

Fiscal Alternatives For Stability Taskforce (FAST)



Final Report
Presented to Mayor Dan Pike
May 18, 2009



Table of Contents

I.	Executive Summary	1
II.	Introduction and Charge to the Taskforce	3
III.	Scope of the Financial Dilemma Facing the City.....	6
IV.	Additional 2009 “Pre-emptive” Action Steps Executed	8
V.	Report Format for Prospective Recommendations from FAST	8
VI.	2009 “Bridge” Recommendations to the Mayor	9
VII.	FAST Recommendations for FY 2010.....	12
VIII.	FAST Recommendations for FY 2011 or Beyond	29
IX.	FAST Recommendations of Ideas for Prioritized Further Study and Possible Execution in 2010 or Beyond.....	30
X.	Summary of Potential Impacts of FAST’s Recommendations on Achievement of the Needed Expense/Revenues Balance.....	40
XI.	FAST Recommended Contingencies if the Mayor, Council, Bargaining Units or other Entities Elect Not to Execute	41
XII.	Timelines for Taking Corrective Fiscal Action	46
XIII.	Summary.....	47
	Appendix A: Financial Projections Model	48
	General Fund Projections (in thousands)	49
	Assumptions for 5 year General Fund Forecast (Revenues).....	50
	Assumptions for 5 year General Fund Forecast (Expenditures)	53
	Assumptions - Notes	55
	Appendix B: Ideas Rejected By FAST.....	56
	Appendix C: Boards & Commissions Subcommittee Report	60

I. Executive Summary

Purpose

Mayor Dan Pike appointed FAST in late November, 2008 in response to increasing signs that the City of Bellingham's financial well-being was being eroded by the national recession. In short, the charge given to FAST was to find new ways of doing business that provided sustainable, lower-cost approaches to the City's mission. In the near-term, that charge included finding the means for solving a projected \$6 million deficit in General Fund spending in the 2010 fiscal year. Unabated, this deficit was expected to mean between 50 and 75 additional staff layoffs on top of the 30 positions eliminated through other austerity measures since the summer of 2008.

Membership

The taskforce was comprised of nine City of Bellingham department heads or their designees and two members of the Bellingham City Council. See full report for a roster of members. The members' expertise was augmented by work sessions with all department heads, prior budget studies done for the City, best practices from other communities, surveys of some employee groups and an online survey for cost reduction ideas from the general public.

Report Format

In addition to introductory information that describes the scope of the problem in more detail, the report divides the taskforce's recommendations into fiscal years and again by three spheres of decision making authority: management prerogative, those requiring Council or another jurisdiction's approval and those which must be bargained with one or more of the City's eight (8) represented employee groups. Recommendations focus mostly on cost reductions, though a few ideas about revenue generation are also included.

In total, the FAST makes 34 specific recommendations and offers some methodology suggestions for tackling any deficit balance that remains after adopted recommendations are accounted for. The report also identifies more than a dozen concepts that hold promise for further savings but for which FAST did not have sufficient time or expertise to give full consideration before our deadline.

General Highlights

As options to solve the financial dilemma, FAST recommends:

- \$1,477,500 in cost reductions feasible by management prerogative
- \$439,000 in additional cost reductions requiring Council or other jurisdictional approval
- \$4,830,000 in cost savings that will require voluntary concession or negotiation by bargaining units
- \$45,000 in new earned revenues executable by management prerogative; and
- \$1,530,000 in one-time or ongoing revenues that will require Council approval

Specific FAST Recommendation Examples

Among the 34 specific recommendations to the Mayor are the following (decision-making authority follows each in parentheses), mostly for 2010:

- Delay the hiring of the Public Development Authority Executive Director (PDA Board)
- Cancel mid-2009 salary “bumps” to eligible employees (bargaining unit negotiation)
- Centralize and reduce public information officer & marketing functions (management prerogative)
- Reduce the City’s auto fleet (management prerogative)
- Centralize City Hall receptionist functions in the foyer and reduce related FTEs (management prerogative)
- Integrate and reduce Executive and Legal Department staffing (management prerogative)
- Consolidate or disband 16 City boards and commissions (Council approval)
- Reduce General Fund subsidy of the Art and Children’s Museum (management prerogative)
- Implement non-resident program admission and facility use charges (management prerogative)
- Implement Fire Department management’s plan to cross-staff the primary ladder rig to free personnel for absence coverage to reduce overtime (management prerogative)
- Place a moratorium on the purchase of “Green Power” from PSE pending exploration of less costly alternatives (management prerogative)
- Freeze salaries and wages for all employees in 2010 (bargaining unit negotiations)
- Reduce a number of city employees benefit costs and buyouts, including using less costly insurance plans with higher deductibles (bargaining unit negotiations)
- Incorporating the statutorily allowed 1% property tax levy increase and the City’s banked property tax capacity into the 2010 budget to avoid service cuts (Council approval)

Contingency Plans

Should enough of the 2010 \$6 million deficit not be recovered through adoption of FAST’s specific recommendations, the body provides guidance on how the uncovered deficit should be assigned to city departments, with discretion of reaching those assigned targets given to department heads. Three methodologies for assigning reduction targets are discussed.

Summary

Though most are not pain-free choices, FAST concludes that options exist to solve the budget crisis and largely avoid high numbers of layoffs, if management, policymakers and labor work together for the greater good.

II. Introduction and Charge to the Taskforce

The City of Bellingham (COB) administration identified early in its tenure that core financial models and forecast techniques used to shape the government's budget were problematic, even if healthy economic growth persisted. By mid-year of 2008, City leadership was certain that a quickly slowing national economy and a softening local economy would hasten the undermining of optimistic revenue projections and make the current size and scope of city government unsustainable.

The administration took immediate action to reduce the balance of 2008 departmental spending plans. It further instructed departments to prepare 2009 operating budget submissions that could absorb inflation and bargained/planned salary and benefit adjustments without increasing overall spending. This resulted in most departmental spending plans decreasing in real dollar expenses when compared to 2008. It would prove, however, to not be enough.

Though agreeing to spend up to \$5 million from reserves to support the 2009 budget as a bridge to a more sustainable business model, Mayor Pike in November 2008 appointed the Fiscal Alternatives for Stability Taskforce (FAST) to recommend ways to make city government's focus, size and scope fit within the anticipated revenues in the years ahead. The purpose of this report is to describe the purpose, processes and outcomes of FAST's work.

The Mayor's charge to the taskforce included the following:

- Find sustainable cost reductions, not merely one-time savings for the 2010 budget and beyond
- Consider no department or part of the government sacrosanct, though priorities of government should be factored in
- Do not simply impose an identical level of reductions across all departments
- Even if COB is mandated to perform a service by federal, state or local law, examine how that service might be done more efficiently, effectively and at lower cost
- Look keenly at areas where similar functions exist in two or more departments
- Examine changes in the remainder of 2009 spending plans only when they constitute a direct link or precursor to a change in direction for 2010 and beyond
- Consider how enhanced partnerships or consolidations with community collaborators or other units of government might save resources
- Incorporate vetted best practices from elsewhere, when appropriate
- Explore, but do not rely heavily on new revenue sources to reduced budget goals; assure recommended revenues are progressive rather than regressive in nature
- Comply with the law and negotiated agreements;
- Take stakeholder input into account;

- Align with actions of the state and federal government (e.g. stimulus funds) when necessary and beneficial, but do not chase dollars from those entities simply because they are available, if they do not strategically fit into our mission and needs;
- Communicate in a timely, accurate and understandable manner with employees, key stakeholders and community members
- Have preliminary recommendations by no later than April 29, 2009

Membership and Process

The individuals listed below were appointed to FAST:

David Webster, Chief Administrative Officer (Chair)
Gene Knutson, City Council's Finance & Personnel Committee Chairman
Stan Snapp, Council alternate to Mr. Knutson
Linda Storck, Judicial and Support Services Director
Paul Leuthold, Director, Parks and Recreation Department
Todd Ramsay, Bellingham Police Chief
John Carter, Finance Director
Ted Carlson, Assistant Public Works Director-Operations
Brian Henshaw, Budget Manager
Marty Mulholland, Information Technology Services Director
Michelle Barrett, Human Resources Director

Exclusive of subcommittee meetings, FAST met as a full body 15 times during its work, for a total of 42 hours of deliberations, including one full day retreat with all COB department heads (at which Council representatives were not present). The City Council also kindly dedicated approximately one-half of its spring retreat time to examining FAST's fiscal assumptions and early findings. At least seven regular department head meetings were fully or partially dedicated to tasks or topics FAST asked that group to consider. Inclusive of subcommittees and individual member research assignments, taskforce members committed at least 440 total hours to the effort.

Input was also solicited from exempt employees and two bargaining units via an online survey. Other COB labor unions were also encouraged to submit ideas that could contribute to long-range fiscal stability. Numerous meetings or "brown bags" with department teams or bargaining units were also conducted during the period to provide financial and other information, as well as answer questions.

The public was invited to provide input through an online survey found on the City's web page. Some 100 persons opted to do so. It is expected that the public will also weigh in during formal Council hearings on any enactment of our recommendations by special ordinance or upcoming budget processes.

Guiding Principles for our Work

At its first meeting, FAST determined the following to be the principles that –in addition to the Mayoral directives -- would guide its work:

- Our focus shall be primarily long-term (e.g. 2010 and beyond)
- Any short-term recommendations, such as for responding to 2009 revenue changes, need to be at least neutral in terms of their impact on long-term fiscal stability (i.e. no overreliance on “nickel and diming”, one-time expense cuts)
- FAST strategies should be as clear and understandable as possible for a broad cross-section of stakeholders
- Recommended long-term solutions need to reflect the magnitude of our financial challenges
- Recommended strategies need to be politically acceptable, meaning they should be able to garner the public’s acceptance and, therefore, the vote of the people’s representatives
- Care for our employees will extend to appropriate management of any budget-induced changes
- All City service areas will be examined
- Revenue generation ideas will err on the side of being progressive rather than regressive in nature
- Collaborative and cost-effective intergovernmental solutions will be given strong consideration
- Structural changes to our operations will be seriously examined, not just service reductions/changes
- We will communicate regularly with internal stakeholders
- Communication to external stakeholders will be a collaborative effort between the Executive Department and the City Council

III. Scope of the Financial Dilemma Facing the City

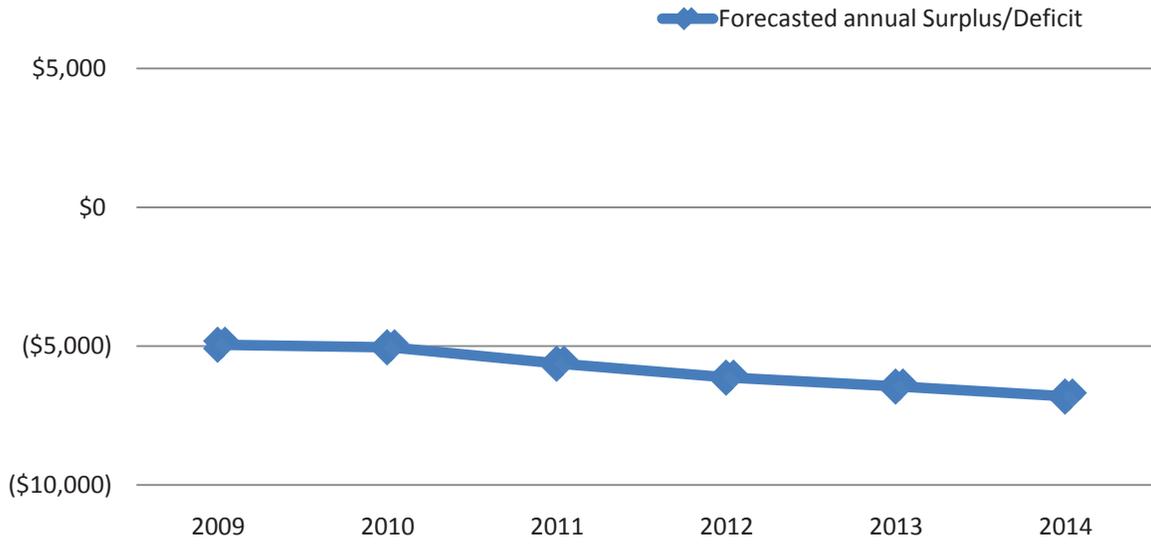
As evidence of a growing structural deficit, adopted 2008 and 2009 budgets incorporated use of the COB General Fund reserve at a level of approximately \$6 million and \$5 million, respectively. This reserve “burn rate” is not sustainable according to Council policy, which directs that the General Fund have a target reserve of 12% of General Fund (GF) expenditures, or prudent long-term fiscal management in general.

FAST reviewed scenarios based on a financial forecast model designed by the COB Finance Department and applied it to budget years 2010 and beyond. That model includes the capacity for users to alter numerous variables in the model (e.g. sales tax revenue trends, salary and benefit growth rates, etc.) to ascertain the changes’ impacts on any forecasted long-term deficits between revenues and expenses. The City Council also reviewed and worked with the model at its spring 2009 retreat.

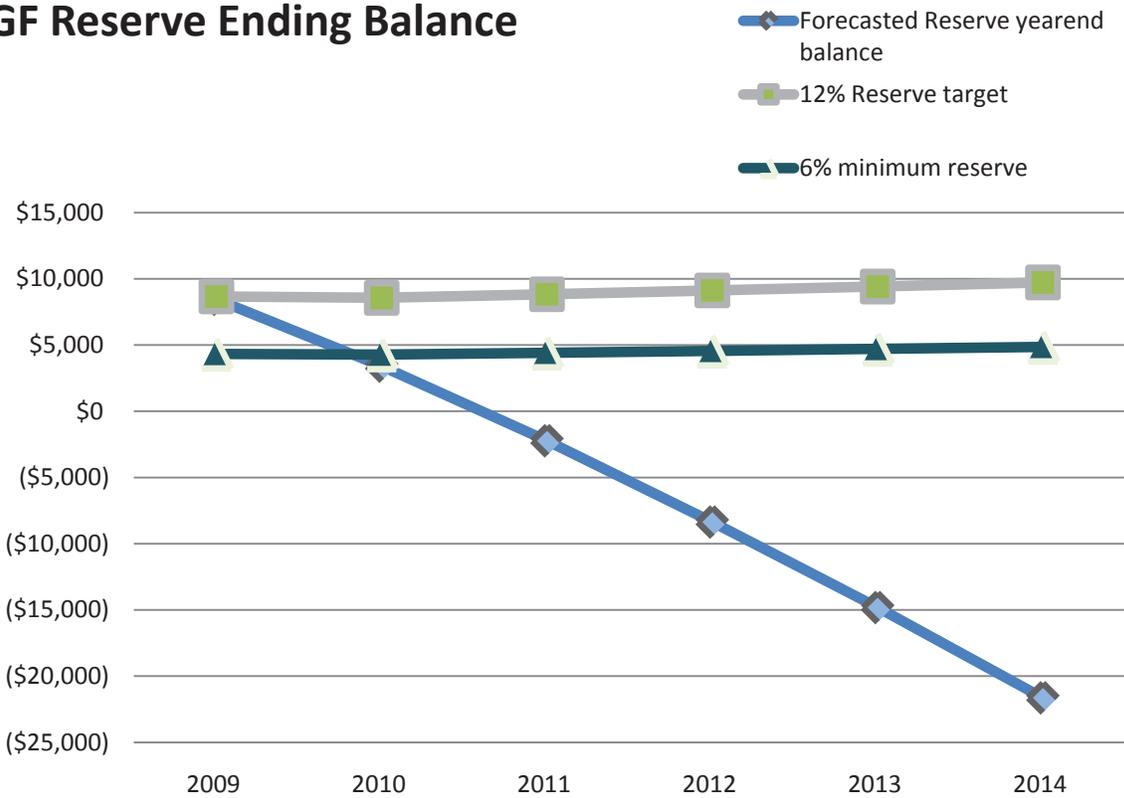
Even when using conservative growth rates for employee benefits and salaries, only small General Fund capital outlays on the expense side, and slow growth in revenues (starting flat in 2009 up to modest increases in 2012), the model succinctly forecasts multi-million dollar deficits over the next few years due simply to the fact that city government is too large and expensive for the anticipated revenues. Overall, two-thirds of General Fund expenditures relate directly to salaries and benefits and in some departments, that percentage is even higher.

