

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse

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



January 1, 2011

Citizens of Whatcom County:

I submit to you the Whatcom County budget for the biennium beginning January 1, 2011 and ending December 31, 2012. In compliance with the county charter, I proposed the 2011-2012 budget to the County Council on October 15, 2010. On November 23, 2010, the Council adopted the 2011-2012 budget in open session with Whatcom County Ordinance Number 2010-058. The Council also adopted the 2011 Flood Control Zone District budget in open session with Whatcom County Resolution Number 2010-049. In accordance with state law, the Flood Control Zone District can only adopt a one year budget. The proposed 2012 Flood Control Zone District budget is also included in these volumes and will be adopted by separate resolution in November 2011.

The 2011-2012 budget totals \$174,024,739 in 2011 and \$171,645,288 in 2012, including the County's \$74.9 million for 2011 and \$76.1 million for 2012 General Fund. The budget reflects the new economic realities for Whatcom County. The County's once adequate reserve fund and revenues have suffered from the turmoil of the longest and deepest recession since the Great Depression. County revenues are not growing and they can not sustain all services at the same levels. One-time strategies over the past two years balanced the budget and replaced the loss of significant revenues. These measures, including one-time transfers and furloughs, are no longer available or sustainable. The result is a \$5.3 million shortfall in the County's General Fund for 2011.

BUDGET GOALS

The 2011-2012 budget reflects my commitment to align available resources with the County Council adopted Budget Development Guidelines and puts the County on a sustainable and stable path for the coming years. The budget retains a focus on the following key goals:

- Support safe communities and accessible justice systems
- Promote opportunities for communities and individuals to realize their full potential
- Encourage a growing and diverse County economy and promote recovery to thriving and sustainable communities
- Safeguard and enhance the County's natural resources and environment
- Constantly improve our culture of customer service

- Deliver services responsive to community needs
- Exercise sound financial management
- Build Whatcom County's long-term fiscal strength
- Promote robust public engagement to inform, involve and empower people and communities
- Develop and empower Whatcom County employees.

FISCAL RESPONSIBILITY

Closing a \$5.3 million shortfall in the General Fund and addressing the financial challenges of other county funds has required many difficult decisions. Nevertheless, the 2011-2012 budget presents a balanced set of changes that do not rely on tax increases to support ongoing operations. It also maintains the General Fund reserves consistent with Council directions on ending fund balance and reserves. The budget is balanced first and foremost on internal savings and efficiencies, including savings resulting primarily from positions vacated through attrition over the past two years. Secondly, it reduces administrative and management costs, freezing wages of unrepresented staff at 2010 levels, and projects savings to be addressed through collective bargaining with union representatives. The budget reorganizes some existing services to allow for more cost-effective delivery, refocuses the mission of some services; provides a modest, revenue neutral adjustment from the Flood Fund to the General Fund and, as a last resort, some reductions to direct and contracted services.

While this budget puts Whatcom County on a sustainable financial path, it does not come without consequences. The reductions will result in fewer positions, including some layoffs of County employees. During a 4 year period beginning in January 2009 the County will have reduced a total of 143 positions. Most of these positions were reduced through attrition in 2009-2010. The effects of the greatest recession since the 1930's have been less acute for Whatcom County than for other governments throughout Washington State. Whatcom County avoided more drastic service reductions experienced by other local governments due to three primary factors:

1. The County had healthy reserves and fund balances which it gradually built up between 1999 and 2007. As the economy contracted and revenue fell significantly, these reserves allowed us to maintain employment and services that could otherwise not have been maintained with the revenues available. Simply, since 2008 to date, the County maintained services and employees beyond what immediate revenues could support on an ongoing basis.
2. With attrition, County managers over time found efficiencies and methods for continuing service without replacing departing employees. All unionized and unrepresented employees took the equivalent of 80 hours of unpaid furlough during 2009 - 2010. A number of the elected officials gave back a portion of their wages.
3. The County made widespread use of one-time budget strategies such as transfers and furloughs.

While these three factors allowed the County to continue to provide valuable services to all County residents, we were hoping to "glide" through to the next economic recovery. Yet, projected growth in revenues for 2011

and 2012 are not sufficient to maintain the service levels and workforce growth experienced over the past ten years.

Prospects for economic recovery in 2011 and 2012 remain uncertain and likely very modest, as compared to typical recoveries, therefore, the County revenue picture is subdued. The General Fund revenues are forecast to shrink by \$3.2 million dollars in 2011 and only rise in 2012 by approximately \$1 million. Our costs, however, grow at a rate exceeding revenue growth, especially for wage agreements, health care coverage and retirement contributions.

