

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse

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



January 1, 2009

Citizens of Whatcom County:

I submit to you the Whatcom County budget for the biennium beginning January 1, 2009 and ending December 31, 2010. In compliance with the county charter, I proposed the 2009-2010 budget to the County Council on October 17, 2008. On November 25, 2008, the Council adopted the 2009-2010 budget in open session with Whatcom County Ordinance Number 2008-053.

The resources for the biennium have been allocated in accordance with Whatcom County's mission statement, "*provide essential and desirable public services in a cost effective and accountable manner.*" This budget reflects our commitment to cost effectively address critically important public services. The 2009-2010 budget incorporates the Council priorities expressed in its Budget Development Guidelines and public input received during the Council budget hearings.

Whatcom County's economy is suffering from the effects of the global recession. Our revenues are falling behind the cost of providing services. We have new restricted revenues in the biennium that can be used for mental health programs, substance abuse treatment, and to improve water quality; however, General Fund revenues that fund general government services are stagnant. Projected revenues will not be sufficient to continue all programs and staff at the 2008 levels. This budget has virtually no increase in General Fund expenditures other than for energy costs and contractually required wages and benefits. In this biennium, we will supplement our revenues with the careful use of reserves to maintain critical services and make investments that will increase our efficiency and effectiveness in the future.

The expenditure budget for 2009 totals \$191,956,203. This is approximately \$9.4 million less than the amended 2008 budget. The 2010 budget is \$180,834,489, which is \$11.1 million less than the 2009 budget. These reductions are primarily the result of reduced capital project budgets. In 2008, the budget included \$21 million for the construction of several road projects. Due to funding and permitting delays, actual road construction expenditures for 2008 are expected to total only \$8 million.

Budgeted revenues for 2009 total \$188,439,728. This is \$13.9 million more than the amended 2008 revenue budget. Increased revenue between 2008 and 2009 is due to:

- Property tax increase (Flood Fund) proposed and adopted by the County Council to fund water quality projects, \$940,000
- Mental Health and Chemical Dependency treatment sales tax, implemented January 1, 2009, \$2,800,000
- Increases in grant revenue, \$6,700,000
- Interfund loans for capital projects
- Interfund transfers to support the General Fund

Budgeted revenues for 2010 total \$179,069,400, or \$9.4 million less than the 2009 revenue budget. Revenue in 2009 is higher due to grant-funded construction projects in the Road Fund; otherwise, revenue growth in 2010 is minimal.

Long-term Challenges and Goals

Whatcom County's growth rate is eighth out of the thirty-nine counties in Washington state. Population since the year 2000 has increased over 14%. Along with the growth in population have come the associated growing pains of water quality and availability issues, road congestion, urbanization of unincorporated areas, a higher demand for services and the challenges of paying for them.

In keeping with our strategic planning process and vision statement, our long-range goals include preserving the quality of life in Whatcom County that has attracted our new citizens. We are committed to protecting the natural beauty and renewable resources of this county while encouraging a vibrant economy conducive to promoting family wage jobs, affordable housing, and a safe and healthy lifestyle.

Short-term Initiatives and Priorities

In response to Whatcom County's long-term challenges and goals, this budget addresses the following major initiatives:

- Update growth management strategic plans
- Continue implementation of prioritized list of water quality and stormwater projects
- Preserve agricultural land
- Invest in key facilities
- Invest in productivity through technology
- Stabilize technology infrastructure

- Maintain a safe community

With these goals in mind, the County Council and I approved a budget that includes:

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 will 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.

The budget for 2009 and 2010 does not solve all problems throughout our community. Today we have tough choices to make and tomorrow the challenges may be even greater. There is good news – Whatcom County has relatively little debt and a relatively healthy beginning General Fund balance. The projected beginning 2009 General Fund balance is \$12 million. This is more than 14% of General Fund expenditures. The 2009-2010 biennial budget provides for using approximately \$4 million of the fund balance reserves, resulting in a fund balance slightly below 10% of General Fund expenditures. We anticipate ending the biennium with an approximate \$7,776,000 fund balance. The administration will monitor revenues and expenditures closely and make adjustments accordingly over the 2009-2010 biennium as our county, as well as the nation, makes its way through the current economic crisis.

My administration is proud of our record of managing this county's financial health. In spite of local and national economic challenges and slower than anticipated revenues for county government, we can retain optimism for the future. With the Council and Executive Branch working together, we can overcome these difficult challenges.

Respectfully Submitted,



Pete Kremen
County Executive