See Appendix A for a summary spreadsheet of projected revenues and expenses based on conservative assumptions through 2014. The charts below, however, capture the model’s resultant deficits for the next few years and illustrate the impact on reserve balances.

GF Surplus/Deficit



GF Reserve Ending Balance



IV. Additional 2009 “Pre-emptive” Action Steps Executed

In light of anticipated drops in revenues, the administration took decisive operating budget reduction approaches in late summer of 2008 and in the construction of the 2009 spending plan. More than 20 vacant or soon-to-be vacant FTEs were eliminated. Council collectively concurred with the plans but was advised that the quickly changing national, state and local economic environment might necessitate further recalibration of the '09 budget early in the year. **In fact, actual financial results for Q4 of 2008 and Q1 of 2009 revealed that the unprecedented no-growth sales and Business & Occupations tax '09 spending plan was not conservative enough. Q1 2009 sales tax receipts were down an average of 15% year-over-year, with B&O taxes falling into negative territory as well, though less starkly.**

Planning and Community Development's Building Services Fund, comprised of fees paid at the time of permitting and inspection of new construction or renovations, was in steep decline in 2008 by more than 30% and started 2009 on an equally dire level. In January, the very difficult decision was made to take further FTE reductions in positions funded by the Building Services Fund and nine additional jobs were eliminated, resulting in five displaced employees. In light of the new overall financial information, the Mayor in February also directed other departments to present additional expense reduction options totaling three to five percent of their '09 spending plans. In March, the Council approved the administration's reduction of more than \$2 million dollars in additional expenses -- more than half from the General Fund -- in order to avoid digging deeper into reserves beyond the planned \$5 million expenditure for the year.

The Finance Department and Mayor's Office continue their vigilance on revenue actuals and annual projections even as this report was being produced, with additional austerity not out of the question within the current fiscal year.

V. Report Format for Prospective Recommendations from FAST

FAST took its mandate to examine all parts of city government to heart. Members conducted the research and deliberations in addition to their regular full time positions or elected official duties. In some cases, the depth of research or full vetting of possible ramification of budget solving ideas were determined to need more time than could be allocated between the taskforce's inception in late November and our deadline. This report, therefore, contains a section starting on page 30 entitled "Ideas for Prioritized Further Study." We encourage the Mayor, or where appropriate, the Council to task individuals or work groups with continuing the investigation of the listed ideas for possible future implementation. More than some of the recommendations we were able to finalize, these items might be central to long-term structural affordability.

Where FAST felt it was able to come to closure one way or the other on examined solutions, the ideas were first categorized by the following criteria:

- Those which can be implemented by management prerogative
- Those which require Council policy change and/or approval to execute (or approval by another collaborative entity)
- Those which require bargaining with one or more of the City’s represented labor groups
- The budget year which seems most feasible or appropriate for execution

To further assist in the reader’s comprehension, recommendations within each year are grouped under specific themes or topics before they are divided into the decision making authority categories described in the first three bullets above.

The following sections are, therefore, organized first by budget years, then theme, then decision making authority. They are NOT presented in rank order in any section.

For some readers, understanding which ideas were examined and rejected by FAST will also be of keen interest. The matrix in Appendix B summarizes those options and the rationale for NOT including them in our recommendations to the Mayor.

Finally, because it remains to be seen how many of our recommendations or labor concessions will be executed, FAST makes recommendations for how the Mayor and Council could allocate any uncovered deficit to individual departments by formula. It is our fervent hope, for the sake of city services, that it does not come to this “last resort” scenario.

VI. 2009 “Bridge” Recommendations to the Mayor

FAST’s charge was to focus primarily on 2010 and beyond. However, in consideration of Q1 2009 revenue trends and the fact that it remains uncertain whether or not the economy has reached its cyclical “bottom”, FAST recommends the following to the Mayor for the current fiscal year, should additional fiscal steps be needed to avoid deeper use of reserves.

Theme A:

Align non-essential services levels to the public with available resources

The austerity measures discussed previously in this report confine the remaining choices available to management to further mitigate the economic downturn. Based on input from the

public and other stakeholders, service impacts are a logical, albeit regrettable outcome of our circumstances. FAST, therefore, recommends: **(By Management Prerogative)**

Recommendation 09-01: At Least Temporary Suspension of Select Services

At your direction, Department Heads have devised contingency spending reduction plans in case subsequent quarters of 2009 revenues match or surpass the low figures from Q1. After three phases of austerity measures since summer of '08, departments cannot absorb more cuts and provide the same level of service as before. Compile and communicate to the public the first tier of City service reductions that are anticipated if any additional budget reductions become necessary during the balance of 2009 due to declining revenues. The Chief Administrative Officer has these recommendations on file. Should more reductions become necessary, FAST recommends that the Mayor, CAO and respective Department Heads select the additional 2009 cuts from those lists (unless the DH has new options to offer). FAST does not feel a need to specify such recommendations, but we do believe beginning the public's adjustment to reduced service levels is important.

To do our part in that public educational process, we offer below a random sample of some of the categories of submitted reductions that citizens should understand are OPTIONS that could be exercised, along with other possibilities from the submitted departmental lists. Most of these would occur because staffing levels would have to be reduced. The range of savings for such items tends to fall between \$40,000 and \$100,000 each. Examples of potential service cuts:

- a. Reduced hours of public access to COB institutions and amenities*
- b. Reduced access by other units of government to COB records and archives*
- c. Fewer quality of life programs*
- d. Less availability of educational programs*
- e. Shorter "counter hours" for in-person transactions of various kinds*
- f. Cessation of infrequently used specialty services or response units*

It is realized that service reductions such as these examples alone might not suffice in closing the total of any additional emerging 2009 gap between revenues and expenses; however, FAST believes it is important that the public not be shielded from the fiscal realities facing local government.

(Through Approval by Council or Other Body)

Recommendation 09-02: Public Development Authority

*Consider postponing the hiring of a Public Development Authority executive director and have the PDA focus on planning and other preparatory activities until economic recovery is more clearly in view. **Estimated savings: \$100,000 in '09***

Theme B:***Compensate for insufficient staffing levels by way of technological advances, especially as relates to public safety***

Even in good economic times, sufficient funding for some key functions lagged the proportionate growth needed for those services. The recession has exacerbated the problem. Automation through technology, if carefully selected, can provide a solution for some staffing challenges. Based on other communities' experiences and legal defense best practices, FAST recommends the following as a way to place at least part of the cost burden on those who elect to violate existing laws:

Recommendation 09-03: Augment Law Enforcement Ranks Through Technology

Traffic safety priorities rightfully focus on behaviors that can and do lead to acute injury and fatality incidents. As Bellingham's ratio of police officers to population has worsened, person power that is dedicated to traffic enforcement has decreased. School zone safety and intersection accidents due to failure to yield to traffic signals are first tier concerns. Since 2005, there have been 223 serious intersection accidents due to the running of red lights, involving 457 vehicles and nearly 100 serious injuries. Other incidents due to speed have resulted in two deaths in the past 24 months (one auto driver and one cyclist). In addition, with only diminished part-time, roving enforcement, the number of persons cited for speeding through school zone violations declined by 49% from 2007 to 2008. Reckless driving in school zones when children are present should alarm us all; it is tragedy waiting to happen.

*In light of stressed police per capita ratios (which pull traffic enforcement personnel to other priority duties other than traffic patrol), the current freeze on at least two police officer vacancies, plus any other share of budget reductions the Department may yet be asked to absorb, FAST recommends the City implement traffic enforcement zone automated citation cameras in school zones with the highest historical levels of infractions and the top-rated intersections for right angle or "t-bone" accidents due to the running of red lights. The camera system, as in other cities, is best provided by an outside vendor, including the receipt and processing of payments. This will limit the BPD's involvement to reviewing the citation photos or video for accuracy before a citation is mailed. **Estimated annualized penalties/revenues: \$500,000***

Theme C:
Contain further growth in across-the-board-employee costs

With well over half of the General Fund’s expenses falling into personnel related line items, FAST recommends swift collaborative action be taken to stem the tide of red ink in the current budget year.

(Through Negotiation with Bargaining Units)

Recommendation 09-04: Cancel Mid-2009 Salary and Wage “Bumps”

*All bargaining units of the City of Bellingham are scheduled for a mid-year increase in base compensation. At the same time, the State of Washington legislature is poised to reduce all employees’ automatic contribution levels to the state pension system, effective July 1, 2009. FAST recommends that all bargaining units be asked not to take the mid-year increase and that all exempt employees also forego their pro-rated increase for the period. **Estimated Savings for Balance of 2009: \$190,000***

VII. FAST Recommendations for FY 2010

Economists are uncertain whether downward trends will continue through some, if not all, of 2010 or if recovery will begin early or later in the year. Whenever it begins, the pace of recovery is also unknown, but there is a considerable body of economic research that holds that recovery will be slow and protracted. By historical trends, our region is typically “last in” and “last out” when it comes to national recessions.

FAST has spent time reviewing and adjusting the Finance Department’s financial projections specific to COB’s business model for 2010 and several years beyond. We are regretful, but generally confident, to report that – even after the austerity measures the Mayor, Council and Departments have taken since late summer of ’08 – 2010’s city revenues will fall an estimated \$6 million below the level of expenditures necessary to sustain the scope and depth of government employment and services offered in the first quarter of ’09. Simply stated, we are larger and more complex than the expected-to-be-available revenue resources to support us. Both 2011 and 2012 appear to have similar challenges, unless actions are taken to align expenses and revenues.

Furthermore, this estimated \$6 million shortfall for 2010 is for basic operations only. No significant General Fund-backed capital projects are fundable even at this level of deficit spending. What’s more, closing the \$6 million gap in 2010 would not undo the backlog of capital maintenance on City assets that already exists and nor would it accommodate care for expanded greenway assets or programming of any kind. Six million dollars, in other words, are

projected to be needed to maintain the status quo and not further deplete General Fund reserves. In fact, if we were to continue the Q1 2009 pace of expenditures through 2010, we would reduce the General Fund reserve to just over \$2 million, or less than one month's operating expenses, by the end of 2010. This is not tenable.

Our efforts have focused acutely on the General Fund; however, the public and policy makers need to be aware that even some of our enterprise funds, which fared much better through all of 2008, have begun to show deterioration as 2009 wears on. For example, those portions of the water and sewer funds that depend upon new connection fees have tumbled due to the serious lack of new construction within the city limits. Enterprise fund-supported positions and programs may also soon be at risk.

The reader is directed to Appendix A for a spreadsheet summary of FAST's consensus General Fund financial assumptions that lead to the projected deficit in 2010 (and beyond). As if solving a \$6 million deficit in the next fiscal year is not challenge enough, it is important to note that based on what is known about the economy today, we may prove to be optimistic on both the revenue side of the equation and in projected costs.

For example, the 2009 ending reserve balance in the General Fund, which lays the foundation for 2010 activity, is calculated based on sales and B&O taxes being flat (zero growth) in '09. To hit this assumption, the balance of '09's revenues will need to counteract the *negative* revenue numbers of the first quarter (Note: also down 14% in April, the first month of Q2, offers little mitigation of the trend). Similarly, on the expense side, the utilized employee insurance benefits cost factor is below the three-year historical average. It follows, then, that the \$6 million target should be seen as a **conservative or low** number.

FAST understood its directive from the Mayor to look at all departments for savings and yet not necessarily expect an identical percentage of savings from all areas of the government. FAST shares the Mayor's concern that the latter approach makes the City vulnerable to slowly diminishing the quality of all services. It also takes a steep toll on small departments that are above the average in their ratio of staff salary/benefits to total budget.

At the same time, taking some departments out of consideration for cuts because they provide mandated or essential services could relieve pressure for increased efficiency or other qualitative improvements in those services. Those departments, too, need to be part of affordable government solutions. We have, therefore, kept departments providing mandated and essential services in focus as well.

The administration has been up front with COB's bargaining units about the seriousness of the financial situation and has extended an invitation to them to offer collaborative ways their memberships could contribute to expense reduction, particularly in the areas of salary/wages and benefits. At the time of this report's production, only two bargaining units had come forth

with an offer and, though appreciated, the administration determined it could not accept the limited amount of savings represented or the offsets sought by the units.

Based on these assumptions and the values expressed earlier in this report, FAST's recommendations to address the deficit in 2010 follow. Their presentation follows the format used for the 2009 recommendations.

Theme D:
Streamline and centralize select functions to reduce costs, while maintaining quality

FAST looked intently at areas where duplication or at least parallel efforts were being expended across departments and considered how some reorganizations could maintain functionality while reducing costs. Our recommendations include:

(By Management Prerogative)

Recommendation 10-01: Streamline COB Warehouse Operations

*As just-in-time supply delivery has become more proficient by private sector vendors, fewer and fewer departments have relied on the City's own warehouse for access to the goods they require to fulfill their missions. The warehouse is more than 90% utilized by Public Works divisions. Furthermore, in some cases, market-acquired goods and supplies have become cheaper than those the warehouse offers. FAST, therefore, recommends that warehouse operations be streamlined according to Public Works' needs exclusively and that the Public Works Department's enterprise funds appropriately pick up the full costs. Other departments should use alternate storage of inventory and/or approved procurement practices with the private sector, thus saving the General Fund from the historical expenses. **Estimated Annualized Savings: \$30,000***

Recommendation 10-02: Centralize Public Information & Marketing Functions

*Eight COB departments staff either full or part-time Public Information Officer (PIO) positions focused on providing information to the public and/or marketing services. The "demand" for such services often ebbs and flows within the departments. At the same time, coordination across the eight individuals presents challenges of various kinds. FAST recommends that, as much as possible, there be a consolidation of the PIO functions into a centralized corps requiring fewer FTEs. The redesigned positions can be assigned portfolios of responsibilities or departments and cross-trained for depth of coverage. FAST believes that the total full time equivalents could be reduced at a minimum by 1.0 to 1.5 as a result of this action. **Estimated Annualized Savings: \$90,000 or more***

Recommendation 10-03: Reduction of City Auto Fleet

*The City maintains an extensive fleet of autos, trucks and other equipment at significant acquisition and maintenance costs each year. Research has revealed that some items in the fleet see only modest annual usage and that some departments have only sporadic need for vehicles similar to those used by other departments, yet have autos assigned for their exclusive use. FAST recommends the beginning of a downsizing of the City fleet by starting a five-vehicle Car-Share system from existing inventory for departments with parallel sporadic need, thus reducing the number of replacement vehicles needed over time. City participation in a broader initiative, such as a Flex Car system, might also be worth exploration when more time is permitted to study the notion. **Estimated Annualized Savings (in 2010 only): \$17,500, more in subsequent years when replacements are avoided***

Recommendation 10-04: Consolidate Property Acquisition and Management Staffing

*Currently, no less than four City staff members are engaged in property acquisition by purchase, citizen donation or other means. In addition, an outside vendor agency manages rentals of the Federal Building, which based on other FAST recommendations might become more utilized by City departments rather than renters. The skill sets for acquisition and property management tasks are largely common to the staff currently involved. FAST believes that consolidation is possible, particularly if administrative centralization occurs, such as in a Department of Administrative Services (recommended for further study). Initial review indicates that one and possibly two positions could be reduced under a centralized approach. **Estimated Annualized Savings: \$150,000***

Recommendation 10-05: Increase the Immediacy of Customer Service and Building Security by Streamlining City Hall Receptionist Function

*Bellingham's historic City Hall has a grand foyer which is esthetically notable but it leaves the inexperienced visitor at a loss for finding his or her way to the desired city department. It is just not welcoming of our public customers. FAST recommends a return to a prior era's practice of having a centralized staffed reception function in the foyer by reducing the number of individual reception functions currently disseminated across every department in the building. An implementation taskforce will likely be needed from the affected departments, but FAST envisions that, with the exception of the Finance Department payment center and PCD's Permit Center, all visitors would check in at central reception and reception would notify the appropriate employee of their visitor's arrival. The visitor would then be dispatched to a small waiting area outside each department, where the respective employee would meet their appointment and escort him or her through the key-card secured departmental entry way. Initial study indicates that at least 2.0 FTE could be reduced by this practice. Making this feasible for 2010 was a concern for some FAST members, but planning should guide the execution date. **Estimated Annual Savings: \$90,000 net in Year One after some capital outlay, more in subsequent years***

