

Whatcom County is located in the northwest corner of Washington State. Its northern border is British Columbia, Canada. On the southern border is Skagit County, east is Okanogan County and to the west is Puget Sound. The County is 2,126 square miles in size and about two thirds of the county are part of either the Mt. Baker National Forest or the North Cascades National Park. The Cascade Range runs through the central and western part of the county and Mt. Baker, a 10,775 foot peak, is in the center. All of the incorporated areas are within the western corridor. The county seat, Bellingham, is the major city of Whatcom County with about 40% of the county's total population. Bellingham is located 90 miles north of Seattle, the major metropolitan city in the State of Washington and 50 miles south of Vancouver, British Columbia. The population of Whatcom County in 2008 is estimated at 191,000.

Whatcom County operates under a Home Rule Charter adopted by the voters of the county in 1978. The County Council, which consists of six members elected by districts and one member at large, is the policy determining and legislative body of the County. The Council levies taxes, makes appropriations and adopts the budget for the County. The elected County Executive presents to the County Council an annual statement of the financial and governmental affairs of the County, the budget, and capital improvement plans. The county charter was amended in November 1993 to allow the establishment of an Administrative Services department. Effective July 1994, financial accounting and reporting responsibilities were transferred to the Administrative Services Finance division under the authority of the County Executive. At the same time, an independent internal audit function was established in the County Auditor's office. Tax collection, receipting and investment responsibilities are those of the elected County Treasurer.

The County provides a wide range of services, some to all citizens and some only to unincorporated areas. Services include road construction and maintenance, law enforcement, flood control, parks and recreation services, public health services, court services, agriculture services, tax assessment and collection, planning and zoning services, mental health services, fire inspections, animal control, criminal detention, election administration, solid waste and recycling, ambulance, medical examiner, and probation services.

Most funds in this report pertain to the entity Whatcom County Government. Certain agency funds exist to fill the County's custodial role for these agencies. Under state statute, the County Treasurer is the ex officio treasurer of most special purpose districts (fire, cemetery, water, drainage, public utility district). Money received from or for the special purpose districts is deposited in a central bank account and the Treasurer invests or disburses this money according to the instructions of the respective special purpose district's governing body or administrative officer.

ECONOMIC CONDITION AND OUTLOOK

The County serves a rapidly expanding population, which has grown 12.0% since 2001. The County's greatest employment sector is "government." Employment of Whatcom County's workforce of approximately 103,750 includes the following sectors:

Agriculture, Forestry, Fishing and Hunting	3.33%
Mining	.19%
Utilities	.26%
Construction	8.39%
Manufacturing	10.94%
Transportation and Warehousing	2.16%
Wholesale/Retail Trade	16.04%
Professional/Technical Services	3.56%
Finance/Insurance/Real Estate	3.78%
Management of Companies & Enterprises	.70%
Administrative/Waste Services	4.37%
Educational Services	.80%
Healthcare & Social Assistance	10.92%
Arts, Entertainment & Recreation	1.84%
Accommodation & Food Services	10.01%
Government	17.06%
Information	1.98%
Other Services, except Public Administration	3.67%

Source: Employment Security Department

International Transportation

Whatcom County is home to one of the highest volume border crossings between the United States and Canada. With its port, highway, rail and air facilities, Whatcom County's strategic physical location provides for an important international transportation hub.

The Port of Bellingham significantly contributes to the growing trade between Asia and North America, as well as the area's local economy. The Port has more than 1,600 acres of waterfront commercial and industrial property and it administers three federally designated foreign trade zones that promote manufacturing, warehousing and trade in the region. Over 250 companies operate on Port property.

Higher Education

Western Washington University (WWU) is one of six state-funded, four-year institutions of higher education in Washington State. WWU maintains 91 buildings on its 212 acre main campus and 169 acres of off-campus property, which includes a 95 acre facility in Anacortes and a 15 acre facility at nearby Lake Whatcom. The university's 2008 enrollment was 13,777. On-campus student enrollment is estimated to increase by 15 percent over the next decade. As one of the county's largest employers, WWU employed 1,664 full-time faculty and staff in the fall of 2007.

Retail Trade

Between 1999 and 2008, annual taxable retail sales in Whatcom County grew by \$1.07 billion or a 51% increase. The strong Canadian dollar makes shopping in Whatcom County attractive to residents of British Columbia. Growth in sales tax is expected to slow in the short term, due to a slow down in construction.

Since 1988, Whatcom County has been home to Bellis Fair Mall, an 800,000 square-foot regional mall with approximately 145 stores and a multi-screen cinema. Approximately 1,500 people are employed at Bellis Fair. Of the daily 45,000 mall shoppers, about 35% are Canadian.

Bellingham Waterfront Redevelopment

On January 20, 2005, the Port of Bellingham acquired approximately 137 acres of waterfront property previously owned by Georgia Pacific Corporation. Acquiring the Georgia Pacific property is the first step in a long-term environmental restoration and redevelopment of Bellingham's waterfront. The Port and the City are working together to create a development plan for the property. Once the plan is approved, environmental remediation is complete, and infrastructure is installed, the properties will become available for purchase. Developers will construct the property improvements (buildings) consistent with the approved plan. The estimated value of the property once developed is \$750 million to 1 billion dollars. Full development of the project is anticipated to take approximately 20 years.

MAJOR INITIATIVES

The following is a summary of major initiatives that will be implemented in the 2009-2010 Biennium.