PRIORITIZATION AND TARGETED CUTS

To address the \$5.3 million General Fund shortfall, I placed a strong emphasis on prioritizing services. My administration began last spring to engage Department Heads, Elected Officials and senior managers in candid and productive conversations to weigh key County programs and priorities in the face of constrained expenses. In June, the Council met with the Deputy Administrator and laid out Council priorities and objectives which they requested the Administration achieve. Based on these earlier meetings and Council objectives, County departments were asked to submit proposals and strategies to achieve certain targets, primarily through efficiencies. The percentage target was based on the amount of County General Fund unrestricted revenue that the Department received. From the outset, these targets placed the highest priority on law enforcement, court and justice services, and mandated general government services such as Council, Hearing Examiner, Treasurer, Auditor and Assessor. These higher priority departments were asked to identify 2.5% savings through efficiencies, further attrition and/ or revenue increases. Public safety services that are contracted such as Medic I and 911/Central Dispatch through the City of Bellingham and Medical Examiner's office were not asked to consider any reductions or efficiencies.

Departments and operations with discretionary programs, such as Administrative Services, Health, Parks and Recreation, and Planning and Development Services were asked to propose far greater target percentage savings (typically 10% – 12%). This latter group also included contracted non-departmental services such as animal control and other social and health services supported in small part by County government.

As the Administration reviewed proposed strategies and financial challenges facing all County funds, the following overarching priorities were considered:

- Emphasize sustainable budget changes that address the \$5.3 million shortfall in the General Fund on an ongoing basis.
- Seek administrative and internal savings from projected wage costs.
- Consolidate duplicate functions.
- Seek savings through contracting out services.
- Identify opportunities to streamline management.

PRESERVING JOBS AND SERVICES

The budget preserves as many direct services and jobs as possible. County employees in the past have shown

a willingness to help the County save money and preserve services. As an example in 2009 and 2010, all employee groups agreed to furloughs or something of comparable value. This same cooperative spirit was anticipated as the formation of the 2011-2012 budget took shape.

The adopted 2011-2012 County Budget proposes that:

- The unrepresented employees, managers, Department Heads, attorneys, confidential staff, and Elected Officials receive no salary increases in 2011 and 2012.
- The County has formally requested to meet with representatives of its union groups to discuss changes in expected increased compensation for 2011 and 2012. Failure to reach agreements with the unions will require the Executive to submit additional budget reduction proposals to the Council to balance the budget.
- The Flood Levy is adjusted and reduced to support a modest increase in the General Fund Levy. The adjustments will provide \$1 million of the \$5.3 million shortfall in 2011. The adjustments will be mitigated by transferring an additional \$1 million annually from the REET II Fund to the Flood Fund in support of water system and stormwater projects.
- Maintaining Federal and State grants and greater collection efforts of offender fines and penalties will support anticipated revenues to the General Fund. The budget includes a change to parking charges around the Courthouse and Civic Center. These new parking charges are more consistent with local market rates. When implemented, this change would bring in \$181,000 annually to the General Fund.

Beyond these revenue neutral adjustments designed to fund high-priority services the **budget neither requests nor relies on tax increases to support County government operations nor does the budget draw down the County's General Fund reserves below 10% of budgeted revenues in 2011-2012.** This percentage amount is consistent with bonding agency recommendations.

NEW MODEL FOR COMMUNITY CENTER SERVICES

The 2011-2012 budget assumes a reorganization of the method for programming at senior/community centers and for a new community center in the Foothills/Kendall area. Existing senior community centers would continue to provide robust services for active seniors along with services for other residents, including, in some cases, children seeking health, nutrition, education and social services. The County would develop contractual relationships with well-established non profit and/or city-led community organizations that would help set local priorities and provide programming at centers. These enhanced partnerships with community organizations would mean a shift from a model of County staff serving in a community center management role to a model where center management and service are provided by non-profit community organizations. The community center changes are designed to maintain direct service and facilities access to residents at less cost to the General Fund.

The construction of a new community center in the Foothills/Kendall area in 2011 will be financed with specially designated State and Federal grants along with County capital facility revenue outside the General Fund.

ADMINISTRATIVE SAVINGS

The 2011-2012 budget provides no increase in non-personnel cost categories. The County will seek to capture savings by converting custodial services in buildings serving non-justice departments, to private janitorial contractors. In addition Courthouse hours and security services will be refocused and reduced to more closely align with peak activity periods. Heating and cooling temperatures will be adjusted to capture further savings. Increased energy retrofits of County buildings will result in reduced operating costs in future years. The County's vehicle fleet will shrink and vehicle life cycles will be extended without sacrificing safety. Information Technology services have been reorganized and reduced to focus on the highest priorities of service for desktop support, project management, server support, GIS and web development services.

OUR FUTURE

By making tough, but necessary decisions, the adopted 2011-2012 budget puts the County's services and finances on a sustainable path. **Assuming the current economic and revenue forecasts hold**, the reductions assumed in the General Fund for 2011 will be sufficient to maintain a balanced budget for 2011 and 2012 without additional reductions. As the County looks to the future with more subdued revenue growth, meeting our county government's obligations will require added fiscal restraint, oversight, monitoring and creativity to ensure that the County is delivering services in a cost-effective manner.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Pete Kremen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Pete Kremen
County Executive