Recommendation 10-06: Integrate and Reduce Executive/Legal Departments' Staffing

*In light of a recent staff attorney departure, the potential for another attorney to increase part-time hours and the possibility that centralized reception and/or reconfigured Executive staff patterns could lead to shared support, FAST recommends that both the Legal Department and Executive Departments be reduced by .5 FTE each. (Note: If the City Attorney opts to have this reduction come from among the attorney ranks, an adjustment to types of service support provided to other departments might need to be made.) The Chief Administrative Officer should be directed to propose a plan for 2010 which would integrate this reorganization with that of the PIO corps and possibly some or all of the Council's Legislative Policy Analyst to build a hybrid model for achieving administrative and Council policy priorities backed by shared support staff. **Estimated Annual Savings: \$110,000***

Recommendation 10-07: Commission Small Task Groups for Other Possible Re-orgs

*From the list of "Ideas for Prioritized Further Study" found on page 30, we recommend the Mayor prioritize the list and appoint small task groups to take FAST's initial research to closure, so that feasible ideas might become executable at some point in 2010, or as early as possible thereafter. FAST's assessment of the ideas on that list was that it would be difficult at this point to realize the changes in time for the start of the next fiscal year, but later in the year might be possible. At his discretion, the Mayor could establish appropriate deadlines for respective groups. The Task Groups should incorporate appropriate departmental representation and perhaps other experts. **Estimated Annual Savings: TBD***

(Through Council or other Body's Approval)

Recommendation 10-08: Consolidate or Disband Some of COB's Boards & Commissions and Document the Work of the Remaining Entities More Efficiently

Citizen participation in the affairs of their government is important. At the same time, as with many organizations -- both public and private-- COB has grown by accumulation, without always vetting former structures for elimination as new features are added. At present, COB has more than 40 boards and commissions and most of them require considerable staff time to support. FAST established a subcommittee to examine all 40-plus bodies. That committee's full assessment is captured in Appendix C of this report. FAST has a two-part recommendation on this topic: a) Consolidate or eliminate 16 boards and commissions (those ranked with a 1.0 or 1.5 in the subcommittee's report); and b) Based on legal guidance, discontinue verbatim minute taking at any remaining boards or commissions if those entities are the subject of audio and/or video recording. Summary, decisional minutes would still be kept in written form. FAST's research has revealed that most parties' desire to revisit the verbatim proceedings of a board or commission relies on the audio or video tape anyway. Compliance with the State's "digital WAC" for electronic archiving will need to be factored into this recommendation's execution. Cited here in brief form are those bodies recommended for consolidation or elimination:

Board Name	Recommended Action
<i>Code Appeals Board</i>	<i>Eliminate and combine with Hearing Examiner processes.</i>
<i>Greenway Advisory Committee</i>	<i>Eliminate as standalone committee. Serve as a subcommittee of Parks and Recreation Advisory board.</i> <i>Reconstitute in future if additional greenways levy is passed as named Ad Hoc shorter term task force / subcommittee of Parks & Rec. advisory committee.</i>
<i>Lake Whatcom Technical Review Taskforce - New</i>	<i>Eliminate June 2009 when work is complete; hold task force accountable to timeline – currently on schedule to conclude May 25th</i>
<i>Lake Whatcom Watershed Advisory Board</i>	<i>Reduce to six meetings per year.</i>
<i>Parking Commission</i>	<i>Eliminate and include as part of proposed new transportation commission</i>
<i>Peak Oil Taskforce/Energy Task Force</i>	<i>Eliminate June 2009 when report provided to Council; hold task force accountable to timeline</i>
<i>Sister Cities Advisory Board</i>	<i>Option 1 - Eliminate</i> <i>Option 2 - Reduce staff support workload , number of visits, & travel expenditures</i>
<i>Utility Billing Hearings Board</i>	<i>Reduce staffing costs - Recommend use named designees rather than Directors for disputed amounts up to \$2k.</i>
<i>Arts Commission</i> <i>Referred to as Municipal Art Commission in BMC</i>	<i>Simplify/streamline as follows:</i> <i>Consider reducing board size from 11 to 7 to simplify communications and effort to fill board vacancies.</i> <i>Maintain monthly meeting schedule. Cancel meetings when specific board actions not needed.</i>
<i>Bicycle & Pedestrian Advisory Committee</i>	Options: <i>A - Eliminate and include as part of new transportation commission, or</i> <i>B - Provide very focused role and direction for this board; reduce frequency of meetings</i>
<i>Countywide Housing Affordability Task Force – (CHAT)</i>	<i>Eliminate; move toward implementation of recommendations as part of Planning work plans.; City to provide no staff support to any future “CHAT 2” meetings</i>
<i>Mayor’s Neighborhood Advisory Commission</i>	<i>Reduce meeting frequency and eliminate code requirement.</i> <i>Modify Municipal Code requirement so that MNAC is not</i>

Board Name	Recommended Action
	<i>required to be consulted on every Comp. Plan amendment. Also modify Municipal code to reduce frequency of meetings.</i>
<i>Public Facilities District</i>	<i>Keep – Simplify in 2010</i> <i>Early 2010 - Move to quarterly or semi-annual meetings. Reduce size of board from 7 to 5</i> <i>Requires change to Interlocal agreements</i>
<i>Waterfront Advisory Group</i>	<i>Eliminate following master plan adoption – hold accountable to timeline</i>
<i>Housing Development loan review board</i>	<i>Keep – Take on functions of the Housing Rehabilitation loan review board (below).</i>
<i>Housing Rehabilitation loan review board</i>	<i>Eliminate. Consolidate this board’s functions with the Housing Development loan review board</i>

Estimated Annual Savings: \$13,000 plus freed up salaried professionals’ time

Theme E:

Move select institutions toward more entrepreneurial self-sustainability

“Quality of life” is a phrase that is often bantered about as an attribute that residents appreciate greatly about our community. That which defines quality of life is, of course, in the eye of the beholder, but most point to recreational access, educational institutions, arts and cultural experiences, among others, as important ingredients. A locally commissioned study on economic development conducted with resources from the U.S. Department of Commerce earlier this decade also highlighted these quality of life attributes as important parts of the contextual whole that can attract and retain economic development.

FAST began its work looking at a service matrix, which categorizes government services as mandated, essential and “value-added”. Debate about whether recreation, arts and cultural services and programs are essential versus value-added, will be ongoing, but we do note that they are not mandated. FAST believes that availability of such services is important to have but to the greatest degree possible – and more than historical trends have achieved – these services need to be more self-sustaining through various entrepreneurial innovations. Our recommendations reflect that perspective.

(By Management Prerogative)**Recommendation 10-09: Reduce General Fund Support of the Whatcom Museum**

*The City and the Whatcom Museum Foundation's board are currently negotiating the renewal of the services agreement between the entities. The agreement will again capture the essential responsibilities of the parties in that decades old public-private partnership. At the same time, new leadership in Patricia Leach and the opening in late '09 of the new Art & Children's Museum represent a new era of a more entrepreneurial approach to the museum's mission, including the creation of a robust membership base and the charging of admission for those who are not members. In addition, the culture of the Foundation's board is intentionally shifting toward more acute focus on fundraising in support of the institution. Though the public-private partnership will endure, FAST believes that an onus must be placed on the Foundation to diminish the museum's reliance on public support, and particularly the General Fund. A business plan is being finalized by the Museum that will lay out strategy to make this shift real. FAST, therefore, recommends 2010 begin the reduction in General Fund outlay to the Museum and continue it over successive years with no "back-stop". By no back-stop, we intend that should the private sector not raise sufficient funds to cover its increasing portion of the partnership, then services should be curtailed proportionately rather than the City backfilling any deficit, as has been the historical pattern. **Estimated Annualized Savings for 2010: \$300,000 minimum***

Recommendation 10-10: Serve Other Arts Groups' Needs through Partial Use of the Old City Hall Museum Facility

*The revered City-owned Old City Hall building that is part of the Museum's assets will be de-programmed for a time so the Museum's reduced staff can focus on the opening of the new Art and Children's Museum facility on Grand Street later this year. Once the new facility is operational, some museum staff will move out of Old City Hall and into the new building. Other portions of the old complex (e.g. the Syre Center) have been "dark" for some time. At the same time, some in the arts community feel that stronger bonds could be built between the Museum, the local artist population and arts groups. FAST recommends that vacated Old City Hall space be marketed as the rentable shared home for other arts groups who in tough economic times need to reduce their overhead costs. Co-habitation could also lay the groundwork for more local collaboration, while spreading out some costs for the operation of the Old City Hall space, when it reopens as the regional history element of the Museum's campus. **Estimated Annual Savings: TBD***

Recommendation 10-11: Differentiate City Residents from Non-residents for Program Fees

*Providing access to select services for low and moderate-income persons is an important role of government, yet in tough economic times and juxtaposed against resources needed for mandated services, users of select quality of life programs should expect to pay for their availability. This is particularly true for unique programs that are supported by Bellingham taxpayers but made available to non-residents and even international visitors alike. FAST recommends that recreation and museum facilities and programs charge a higher rate for non-resident users of the services. **Estimated Annual Benefit: at least \$120,000***

(Through Council or other Body's Approval)

Recommendation 10-12: Redirect REET Funding from the Mt. Baker Theater

*The Mt. Baker Theater has undergone both expansion and a recent significant upgrade to its HVAC and other systems. In recent years, the City has provided REET funds for "facilities and maintenance" to the Theater. Given the improvements, investments and the belief that the facility and its programs should be increasingly self-sustaining, FAST recommends moving the REET funds to other capital maintenance needs of the City, thus freeing up other General Fund dollars. **Estimated Annualized Savings: \$60,000***

Recommendation 10-13: Consolidate Use of Lodging Tax for General Fund Relief

*Guided by an Advisory Commission, the Mayor and Council have final say on how the local hotel/motel lodging tax proceeds are used, as long as the uses are in compliance with the state law that granted authorization to collect the tax. Primarily, the uses must promote tourism activities and visits to the local area. The new museum facility's Smithsonian affiliation, its ability to attract renowned artists work from around the nation, and its innovative interactive children's exhibits will be more of a draw than the Museum's traditional format. Marketing and operation of these features are fully complying uses for the lodging tax. We recommend that immediately or over time some or all of the current allocation awarded year after year to the Mt. Baker Theater be redirected to the Museum to encourage a more self-sustaining business model for the Theater and reduce the Museum's draw on the General Fund. **Estimated Annual Savings: up to \$266,000***

Theme F:**Manage mandated, expensive service levels to contain rapidly escalating costs**

Fire, police and court services are essential government functions and mandated by law. Public safety is also a high priority of the Mayor, the City Council and our citizens. At the same time, State Legislature-granted privileges and rights that give bargaining units "interest-based" leverage points for police and fire employees, including binding arbitration, have led to annual cost increase increments for communities like ours that significantly exceed even what other

collective bargaining units secure. Together, police, fire and court services, our public safety collective, constitute more than half of the General Fund expenditures each year, and that percentage has been increasing over time.

How should Bellingham and peer communities cope with the emerging collision course between the rapidly increasing costs for much desired public safety and the prospect that fewer and fewer non-public safety services --prized by many citizens-- can both be funded from limited resources?

Bellingham is fortunate to have three experienced managers at the helms of our public safety departments. From dialogue with them, we offer these recommendations to manage escalating costs for these mandated services:

(By Management Prerogative)

Recommendation 10-14: Further Align Fire Department Staffing with Incident Type Data

The BFD collects considerable data on its operations and the department's management informs its decisions with those figures. The Department's management team has previously submitted as a 2009 budget reduction option the plan described below that FAST recommends now be implemented as soon as practical.

The Department has a primary aerial platform ladder truck housed at Station 3 on Indian Street with a dedicated crew (3-person per shift), and an older back-up ladder unit housed at another station that is cross-staffed, if ever needed. In recent years, the primary ladder truck has been dispatched almost exclusively as a regular engine response and often in a back-up capacity to other engines (not because its ladder was needed). Part of the aerial ladder crews duties when they function as a regular engine response has been taking some of Station 3's geography as primary responder for that area, even on non-fire calls.

In fact, in the past ten years there have been less than a handful of incidents requiring the extended ladder capabilities of the unit. The primary aerial ladder crew also cross-staffs a specialized rescue unit for low-frequency/high-risk rescues. Recent practice has had the aerial ladder truck responding to all reported structural fires and rescue situations city-wide and to ones in the county upon request. For a reported structural fire, the aerial ladder rig is one of eight (8) response units going to each call (joined by four fire engines, one medic unit, one Battalion Chief rig and an EMS supervisor vehicle).

*Simultaneously, the BFD is chronically challenged with overtime expenditures and is currently incurring significant costs due to concurrent medical leaves of firefighters, even before traditional summer vacations begin. FAST recommends by 2010 (and earlier, if feasible) that the Chief be allowed to implement the management team's contingency plan to **not** have a crew exclusively dedicated to the primary ladder apparatus. The other crew would remain at Station 3 for the regular engine housed there and cross-staff the aerial ladder rig. The*

previously designated ladder crew would instead be assigned to other stations for backfilling for staff on leave and other purposes. Under normal circumstances, the primary aerial ladder unit will still be available on a cross-staffed basis with the remaining Station 3 crew, and the back-up ladder can also be dispatched from the other station house on the rare occasion they are needed expressly because of their extension capabilities. Some equipment carried on the dedicated ladder rig for routine storage would need to be transferred to other engines once the aerial ladder no longer routinely responds to all fires. **Estimated Annualized Savings: at least \$400,000**

Recommendation 10-15: Assess and Reconfigure Response Patterns to Select Fire Service Call Types

Personnel safety, response time and effectiveness are three critical measures of public safety response that must be co-managed. Bellingham's Fire Department has a solid track record on all three. Fire/Emergency Medical Services (EMS) response personnel are integrated with the county-wide Medic One system; response configurations managing these critical factors, therefore, vary depending upon the reported scope of the incident and available crews/units.

The Department collects data for both the raw number of incidents of various types that occur each year and information on how it responded to each of those incidents, as well as the outcomes. It is important when reviewing BFD data to keep this distinction in mind, incidents versus responses.

In recent times, Medic One calls for either basic life support (minor injuries, assisted transport, etc.) or advanced life support (serious health ramifications or potentially imminent death), constitute the vast majority of service responses made by the BFD. In 2008, well over four out of every five of the Department's **response** activations were Medic One calls (which are comprised of county-wide incidents). A variety of the Department's rigs can be taken to a Medic One call, ranging from an Aid Unit, to a fire engine, to the more medically sophisticated Medic One units.

Suspected or real structural fire **incidents**, inclusive of fires extinguished by others before the BFD arrived and false alarms in multi-family structures, totaled 383 citywide, or slightly more than one per day on average, for 2008. The top three categories of actual fire incidents were building fires (54), cooking fires that were confined to the container (50) and outdoor rubbish fires (47). There were three watercraft fires during the year. Property loss for all fires was estimated at \$1,122,203. There was one Bellingham fire death in 2008.

Another 2008 incident involved a fireworks explosion but not fire and 17 other incidents of excessive heat or scorch marks but no ignition were also responded to. A total of 105 additional incidents responded to involved hazardous or potentially hazardous conditions, such as oil or other combustible liquid spills or arching electrical equipment.

Emergency Medical Service (EMS) incidents handled by the Department numbered 11,541 countywide in 2008, though the number includes counts of when rigs assisted an EMS crew

already on site. The Department documented more than 17,000 responses to those 11,541 incidents.

Unfortunately, the BFD/EMS also gets called to non-emergency and false situations, ranging from authorized, controlled burns to non-smoke odor investigations and outright malicious false calls or malfunctioning alarms. A total of 649 incidents fell into the “false call” category in 2008. Certainly, other departmental resources are dedicated to making sure the local area is ready for large scale incidents, such as natural disasters. Bellingham’s expertise often puts our personnel at the front of both readiness and incident management response, such as during the January, 2009 floods. The public rightfully expects that its government will be ready for such incidents, no matter how rare.

All told, with a small percentage of structural fires in the service mix, how should the departmental resources be allocated and maintained? Clearly, we all want adequate response to our property, even when such incidents might be infrequent. What should be the cost for fire readiness? For other forms of readiness? Can we afford existing levels of service and prepare for covering more geography due to annexations?

