,381,075	5,422,249	5,355,868
Public Safety Dispatch Fund	3,299,950	3,809,001	3,805,076	3,869,786	3,926,491
Development Services Fund	1,999,706	2,645,240	2,625,889	3,203,340	2,832,556
Subtotal	133,242,124	132,970,405	150,934,598	146,490,744	155,690,242
Percent of Total Revenues	68%	76%	77%	75%	76%
Other Funds	63,035,860	41,761,196	44,643,141	49,670,362	48,046,571
Total Revenues	196,277,984	174,731,601	195,577,739	196,161,106	203,736,813

2008 Budgeted Revenues



More detailed revenue numbers by fund and by group can be found in reports provided in the City-wide reports section.

General Fund Revenues – Sources and Trends



Property Tax – The Property Tax budget for 2008 of \$11.9 million is 2.9% higher than the 2007 receipts. For the City, there is a statistically significant correlation between a given year's value of permits issued for new construction and the subsequent year's assessed value of new construction added to the tax rolls. The 2008 Property Tax budget uses this correlation to project assessed new construction and increases the overall levy amount by 1%, which was approved by the City Council on November 19, 2007.

For 2009-13 the average 'pre-boom' growth rate of 3% was used as a rate of increase against the 2008 new construction estimate. Years 2009-13 also assume annual passage of the 1% levy increase.

General Fund Revenues – Sources and Trends (continued)

Business & Occupation Tax (B&O Tax) – The B&O Tax budget for 2008 of \$12.5 million is 2.2% higher than the 2007 receipts. This amount, and future year projections, was calculated by using a Delphi forecasting technique.

Delphi forecasting involves:

- Gathering forecast opinions from a pool of independent experts,
- Compiling and returning an anonymous summary of the submissions back to each participant, and
- Asking them to re-evaluate their original submission in light of their peers' predictions.

For the 2008 Budget, the process began by contacting 12 business leaders in the community to enlist their assistance. Of the 12, ten agreed to participate. Those participants were given a six-year history of revenues, the 2007 budgets and projections for 2007. They were then asked to provide their revenue projections for the next six years and their rationale for it. Responses were received from six of the participants, which were compiled and returned to each respondent to see if they would like to alter their forecast based on the amounts and rationale given by their peers. The final results were averaged and then adjusted for known tax rule changes. For B&O Tax, their projections for 2008 were reduced by \$890,000, which is the estimated impact of a B&O reapportionment rule that goes into effect on January 1, 2008.

The following table highlights the rationale given by the Delphi forecasting team in estimating B&O Tax.

<i>Rationale</i>	
<i>Opportunities</i>	<i>Challenges</i>
2010 Vancouver Olympics	Need for industrial land
Strong Canadian dollar	Business growth hampered by limited workforce
Unique setting mitigates against macro economic swings	Businesses may leave Bellingham due to cost of doing business

General Fund Revenues – Sources and Trends (continued)

Sales Tax – The Sales Tax budget for 2008 of \$9.9 million is 4.5% higher than the 2007 receipts. This amount, and future year projections, was calculated by using the Delphi forecasting technique described in the B&O Tax section.

The following table highlights the rationale given by the Delphi forecasting team in estimating Sales Tax.

<i>Rationale</i>	
<i>Opportunities</i>	<i>Challenges</i>
Strong 2-year trend in retail sales	Need for retail space & land Restrictive policy on large retail
2010 Vancouver Olympics	
Strong Canadian dollar	Businesses leaving Bellingham
	Construction slow down

Utility Tax – The Utility Tax budget for 2008 of \$13.0 million is 8.1% higher than the 2007 receipts. Utility Tax revenue is a summation of taxes generated from several types of utilities. These utilities can be broken into two categories: City operated utilities (water, wastewater, storm water, and solid waste) and non-City operated utilities (electricity, telephone, natural gas, and cable television).

For City operated utilities, the underlying utility revenue was estimated by managers within the Public Works Department. Their revenue estimates were derived by projecting usage and anticipated utility rates. These estimates were then multiplied by the Utility Tax rate of 11.5% to calculate a portion of the General Fund’s utility tax revenue.

For non-City operated utilities, the 2008 utility tax revenue was extrapolated by trending the individual utility tax collections for the past three years (2005-07), using the least squares method. Years 2009-13 were extrapolated using a similar method described for 2008 with the range used for trending expanding by two years for each year into the future (e.g. 2009 uses the range from 2004-08, 2010 uses the range from 2003-09, etc.). The one exception was electricity utility tax revenue where only historical data back to 2002 was used. Data prior to 2002 is not comparable because of the usage fluctuations caused by the operations at the Georgia Pacific plant.

