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TO: Bellingham City Council and the Bellingham Community

FROM: Mayor Kelli Linville

DATE: March 3, 2014

RE: Adopted 2014 Budget Revisions

Overview

In fall 2012, Bellingham City Council adopted a preliminary 2013-2014 biennial budget, and I was given clear guidance from Council on development of that budget. First, Council adopted a biennial budget goal for a two-year spending plan. Further, Council provided direction to balance our City General Fund budget, having no more than a \$400,000 deficit in 2013 and a zero deficit in 2014. While my proposed 2013 budget achieved these targets, Council chose to modify the proposed budgets and increased the General Fund deficit for 2013. The resulting 2013 deficit of \$1,179,405 grew through further additions throughout the year.

My approach to developing the revised 2014 budget was to acknowledge that the previously adopted 2014 City budget framework was out of alignment with the prioritization work done by Department Heads in 2013. In addition, changes needed to be made to reflect previous Council actions that prioritize funding Public Safety first and making necessary capital investments and improvements ahead of implementing new programs.

During budget discussions with staff, I modified the adopted 2014 budget framework to better reflect the needed and necessary investments in public safety and capital facilities. We have also worked hard to align our General Fund expenses and revenues, while making General Fund investments and retaining reserves above our adopted 12% reserve guideline.

In the work sessions with Council on the 2014 revised budget, several significant changes were made to the budget I proposed. The Council chose to fund the Bellingham Public Development Authority (PDA) using over \$500,000 taken from the Street Fund. I do not support taking important funding away from our streets program for this purpose. I continue to have concerns about continued funding of the PDA, and believe economic development is better served by

supporting the development of City property in our downtown core. While there has been substantial financial investment in the PDA on behalf of the City without realizing returns, I am hopeful that over the course of the next six months there will be some progress. Council also identified an additional \$200,000 in funding for the City's social services program funding. This funding also came at the expense of the Street Fund, but I recognize the value in making this investment.

I would like to thank the Council, City Department Heads and staff for their efforts in making the adjustments to the 2014 budget framework. Their dedication and commitment is greatly appreciated. I would also like to thank the numerous citizens who contacted our offices with the questions, comments, and suggestions for the creation and implementation of our budget.

2014 Highlights

The 2014 Budget highlights:

- Balances the City's General Fund revenues and expenses
- Adds police officers and other public safety personnel
- Activates a key downtown City building with professional staff
- Invests General Fund reserves in capital facilities and technology
- Funds waterfront environmental cleanup activities
- Provides funding to implement recommendations from Community Solution Workgroups on community-wide issues, such as housing, public health and safety, and economic development

Conclusion

Previous legislative action, the Council's Legacies and Strategic Commitments, Adopted Financial Guidelines, and recommendations of the Capital Facilities Task Force continue to be guiding principles for my administration. These are reflected in the adopted 2014 budget revisions. I look forward to our work together in 2014 and beyond.

Sincerely,



Mayor Kelli Linville