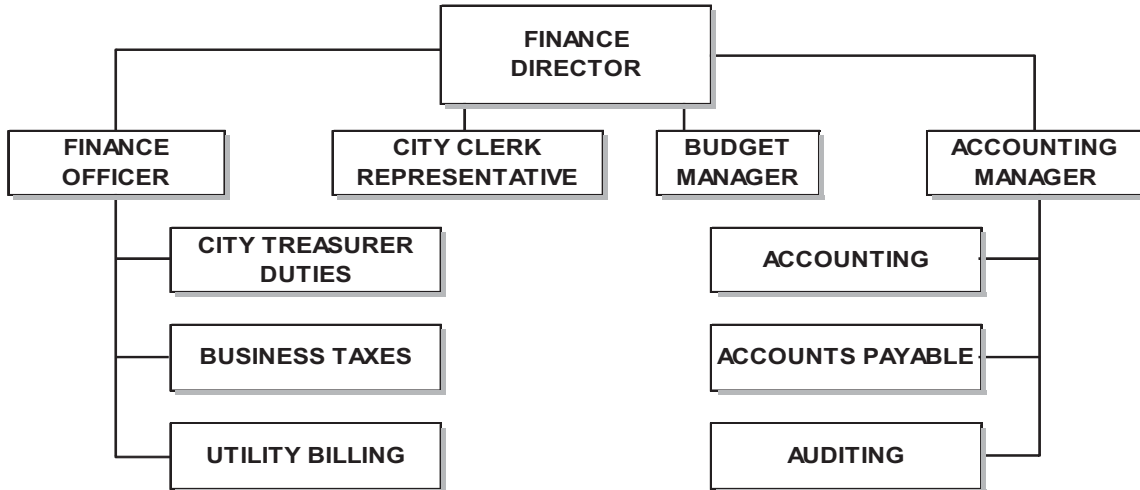


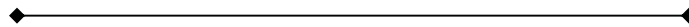
**FINANCE DEPARTMENT**



**Departmental Mission**

Provide excellent customer service to the public, financial stewardship for the City’s resources and professional financial services to City departments.

As City Clerk, facilitate communication and information sharing between the City and its citizens.



**Description of Services**

The Finance Department provides financial services to citizens and City departments including: utility billing and collection, accounts payable, fund accounting, internal financial controls and financial reporting.

The Finance Director is responsible for the duties of the City Clerk, which include recording minutes of City Council meetings and providing information about the City to the public. As Treasurer, the Finance Director is also responsible for investing City funds and debt management.

**Departmental Budget Summary**

Revenues and Other Sources by Type	2007	2008	2009	Change from 2008	
	Actual	Adopted	Budget	Amount	Percent
<b>Revenues</b>					
Taxes	370,637	350,000	350,000	-	0.0%
Intergovernmental	-	-	601,036	601,036	--
Charges for Services	1,300,290	1,525,098	1,532,295	7,197	0.5%
Miscellaneous	816,219	369,865	290,728	(79,137)	-21.4%
Other Financing Sources	2,463,639	2,477,572	1,965,525	(512,047)	-20.7%
<b>Subtotal of Revenues</b>	<b>4,950,785</b>	<b>4,722,535</b>	<b>4,739,584</b>	<b>17,049</b>	<b>0.4%</b>
<b>Other Sources by Fund</b>					
General	368,334	674,059	595,411	(78,648)	-11.7%
2001 Fire UTGO Bond	(26,191)	(7,790)	(8,849)	(1,059)	-13.6%
1999 LTGO Bond Redemption	1,450	-	-	-	--
Refunding GO Bonds 1996	15,697	-	-	-	--
Sportsplex Acquisition Debt	(249)	(209)	(176)	33	15.8%
2004 PFD/Civic Field LTGO	814	-	-	-	--
Drake Note	103	-	-	-	--
LID Guaranty	278,185	(33,374)	(9,375)	23,999	71.9%
#1099 Barkley Blvd	1,705	-	-	-	--
#1106 Bakerview Rd	3,979	-	-	-	--
#1107/1108 Telegraph/Barkley	10,938	-	-	-	--
<b>Subtotal Reserve Adjustments</b>	<b>654,765</b>	<b>632,686</b>	<b>577,011</b>	<b>(55,675)</b>	<b>-8.8%</b>
<b>TOTAL ALL SOURCES</b>	<b>5,605,550</b>	<b>5,355,221</b>	<b>5,316,595</b>	<b>(38,626)</b>	<b>-0.7%</b>

Revenues by Group	2007	2008	2009	Change from 2008	
	Actual	Adopted	Budget	Amount	Percent
<b>Revenues</b>					
Finance Administration	142,133	144,933	147,848	2,915	2.0%
Finance Services	1,067,833	1,284,307	1,289,972	5,665	0.4%
Debt Services	3,740,819	3,293,295	3,301,764	8,469	0.3%
<b>Subtotal of Revenues</b>	<b>4,950,785</b>	<b>4,722,535</b>	<b>4,739,584</b>	<b>17,049</b>	<b>0.4%</b>