General Fund Revenues – Sources and Trends (continued)

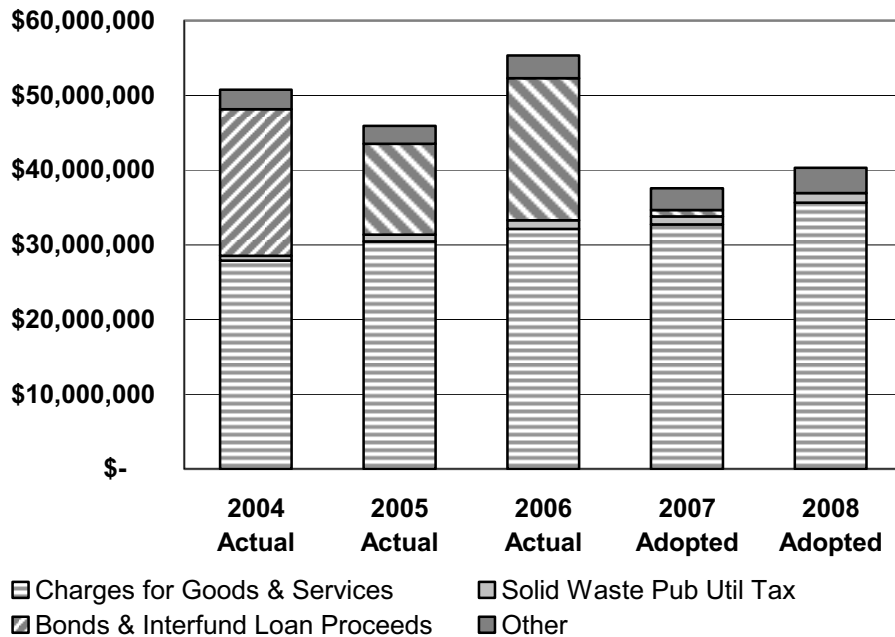
Charges for Goods & Services – The Charges for Goods & Services budget for 2008 is \$6.4 million. Most of this total is generated by interfund charges to reimburse the General Fund for organization-wide services it provides such as administration, finance and human resources. The 2008 amounts charged back to non-General Fund departments were based on the actual costs incurred the departments in 2007. For future years, these base amounts were inflated by a 4% average growth rate.

The other component of Charges for Goods & Services are those fees that are charged to users of various City services including probation fees, recreation registration fees, and special police services. Each of these revenue streams has an operational manager assigned to the account who is responsible for estimating their 2008 revenue. The primary method for deriving these amounts was to review historical growth trends. For future years, these base amounts are inflated by a 3% average growth rate.

Other Revenues – The Other Revenues budget for 2008 is \$11.5 million. In 2008, \$2.25 million is budgeted in Interfund Loan revenue, which relates to the replacement of fire apparatus. The other major components in Other Revenues include fines, grants and permits. For 2008, these individual components were estimated by the assigned operation manager. For future years, one-time items, like the Fire Apparatus Interfund Loan, were removed and on-going revenue streams were inflated by a 3% average growth rate.

Public Works Utilities Funds – Sources and Trends

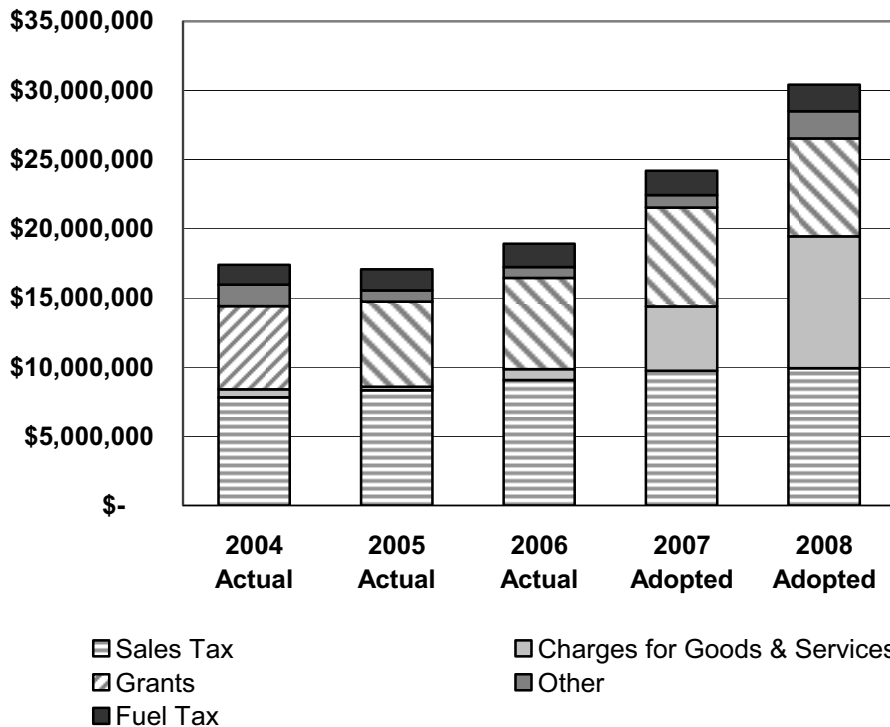
(Includes Water, Wastewater, Storm and Surface Water, and Solid Waste)