FAST believes that the very high level of service historically provided, including multiple staffed units responding to some categories of calls (e.g. car fires), may no longer be affordable or the best use of the Department’s resources. With structural fires at 3% or less of the departmental responses, is dispatching a fire engine along with an Aid Unit to an EMS call-- “in case” a structural fire happens immediately after the medic incident-- defensible? Or is it a redundancy that has other implications for personnel and resource usage? Given fire prevention improvements over the years, a more nimble fleet of response vehicles, etc., does the number and current configuration of fire stations still make sense? FAST poses these questions.

FAST is aware that management has contemplated different strategies for allocating personnel and other resources. Though mandated services, there is more than ever before a need to examine how this sizeable portion (20%) of the General Fund is being utilized, not because we don’t value what the BFD can and does do, but because we face tough decisions.

FAST recommends that a joint BFD and external stakeholder (including non-fire professional and citizen perspectives) study group be appointed to determine the best, objective answers to these complex but vitally important questions. **Estimated Annualized Savings: TBD**

Recommendation 10-16: Assess and Reconfigure Police Response Patterns to Select Call Types

The Mayor had hoped in the most recent budget to add officers to the Police Department, which has failed to grow in proportion to the population or calls for service. In 2008, those calls totaled 50,625 incidents on which formal reports were filed (some 180,000 calls were triaged). With the economic downturn undermining the prospect for easily funded additional FTEs and 28% of planned General Fund expenses in 2009 already targeted for the Police Department’s

mandated services, FAST poses similar questions as those above about BPD's ability to sustain service levels on all call types. While we have already recommended the use of technology to help with traffic enforcement, more examination of alternatives for cost containment seems warranted.

*We know the Chief and his management team examine various scenarios and must weigh readiness for diverse but rare incidents with the most common calls for service. Should, like in an increasing number of jurisdictions, BPD only dispatch personnel to auto accidents that involve injuries or blockages of traffic? Should certain specialty units be mothballed in deference to basic patrol functions? FAST recommends a similarly formatted study group as that for Fire operations above to look at BPD response challenges and pinpoint ways to manage costs without doing serious harm to public safety. **Estimated Annualized Savings: TBD***

Theme G:

Assuring Maximization of Return on Expenditures for "Going Green"

The "triple bottom line" of sustainability asks us to view decisions through not just an ecological lens but also those of economic impact and the significance to the community's human capital. There has been much momentum on "going green" around the nation and Bellingham has rightfully been given its due for widespread efforts here, efforts on which the City has often been at the forefront. At the same time, FAST took its obligation to look at ALL areas of our government operations and we did not exclude this high profile topic. Based on our deliberations, there is some concern that "green" labeling is at risk of becoming the "low-fat" of the broader market place, in that it is increasingly claimed (and charged for) without common standards or verification. The term "greenwashed" has made its way into our nation's vocabulary, meaning even ecologically questionable, if not hazardous, products and practices are spinning their market labeling and messaging to claim greenness for consumer acceptance and premium pricing. FAST believes Bellingham should be a leader in sound environmental practices, per the Triple Bottom Line approach, but it must, as a matter of course and especially during these trying economic times, make sure its efforts are beyond reproach. Toward that end, FAST recommends:

(By Management Prerogative)

Recommendation 10-17: Place a Moratorium on the Purchase of PSE Green Power

Though the Mayor and Council, as well as most city employees and citizens, place a high value on environmentalism, the current mainstream program for buying green power credits (energy produced by alternate sources such as wind or solar) and the premium costs of doing so warranted exploration. FAST's preliminary study leads us to conclude that there may be other, more economical means for having the kind of systemic impact on the greater use of

alternative energy that is desired than through this program or this program alone. With the estimate that COB will pay a premium of some \$150,000 in 2010 under PSE's program, we suspect that there might be another way forward that also passes the economic test of the Triple Bottom Line logic. FAST recommends expedited exploration of these alternatives by the City's Green Team and Finance Department and at least a temporary moratorium on the current purchasing program until a clear path forward is documented about the largest ecological impact at the most reasonable price. **Estimated Annualized Savings: \$150,000**

Recommendation 10-18: Modify City Purchasing Policy Regarding Acquisition of Environmentally Sensitive Products

Current COB purchasing policy states that employees should acquire environmentally friendlier products or equipment "whenever practicable." A price premium maximum of 120% of the comparable, less environmentally friendly product alternative is established in the policy. FAST believes there is value in helping shift consumer product culture to more environmentally friendly generations of goods by helping companies who invest in better, cleaner, greener product development. FAST also believes that the market place has shifted in this direction and that pricing for greener products has come down and will continue to do so. As such, FAST recommends that City policy be modified to lower the premium threshold to 110%. **Estimated Annual Savings: up to \$20,000**

Recommendation 10-19: Streamline, Focus and Centralize Dedicated "Green Team" Employees

The City has eight employees plus interns who dedicate some or all of their time to environmental aspects of policy, COB operations and community collaborations. With incoming new leadership in the Public Works Department and a strong sense that COB's efforts in this regard have grown by accumulation rather than a cogent plan with focused outcomes, FAST recommends that the PW Director, CAO and Environmental Resources Manager be charged with a comprehensive evaluation of our efforts, with an eye toward streamlining, centralizing and enhancing outcome focus of the now cross-departmental "team." **Estimated Annual Savings: TBD**

Theme H:

Request that all COB employees cooperate to significantly reduce salary, wage and benefit costs for 2010 and beyond through collaborative turn-backs

The City achieves its mission through partnerships with eight (8) collective bargaining units and approximately 80 other non-represented employees. A collective bargaining environment framed by federal and state laws limits in tough budget times the options unilaterally available to management. The most draconian of unilateral management prerogatives is, of course, a

reduction in force or layoffs, which this Task Force is charged with minimizing as much as possible as COB tackles the gravity of our financial deficits.

It is well documented that just keeping the same persons on the payroll on January 1, 2009 as were on it on 12/31/08 cost the City \$3.2 million dollars due to scheduled salary/wage increases and the ratcheted health care benefit costs passed on to us by our vendor.

Despite the ideas already presented in this report and those yet to come, it became abundantly clear to FAST that minimizing layoffs in 2010, with just six months to go before that budget kicks in, would require a willingness by employees to share in the pain. Many individuals offered that sacrifice in their formal responses to surveys, during employee meetings and in emails and informal conversations.

The City's Human Resources team has also been diligent in reminding FAST and management that we must be cognizant of both the collective bargaining rights of workers and the implications of future marketplace purchasing power when it comes to wage and benefit concessions. We appreciate that guidance. We also believe that the economic hardship is spread widely enough across the state and nation that for a time at least, the risk of falling behind the market will be somewhat mitigated.

Though we regret the impact on our colleagues, FAST recommends the following:

(Through Negotiation with Bargaining Units and by Management Prerogative for Exempt Employees)

Recommendation 10-20: Freeze Salaries and Wages for 2010

This will require cooperation from all bargaining units, in that all but two have a negotiated agreement for 2010 and beyond that grants salary/wage increases. The freeze is, nonetheless, our most potent tool for significantly reducing the layoffs that will otherwise be necessary next year, even if many of the other cost reduction ideas in this report are adopted and executed.

*As described in our earlier 2009 recommendation about "mid-year bump" freezes, all employees' paychecks will benefit in 2010 from the Governor's adoption of lower pension contribution rates for the 2009-2011 biennium. These added dollars for workers combined with, to date, tame inflation figures tells us that a freeze in 2010 may be the most humane year in quite some time to absorb such sacrifice. **Estimated Annual Savings: \$2.8 million***

NOTE: To assist with expected deficits in 2011 and beyond, FAST also recommends that this turn-back be done under terms that do not imply an intent to simply catch up with larger increases in subsequent years.

Recommendation 10-21: Modify the Health Insurance Packages Offered to Employees

Though not always recognized by our colleagues, City employees enjoy benefits that are the envy of many in other sectors. Though city employees have increased their level of contribution to those costs in the past couple of years, the vast majority of the expense still falls to the City as the employer.

The cost for all employee benefits has averaged an annual increase of 14.74% in the past few years, driven largely by the medical coverage premiums charged to the City by our vendor, The Association of Washington Cities (AWC).

*The AWC offers a second tier of health coverage plans that maintain most of the features of the current COB plans but with the imposition of a deductible. FAST recommends that all bargaining units and unrepresented employees agree to either move to the \$250 per person deductible plan (with a family cap) or compensate the City by paying the premium differential between the costs of the current plan and the higher deductible alternative. This choice would need to be exercised by entire bargaining groups, not at the individual level to avoid incurrence of significant administrative costs. **Estimated Annual Savings: \$890,000***

Recommendation 10-22: Reduce or Eliminate Select Benefit Payout Options

*Part of the City's generous benefit plans includes paying out some bargaining unit members for sick leave balances and offering an annual vacation accrual payout so that persons at risk of exceeding the vacation accrual cap do not stop accruing. The utilization of these benefit options varies from year to year but together constitute a substantial expense for the City. Through negotiation, where necessary, we recommend that bargaining units and exempt employees relinquish these benefits as a means for saving jobs. **Estimated Annual Savings: \$450,000***

Recommendation 10-23: Place a Moratorium on Employer-paid Deferred Compensation Matching Funds

Eligible bargaining units or exempt employees may contribute to a pre-tax deferred compensation account established in their name. Currently, the City matches the employee's contribution at varying levels, depending upon bargaining unit or exempt status. Though the stock market at the time this report was going to press was showing some long-awaited signs of life after many months of significant losses, some employees have pulled out of the deferred comp plan to avoid loss in principal.

*In that returns have been non-existent and this benefit is not available to all employees, and changing course (if allowed by the affected bargaining units) would not alter the employee's right to self-contribute to their pre-tax fund, FAST recommends placing a moratorium on employer matching contributions to any deferred compensation fund. **Estimated Annual Savings: \$500,000***

Theme I:
Prudent Use of Available Revenue Options

FAST's directive and bias has been to closely examine cost reductions before giving consideration to recommending actions to increase revenues. We believe the ideas in this report live up to that directive and thus justify the following recommendations for comparatively small scale revenue adjustments.

Recommendation 10-24: Incorporate the Statutorily Allowed 1% Property Tax Levy Increase into the 2010 Budget

The Mayor and a majority of the Council were conservative in adopting the 2009 operating budget without taking the permitted 1% increase in property tax levy. This was done in deference to the growing signs of economic hardship expected to befall our citizens this year.

Though the pace of recovery is yet to be determined, most believe that by the time 2010 property tax bills are due in April and October of next year, economic pressures should be subsiding somewhat for local taxpayers. At the same time, projected City deficits will continue to threaten needed and cherished COB services.

*FAST's charge on revenues was to err toward progressive rather than regressive (e.g. sales tax) increases. In that the property tax is shared by homeowners and businesses with capital assets that should grow in value with economic recovery, and would result in a nominal real dollar charge to each parcel/structure, we find taking the 1% property tax next year to be justifiable as a reasonable cost-of-living adjustment for quality city services. For the current median home value, this should result in just a \$7 to \$10 increase. **Estimated Annual Revenue: \$180,000***

Recommendation 10-25: Incorporate the Banked Property Tax Capacity into the 2010 Budget

*Juxtaposed against potentially deep service cuts in 2010 and aligned with the reasoning above in Recommendation 10-24, FAST recommends that the City utilize its banked capacity as a small contributor to avoidance of further depletion of reserves. Even combined with the allowed 1% levy increase for the year, this action should result in the average homeowner paying less than \$20 per year more for services. **Estimated One-time Revenue: \$230,000***

Recommendation 10-26: Expand the COB Radio Shop Maintenance Program

Though it might seem counterintuitive to recommend the filling of a city job vacancy at the same time layoffs seem imminent, FAST recommends that the Public Works Department be encouraged to fill its vacant communications radio repair technician position to both reduce current overtime expenditures being incurred and to enable fee-for-service marketing of the enterprise to other governments and fire districts who report a need for such support.

Estimated Annual (Net) Revenue: \$30,000

Recommendation 10-27: Expand Entrepreneurial Reach of City GIS Services

*The City's GIS-IQ system is a leader in our region for public works, planning and public safety uses. The department was recently permitted to fill a vacancy to get back to full strength to meet our own needs but also believes it will have some capacity to provide its quality services to other jurisdictions on a fee-for-service basis. Under the auspices of the PW Director, this should be permitted and marketed. **Estimated Annual Revenue: \$15,000***

VIII. FAST Recommendations for FY 2011 or Beyond

FAST's tight timeline meant that most of our deliberations were focused on 2010 solutions. Clearly, any "2010" ideas that do not prove feasible on that timeline or for other reasons determined by the Mayor or Council, could be moved to 2011 or later. In addition, an upcoming section of this report captures a list of topics that will require additional study, and likely with input on some from individuals, bargaining units, experts or departments that were not at the FAST table. Some of these could be fodder for 2011 action items.

FAST did assign a few items to the 2011 timeframe due to contractual or other master timeline reasons. Those items are captured below.

Recommendation 11-01: Utilize Comcast Franchise Fees Differently

*The City is preparing for negotiations with Comcast for the next community-wide franchise agreement for cable TV services that will take effect in 2011. The City's allowed franchise fees currently support PEG TV operations (Channel 10) and the general fund. The City is also not currently taking the fully allowed franchise fee as captured in the current agreement with Comcast, with .75% of the maximum allowed 5 percent still available for usage. FAST recommends that the City negotiate fewer restrictions on the use of franchise fee revenues in the new agreement to take effect in 2011 and maximize utilization of the allowed fee, including in the General Fund. **Estimated Annual (additional) Revenue: \$120,000***

NOTE: Some of this additional franchise fee revenue has been discussed for possible outsource to a non-profit or higher education organization for starting a completely public access channel. Should that policy decision be made, the availability of the estimated resources above would be reduced.

Recommendation 11-02: Increase Investment in Capital Maintenance

FAST shares the concern of some department heads that tough economic times and the choices being made during those times are postponing (and likely increasing future) government costs through deferred maintenance of key assets, even though protection of assets was one of the guiding principles set forth by the Mayor in his instructions to departments prior to their 2009 budget submissions.

*Though it has dwindled during the real estate slump, an allowed use of the Real Estate Excise Tax (REET) is capital maintenance. FAST recommends that as the City's Comprehensive Plan goes through its scheduled overhaul in 2011, a restriction be put on the use of REET funds such that they are only used for capital maintenance. **Estimated Annual Impact: TBD***

Recommendation 11-03: Liquidate Upon Vacancy City-owned Property on Prospect Street

Elsewhere in this report we recommend a comprehensive look at COB facilities, with the intent of eventual consolidation to support additional operational efficiencies and cost savings in the future. In advance of that effort, it is possible in the near-term that both Fire and Police Dispatch will be co-located at the new joint city-county Emergency Management Operations Center. Unless an immediate and better use can be determined for the Prospect Street sight now housing dispatch, FAST recommends placing the property on the market and directing the proceeds to other City needs. **Estimated One-time Revenue (based on 90% of assessed value only): \$500,000**

IX. FAST Recommendations of Ideas for Prioritized Further Study and Possible Execution in 2010 or Beyond

Despite some introductory analysis, some ideas brought before FAST were simply not “digestible” in a responsible way during the time allowed before this report was due. Some of those ideas were rejected after initial examination and are captured in Appendix B.

The ideas below, however, we encourage the Mayor to review and appoint highly targeted study groups with prescribed deadlines so that, if viable, these ideas can be implemented as soon as possible as part of the needed fiscal solutions for 2010 and beyond.

To aid the reader in understanding why FAST believes the ideas warrant further investigation, a brief synopsis of the pros and cons that surfaced during our discussions of the matters is included for each item.

1. Define Full Time COB Employment with Benefits at 37.5 hour work week:

Pros:

- Translates to a 6.25% salary reduction while maintaining important health benefits. If all non-essential employees were to participate the city would realize approximately \$1.8 million in savings.
- Appears to be among our employees’ top preferred solutions per surveys and other feedback tools (see also #8 Furloughs below, also frequently cited by staff)

Cons:

- Needs to be negotiated, which takes a lot of time and not all groups could participate as some have mandatory staffing. It is not a city-wide initiative.
- It is not sustainable. The current economic crisis will turn around and the underlying shortage of qualified workers will once again drive wages. We will find ourselves in a position to match wages in the labor market based on full-time or 40-hour work weeks.