**Significant Revenue Changes**

- Intergovernmental revenue increased due to a change in accounting methodology relating to the Public Facilities District. In the 2008 budget, accounting for the Bellingham Whatcom Public Facilities District was transferred from Fund 165 to Fund 965. It is now a discrete component unit instead of a blended component unit, and is required to follow full accrual fund accounting. Transfers are now accounted for as Intergovernmental instead of Other Financing Sources (Interfund Transfers.)
- Miscellaneous revenues are decreasing for investment interest and a contribution to the 1996 GO bond for Roeder Avenue by Georgia Pacific per the agreement.
- Other Financing Sources is the offsetting decrease for the change in accounting methodology for the Public Facilities District.

**Departmental Budget Summary (continued)**

Expenditures by Type	2007	2008	2009	Change from 2008	
	Actual	Adopted	Budget	Amount	Percent
<i>Salaries and Benefits</i>	1,325,755	1,658,192	1,631,396	(26,796)	-1.6%
<i>Supplies</i>	39,039	49,207	58,022	8,815	17.9%
<i>Other Services and Charges</i>	47,875	205,535	150,753	(54,782)	-26.7%
<i>Intergovernmental Services</i>	104,757	124,854	124,874	20	0.0%
<i>Interfund Charges</i>	60,874	65,511	68,186	2,675	4.1%
<b>Subtotal of Operations</b>	<b>1,578,300</b>	<b>2,103,299</b>	<b>2,033,231</b>	<b>(70,068)</b>	<b>-3.3%</b>
<i>Debt Service</i>	3,727,250	3,251,922	3,283,364	31,442	1.0%
<i>Interfund Transfers</i>	300,000	-	-	-	--
<b>TOTAL EXPENSE</b>	<b>5,605,550</b>	<b>5,355,221</b>	<b>5,316,595</b>	<b>(38,626)</b>	<b>-0.7%</b>

<b>TOTAL PAID STAFF</b>	<b>18.5</b>	<b>21.3</b>	<b>20.3</b>	<b>(1.0)</b>	<b>-4.7%</b>
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Expenditures by Group	2007	2008	2009	Change from 2008	
	Actual	Adopted	Budget	Amount	Percent
<i>Finance Administration</i>	265,984	299,305	307,123	7,818	2.6%
<i>Finance Services</i>	1,312,316	1,803,994	1,726,108	(77,886)	-4.3%
<i>Debt Service Administration</i>	4,027,250	3,251,922	3,283,364	31,442	1.0%
<b>TOTAL EXPENSE</b>	<b>5,605,550</b>	<b>5,355,221</b>	<b>5,316,595</b>	<b>(38,626)</b>	<b>-0.7%</b>

**Significant Expenditure Changes**

- The reduction in Other Services and Charges was achieved by reducing professional services, travel, computers, tuition, and repairs and maintenance to minimize the increase in the 2009 budget.
- The 2008 \$264,000 increase in the Finance budgeted expenditures and the 2.8 FTE increase in staff relates to the transfer of the Budget function to the Finance Department from the Executive Department.

**Departmental Objectives for 2009**

1. Develop strategies for integration of financial systems. (Council Goal 8)
2. Develop debt capacity, long range cash flow forecasting. (Council Goals 6 and 8)
3. Implement enhanced budgeting process. (Council Goals 6 and 8)
4. Implement audit expertise to assist in review of citywide programs. (Council Goal 8)
5. Develop standardized business plans for new investments. (Council Goals 6 and 8)
6. Develop waterfront funding plan. (Council Goals 3, 6 and 8)
7. Work with Public Works staff to develop long range capital maintenance plan. (Council Goals 6 and 8)
8. Work with Executive Staff to modify and enhance benchmarking strategies. (Council Goal 6)
9. Develop on-staff financial software expertise. (Council Goal 8)
10. Through cross-training and other means, place one or more backups for every position. (Council Goal 8)
11. Develop expertise on Grants Management within City. (Council Goal 8)
12. Integrate emergency preparedness into staff training. (Council Goal 8)

Continuation of 2008 Objectives:

13. Improve on-line options for utility payment and tax reporting. (Council Goal 8)
14. Implement real time cash receipting integrated with financial applications. (Council Goal 8)
15. Integrate capital project financial project reporting with capital budget tracking. (Council Goals 6 and 8)

**Departmental Objectives for 2008 with Accomplishments**

Finance Services

1. Improve customer service by providing options for business tax reporting and payment and utility account status and payment on the City's website. (Council Goal 1)  
*Not completed due to staffing limitations; Continues as a 2009 Objective.*
2. Implement a new "real-time" cash receipting system that will integrate fully with key financial applications. (Council Goal 1)  
*Not completed due to staffing limitations; Continues as a 2009 Objective.*
3. Analyze current procedures for printing and mailing utility bills and notices and recommend improvements. (Council Goal 1)  
*Analysis has been completed. Costs to implement changes have not been budgeted.*
4. Continue review of departments' cash handling procedures and develop written procedures for each site and a cash handling manual with training for all current and new cash handlers in the City. (Council Goal 1)  
*Review of various city departmental cash handling procedures was completed. Where warranted, revised procedures were drafted and approved.*

