

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse
311 Grand Ave. Suite #108
Bellingham, WA 98225



Jack Louws
County Executive

October 18, 2018

Citizens of Whatcom County:

I am pleased to submit the biennial budget for 2019 and 2020. The budget reflects the continued success of county leaders to find efficiencies and control costs. Our collective efforts have helped develop a biennial budget that builds on the successful ongoing programs and capital projects that serve the citizens of Whatcom County.

Our general government revenue projections through 2020 are stable with modest growth. Property tax revenue is expected to increase as a result of \$520 million in new construction. Sales tax is projected to see a 5% growth in 2019 as well as 2020.

All Fund Balances will remain healthy through 2020 and into the following biennium. My proposed budget targets a sustainable approximately \$14 million ending General Fund balance, which is 15% of expenses. Wages and benefit costs are expected to continue rising faster than revenue, increasing the labor burden across all funds. Modest increases for open labor contracts in this biennium are built in; however, if settlements exceed what we provided this will likely require departments to accommodate the increases within existing budgeted appropriations.

My proposed budget includes a net addition of 13.7 FTEs; 9.7 FTEs are to meet critical needs in County departments, three FTEs will complete in-house projects as opposed to contracted services, and one position is limited to the duration of the jail remodel project. These positions focus on continuing to establish pre-recession staffing levels in general government departments to provide better service, expanding services in community health and solid waste, addressing new and changing dynamics in criminal justice and law enforcement, and focusing on our continued prioritization of critical infrastructure issues and maintenance of existing facilities.

Investing in County Facilities continues to be a priority in the next biennium. Facilities maintenance and equipment replacements deferred during the 2009 recession continue to be addressed. These costs are escalating rapidly; according to the Mortenson Construction Cost Index overall construction costs have increased 26% since 2014 and over 36% since 2010.

While capital and maintenance spending was decreased during and after the recession, some fund balances have increased. These balances are now being expended in a planned manner with sound long-term sustainability goals. This includes the Road Fund, Equipment Revolving Fund and 2018 transfers from the General Fund for jail improvements and the new countywide financial software improvements.

Real Estate Excise Tax funds have a six-year spending plan that is realistic and will finance capital improvements to Silver Lake Park, Lake Whatcom trails, stormwater improvements for Lake Whatcom and Birch Bay, and general government facilities.

Technology investments continue to be vital to our success. Similar to other successful and planned technology projects, such as website enhancement, telephone replacement, a new election ballot system, GIS platform and permit system, the new countywide financial software replacement will be the next major technology improvement. As an example, the new election ballot system in the Auditor's office reduced personnel hours for primary elections from 1,695 personnel hours in 2014 to 1,182 in 2018. These technology investments improve business flows, create cost efficiency, streamline delivery of services and benefit our customers.

As a recap, my financial goals for this biennium include:

- Reinvesting excess fund balances into capital improvements and technology projects that leverage future opportunity.
- Continuing the highest commitment to work efficiency and cost effectiveness while providing excellent customer service.
- Continuing to manage operational costs to ensure long-term financial stability.
- Planning for the future to allow a focus on long-term solutions to our pressing infrastructure challenges.

The 2019-2020 proposed budget continues the County's commitment to provide high quality, cost effective services to County residents. Most but not all requests from the departments have been included in the budget. However, we are aware of programs not currently included in the proposed budget, such as a Superior Court Pre-Trial Unit and community discretionary funding requests. Additional general fund appropriations that reduce the ending fund balance below \$14 million should have a corresponding reduction in service or financial contribution to an existing program, or an increase in taxing authority to accomplish, to chart a sustainable financial path into the 2021-2022 biennium.

Looking beyond this biennium, the financial goals outlined above will be even more important. A long-term financial concern is due to the increased operating costs as it relates to revenue. The General Fund is most affected. Between 2010 through 2020 General Fund staffing levels have dropped by 57 FTEs while overall budgeted staffing cost (wages, retirement, health) has increased by \$10.6 Million. When looked at as a percentage of revenue, between 2015 and 2020 labor increased from 65% to 69% of GF revenue. With the "structural gap" of General Fund revenue not keeping up with inflation and population growth it is becoming more difficult to fund general County government initiatives, most of which are required by State law.

To enhance online access to budget documents the 2019-2020 budget is indexed by department in its electronic format on the county website. Budget information is provided in detail for each department, division and program providing greater transparency and usability. The complete budget document can be found, as noted above, [on the website](#).

While key goals of your County government are to improve the lives of our people and the prospects of our businesses, we also have an obligation to assure that every taxpayer dollar is spent as wisely as possible. With current and long-term fiscal challenges, it is imperative we pursue innovative investments and find solutions that will continue to ensure the County is financially stable. I look forward to working with the County Council, our county elected officials, and our great team of staff in these efforts.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jack Louws". The signature is stylized and somewhat abstract, with a large loop on the left side and a horizontal line extending to the right.

Jack Louws
County Executive