This is a recruiting challenge or a public relations concern if full-time benefits are retained.

- Creates additional administrative challenges. Collective bargaining agreements define how other paid time is accrued based upon a 40-hour work week. This will create a lot more bargaining thus more time spent trying to resolve our situation.
- Could have overtime implications.
- Productivity will suffer and going back at some point to a 40-hour work week will impact morale.

2. Move Payroll Functions to Finance Department (out of Human Resources):

Pros:

- Cross-staffing or sharing of resources with similarly trained people might generate some savings (unclear)
- Most government organizational structures include Payroll in the Finance Department, which may point to a better way of conducting city business.

Cons:

- The new HRIS system integrates Benefits, Payroll, Timekeeping and Position Control and will eventually integrate automated Applicant Tracking. To spin Payroll off wouldn't make sense given the current technology and enhanced business processes improvement it provides.
- Payroll is largely a human resource function for the good of our employees, thus it makes sense to keep it within the HR department where the shared customers are the "employees" of the city.
- In order for Payroll to remain accurate, it must be closely tied with labor relations which reside in the HR department.

3. Change Civil Service System to Encompass Public Safety Employees Only:

Pros:

- Permitted by State law
- Less time spent in Civil Service opens up more time to meet other productivity standards in HR and other departments
- Reduces the layers of rules and regulations surrounding recruitment, selection and classifications and creates more streamlined business processes and management flexibility
- Other cities do not have Civil Service for groups other than public safety, which may point to a better way to conduct business

Cons:

- Civil Service provides the perception of an additional layer of protection for our employees
- The Civil Service Commission provides a neutral decision-making body for classification decisions which would otherwise need to be vetted through a committee much like the current Classification Committee for non Civil Service employees. It would be essentially trading one thing for another.
- Additional discussions and processes (e.g. grievances) may take more HR and department time than Civil Service now requires in its new revised format.
- Additional time to try out the new revised appellate format may be needed before initiating change

4. Create a Department of Administrative Services:

Pros:

- An Administrative Services Department could combine the city's internal service functions: Human Resources, Information Technology, Support Services and Finance. The consolidation would replace Department Directors for these functions with Manager positions. There would also be opportunities to consolidate other clerical support positions within these service areas, such as administrative assistants and accounting positions. There would be salary savings by reductions in FTE's and/or responsibilities. Combining these functions would support the development of one coordinated strategic plan for the delivery of vital internal support services . Additionally, the number of direct reports to the Mayor would be reduced by the number of departments consolidated in the new administrative services department. A smaller executive team is less costly to the citizens.

Cons:

- Human Resources, Information Technology and Finance are complex functions that require the technical expertise, education and direct oversight of director level executive staff. The services are unique from one another and the only link is that they are all internal vs. external services. There will be considerable expense to reorganize multiple departments, including civil service and labor union implications and requirements. There would be a multiple year "payback" period before actual savings accrue. Fewer director members of the executive team provide a narrower base of knowledge and support for achieving the implementation of the Mayor's agenda and Council legislation
- Any demotion of current director level personnel could lead to undesired attrition and loss of expertise.

5. Move Purchasing AND Payroll Functions to Finance Department:

Pros:

- Operationally much of the Payroll and Purchasing functions are literally Accounts Payable functions. In theory, the input and processing of payroll by existing A/P staff might be possible and should be explored further. This could free up HR staff for other duties and/or enable streamlining of FTEs. In Purchasing, as well as with Contract management, much of the work of setting up vendors and recording "authorization documents" such as contracts or Purchase Orders is very similar to the duties of the Accounts Payable staff.
- Although the city's purchasing function is also integrated with other functions in Public Works where it now resides, there might possibly be savings should the Accounting department be responsible.

Cons:

- Savings might take years to realize

6. Create a City of Bellingham "Central Bank":

Pros:

- This is a concept that the City would have one centralized location where all cash payments for city services could be made. Currently we have multiple locations that take funds from citizens. Due to the fact that internal controls on public funds are quite restrictive and that audit requirements typically require multiple cash handlers, it is assumed that some personnel savings to the departments could be achieved if we centralize the location of all payments. This effort should be analyzed along with potential savings that would occur with a broadening of the payment options by citizens. Payment over the internet, over the phone as well as through direct bank drafts all could be combined into a centralized function. The potential savings from this approach have not been developed and it is recognized that this would only be a broadening of existing programs currently in place or being developed within the City.

Cons:

- Would require considerable public education and result in (at least initially) some perception perhaps of reduced customer service as a trip to the Central Bank would be in addition to a stop at another department.

7. Create a Centralized Grants Management Function:

Pros:

- Somewhat by default each department is currently managing Federal and State grants within their departments. Some departments such as Planning & Community Development have broad expertise in both grant applications as well as grant management. Other departments rarely have grant funds available and work to

develop the expertise needed when the grant opportunity arises. This on the surface appears inefficient and should be examined to see if a coordinated grant function that manages the grant process for all departments should be developed. The centralized function would work much like the legal function where a suite of attorneys are available to assist all departments with a wide array of legal work. In addition to management cost savings, a centralized function may be better equipped to exploit grant opportunities as they arise. In addition the training and support costs for individuals handling this function would diminish over time as the number of staff having "grant responsibilities" would be fewer. Finally the potential for audit concerns would be lessened by having a small group of experienced staff involved with all grants.

Cons:

- Might require adding personnel, which would diminish savings or benefit of newly found revenues in the near-term

8. Negotiate Unpaid Furloughs for Non-Essential Employees

Pros:

- Furloughs are a temporary way to reduce labor costs, generally without a cost in severance, outplacement fees, or increased early-retirement benefits. Furloughs spread the pain broadly among all non-24/7 staff. Furloughs are best suited for short-term economic setbacks and for businesses that anticipate demand to bounce back quickly and thus create a shortage of skilled workers.

Cons:

- Furloughs are not a sustainable permanent solution, but a short-term savings that requires mitigation to both implement and again when they are stopped. Furloughs do not relieve employers of the bulk of their expenses for benefits as well as office expenses including: rent, phones, utilities, and equipment. Furloughs do not work for all employees, may require complex schedule coordination, and if not implemented correctly could face legal challenges. It is better to prioritize programs and make cuts to programs that aren't sustainable than to use furloughs to avoid addressing the problem.

9. Incentivizing Early Retirement

Pros:

- With careful design early retirement incentives can assist in an economical downsizing of government. Early retirement incentives may help spread the pain among all non-24/7 staff and help avoid the disadvantages of involuntary dismissals and allow graceful end to careers.

- Early retirees are not eligible for unemployment as they would be if their positions were simply eliminated or they were laid off. The City is self-insured for unemployment compensation.

Cons:

- Early retirement offers workers incentives to leave the workforce voluntarily, in order to achieve staff reductions organizations are unwilling to make the hard way. Early retirement incentives won't work for essential service staff and often compensate people that are planning to retire anyway. Retirement savings are usually overstated because they fail to account for temporary workers, promotions for remaining staff, and recruitment and training cost for replacement employees when implemented. Short-term savings only delay the inevitable and should not be substituted for thoughtful fiscal policy that prioritizes and eliminates programs and costs that cannot be sustained even when the economy recovers.

10. Permit Center Changes/Privatizing

The challenges of the City's permit center have been well publicized and continue to be brought to the attention of elected leaders and department heads. Some commentary was received that, though "friendlier" at the counter, functionality as a whole continues to suffer and potentially drive business out of Bellingham. A responsive, consistent permit center is vital for supporting quality economic growth and, therefore, our tax base needed to support core city services.

Though much examination has been done and some corrective strategies are in progress, FAST believes change for the better must be accelerated. We recommend a reasonably quick, but in-depth study of permit center operations as a final attempt for looking for ways to improve effectiveness and streamline operations. The study should include potential outsourcing of services if in-house quality and responsiveness cannot be offered in the near-term, as well as potential changes to management authority/span of control and flexibility. A small team study effort would be appropriate, with input from PCD management and other COB departments that factor into permit expediency and quality (e.g. Fire and Public Works), but should also include outside customer perspective, best practices from other jurisdictions, etc. Note that short-term budget savings may not be realized, but given the many transitions and challenges in this operation, expeditious further investigation and analysis is appropriate and needed to get the center on track without further delay.

11. Combine Parks & Recreation, Library, Museum into a Department of Leisure, Education & Cultural Services

Pros:

- Reduces the number of Department Heads.
- Provides potential for shared marketing, graphics and communications.

- Provides shared management of vehicles.
- Provides shared educational programming for all ages: travel, art, book groups, demonstrations, speakers and events.
- Children’s programming can be easily coordinated.
- All three departments are highly regarded by the community at large; this combination could be a powerhouse
- Creates a single point-of-service for meeting room and facilities booking and management.
- Parks & Recreation manages grounds for all three departments

Cons:

- There would be a loss of individual department identity and pride. The Museum, for example, needs to rely more heavily on the supporting Foundation for programs and exhibitions over the upcoming years; the combination of departments could damage that perception of need. The same issue could affect the Library, especially since a new Library Foundation is being discussed.
- This arrangement would still require division heads for each “division” and possibly one overall Department Head. This may not result in the scale of financial savings desired.
- Staff expertise, training, and job descriptions in many areas are department-specific.
- Loss of carefully crafted brand identity which might be difficult to capture for one general department.
- Departments have separate missions which might be difficult to coordinate.
- Each department has its own governing or advisory board(s) which may not be easily combined or incorporated.
- Each Department has multiple unions and civil service agreements.
- This arrangement could result in accreditation implications for the Museum.
- There is potential for additional time and money to coordinate the functions of three separate entities.
- Each department has separate funding mechanisms, especially in Parks & Recreation and Museum; Library is exclusively General Fund
- If demoted, possible loss of quality director level personnel and expertise.

12. Create County-Wide Services Districts for Select Functions (e.g. Libraries, Parks, Fire)

Library

(Note: This issue is currently being investigated with a small joint task force of city and county staff and board representatives.)

Pro for county-wide Library district

- All functions would be consolidated
- Builds on high level of collaboration already in place between the Bellingham Public Library and the County system

- Might reduce number of FTEs needed in the management ranks
- Shared expertise

Con for county-wide Library district

- Initial fiscal impact shows both library systems would lose funding
- Loss of individual system identity and pride
- Philosophy and mission of urban municipal library conflicts with that of rural library system
- Neither Library Board overwhelmingly in favor of annexation
- Potential union opposition to combining
- BPL would need to annex to WCLS; current arrangement is that the municipalities in the WCLS own and operate their facilities, so Bellingham would still need to own/operate library facilities
- Process could take a few years; must go to public vote

Fire

Pro for county-wide Fire district

- Potential to standardize equipment and operating procedures for fire and EMS services throughout Whatcom County
- Reduce administrative overhead and redundant services-(training, legal, HR, etc....)
- Better coordinate and utilize existing fire stations and resources in "fringe" areas (this is being done now on a limited basis with some districts), especially as could relate to annexations
- Increased cost savings for purchasing goods and supplies
- Better integration with WhatComm Dispatch/Prospect Fire Dispatch
- Reduction of some degrees of competition between fire services

Cons for county-wide Fire district (mostly having to do with implementation):

- The demographics of the county do not lend themselves well to this approach at this time. Partial merger/consolidation/fire authority should, and has been, discussed for the suburban/urban areas around Bellingham, and a fire authority has been established for the 4 small fire districts south of Bellingham. But, the vast majority of the county is still significantly rural, with limited Assessed Valuation.
- Perception that Bellingham might have too much influence in county decisions/operations.
- This arrangement would likely increase compensation for career firefighters. Per employment law and practice, the district would have to use much larger city/fire districts for comparables in establishing salaries/benefits. This cost may be partially offset by efficiencies in reduced administrative overhead, but the net impact is unclear and could be costly.
- Residents outside of Bellingham, primarily in rural areas, have strong commitment to volunteerism which translates into strong identity and pride in their fire agency.

- Lastly, if the primary goal creating a Fire District is to save money, the integration effort likely will be unsuccessful. It has to be about improving service to the community. In some cases that means spending more money to make it happen-at least initially- and the cost savings are realized in the long run.

Parks and Recreation

Pro for County Wide Parks District:

- Administration and supervisory staff could be consolidated if the Parks & Recreation services provided by the City, County and small municipalities were combined under one Department.
- Equipment could be shared and bulk purchases could result in decreased costs.
- This arrangement could provide improved comprehensive planning for the provision of trails, parks and capital projects.
- A Metropolitan Parks District has the ability to establish a levy. This could stabilize long term financial planning.
- Parks & Recreation services would not need to compete with other municipal services for dwindling tax dollars.

Con for County wide Parks District:

- If the Parks District does not encompass the entire county there would still be a need for County Parks and smaller municipal agencies to continue to provide Parks & Recreation services. This may not result in any financial savings. (Perhaps the Metropolitan Parks District would only encompass the City of Bellingham and the Urban Growth Area?)
- The County and City provide significantly different “types” of facilities and programs. Counties typically concentrate on larger regional and special use parks and cities typically concentrate their efforts on a series of smaller community and neighborhood parks. At present this arrangement works well.
- The established Level-Of-Service (LOS) differs significantly between the County, smaller municipalities and the City of Bellingham. A decision on the preferred LOS, and the corresponding funding to maintain it, would be difficult to establish.
- In a Metropolitan Park District, voters must approve the establishment of a continuous levy as a junior taxing district. Other financing tools such as the Greenway Levy and Park Impact fees, Real Estate Excise Tax Conservation Futures would need to be addressed.
- A county-wide Metropolitan Park District might pose significant logistical problems. The location of the administrative offices, maintenance operations and recreation programs can be cumbersome and inefficient.
- Metropolitan Park Districts must be initiated by local government resolution or citizen petition following hearings on feasibility and cost studies of the proposed district’s facility development or operational costs. The proposal must ultimately be submitted

for voter approval (50%) including all provisions relating to any special financing agreements. This could be a long process.

13. Consolidate and/or Reconfigure City Facilities to Permit Greater Operational Savings

Pros:

- The City has more than 30 facilities of various types that are scattered throughout the community, some by design but mostly not. Consolidating some of them would create greater economy of scale in fewer locations which could enable streamlining shared functions and supports.
- Some buildings are out of space despite needs of departments
- Fewer more inclusive facilities would diminish the need for city staff to travel between locations, saving time, gas and the environment
- Citizens often are confused about which functions they can conduct at which facilities.
- Some facilities are old and inefficient and will likely require significant capital maintenance outlays in the near future; others are marginal in terms of the appropriateness for staff to be housed there.
- Current city buildings are rarely seismically safe
- Excess property could be sold to help fund improvements or other city services

Cons:

- The financial cost of creating a more unified campus of city buildings with internal configurations that would enable operational efficiencies will be a hard sell, especially during tough economic times
- If some of the ideas about countywide consolidation of services are selected and implemented, space needs could be different than now believed
- Specific commitments to operational efficiencies would need to be made in order for voters to believe there would be timely return on the investment
- Bond markets are not as strong or eager to carry municipal debt as they once were
- Using resources, even for the debt service, creates an opportunity cost related to other plans or services the City would like to do.

14. Create an in-house graphics and videography unit in lieu of contracting out extensively

Pros:

- Technology has advanced and come down in price so creating an in-house unit is more feasible.
- Significant sums are currently being spent on consultants, vendors and sub-contractors
- Would create more branding control
- Might be a fee-for-service opportunity for other jurisdictions

Cons:

- Would require the addition of employees
- Might limit access to creativity due to reliance on just city employee artists
- Could be seen as competition with the private sector and doesn't create sales tax
- City used to have its own print shop and found it more expensive to operate than relying on vendors

X. Summary of Potential Impacts of FAST's Recommendations on Achievement of the Needed Expense/Revenues Balance

As described in the report format section of this document, implementation of the ideas FAST has put forth is contingent on different authorities approving their execution. This section summarizes the potential savings that could be achieved according to the three authority clusters: management prerogative, by Council or other body's approval and by negotiating with COB's employee bargaining units. Any ideas under the "further study" section of this report are not included in these totals.

