

**WHATCOM COUNTY  
EXECUTIVE'S OFFICE**

**County Courthouse**

311 Grand Avenue, Suite #108  
Bellingham, WA 98225-4082



January 1, 2003

Citizens of Whatcom County:

I submit the Whatcom County Final Budget for the fiscal year beginning January 1, 2003.

In accordance with the Whatcom County Charter, I proposed a 2003 budget to the County Council on October 17, 2002. On November 12, 2002, the council adopted the final 2003 budget in open session with Whatcom County

<sup>1</sup>Ordinance Number 2002-067 .

The resources in the 2003 budget have been allocated in accordance with Whatcom County's mission statement, "*provide essential and desirable public services in a cost effective and accountable manner.*"

The 2003 final budget complies with budget development policies adopted by the County Council for 2003. The Whatcom County budget for 2003 totals \$121,440,082. This is approximately \$6 million less than the amended 2002 budget. Whatcom County's personnel costs

have risen in 2003 with a 2% increase in the county's union agreements and the significant growth in employee health insurance costs; however, these increases were largely offset with reductions in departments' discretionary budget items. The \$6 million overall reduction is largely the result of reductions in the number and size of capital projects scheduled for 2003.

Revenues for 2003 total \$112,937,842. This is \$3 million dollars less than the amended 2002 budget. The reductions are principally intergovernmental revenues. One million dollars of the reduction is the result of the state legislature reducing their commitment to support law enforcement and public health funding, which was lost as the result of initiatives to eliminate the motor vehicle excise tax. The remaining \$2 million is the result of a normal cycle of transportations projects. Grant funded road projects are down \$2 million from last year.

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<sup>1</sup>According to the Whatcom County Code ordinance adoption rules, this ordinance became law on November 22, 2002.

## Short Term Financial Condition Still Sound

In the short term, Whatcom County's financial condition is sound. We have very little debt and a significant general fund balance. The projected 2002 ending General Fund balance is \$13 million, which is 22 percent of General Fund expenditures.

In spite of our current status, we are not immune to financial pressures and difficulties as our economy shifts. It is clear that we will face serious financial challenges in the months and years ahead. Our focus in 2003 will be on preparing for the short-term and long-term impacts of declining revenues and growing costs.

## Falling Revenues are a Serious Concern

Over the last five years we have closely watched revenue trends and have seen them flatten. One of the greatest challenges we currently face is that this trend has changed and our revenues are now falling on several fronts. Our ongoing General Fund revenues will drop from \$53,624,043 in 2002 to \$53,456,035 in 2003. We are projecting further reductions in 2004 and 2005.

## Retail Sales Tax Declining

Retail sales tax, the General Fund's second largest revenue source, is not expected to grow in 2003. Modest increases in retail sales in 2003 will just offset the revenue lost as the result of the expiration of a deferred sales tax agreement related to the construction of the Tenaska cogeneration plant.

## Interest Earnings Falling

Interest earnings continue to fall as the Federal Reserve Board continues to lower interest rates. Interest earnings are our third largest single revenue source. Whatcom County's projected interest earnings for 2003 are \$2,581,000. This is a decrease of \$169,000 from last year's projection. The 2003 budget is \$760,000 less than actual interest earnings in 2000.

## Statewide Initiatives Impact Funding of Local Services

The state legislature reduced its funding to counties for local law and justice and public health. In 2001 Whatcom County received \$1,231,019 from the state for law and justice and health. In 2002 we received \$1,064,705. The 2003 budget is \$438,000. We are anticipating that this funding will be completely eliminated in 2004.

## Whatcom County Fights to Contain Increasing Costs

### Salaries and Wages

Whatcom County settled with its largest union in 2002. The agreement provided 2% annual wage increases for union positions. The cost of this increase is approximately \$800,000. In 2003, the contracts with the Sheriff's Deputies Guild and the Corrections Officers are open for negotiation. There is a limited ability in the 2003 budget to provide for settlements of these negotiations.

### Health Insurance

The Whatcom County budget for health insurance increased 12%, or approximately \$650,000, between 2002 and 2003. Health insurance costs are anticipated to continue increasing at a rate of 9 to 20 percent per year.

### Emergency Medical Costs

Our contract with the City of Bellingham, which provides ambulance services outside the Bellingham city limits, has been increasing at 9.5% per year. The budget for ambulance services in 2003 is \$1,311,500. This is \$337,000 more than in 2000. The city anticipates in the next two years a fifth aid unit will be necessary which will result in a significant increase in emergency medical costs.

## Summarized 2003 Budget Priorities

### Develop a Plan for the Future

A major initiative for Whatcom County in 2003 is to develop a plan for providing services beyond 2003. Given our declining resources, we must continue to look for efficiencies in our operations. We will look for cost reductions through the use of technology and through operation consolidations. We will continue to evaluate programs and determine if we can afford to provide them.

### Contain Health Care Costs

We will work in partnership with our employees and key union groups to reduce our medical plan costs.

### Address Critical Water Issues

Whatcom County government is leading a cooperative effort with other governments, tribes and citizen groups to address critical water issues facing our communities. The 2003 budget will implement plans and programs to:

- Improve water quality in Lake Whatcom.
- Improve salmon habitat.
- Assist in shellfish recovery and water quality in our bays and estuaries.

### Maintain Infrastructure

Annually Whatcom County prepares a six-year capital improvement program as a component of our comprehensive plan. The 2003 budget for road improvements is \$8,510,000. There are no major facilities additions budgeted in 2003.

### Implement Purchase of Development Rights and Transfer of Development Rights Program

The 2003 budget includes funding to implementation a purchase of development rights and transfer of development rights program. This program is necessary to help preserve the excellent quality of life and rural character our county enjoys.

### Expand the Geographic Information System

In 2003 staff resources will be reassigned to provide a coordinated expansion of the county's Geographic Information System. This will improve the tools and geographic information available to all departments.

### Whatcom County Committed to Quality Service, Cost Effective and Accountable Methods

In light of the challenges we face, Whatcom County government continues in its commitment to provide quality services through cost effective and accountable methods, through 2003 and beyond.

Respectfully Submitted,



Pete Kremen  
County Executive