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TO: Bellingham City Council and the Bellingham Community

FROM: Mayor Kelli Linville

DATE: December 31, 2012

RE: Adopted 2013 Budget and Preliminary 2014 Budget

Overview

I present to you the Adopted 2013 and Preliminary 2014 budgets. These budgets reflect how we, as a City, provide the best services possible in a challenging fiscal environment. We will continue over the next year to clarify the priorities and services that City government is uniquely positioned to provide. The decisions and directions outlined in the Adopted 2013 and Preliminary 2014 budgets were not made in a vacuum. These budget decisions were informed by the Council-adopted Legacies and Strategic Commitments, Adopted Financial Guidelines, and recommendations of the Capital Facilities Task Force (shown in the: Legacies and Guidelines Section) and the guiding principles the Department Heads and I crafted within the first months of my administration. The guiding principles are to:

1. Provide essential community services
2. Pay as we go
3. Practice due diligence
4. Meet targeted financial reserves
5. Follow the rules or change them
6. Align resources to achieve City goals
7. Fix it first
8. Show pride in our work
9. Value our employees
10. Make choices based on info and data
11. Require transparency & accountability

I was given clear direction from Council in crafting the budget. First, Council adopted a biennial budget goal. I strongly encouraged this direction and have provided a preliminary 2014 Budget as well.

Further, Council provided direction to balance our City General Fund budget, having no more than a \$400,000 deficit in 2013 and a zero deficit in 2014. My proposed budget reached these targets. I am proud of City staff and the Department Head team for the hard work they have invested to reach the Council's adopted goals.

However, Council chose to modify those goals when they adopted a final budget. We will continue to work together to direct our resources toward priorities. I believe we can still reach a balanced budget by 2014 and will recommend a budget later this year that accomplishes that goal. We simply must eliminate our deficit spending to ensure our core services are sustainable into the future.

Department Heads were asked to prioritize their work plans by what was required by (1) federal or state law, (2) Bellingham Municipal Code, and (3) current practice. Federal or state law cannot be changed by the City. Municipal Code can be changed and in order to adopt the proposed budget I am presenting to you today, some City ordinances will be presented to Council for modification. Current practice activities have greater flexibility in how we deliver City services. In most cases, these activities aren't required by law. This prioritization allowed staff to better direct limited resources, both financial and staff, to the most essential areas. The proposed preliminary budget reflects this prioritization.

I would like to thank staff, the Finance Director, the Department Heads, and the Budget Manager for their efforts in making the preliminary budgets possible. Their dedication and commitment is greatly appreciated. Finally, I'd like to thank the City Council for providing clear guidelines for developing the budgets. I look forward to implementing the Adopted 2013 Budget and work towards balancing the General Fund in 2014.

2013 Highlights

I am proposed several initiatives in the 2013 budget that will allow us to accomplish significant service goals. I made a commitment to prioritizing the most immediate needs of the City, and we will be:

- Maintaining sufficient workforce levels
- Updating the existing Comprehensive Plan
- Submitting a waterfront development plan
- Funding environmental clean-up liabilities
- Updating our aging critical information technology needs
- Funding a capital facility maintenance plan
- Implementing a unified Lake Whatcom Management plan

2014 Highlights

The Council direction to adopt a biennial budget is a considerable opportunity for our City. It will allow staff the flexibility of having a full year to adopt measures that have potentially far-reaching impacts on the budget and City services. For example, having all City employees on the same health insurance plan will save the City a significant amount of money, while still ensuring access to high quality, affordable health care. Additionally, I have directed staff to research and put forward proposals that will adjust the amount of City subsidy currently going to programs or facilities such as the cemetery, pool, daycare program, parking, and other areas. These efforts could save City resources while still maintaining services. Finally, on-going work on the comprehensive plan update, a Council-identified priority, will help spur economic growth by providing regulatory certainty to the business community and advancing the vision for our City.

I will continue to work with staff, Council, and the public over the course of 2013 to structure a balanced 2014 budget, a policy decision adopted by Council that I strongly supported.

Conclusion

I have remained true to the Council's Legacies and Strategic Commitments, Adopted Financial Guidelines, and recommendations of the Capital Facilities Task Force, and to the guiding principles adopted by my administration. These were reflected in my proposed 2013 and 2014 budgets. I look forward to continuing this work with staff, Council, and the community in the coming weeks.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kelli Linville". The signature is fluid and cursive, with a large initial "K" and a stylized "L".

Mayor Kelli Linville