Total savings target for 2010: \$6 million

Maximum potential savings by Management Prerogative, if accepted by the Mayor:

\$1,477,500

Maximum potential savings on items requiring City Council or other bodies' approval:

\$439,000

Maximum savings potential of all items requiring negotiation with bargaining units:

\$4,830,000

A quick calculation of the math will demonstrate that there is ample potential across the three categories to substantially, if not totally, negate the projected deficit, and therefore, the need for large-scale layoffs. The respective authorities will need to determine the likelihood of that occurring as they review the options presented.

XI. FAST Recommended Contingencies if the Mayor, Council, Bargaining Units or other Entities Elect Not to Execute

It is the prerogative of the Mayor, Council, employee unions, and in some cases, other jurisdictional bodies (e.g. Library Board) to accept and execute, modify and execute, or reject the FAST ideas put forth in their respective spheres of influence. FAST realizes that perhaps not all budget balancing steps included here will come to fruition at all or might not occur in time to assist with the 2010 projected budget deficit.

Expressed in a mathematical formula, FAST sees the dilemma as follows:

2010 Projected Deficit:	\$6,000,000
Minus Mayor’s FAST Management Prerogative Selections:	(???????????)
Minus Council approved FAST savings ideas:	(???????????)
Minus FAST Bargaining Unit 2010 Voluntary Offers:	<u>(???????????)</u>
Equals balance of deficit that must be found by Depts.:	???????????

The range of possibility for the balance to be found by departments, obviously, is zero to as much as \$6 million, if no FAST recommendations are adopted and executed. In light of that possibility, FAST offers three scenarios for distributing the financial pain, even though the first (equal percentage of General Fund expenditures reduction by each department) was specifically **not** requested by the Mayor. At the very least, it provides a point of comparison for the other two scenarios. Departments will also, wherever possible, integrate outside funding sources, such as the Federal “stimulus package” to minimize impact on services, though an emphasis on *sustainable* cost reductions will be reinforced.

The reader is encouraged to keep in mind that if selected for usage, the methodologies below would most likely be applied to the remainder of the deficit not covered by savings found through management prerogative, Council action or bargaining unit offers.

Mitigation Option A: Equal Percentage Reduction in GF Spending by Dept.

After the March 23, 2009 Council-approved modification of the 2009 COB spending plan, expected General Fund expenses were reduced to \$75,006,829. The projected \$6 million deficit for 2010 constitutes 8% of the total GF expenditures, if the fund holds steady. For ***illustrative purposes***, as shown in the table on the next two pages, General Fund-supported departments would incur the following reductions based on proportional calculations. Two versions of the table are presented, one inclusive of reductions to the sales tax supported Street Fund and one without Street Fund.

With Street	Adopted Budget '09	March Budget	Needed		
EXPENDITURES	No Capital	Amendment	Rev. Budget	% Reduced	8.00%
OFFICE OF THE MAYOR	2,147,152	(100,900)	2,046,252	-5%	163,700
CITY COUNCIL	461,742	(2,000)	459,742	0%	36,779
HEARING EXAMINER	197,433	0	197,433	0%	15,795
MUSEUM	1,759,637	(52,775)	1,706,862	-3%	136,549
LIBRARY	4,046,169	(121,379)	3,924,790	-3%	313,983
FINANCE	2,033,231	(54,335)	1,978,896	-3%	158,312
HUMAN RESOURCES	1,511,937	(46,300)	1,465,637	-3%	117,251
ITSD	2,588,920	0	2,588,920	0%	207,114
LEGAL	1,544,346	0	1,544,346	0%	123,548
JUDICIAL & SUPPORT SERV	3,160,832	0	3,160,832	0%	252,867
PARKS & RECREATION	8,052,648	(198,584)	7,854,064	-2%	628,325
PLANNING & COM DEVEL	3,060,176	(76,659)	2,983,517	-3%	238,681
PUBLIC WORKS - STREET	11,360,000	(402,037)	10,957,963	-4%	876,637
FIRE	13,841,849	(205,045)	13,636,804	-1%	1,090,944
POLICE	20,392,957	(242,186)	20,150,771	-1%	1,612,062
NON-DEPARTMENTAL					
PUBLIC FACILITIES DIST					
PUBLIC DEVELOPMENT AUTH	500,000	(150,000)	350,000	-30%	28,000
TOTAL EXPENDITURES	76,659,029	(1,652,200)	75,006,829	-2%	6,000,546
Without Street	Adopted Budget '09	March Budget	Needed		
EXPENDITURES	No Capital	Amendment	Rev. Budget	% Reduced	9.37%
OFFICE OF THE MAYOR	2,147,152	(100,900)	2,046,252	-5%	191,734
CITY COUNCIL	461,742	(2,000)	459,742	0%	43,078
HEARING EXAMINER	197,433	0	197,433	0%	18,499
MUSEUM	1,759,637	(52,775)	1,706,862	-3%	159,933
LIBRARY	4,046,169	(121,379)	3,924,790	-3%	367,753
FINANCE	2,033,231	(54,335)	1,978,896	-3%	185,423
HUMAN RESOURCES	1,511,937	(46,300)	1,465,637	-3%	137,330
ITSD	2,588,920	0	2,588,920	0%	242,582
LEGAL	1,544,346	0	1,544,346	0%	144,705

JUDICIAL & SUPPORT SERV	3,160,832	0	3,160,832	0%	296,170
PARKS & RECREATION	8,052,648	(198,584)	7,854,064	-2%	735,926
PLANNING & COM DEVEL	3,060,176	(76,659)	2,983,517	-3%	279,556
PUBLIC WORKS - STREET					
FIRE	13,841,849	(205,045)	13,636,804	-1%	1,277,769
POLICE	20,392,957	(242,186)	20,150,771	-1%	1,888,127
NON-DEPARTMENTAL					
PUBLIC FACILITIES DIST					
PUBLIC DEVELOPMENT AUTH	500,000	(150,000)	350,000	-30%	32,795
Tech Fund					
TOTAL EXPENDITURES	65,299,029	(1,250,163)	64,048,866	-2%	6,001,379

Mitigation Option B: Bargaining Unit Pro-ration

Another option for dividing any deficit balance left over after all acceptable FAST solutions are subtracted from the \$6 million target would be assignment of cuts to the bargaining units and exempt employees (as a group) in proportion to the percentage of the COB workforce they represent. Management would then have to make selections from within the departments using this variable. This method would assist with another value statement given to FAST by the Mayor, which was strive to achieve any workforce reductions such that the burden is not placed exclusively upon direct service workers. In other words, recommend reductions from the supervisory, mid-management and upper management ranks.

If the full \$6 million still needed to be found (for illustrative purposes), the cuts by employee group would look like the following:

Unit	Total FTEs	Percent of WrkFrce	% x \$6 million
Exempt	81.5	10%	\$ 600,000
Teamsters S & P	102	12.5 %	\$ 750,000
AFSCME 114	346.7	42.4%	\$2,544,000
Police Guild	102	12.5%	\$ 750,000
Firefighters 106	132	16.1%	\$ 966,000
Librarians	7	0.9%	\$ 54,000
What-Comm Dispatchers	26	3.2%	\$ 192,000
Fire Dispatch 114F	13	1.6%	\$ 96,000
Fire Staff Officers 106S	8	1%	\$ 60,000
TOTALS	818.2	100.2%	\$6,012,000

Under this option, a median employee salary plus benefits would need to be determined for each employee group to determine how many FTEs would be affected in the reduction. For example, if the median salary and benefits for the Exempt Employee group is \$80,000, then \$600,000 divided by 80,000 would bring the layoff total for the Exempts under the \$6 million scenario to 7.5 FTEs. If, hypothetically, the median salary plus benefits for the AFSCME group was \$50,000, the scenario's layoff picture for that unit would be 51 workers (\$2,544,000 divided by \$50,000).

Mitigation Option C: FAST-assigned Reduction Targets by Department Based on the COB Service Matrix and Other Considerations

At its last meeting, before approving this report, FAST considered the guidance provided by the Mayor at inception, our own determined guiding principles as discussed early in this report, the COB Service Matrix, which divides departments' programs and services into three classifications (mandatory, essential, and value-added), public input from the online survey and our own collective take on the City's needs. This resulted in no easy choices, should other means fail to establish ample savings to void the projected deficit.

As a third alternative for covering any deficit balance, FAST is recommending to the Mayor the following division of burden by department. FAST further recommends that the meeting of each department's target be from approved, **sustainable** reductions, which will need to come in the form of entire programs or FTEs, since most departments have already reduced over the three prior cuts those line items that would constitute one-time savings.

Department	Additional Reductions
Council	\$80,000
Exec	\$450,000
Finance	\$200,000
Fire	\$1,000,000
Hearing Examiner	\$70,000
HR	\$175,000
ITSD	\$200,000
JSS	\$200,000
Legal	\$175,000
Library	\$550,000
Museum	\$400,000
Parks & Rec	\$600,000
Planning	\$300,000
Police	\$1,000,000
PW	\$600,000
	\$6,000,000

Which positions or programs eliminated in each department would be up to management prerogative and/or as approved by Council in the budgeting process.

XII. Timelines for Taking Corrective Fiscal Action

With the express purpose of bringing the 2010 budget into balance, the administration has been very clear with employee groups that any reduction in force will need to be executed fully before the end 2009 for two reasons: 1) to insure that the corresponding savings accrue for the full 12 months of 2010; and 2) to take advantage of the Federal stimulus package clause which has the U.S. Government covering 65% of health insurance premiums (COBRA) for nine months for any worker laid off during 2009.

In meetings with departments and bargaining units, the following timeline was put forth as the administration's plan of action:

April 29, 2009	Mayor Pike briefed verbally on FAST recommendations
Week of May 11, 2009	Final written report submitted to Mayor, Council and Department Heads
Week of May 18, 2009	FAST report sent to all employees and bargaining unit reps
Week of May 18, 2009	Mayor provides guidance to Department Heads regarding FAST recommendations likely to be accepted and projected fiscal implications for each department, unless other cost saving solutions are forthcoming
June 1, 2009	Department Heads notify HR of positions in jeopardy in order for their department to comply with reduction targets
June 1, 2009	Council briefing on FAST report
June and July	HR assesses workforce impacts of Department Head submissions, calculating service credits, bumping rights of represented employees, etc. Training of managers regarding RIF mechanics and best practices
August 15, 2009	Specific employees notified that their employment is at risk and their rights in light of
October 1, 2009	Any reduction in force implemented

NOTE: this planned timeline is subject to change due to management prerogative or other factors.

XIII. Summary

The City of Bellingham has choices for meeting its fiscal challenge. Very few of these choices, however, will be pain-free. Some, quite simply, will be devastating to have to implement. If there is good news to be found, it is that strong collaboration between management, policymakers, exempt and represented employee groups can make our dilemma manageable. On the other hand, if few collaborative solutions can be arrived at, by any methodology, City departments face a bruising exercise in workforce reduction.

FAST is aware that some of the ideas presented are not sustainable beyond 2010; however, we believe that their enactment will buy some time for other ideas stemming from supplemental study groups to come to fruition. We also fully expect that fellow employees, our electeds and the citizens will continue to offer up ideas that could supplant some of these recommended items.

FAST extends its appreciation to the citizens of Bellingham who have shared their ideas with us thus far. We also are appreciative of city employees at all levels of the organization who shared their ideas, made data available to us, answered other questions or simply provided supportive comments as we went about our difficult work.

Special thanks to Tracy Lewis who coordinated our complicated calendars and did a stellar job of documenting our progress over many meetings and subcommittee submissions. She was indispensable.

FAST stands ready to help our elected officials and our colleagues understand the ideas this report puts forth and we will look forward to learning of others' good work on some of the concepts noted herein for further study.

Appendix A: Financial Projections Model

General Fund Projections (in thousands)

	Actual	4-Yr %	Forecast from Assumptions					
	2008	Change	2009	2010	2011	2012	2013	2014
Total Beginning Reserve From Prior Year End	25,201		14,487	9,528	3,510	(3,171)	(10,188)	(17,593)
Revenues								
Property Tax	12,174	5.4%	12,296	12,714	13,008	13,306	13,547	13,780
Sales Tax	9,337	4.8%	11,000	11,220	11,500	11,960	12,439	12,936
B&O Tax	12,099	8.0%	12,032	12,273	12,580	13,083	13,606	14,151
Utility Tax	12,795	8.2%	13,342	14,132	14,698	15,285	15,897	16,533
Other Taxes	3,033	6.4%	2,881	2,939	3,012	3,102	3,227	3,356
Licenses and Permits, Franchise Fees	917	11.3%	886	904	926	954	992	1,032
Grants	1,712	26.7%	356	1,001	1,001	1,001	1,001	1,001
Shared Revenues (liquor profits/tax)	870	2.9%	939	967	996	1,026	1,057	1,088
Goods and Services Charges - Interfund	4,177	7.9%	4,254	4,297	4,340	4,383	4,427	4,471
Goods and Services Charges - External	1,924	3.3%	2,109	2,157	2,207	2,258	2,310	2,363
Fines - (traffic, library, criminal)	1,136	-6.1%	1,213	1,250	1,287	1,326	1,366	1,406
Other Revenues - (Interest, room & civic field rent, Misc.)	1,560	0.8%	1,196	1,231	1,268	1,306	1,346	1,386
Sub-total	61,734	6.8%	62,504	65,084	66,823	68,990	71,212	73,503
Other Revenues - Internal (Intra fund loan & transfers)	3,019	21.0%	2,730	689	689	689	689	689
Total Revenues	\$64,753	6.8%	\$65,234	\$65,774	\$67,512	\$69,680	\$71,901	\$74,192
Expenditures by Type								
Salaries and Wages	32,228	6.0%	35,119	36,173	37,258	38,376	39,527	40,713
Benefits	10,090	14.7%	11,350	12,145	12,995	13,905	14,878	15,919
Supplies	3,616	28.0%	3,107	3,170	3,233	3,298	3,364	3,431
Other Services and Charges	7,048	13.7%	7,193	7,337	7,483	7,633	7,786	7,941
Intergovernmental Services	6,006	-2.0%	6,266	6,392	6,520	6,650	6,783	6,919
Interfund Payments	8,375	21.6%	5,855	5,972	6,092	6,214	6,338	6,465
Sub-total before debt and capital	67,362	8.9%	68,892	71,188	73,581	76,075	78,675	81,388
	10%		2%	3.3%	3.4%	3.4%	3.4%	3.4%
Principal and Interest	72		303	303	303	303	303	303
Capital Outlay	6,005	818.4%	998	300	309	318	328	338
Total Expenditures by Type	\$73,440	11.6%	\$70,193	\$71,792	\$74,193	\$76,697	\$79,307	\$82,029
Surplus/Deficit	(\$8,687)		(\$4,959)	(\$6,018)	(\$6,681)	(\$7,017)	(\$7,405)	(\$7,837)
Adjustments to Reserves	(\$2,027)		(\$743)					
Ending reserves	\$14,487		\$8,785	\$3,510	(\$3,171)	(\$10,188)	(\$17,593)	(\$25,431)
Reserve Goals 12% of GF Current yr budgeted expenses	Goal	12%	\$8,267	\$8,543	\$8,830	\$9,129	\$9,441	\$9,767
Suggested Minimum Reserve- 6% of CY GF Exp. Budget		6%	\$4,133	\$4,271	\$4,415	\$4,564	\$4,721	\$4,883
Reserve surplus/deficit (Projected to Min. target)			\$4,651	-\$761	-\$7,586	-\$14,753	-\$22,314	-\$30,314
Forecasted reserve as a % of GF Expenditures			12.75%	4.93%	-4.31%	-13.39%	-22.36%	-31.25%

Assumptions for 5 year General Fund Forecast (Revenues)

	2009	2010	2011	2012	2013	2014	4 yr avg growth rate 2004-2008 Actual
REVENUES (000)							
Property Taxes Calculations							
<i>Limit 1% plus new construction</i>							
Increase on existing property	0.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1% except for 2009
New assessed construction in thousands	\$146,235	\$120,000	\$122,400	\$124,848	\$127,345	\$129,892	\$180,456 avg
Valuation growth rate	11%	2%	2%	2%	5%	5%	
Valuation in thousands	\$8,225,792	\$8,390,308	\$8,680,514	\$8,978,972	\$9,555,266	\$10,162,921	
Previous year levy rate per thousand		\$1.716	\$1.740	\$1.724	\$1.707	\$1.643	
Property Tax Forecast	\$14,114	\$14,602	\$14,961	\$15,326	\$15,697	\$16,067	
Amount to Fire Pension	0.225	\$1,888	\$1,953	\$2,020	\$2,150	\$2,287	
Net Property Tax to General Fund		\$12,714	\$13,008	\$13,306	\$13,547	\$13,780	
Sales Tax Forecast							
Previous year total Sales Tax Receipts	\$19,130	\$19,130	\$19,513	\$20,000	\$20,800	\$21,632	
% of annual growth	0.00%	2.00%	2.50%	4.00%	4.00%	4.00%	4.78%
Projected Total Sales Tax Receipts	\$19,130	\$19,513	\$20,000	\$20,800	\$21,632	\$22,498	
Ratio to General fund	57.50%	57.50%	57.50%	57.50%	57.50%	57.50%	
Net Sales Tax to General Fund	\$11,000	\$11,220	\$11,500	\$11,960	\$12,439	\$12,936	
B & O Tax forecast							
Previous year total B & O Tax Receipts	\$12,099	\$12,032	\$12,273	\$12,580	\$13,083	\$13,606	
% of annual growth	-0.55%	2.00%	2.50%	4.00%	4.00%	4.00%	7.99%
B & O Tax to General Fund	\$12,032	\$12,273	\$12,580	\$13,083	\$13,606	\$14,151	
Utility Tax forecast							
Water forecasted % of growth	2008	2010	2011	2012	2013	2014	
Water	\$1,628	8.00%	4.00%	4.00%	4.00%	4.00%	
Sewer forecasted % of growth	\$1,646	\$1,910	\$1,987	\$2,066	\$2,149	\$2,235	
Sewer	\$1,832	8.00%	4.00%	4.00%	4.00%	4.00%	
Storm forecasted % of growth	\$513	\$1,979	\$2,058	\$2,140	\$2,226	\$2,315	
Storm	\$500	8.00%	4.00%	4.00%	4.00%	4.00%	
Electric forecasted % of growth	\$3,364	\$540	\$562	\$584	\$608	\$632	
Electric	\$3,628	5.00%	4.00%	4.00%	4.00%	4.00%	
		\$3,809	\$3,962	\$4,120	\$4,285	\$4,457	

Assumptions for 5 year General Fund Forecast (Revenues) cont.