Charges for Goods & Services – This represents the charges received for Water, Wastewater, Storm and Surface Water, and Solid Waste services provided by the City. The \$35.6 million budget was derived by projecting 2008 usage volume multiplied by ordinance based utility rates. The volume portion of the equation was estimated by considering several factors, which include historical average customer usage, estimating usage for specific high volume customers, analysis of recent usage trends, and estimating impact of known new construction developments.

Street Funds – Sources and Trends

(Includes Street and Arterial Street Funds)



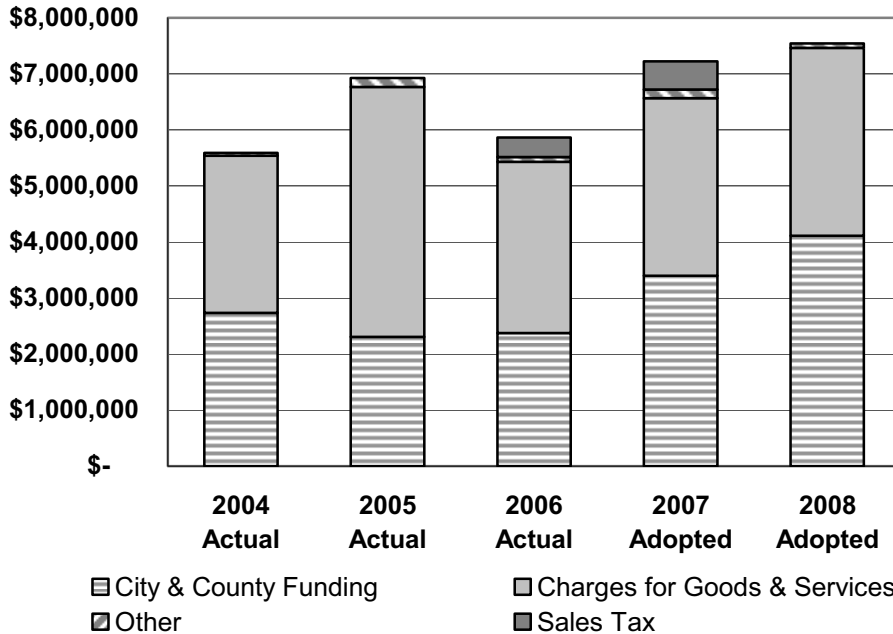
Sales Tax – The Sales Tax budget for 2008 is \$9.9 million. This amount was calculated by using the Delphi forecasting technique described in the B&O Tax section. Per ordinance 9124 & 9160 and longstanding practice, the General Sales Tax revenues are equally split between the General Fund and Street Fund.

Grants – For 2008, the Street Funds are anticipating \$9.5 million in Grants to assist with various City projects. The largest of which is a \$5.9 million grant that will be used for transportation improvements for the Waterfront Redevelopment project.

Charges for Goods & Services – This primarily represents the charges to reimburse the Street Funds for Engineering Services it provides to other Funds. Those amounts are estimated by evaluating 2008 capital projects and estimating the utilization of Engineering Services on those projects.

Fuel Tax – This amount represents the City’s portion of the overall tax the State collects on fuel. The budget estimates were provided by guidance from the Municipal Research and Services Center of Washington (MRSC). In summary, the MRSC states that lower fuel prices combined with continued strong growth in personal income will result in an overall increase in the tax amount received.