Additional Accomplishment:

*Developed and attained certification for Treasury Policy and Procedure Manual.*

Accounting Services

1. Review City's accounting treatment of pensions and Other Post Employment Benefit in light of new Governmental Accounting Standards Board (GASB) accounting pronouncements and actuarial standards. (Council Goal 1)  
*Actuarial work was completed; all notes in the 2007 financial report reflect adoption of GASB standards.*
2. Integrate current Finance efforts to create citywide capital project reporting summary with Budget Capital Project Tracking. (Council Goal 1)  
*Not completed. Effort was not started due to staffing changes within each department. This Objective has been carried forward into the 2009 objectives.*
3. Work with the new City Disaster Preparedness Manager to fully integrate the Accounting Departments' support of City emergency response efforts. (Council Goal 11)  
*Completed. The Finance Director and others on staff participated in an array of EMS training. The Director also participated in citywide analysis of EMS structures and assisted with the development of Administrative disaster response procedures.*
4. Complete financial analysis of annexation requests. (Council Goals 1 and 5)  
*Completed.*

**Departmental Objectives for 2008 with Accomplishments (continued)**

Capital Financing

1. Coordinate Library Bond issue if approved by voters. (Council Goal 6)

*Finance built a summary financial plan for a new library and presented the information to council. Council concluded that this should not be presented to the voters at this time.*

2. Complete waterfront development financing plan for infrastructure identified in Development Agreement with Port of Bellingham. (Council Goal 4)

*Partially completed. Analysis and review to calibrate the assumptions used by the City with those of the Port of Bellingham was completed. The next step which was to build an integrated business plan for both parties was postponed due to disagreement regarding the direction of the development.*

3. Develop Fire Fleet financing plan. (Council Goal 1)

*Completed. A separate inter-fund loan was put into place to fund the upgrading of a significant portion of the fire fleet.*

**Performance/Activity Measures**

**Finance Services Group**

<b>Finance Services Group Workload</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>
Number of Utility accounts per processing staff (4 FTEs)	5,850	5,866	5,976	6,052	6,143	6,189
Business Registrations	8,125	8,490	8,685	8,910	9,200	9,202
Business Tax Returns	20,300	20,780	21,140	21,300	21,600	21,602
Receipts issued per Finance counter staff (2 FTEs)	20,276	20,853	20,106	19,201	20,001	19,476
Invested at 12/31(millions)	\$ 106.7	\$ 118.0	\$ 130.9	\$ 131.7	\$ 157.9	\$ 142.7
Interest Income (millions)	\$ 3.1	\$ 2.6	\$ 3.1	\$ 5.0	\$ 6.7	\$ 6.7

<b>Finance Services Effectiveness</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>Benchmark or Target</b>
Ave # days to close month in G/L excluding yr end			15.0	13.4	14.2	16.3	15.0
Percent of customers on Utility Autopay program	15.0%	16.5%	17.0%	20.4%	22.4%	24.6%	increase or maintain
% of Accounts Payable Invoices paid within 30 days					99.5%	99%	99%
City Bond Rating - Moody's (unlimited/limited tax bonds)	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1	Aa3/A1
Received unqualified State Audit Report for fiscal year	yes	yes	yes	yes	no	not yet known	yes
Consecutive years GFOA Certificate for Excellence in Financial Reporting earned for CAFR	4	5	6	7	8	not yet known	every year
Consecutive years GFOA Distinguished Budget Preparation Award earned	n/a	1	2	3	4	5	every year
Local tax revenues recovered from discovery and audit work (in hundred thousands)	\$ 11.6	\$ 8.5	\$ 14.2	\$ 12.5	\$ 13.5	\$ 18.7	
Investment yield over rolling two year Treasury	-0.22%	0.44%	0.87%	1.04%	0.53%	0.02%	>Treasury

**Debt Service Administration Group**

<b>Debt Service Admin Group Workload</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Budget</b>
<b>GENERAL OBLIGATION DEBT</b>							
Bonds Issued (millions)	\$ -	\$ 20.7	\$ 8.7	\$ -	\$ -	\$ -	unknown
Bonds Redeemed (millions)	\$ 1.0	\$ 2.3	\$ 1.8	\$ 2.1	\$ 2.2	\$ 2.3	\$ 2.3
GO Bonded Debt (millions)	\$ 11.0	\$ 29.4	\$ 36.2	\$ 34.2	\$ 32.0	\$ 29.7	\$ 29.8
Ratio: GO Bond Debt per Capita	\$ 157	\$ 420	\$ 501	\$ 465	\$ 425	\$ 392	\$ 389

*2009 budget column includes proposed Library bond.*