Gas forecasted % of growth		8.63%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Gas	\$1,611	\$1,750	\$1,838	\$1,911	\$1,987	\$2,067	\$2,150	
Cable forecasted % of growth		5.70%	5.00%	4.00%	4.00%	4.00%	4.00%	
Cable	\$1,071	\$1,132	\$1,189	\$1,236	\$1,286	\$1,337	\$1,390	
Telephone forecasted % of growth		0.15%	5.00%	4.00%	4.00%	4.00%	4.00%	
Telephone	\$2,727	\$2,731	\$2,868	\$2,982	\$3,102	\$3,226	\$3,355	
Utility Tax to General Fund	\$12,560	\$13,342	\$14,132	\$14,698	\$15,285	\$15,897	\$16,533	8.15%
Other Taxes		2009	2010	2011	2012	2013	2014	
Previous year Other Tax Receipts		\$3,033	\$2,881	\$2,939	\$3,012	\$3,102	\$3,227	
% of annual growth		-5.01%	2.00%	2.50%	3.00%	4.00%	4.00%	6.39%
Other Taxes to General Fund		\$2,881	\$2,939	\$3,012	\$3,102	\$3,227	\$3,356	
Licenses and Permits, Franchise Fees		2009	2010	2011	2012	2013	2014	
Previous year Receipts		\$917	\$886	\$904	\$926	\$954	\$992	
% of annual growth		-3.40%	2.00%	2.50%	3.00%	4.00%	4.00%	11.33%
Licenses and permits to General Fund		\$886	\$904	\$926	\$954	\$992	\$1,032	
Grants		2009	2010	2011	2012	2013	2014	
Previous year Receipts		\$1,712	\$356	\$1,001	\$1,001	\$1,001	\$1,001	
% of annual growth		-79.20%	181.00%	0.00%	0.00%	0.00%	0.00%	26.71%
Grants to General Fund		\$356	\$1,001	\$1,001	\$1,001	\$1,001	\$1,001	
Shared Revenues (liquor profits/tax)		2009	2010	2011	2012	2013	2014	
Previous year Receipts		\$870	\$939	\$967	\$996	\$1,026	\$1,057	
% of annual growth		7.90%	3.00%	3.00%	3.00%	3.00%	3.00%	2.94%
Shared Revenue to General fund		\$939	\$967	\$996	\$1,026	\$1,057	\$1,088	
Goods and Services Charges - Internal		2009	2010	2011	2012	2013	2014	
Previous year Receipts		\$4,177	\$4,254	\$4,297	\$4,340	\$4,383	\$4,427	
% of annual growth		1.85%	1.00%	1.00%	1.00%	1.00%	1.00%	7.90%
Goods and Services (Interfund)		\$4,254	\$4,297	\$4,340	\$4,383	\$4,427	\$4,471	

Assumptions for 5 year General Fund Forecast (Revenues) cont.

	2009	2010	2011	2012	2013	2014
<u>Goods and Services Charges - External</u>						
Previous year Receipts	\$1,924	\$2,109	\$2,157	\$2,207	\$2,258	\$2,310
% of annual growth	9.60%	2.30%	2.30%	2.30%	2.30%	2.30%
Goods and Services-External	\$2,109	\$2,157	\$2,207	\$2,258	\$2,310	\$2,363
<u>Fines - (traffic, library, criminal)</u>						
Previous year Receipts	\$1,136	\$1,213	\$1,250	\$1,287	\$1,326	\$1,366
% of annual growth	6.80%	3.00%	3.00%	3.00%	3.00%	3.00%
Fines Revenue to General Fund	\$1,213	\$1,250	\$1,287	\$1,326	\$1,366	\$1,406
<u>Other revenues (Interest, rents, misc. financings)</u>						
Previous year Receipts less debt	\$3,019	\$1,196	\$1,231	\$1,268	\$1,306	\$1,346
% of annual growth	-60.40%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Revenue to General Fund	\$1,196	\$1,231	\$1,268	\$1,306	\$1,346	\$1,386
<u>Other Revenues-Internal (Intra fund loan & transfers)</u>						
Previous year Receipts	\$1,560	\$2,730	\$689	\$689	\$689	\$689
% of annual growth	75.00%	-74.75%	0.00%	0.00%	0.00%	0.00%
Other Revenue Internal	\$2,730	\$689	\$689	\$689	\$689	\$689
Check total	\$65,234	\$65,774	\$67,512	\$69,680	\$71,901	\$74,192
from Forecast	\$67,242	\$65,774	\$67,512	\$69,680	\$71,901	\$74,192
difference	(\$2,008)	\$0	\$0	\$0	\$0	\$0

Assumptions for 5 year General Fund Forecast (Expenditures)

EXPENDITURES (000)		Budget 2009	2010	2011	2012	2013	2014	4 yr avg growth rate 2004-2008 Actual
<i>Numbers in Italics are actual amounts</i>								
<u>Salaries and wages</u>								
	Assumed % of wage increases	8.97%	3.00%	3.00%	3.00%	3.00%	3.00%	
	Existing staff pay	\$35,119	\$36,173	\$37,258	\$38,376	\$39,527	\$40,713	
	Existing GF FTE	532	557.0	557.0	557.0	557.0	557.0	
	Average salary per FTE,	\$63,051	\$64,943	\$66,891	\$68,898	\$70,964	\$73,093	
	Change in staffing-voluntary	0	0	0	0	0	0	
	Reduction in staffing-involuntary	0	0	0	0	0	0	
	Total Staffing	532.0	557.0	557.0	557.0	557.0	557.0	
	Adjustment to staff wages/salaries	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
	Total salaries and wages	\$35,119	\$36,173	\$37,258	\$38,376	\$39,527	\$40,713	
	% of increase	8.97%	3.00%	3.00%	3.00%	3.00%	3.00%	
<u>Benefits</u>								
	Assumed % of benefits increase	12.49%	7.00%	7.00%	7.00%	7.00%	7.00%	14.74%
	Benefit costs less LEOFF	\$11,350	\$12,145	\$12,995	\$13,905	\$14,878	\$15,919	
	Annual Benefits per FTE	\$20,378	\$21,804	\$23,330	\$24,963	\$26,711	\$28,581	
	<i>One-time cost for staff reductions</i>							
	<i>Unemploy-weeks/\$'s</i>	32						
	<i>Total Unemployment costs</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
	<i>Medical/Other Months/\$</i>	3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
	<i>Total benefits for staff reductions</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
	Total benefit costs	\$11,350	\$12,145	\$12,995	\$13,905	\$14,878	\$15,919	
	% of increase	12.49%	7.00%	7.00%	7.00%	7.00%	7.00%	
<u>Supplies</u>								
		2009	2010	2011	2012	2013	2014	
	% of change	-14.07%	2.00%	2.00%	2.00%	2.00%	2.00%	27.96%
	Total supplies costs	\$3,107	\$3,170	\$3,233	\$3,298	\$3,364	\$3,431	
<u>Other Services and charges</u>								
	% of change	2.06%	2.00%	2.00%	2.00%	2.00%	2.00%	13.74%
	Other services	\$7,193	\$7,337	\$7,483	\$7,633	\$7,786	\$7,941	

Assumptions - Notes

REVENUES (000)									
<u>Property Taxes Calculations</u>									
<i>Limit 1% plus new construction</i>									
Increase on existing property								1% except for 2009	
5 yr avg. new assessed construction in thousands								\$ 180,456 avg	
Amount to Fire Pension								.225 per thousand	
Net Property Tax to General Fund									
<u>Sales Tax Forecast</u>								Consider streamlined sales tax	
Ratio to General fund								Sales tax allocation: 57.5% for 2009, prior years 50.5%	
<u>B & O Tax forecast</u>								Assume continue 42.5% to streets	
<u>Utility Tax forecast</u>								Consider apportionment issue	
Natural Gas								Consider brokered delivery issue	
<u>Other revenues (Interest, rents, misc. financings)</u>									
Previous year Receipts less debt								\$ 1,739 net of debt in 2009	
<u>Other Revenues-Internal (Intra fund loan & transfers)</u>									
Previous year Receipts								Includes inter fund loans	
EXPENDITURES (000)									
<u>Salaries and wages</u>									
Assumed % of wage increases								8.97% Increase in 09' due to higher number of Budgeted positions compared to lower # of actual positions at end of 2008 and the full magnitude of Union agreements being implemented in 2009.	
								08' FTE's was lower due to lower number of Seasonals, Vacancies and mid-year Reductions	
<u>Benefits</u>									
Assumed % of benefits increase								Budget does not include legislative changes to State retirement system contributions 2009 % of benefits to Wages 32.3%	
								Unemployment current max \$531 per week paid at 3.85% per week of the highest qtr.	
<u>Principal and interest</u>								No new debt assumed	
<u>Capital Outlay</u>								Waterfront Property acquisition in 2008 of \$6.0 million	

Appendix B: Ideas Rejected By FAST

#	Suggested Idea	Bargaining Issue	Total Estimated Savings	FAST Vote	Comments
	Not Recommended by FAST				
	EXPENSES				
1	Work 4 10's	X		NO	Cost savings minimal; not feasible for some departments; productivity impacts
2	Eliminate vision insurance	X	\$50,000	NO	Potential savings of \$50,000. Must be bargained with all units. Affects competitiveness in marketplace.
3	Eliminating life insurance coverage (+/- \$-21/\$1000 in salary)	X	\$ 171,500	NO	Very hard to negotiate with unions / Potential savings \$171,500. Very difficult for Uniforms to recover and get life insurance
4	Adjusting dental coverages (moving crowns to tier three (50/50 coverage) of the plan would save about 10% of total cost	X	\$ 120,000	NO	Potential savings \$120,000. Again subject to bargaining with all bargaining units. FAST decided to ask for a more holistic approach to insurance cost savings as opposed to many smaller cuts
5	Deferring PERS and LEOFF at lower rate payment		\$780,000	NO	Cost does not go away; is merely delayed, resulting in sharp increase in employer contributions in future years. Recommend delta between actuarial need and temporarily reduced billed amount be escrowed -- not spent--to be on hand for when larger contribution level comes.
6	Reduce Holidays, Floating Holidays	X	\$70,000	NO	Potential General Fund savings of \$70,000. Requires negotiation. Prefer negotiators strategy and energy be spent on larger ticket items.
7	Postponing or not going forward with new museum			NO	Large community investment already made. Temporarily closing old museum to focus energy and resources on the new. More entrepreneurial business model will generate revenue, not just costs. Part of business attraction to area is quality of life amenities.

#	Suggested Idea	Bargaining Issue	Total Estimated Savings	FAST Vote	Comments
8	Combine Police & Fire Dispatch	X		NO	Could happen when and if facilities move. Already in the planning stages for both PD and FD
9	Delay PDA startup		\$150,000	NO	One-time salary savings already in mix for '09 due to delay in hiring by PDA board. PDA will help grow tax base and eventually recoup costs.
10	Move Records to City Clerk			NO	There would be no savings
11	Move water billing functions to PW?			NO	Needs to be part of centralized e-commerce push and/or centralized bank approach to financial transactions. Simply moving to another department does not save money.
12	Move Mail Room and Custodial			NO	No real savings.
13	Combine stormwater reviews with street			NO	No real savings.
14	Reduce grounds maintenance in Parks	X		NO	Levels have been affected due to prior cuts and increased geography to cover. Public ill-served by further reductions and assets would deteriorate and require larger investment later.
15	Eliminate clothing allowances, have employee get some specialized clothing through warehouse	X		NO	Must be bargained. Possible safety issues. Focus bargaining strategy on larger ticket items.
	Eliminate BTV-10		\$245,000	NO	Limits public education opportunities re government services and contradicts Mayoral and Council priority on transparency in operations
16	Eliminate city-wide food and beverage for meetings			NO	Potential savings \$40,622. This is the total amount in the UAC line throughout the City. Actual amount spent is approximately 30%. Much of that is for emergencies.

#	Suggested Idea	Bargaining Issue	Total Estimated Savings	FAST Vote	Comments
	REVENUES				
17	Increase impact fees			NO	AWC study shows Bellingham is already in top tier for fees. Could also discourage business activity.
18	Transportation Benefits District (auto fee at \$20 max)			NO	Council advises that it would be a big challenge to pass
19	Property Tax Levy Lift			NO	Not until all avenues for expense reduction and targeted user fees have been exhausted.
20	Fines and Infractions			NO	Cannot raise infractions, they are set by the state. Most offenders don't have money, so then there's no incentive to pay, parking dollars don't go to the GF
21	Disaster Recovery Backup Services			NO	Not seen as immediately viable as entrepreneurial pursuit.

Appendix C: Boards & Commissions Subcommittee Report

FAST Subcommittee

Boards, Commissions, Ad Hoc Task Forces

Recommendations:

1. **Reduce transcription workload related to all boards and commissions.**
Recommend Mayor Pike send directive to Department heads regarding clerical staff support for boards and commissions. Direct that minutes taken be summary minutes only (Date, attendees, key actions) and not complete meeting transcripts. Direct staff to record meetings in lieu of providing complete transcription if appropriate.
2. **Create short-term task forces or committee rather than ongoing boards.** If future board/commission/task force information is needed, identify clear goals and objectives, and establish a short-term rather than ongoing board. Hold coordinators accountable for meeting goals in an agreed upon timeframe.
3. **Take actions as listed in table on following pages.**
Provide for valuable public input and involvement, but also to improve efficiencies by realigning and consolidating when feasible.

Recommendation Code

- 1 = short-term change/consolidate or eliminate or streamline
- 1.5 = short-term change/requires effort to implement
- 2 = mid-term change/may take time
- 3 = keep
- 4 = City can't change

Filters used to make recommendation:

- Is the commission providing cost-effective value given the resources to staff and support?
- Is there a way to streamline or consolidate commissions to improve efficiency in providing support, or in coordinating input received?
- Is the work of the commission already being done elsewhere? Is similar work being done elsewhere?
- Is the work critical, mandated, or providing exceptional value?
- Is the public input/involvement being utilized in a timely manner and in a way that serves the community's interests?