Medic One Fund – Sources and Trends



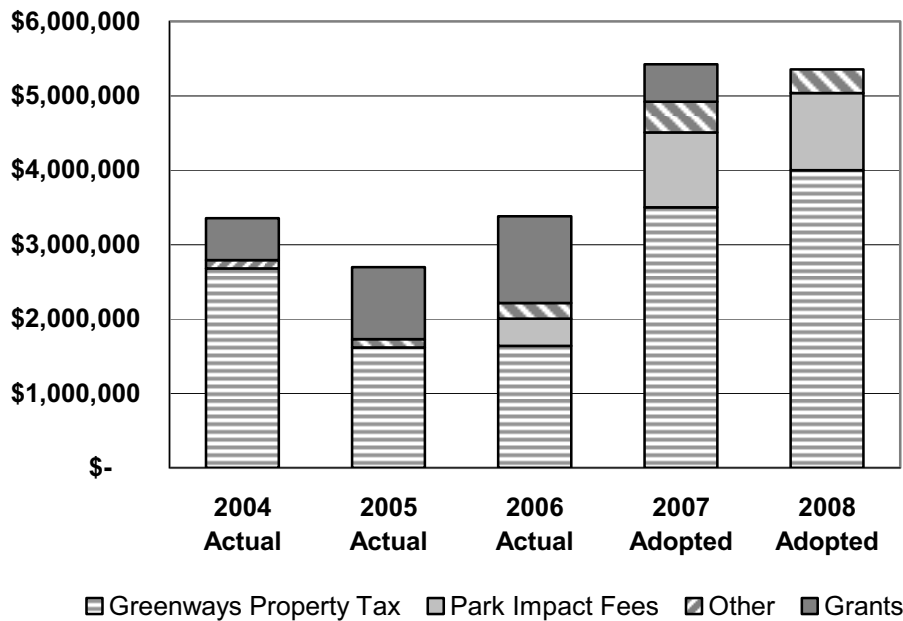
City & County Funding – This represents the funding Medic One receives from the City and the County to help subsidize their operations. The 2008 budget estimate of \$4.1 million represents the sum of the contractually agreed to contributions from the City and the County, along with the balancing revenue required to cover the remaining annual costs. This balancing revenue comes from the 1/10th of 1% Sales Tax that is held by the County and administered by the Ambulance Advisory Board.

Charges for Goods & Services – This represents the fees collected by Medic One for ambulance services provided. The 2008 budget estimate of \$3.4 million was calculated by analyzing the following components: the average rate of increase in revenue over the last ten years, the call volume over the last five years, and the recent reimbursement patterns from insurance carriers.

Sales Tax – This category represents the 1/10th of 1% Sales Tax that went into effect in 2006 to help pay for County-wide Medic services. When the City receives those funds it passes them on to the County for administration by the Ambulance Advisory Board. Medic One ultimately receives these funds back in the City & County Funding line described above. Up through 2007, whenever funds were forwarded to the County it was accounted for as an Intergovernmental Expenditure. Starting in 2008 that transaction will now be accounted for as a contra-revenue so that revenues and expenditures are stated more accurately.

Parks Department Funds – Sources and Trends

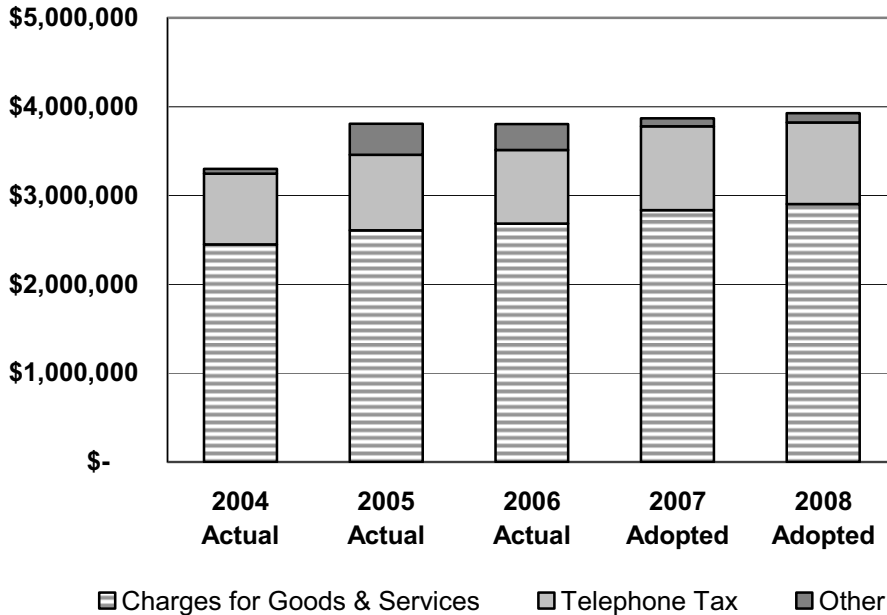
(Includes Greenways Levies and Parks Impact Fee Funds)



