

Council Members:

- Having heard over the past few weeks what your departments have accomplished with their 2011 approved budgets, we can now turn our attention to your City Charter-required duty of examining our spending plan for 2012, our next fiscal period.
- It is my hope that we will frame those budget discussions with keen awareness of two realities:
- **The first frame of 2012 is:** Bellingham is strong. We stand today on the accomplishments of many, across all sectors, and as a community we have momentum for the future.
- Consider just this handful of many positive indicators:
 - a. We have taken our lumps as a government, but we have weathered the worst of the deepest economic recession in 70 years with our services largely intact, our coffers stretched but never endangered by reckless spending, irresponsible budget gimmicks or the heavy depletion of reserves like many have done.
 - b. Our collective sound management during these tough times has earned us improved bond ratings, while the ratings of many in our state, nation and world are dropping like flies. Higher bond ratings mean millions of dollars in financial savings next year and beyond as we do the necessary capital projects at the core of our required services to the public.
 - c. Despite incredibly tough capital markets, private-public team work has added --or will soon add—to our community the following:

- two new hotels
- several mixed use housing developments in downtown
- additional affordable housing through the Housing Authority and non-profit partners
- a totally reinvigorated Bay Street, inclusive of the new Pickford Dream Space, enhancements to the Museum of Radio & Electricity, an expanded Bayou on the Bay and renovation and occupancy of the Flat Iron Building by Logos Software Company and Woods Coffee
- Expansion of the amenities in the Barkley Village area, including the near-term addition of state-of-the-art movie theaters
- A rebirth of the Lakeway shopping area, with an exciting new era for The Markets food stores as the flagship enterprise
- Expansions and job additions by stalwart companies like Heath Tecna, Costco, Blue Sea Systems, Pro CNC, and our beloved Boundary Bay Brewery & Bistro
- New or renovated buildings on our higher ed campuses; and
- The phoenix-like rise from the ashes of the wonderfully new Whatcom Middle School

d. We have prioritized and pared, but kept our focus on what we want to leave behind for future generations. To maintain the quality of life we are known for around the nation we have:

- Clung to our beloved libraries, which teem with engaged adults and the youngest of residents who are gaining a foothold to become lifelong readers and learners; and in November we will increase some hours at the Barkley Branch to honor the terms we signed onto at that site.

- Added more than one hundred acres to our renowned parks and trail system
- Kept faith with the Museum Foundation and Public Facilities District, and as a result have unprecedented numbers of visitors from around the region, nation and lower mainland of BC spending their dollars here to come see exciting exhibits and experience diverse programs.
- Another beacon, the Mount Baker Theater, had one of its best years in some time due to the hard work of its leadership and board and the ever-increasing diversity of offerings
- The Bellingham Festival of Music –which was down and out and living precariously just a couple of years ago is back, strong and receiving acclaim because of the sheer determination of its active volunteers

e. We remain, comparatively, a safe city:

- Yes, we have occasional crimes that grab headlines (events that are certainly real for the victims and our professionals who respond)—but we are, in fact, like most of the nation experiencing lower crime rates than just a few years ago.
- We can attribute those numbers in good part to our police department’s commitment to prevention and innovative problem-solving, as well as effective enforcement
- We have top-notch firefighters, who spent another year safeguarding life and property;
- And each day in this community our residents and visitors benefit from the high quality of patient care derived from the 36 years of experience our award-winning Emergency Medical Services system has.

- f. We have upheld this community's strong values on being ecologically responsible by
- Leading the way on conservation of water and energy, including the heralded Community Energy Challenge, which is so far reaching into more than 500 of our small businesses and private homes to shrink our energy footprint
 - Maintaining an affordable means for purchasing 100% green power and moving closer to producing our own through the Community Solar initiative and perhaps a new hydro-electric facility utilizing the old Georgia Pacific water main
 - Staying the course on policies and procedures to make sure City operations walk the talk on sustainability. Just last week, we received notification that we have achieved the 5th milestone award from ICLEI in our progress to complete our Climate Action Plan;
 - We began the journey to make 22 of our municipal buildings more energy efficient, less costly to operate and less prone to emergency repair needs
 - And we both continued our multi-strategy approach to protecting and rejuvenating Lake Whatcom and gathered new learnings from key assessments of what is being most impactful so we can become even more laser-like in our efforts
- g. We also protected our community's human capital. While State government and the County have inflicted steep cuts on our partners in the non-profit/human service sector, we continued to recognize them as partners for whom the need only got bigger in recent years, not smaller. On that score we:

- Maintained our commitment to passing through available federal dollars and added nearly a quarter of a million from local sources to keep service available;
- We partnered with the County and small cities to use state rebated sales tax to rural counties like ours to establish a fund that would enable non-profit providers to construct more affordable housing;
- We supported child care so low-income adults could improve their odds of landing and maintaining employment in this tough economy
- With full permission of the voters, we reinstated Sunday bus service so people could get to work, or church or social events.
- And we deepened our partnership with the Whatcom Coalition for the Homeless through numerous initiatives, including prime support of Project Homeless Connect and the one-stop Homeless Service Center.