Water Quality Projects/Stormwater Management

During the 2007-2008 biennium, Whatcom County developed a prioritized countywide water resource project list. The project list was compiled from projects previously approved in several water-related strategic plans (e.g., Water Resource Inventory Plan, Drayton Harbor Shellfish Plan, Shoreline Management Plan). In order to implement projects on the list, the Council proposed and adopted a 4 cent per thousand dollars of assessed valuation Flood Fund tax increase that should generate an additional \$940,000 per year. The Council also proposed and adopted using \$500,000 per year of REET II funding during the 2009-2010 biennium for water quality projects. A new stormwater management fund has been created and is initially being funded by

transfers from the Flood Fund with instructions to develop a stormwater utility district to provide permanent funding. The 2009-2010 budget also includes \$300,000 to pursue conveyance to Whatcom County of a substantial amount of Washington State Department of Natural Resources trust land located in the Lake Whatcom Watershed. We will maintain this land as parkland for use of future generations while protecting and preserving a significant amount of the watershed. We have also received a \$443,000 grant to develop a Birch Bay watershed action plan.

Agriculture

Whatcom County is investing \$110,000 per year in a Conservation Program for Agricultural Lands (CPAL), as well as budgeting \$1.8 million for purchase of development rights and land acquisitions in the Conservation Futures Fund.

Growth Management

The biennial budget includes \$2,350,000 for new parks projects and parks facilities upgrades as envisioned in the Parks comprehensive plan, \$550,000 to review and update Whatcom County's comprehensive plan, the addition of a Critical Areas Ordinance planning position, and \$40,000 for Smart Trips commuter program.

Maintain a Safe, Secure Community

Our county continues to have one of the highest ratios of sworn law enforcement officers to population among comparable Washington State counties. We will continue to fund public safety programs despite reductions in program related revenue. And we will continue to fund alternatives to incarceration, including jail work crews, drug court, and adult probation. A position will be added to the Jail to increase the electronic home monitoring program.

Facilities Investments

In conjunction with projects envisioned in Whatcom County's Capital Improvements Plan (CIP), this budget contains funding for the initial phases of several capital projects. Our proposed budget funds high priority road and flood projects along with capital improvements to the Civic Center building. We will be reducing some lease payments by consolidating many of the Public Works staff into the Civic Center Building. Further, by exercising an option to acquire the Central Plaza Building for use by the Public Defenders Office, we will eliminate monthly lease payments that provide savings to the General Fund Budget. Parks projects include improvements to Bay Horizon, Silver Lake, South Fork, Lighthouse Marine, and Hovander Parks, as well as three trail projects. We will adopt other multi-year facilities and road capital projects in phases as capital project budgets throughout the 2009-2010 biennium.

Productivity Through Technology

Over \$350,000 is budgeted for improvements in technology, which will enhance productivity. This will include automating regional lands records, enabling the Assessor's Office to maintain land records with geographic information systems instead of the current use of pen and mylar. The Administrative Services Finance office will implement electronic timekeeping that will download directly into the payroll system and decrease data entry errors. Installation of an e-mail archiving device will reduce time spent retrieving emails in response to public information requests. Enhancements to the jail records management system will decrease data entry time by using bar code scanning and decrease time spent in retrieving paper files. In addition, jail electronic files will also be available to other parts of the law & justice system. Other enhancements include Auditor's maps that will be available on the Internet, and courtroom video recording equipment that will be upgraded and replaced.

Technology Infrastructure

Whatcom County will be spending \$2.9 million to replace its 26 year old Assessor-Treasurer software system. We will also be investing another \$900,000 in various hardware component replacements, improvements and software upgrades to our system i520 and network infrastructure. These systems form the core of our computer systems upon which a myriad of applications are run.

Significant Changes from Prior Biennium

Normally, General Fund revenues increase an average of 4-5% each year. However, since revenues have been so sluggish, we are projecting an increase of only 1.2% in ongoing General Fund revenues in 2009 over the 2008 budget. We project that the 2010 revenues will increase by 1.9% over 2009. We are experiencing a sharp downturn in building and development activity. This negatively impacts our revenues by reducing growth in property tax from new construction. Sales tax, building and development permits, and real estate excise taxes are also negatively impacted. A major source of county revenue is interest earned on cash balances. Investment interest rates are at historic lows and Whatcom County's cash balances are declining. Interest earnings are projected to be down significantly from the prior biennium.

Projected revenues will not be sufficient to continue all programs and staff at the 2008 budget levels. The increases needed to cover the rising costs of salaries, medical insurance, pension rates, as well as energy and fuel, exceed the limited increase in revenue. We must reduce staffing and programs. Overall, 32 positions throughout county government will be eliminated. These are as follows: 3 of the 424 positions in Law and Justice Services, 6.5 of the 176 positions in Public Works, 5 of 81 in Administrative Services and 17 positions out of 285.5 in other departments. Almost all of these positions will be eliminated through attrition. In addition, all departmental budgets reflect reductions in non-personnel accounts.

OTHER INFORMATION

Independent Audit

In accordance with state statutes, Whatcom County is subject to an annual comprehensive examination by the State Auditor's office. Their examination is conducted in accordance with generally accepted auditing standards, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; the Single Audit Act of 1984 (P.L.98-502) and Circular A133, Audits of State and Local Governments, issued by the U. S. Office of Management and Budget.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Whatcom County for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award

Whatcom County was awarded GFOA's "Distinguished Budget Presentation Award" for its 2007-2008 Budget.

Acknowledgments

Preparation of this report could not have been accomplished without the professional, efficient and dedicated service of the entire staff of our Administrative Services Finance office, the County Executive's office, County Treasurer's office, Public Works accounting office and the various department heads and employees who contributed to its preparation. We also recognize the professional efforts of the State Auditor's Office in their audit, and in the direction and advice they provide to us throughout the year.

Respectfully Submitted,



Pete Kremen

County Executive