Greenways Property Tax – In May 2006 the Bellingham voters approved the Greenways III Levy. The Levy Rate for 2007 is \$0.57 per \$1,000 of Assessed Value. The budget amount for 2008 of \$4 million is based on that original \$0.57 Levy Rate plus an estimate for new construction and an overall levy amount increase of 1% as authorized by the City Council on November 19, 2007.

Park Impact Fees – These are fees added to the cost of obtaining a building permit for construction done within Bellingham. The 2008 budget amount of \$1 million is less than the actual receipts in 2007. Due to the newness of this revenue stream and the unpredictable nature of permit activity it seemed prudent to remain conservative in estimating this amount.

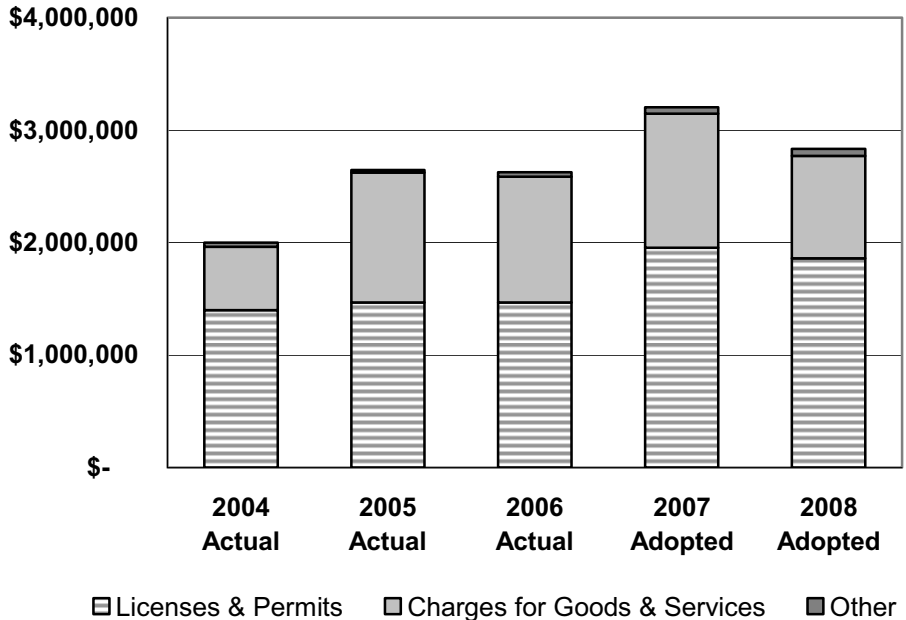
Public Safety Dispatch Fund – Sources and Trends



Charges for Goods & Services – These represent the charges paid to the Dispatch Fund from the City’s Fire & Police Departments and numerous other fire and law enforcement agencies within Whatcom County. The 2008 budget estimate is based on two different components. For the Fire portion of Dispatch, the budget is estimated by the actual number of incidents, by jurisdiction, which occurred from July 2006 – June 2007. For the Police portion of Dispatch, the budget is estimated by using a formula comprised of the actual number of incidents, by jurisdiction, which occurred from July 2006 – June 2007, number of commissioned officers, and the population of the jurisdiction.

Telephone Tax – This amount comes from a tax placed on telephone service provided in Whatcom County, which helps pay for 911 Operators. The 2008 budget was estimated by annualizing the mid-2007 year-to-date receipts and adding an inflation factor of 2%.

Development Services Fund – Sources and Trends



Licenses & Permits – These are the permits paid for new construction and include such items as building, plumbing, electrical and fire permits. The 2008 budget of \$1.9 million was estimated by annualizing the mid-2007 year-to-date receipts. Typically a growth factor would be added as part of this calculation, but due to the volatility in the Bellingham housing market and permit filings it was prudent to assume no revenue growth for 2008.

Charges for Goods & Services – These are the service fees paid for such items as Plan Review Fees, Zoning Fees, and Land Use Determinations. As with Licenses & Permits, the budgeted amount of \$900,000 was estimated by annualizing the mid-2007 year-to-date receipts without an inflation factor.