h. And, finally, we have set the stage for the future. When population growth returns apace and when investors are ready to put the record level of cash on their books back to work making them money, we will have:

- A waterfront that is environmentally clean, visibly linked to its past, but in sync with our citizens vision, and equipped for the future, ready for redevelopment
- A wastewater treatment plant that will be able to accommodate new businesses and the jobs they create, and more residents, who will no doubt seek out our great city's quality of life in the years ahead

→Streets and other infrastructure ready for use due to the capabilities enabled by the new Transportation Benefit District and the vision of citizen advisors for multi-model connectivity.

The second frame on this budget we must maintain is not letting our enthusiasm for brighter days make us overzealous in loosening the strings on the public's checkbook. We can breathe easier, for sure, but there are still some clouds in the sky over our head.

The world's financial markets, the local housing market and even the heretofore robust Canadian economy all have new or continued threats looming. We are not insulated fully from what might happen around us. What if one in three economists is correct and 2012 brings another recessionary period? What if we really do experience a "lost decade" economically in this State and nation?

We simply must be cautious without talking ourselves into a downturn, which means we need to keep celebrating our strengths and achievements but any expenditures we make beyond core operations need to be strategic steps toward long-term sustainability of this organization.

Looking to 2012 and the Future

So, where will this 2012 Preliminary Budget take us?

First, according to our multi-year plan, it will take us back to fully living within our means without the use of General Fund reserves. “That’s what reserves are for,” I remember Council members Knutson and Bornemann saying during prior year’s budget discussions. And we used them, but prudently and effectively to save our core services. Now, thanks to some improvement economically and the cumulative benefits of making tough choices early in this recession, we can balance annual expenses with annual revenues.

And the even better news is that due to frugal and creative management by our departments, most of our reserve accounts are well within Council-established targets, despite some usage over the past three years.

Let’s resist the temptation to run through the proverbial candy store filling our arms with goodies. And let’s have a good discussion about how we convert our breathing room into a plan for government operations that will mean we don’t have to relive the past few years’ pain any time in the future.

Specifically, I draw your attention to the general constructs of our proposal to you:

[POWERPOINT SLIDES]

Beyond those basics, please be aware that I did not hold departments to the same standard for next year. We asked department heads to submit a first draft that was no more than 101% above their 2011 Adopted Budget (which is the level before reappropriations).

For several, to meet that target would have meant unacceptable consequences given our priorities of government. Let me give you a short list of the choices I did **not** take in balancing this budget for some departments:

1. I did not take lay-offs in public safety, police or fire, though both would have had to go there to meet their assigned target.
2. I did not take position eliminations from the library, which I believe is already stretched.
3. I did not stop several system conversions, which will be central to increased efficiency of this government. Examples include: converting our email system, foregoing financial software systems integration or implementing more self-service elements of our recent Human Resources Information System.
4. I did not abort the safety improvements underway for Municipal Court.
5. I did not take away threatened operations positions in Parks and Recreation.
6. I did not downsize the hours of the museum's facilities, which would have been counterproductive to them depending less on the General Fund through earned revenues and donations.
7. I did not further reduce Council's or the Hearing Examiner's or Information Technology's limited staff support positions.

8. I did not undercut our non-profit partners or our ongoing collaborative work in economic development.

That is not to say that there aren't tough choices included in the Preliminary Budget, on which your counsel is welcome. Those include:

1. Eliminating two (2) vacancies in Planning and Community Development, and four (4) overall
2. Putting the fire boat in moth balls
3. Aligning one department's needs in systems support with available dollars and thus reducing one employee's status from full time to half-time.
4. Eliminating half our wherewithal to conduct citizen surveys
5. Putting another dent in the library's books and materials budget
6. Freezing entirely or to at least a delayed hire date nine (9) positions
7. Making some community Parks programs, such as KidsFest and summer concerts, contingent on sponsorships
8. Delaying computer purchases
9. Eliminating the desired purchase of a Parks truck and trailer
10. And many more smaller items filed down further by department budgeteers.

In the end, it is a budget that is the right size for the financial day we expect to be living in next year.

Most important, it safeguards our essentials, takes additional steps at some re-organizations within select departments, and allows us to keep pace with most of our physical assets.

I want to extend my thanks to our department heads and their staffs, and specifically the Finance Department, which spends many long days putting this large spending plan together, for being valuable partners on the journey back to financial health.

This was meant to give you the generalities and from here we venture toward the details.

As always, I look forward to working with you to further align our proposal with your ideas and priorities during your upcoming deliberations, which, it looks like, occur almost every Monday for the balance of the year starting next week!

Thanks.

Am happy to answer any preliminary questions you might have.