Table – Recommended Actions sorted by Time period (1 & 1.5 = shorter-term actions) and Board Name)

Count	Rec. Code	Recommend. Action	Board Name	Unofficial Board Type	Memb. Requires Council Approval ?	Workload & Costs	Notes
1.	1	Eliminate and combine with Hearing Examiner processes – (in process)	Code Appeals Board	City	yes		Move to Hearing Examiner per Tim Stewart, to combine with existing function with similar mission and role. Already in process to eliminate, per Tim Stewart 3/17/2009.
2.	1	Eliminate as standalone committee. Serve as a subcommittee of Parks and Recreation Advisory board. Reconstitute in future if additional greenways levy is passed as named Ad Hoc shorter term task force / subcommittee of Parks & Rec. advisory committee.	Greenway Advisory Committee	City	yes	10-12 hours staff time per month, 2-3 staff in Parks prepare materials. 11 member board	BMC 2.20.010 High value during critical planning period; not needed on ongoing basis City ordinance + voter approval
3.	1	Eliminate June 2009 when work is complete; hold task force accountable to timeline – currently on schedule to conclude May 25th	Lake Whatcom Technical Review Taskforce - New	Ad Hoc	no	\$2500/Exec Department sponsored programs, some copying/heating costs No staff/clerical support	Work Description: The Workload consists conducting at Technical Review of the reports, studies and plans done on Lake Whatcom efforts to meet TMDL and 303d state listing as an impaired water body. Central Purpose: Is to create a list of projects following the EPA Handbook guidelines that Councils, City and County and district Commissions can use to bring budget focus to ensure that our efforts will actually serve to reduce TMDL requirements. Transfer to proposed transportation commission (new) – in process
4.	1	Eliminate and include as part of proposed new transportation commission	Parking Commission	City	yes		Alternative discussed included transferring to PDA; PDA Board discussion indicated that there is not interest in PDA taking

Count	Rec. Code	Recommend. Action	Board Name	Unofficial Board Type	Memb. Requires Council Approval ?	Workload & Costs	Notes
5.	1	Eliminate June 2009 when report provided to Council; hold task force accountable to timeline	Peak Oil Taskforce/Energy Task Force	Ad Hoc	no	Estimate 50-80 hours to support through June 2009	Per Clare Fogelson: Was scheduled to conclude in 2008 following development of a plan, delayed until June 2009 due to differing opinions of task force. Consultant may be used to write final plan \$20k this on at this time
6.	1	Option 1 - Eliminate Option 2 - Reduce staff support workload , number of visits, & travel expenditures	Sister Cities Advisory Board	City	no	Significant - Evening meetings, admin staff support, travel schedules with exchanges and visits Costs include - Staff time to escort visitors (often for several days); travel costs for elected officials; time and lost productivity off for staff participating in exchanges	Charter Section 7.01 and BMC 2.82.010 Purpose - To provide opportunities for the citizens of Whatcom County to develop relationships and build a sense of community with the peoples of the Pacific Rim. We seek to achieve international understanding, cultural sensitivities, and encourage trade and tourism. Requires significant staff support, not tied to critical services If elect to keep – recommend reducing number of exchanges, visits, and support workload
7.	1	Reduce staffing costs - Recommend use named designees rather than Directors for disputed amounts up to \$2k.	Utility Billing Hearings Board	City	no	Meet 2-3 times per month.	Required by Bellingham Municipal Code 15.04.120 - Appeals. "Members shall be Finance Director, Pub Works Directors, asst Pub works Director or their designees. Purposes is to review billing concerns and determine outcome for customer.

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8.	1.5	Simplify/streamline as follows: Consider reducing board size from 11 to 7 to simplify communications and effort to fill board vacancies. Maintain monthly meeting schedule. Cancel meetings when specific board actions not needed.	Arts Commission Referred to as Municipal Art Commission in BMC	City	yes	8-12 hours per month staff time to oversee efforts and participate in meetings Board size = 11 Note staff effort will be reduced if go to summary minutes only Budget - 2008 - \$70k, 2009 Budget - \$56, reduced to \$43k/mostly for grants)	BMC 2.36.010 1. Reviews City projects for aesthetic impact. Municipal code recently changed to streamline effort so not reviewing projects if those projects reviewed by other board (eg. Design review board) 2. Oversee modest grant program to provide funding to local agencies for the arts. 3. Pays for public art approximately every other year; need to set aside dollars in order to fund. Following careful savings process, pay for public art (example Depot Market Square) piece. 4. Note: Bellingham Municipal Code allows for up to 11 board members
9.	1.5	Options A - Eliminate and include as part of new transportation commission B - Provide very focused role and direction for this board; reduce frequency of meetings	Bicycle & Pedestrian Advisory Committee	City	yes	Low to medium workload, meets monthly for 2 hours Size of committee=9	Bike/Ped commission functions tied to comp. plan – provide comments and input to the City Concern: New transpo is bigger; more significant education component; is redundant to processes already in place, and will require more staffing support. Pros: New transpo provides multi-modal focus for transportation purposes.
10.	1.5	Eliminate; move toward implementation of recommendations as part of	Countywide Housing Affordability	Joint City-County	no	CHAT – met for two-year period. Clerical staff	Was limited term when created; has now made final report and recommendations Primary work now complete, can move to implementation as

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11.	1.5	<p>Planning work plans.; City to provide no staff support to any future "CHAT 2" meetings</p> <p>Reduce meeting frequency and eliminate code requirement.</p> <p>Modify Municipal Code requirement so that MNAC is not required to be consulted on every Comp. Plan amendment. Also modify Municipal code to reduce frequency of meetings.</p>	<p>Task Force – (CHAT) – limited duration – work is completed</p> <p>Mayor's Neighborhood Advisory Commission</p> <p>Referred to as Mayor's Advisory Commission in BMC</p>	City	no	<p>provided by Housing Authority; required support from Planning personnel – now ready for Planning to consider recommendations as part of work plans.</p> <p>Significant -20-40 hours per month plus coordination, preparation, and participation by City staff from other departments</p>	<p>part of Planning & CD ongoing work plans.</p> <p>CHAT report recommendations included that a CHAT 2 be formed to advocate for implementation of the strategies. Recommend no City staff support for that group.</p> <p>BMC 2.33.010</p> <ul style="list-style-type: none"> Valuable conduit of information from City to neighborhoods and residents. Recommend reduce meeting frequency. Recommend increased participation from elected officials. Per Linda Stewart - Needs City code change to move away from monthly meetings to every-other month or quarterly meetings to increase efficiency City code indicates that MNAC is supposed to review comprehensive plan proposals. Neighborhood boards already receive duplicate information.
12.	1.5	<p>Keep – Simplify in 2010</p> <p>Early 2010 - Move to quarterly or semi-annual meetings. Reduce size of board from 7 to 5</p>	Public Facilities District	Joint City-county	Yes – 7 members nominated and approved by both City &	<p>Moderate but declining as major projects conclude – Museum will be built by year-end 2009</p>	<p>BMC 2.94.030</p> <p>Purpose is to oversee sales tax rebate dollars for approved projects for the arts district.</p>

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		Requires change to Interlocal agreements			County	Currently meeting monthly; Board members = 7	
13.	1.5	Eliminate following master plan adoption – hold accountable to timeline	Waterfront Advisory Group	City	no	10 Members – 5 appointed by Mayor, 5 appointed by Port Commission Must meet at least once per quarter	Disband after master plan adopted – estimated by 3Q 2009 BMC 2.92.060 City and Port shall provide staff and funding for the Waterfront Advisory Group as they deem necessary. Written records of meetings, resolutions, findings, and recommendations shall be kept and such records shall be public.
14.	1.5	Keep – Take on functions of the Housing Rehabilitation loan review board (below)	Housing Development loan review board Referred to as Loan Review Board in BMC	City	no	Meets 1-4 times per year depending on project workload. Meetings 1.5 hours in length. Two Planning staff members attend. Able to absorb the work from the rehabilitation	Review staff input and approves loans that the City makes. Business/technical decision-making body. Focus is on larger housing projects that the City funds, such as Walton housing project (51-unit complex, \$500k City funding in this project estimated.) Note - requires board members to have technical skills in banking/finance/insurance. BMC 2.86.010 The Loan Review Board shall meet at such times as are set to review loan applications submitted to it and to recommend action on such applications, and to recommend interest rates, loan fees, security requirements, collection and liquidation actions, loan policies, and other matters relating to

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15.	1.5	Eliminate. Consolidate this board's functions with the Housing Development loan review board	Housing Rehabilitation loan review board Referred to as Loan Review Board in BMC	City	no	loan review board. Meets as needed, provide 20-25 loans per year. Meets 9-12 times per year as needed. Meetings are one hour in length. No expense outside of staff time. Attended by 2-3 Planning department staff. Has been challenging to form a quorum of members and attract interest from citizens. Opportunity to consolidate.	community development. Review staff input and approves loans that the City makes. Focus is on 1-4 family unit rehab projects for low and moderate income households. Board members have human service agency backgrounds. BMC 2.86.010 The Loan Review Board shall meet at such times as are set to review loan applications submitted to it and to recommend action on such applications, and to recommend interest rates, loan fees, security requirements, collection and liquidation actions, loan policies
16.	2	Continue to discuss City value based on recent reorganization; consider	Bellingham Whatcom Economic	Community	no	City has two members: Mayor Pike &	State designated economic development entity, organized around public-private partnership. City is designated on board by organization bylaws. Works with partners to enhance

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		reducing City participation in future	Development Council (BWEDC)			Stan Snapp, John Carter has attended in Mayor's absence Monthly meetings Receives \$19k from City	economic and business development in the community.
17.	2	Reduce scope to cover Fire & Police only	Civil Service Commission	City	yes	Significant staff support	Requires charter-change Recommend work w/ AFSCME and others over next year to present change to community High value to community
18.	3	Keep	Commission Against Domestic Violence	Joint City-County	no		
19.	3	Keep	Community Development Advisory Board	City	no	Approximately 9 meetings per year, 3 hours in length. Planning sends 2-3 representatives to each meeting. No expense outside of staff time.	Allocation of human service awards. Provides value; legal role in block grant program – per Tim Stewart
20.	3	Keep	Design Review Board	City	yes		Per Tim Stewart, serves purpose, valuable resource for master planning purposes
21.	3	Keep	Emergency Medical &	Countywide	Yes	Meets 2x year, includes	BMC 2.60.010 Governance body for Medic One

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22.	3	Keep – has never been utilized but is required	Ambulance Advisory Board Fair Housing Practices Commission	City	unknown	representatives from small cities, County & Bellingham County provides admin support Inactive – has not been utilized in past 15-20 years - Per Jeff Cahill	Rules have changed since inception of this Code. Now if receive fair housing complaint, complainant would be referred to HUD. HUD determines if complaint should be heard at federal, state or local level. A. Scope of Review. The Fair Housing Practices Commission shall, in addition to other powers exercised by it, have authority to hear appeals from: 1. Decisions of the Director of Planning and Development made on grievances of persons applying for home improvement program benefits who are aggrieved by actions or decisions of city employees administering the program; 2. Decisions of the home improvement program's loan review board...
23.	3	Keep	Fire Pension Board	City	no	Finance Clerk provides admin support Benefits staff processes medical bills, and oversees absences and	Required by State RCW - Membership = Mayor, 2 Firefighters and alternate (elected), Finance Director, City Council member

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24.	3	Keep	Growth Management Coordinating Council	Joint City/Cou nty small city board	no	the budget Very limited Benefits staff time	Deals with growth management issues – needed per Tim Stewart
25.	3	Keep	Historic Preservation commission	City	yes	Meet as needed, sometimes twice per month. Will benefit by going to summary minutes only.	BMC 2.54.040 - POWERS AND DUTIES The Board shall have the powers and duties assigned to the Landmark Review Board under Bellingham Municipal Code Chapter 17.90. Provides value, per Tim Stewart
26.	3	Keep – add Greenways Subcommittee	Parks & Recreation Advisory Board	City	no	8-10 hours per month	High value
27.	3	Keep	Planning and Development commission	City	no		Retention of audio files should be reviewed to ensure that meeting records are retained properly.
28.	3	Keep	Police Pension Board	City	no	Finance Clerk provides admin support Benefits staff processes medical bills, and	Required by State RCW - Membership = Mayor, 3 Police Officers (elected), Finance Director, City Council member

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29.	3	Keep	Public Library Board	Joint Board	yes	oversees budget Very limited Benefits staff time	High value; significant number of business items to consider Required by RCW, City ordinance
30.	3	Keep	Public Works Advisory Board	City	no	Low workload, meets quarterly	Valuable sounding board. Provides staff with input and guidance.
31.	3	Keep	Sehome Hill Arboretum Board of Governors	City	no	Low need for staffing	City ordinance Interlocal agreement w/ WWU
32.	3	Keep	Shoreline Committee	City	No – subcommittee of Planning Commission	Depends on permit application volume	

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33.	3	Keep	Tourism Commission	City	no	Light workload but work efforts are funded Meets 9 times per year 13 board members	Allocate lodging tax to the community based on strategic plan. Lodging tax advisory committee is mandated by State Law in order to allocate these funds; Tourism Commission subcommittee - City's designated committee
34.	3	Keep	Whatcom Admin Board – run by Bellingham Police Meets 2x per year	Countywide	Yes	Meets 2x year, includes representatives from small cities, County & Bellingham Whatcomm provides admin support	Governance body for Whatcomm
35.	3	Keep	Whatcom County Emergency Medical Services Council	Countywide	no	Council funded by State; Medic One staff participate; meets approx. quarterly	State mandated
36.	3	Keep Consider reducing board size, and meeting frequency.	Whatcom Museum Society board	Joint Board	yes	Monthly board meetings plus monthly meetings for various subcommittees.	The Museum Board can go up to 20 people: 10 appointed by Mayor, and 10 by Museum. Those appointed by Mayor must be Bellingham residents who have lived in town for at least two years.

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37.	4	n/a – Listed in BMC under Planning Department but not listed as Board	Board of Adjustment	n/a	n/a	Significant staff preparation effort. Possibly defunct / could clarify code	BMC 2.21.010 - CREATED - DIRECTOR - RESPONSIBILITIES A. There is created a Department of Planning and Community Development which shall be under the supervision of the Director of Planning and Community Development who shall have the following responsibilities, including, but not limited to: 1. Advising the Mayor and City Council regarding the Comprehensive Plan, conducting planning studies, administering the zoning ordinance and providing staff support to the Planning and Development Commission and the <i>Board of Adjustment</i>
38.	4	n/a – Review BMC ; consider updating to remove references to this board	Building Services Division Advisory Board	City/Mayor appointment	no	Inactive per Planning Department	2.14.010 - Established There is established an advisory board to be known as the Building Services Advisory Board ("Board"). review and advise Mayor and Council related to code, permit fees, technical matters, capital improvements
39.	4	County board; not relevant for City action; listed to clarify role related to other housing boards	Housing Authority Board of Commissioners	County	no	Planning staff has member on board	Purpose To provide quality, affordable housing for low- and moderate-income families, elderly households, and persons with disabilities through innovative resource development and responsible stewardship of our housing and fiscal resources.
40.	4	n/a	Law and Justice Council	County	no	Staffed by Law & Justice Council group	Required by State Law
41.	4	Not relevant for action at this time	Public Development Authority	Independent board/appointed	yes	City staff resources .75 FTE –	Created by City Council Ordinance 2008-05-047 Excerpt from Ordinance 2008-05-047 ...the Council has determined that the creation and utilization of a public corporation would improve the effectiveness of

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42.	4	County board; not relevant for City action	Whatcom County Community Network	County by Mayor	no	estimated in Legal and admin support (general fund), plus 2009 budget recently reduced to \$350k	city efforts to encourage redevelopment within the City through a) the elimination of existing environmental hazards at the waterfront; b) providing for public access to and enjoyment of the waterfront; c) working with public and private entities to assemble property for potential development; d) undertaking construction, improvement and restoration of buildings and infrastructure located downtown, on the waterfront, in Old Town, and in other locations as determined by the Council; and e) the reuse and utilization of these areas for both private and public facilities as will best serve the needs of the public and contribute to the economic, cultural, and recreational revitalization and enhancement of significant and important areas of the City... the City is chartering a public corporation to function on its behalf... Whatcom Co Community Network – County organization - Community Public health and safety networks reconnect parent and other citizens with children, youth, families and community institutions, which support health and safety.