



## **SECTION 2 – BUDGET DEVELOPMENT**

### **2016 MAYOR’S BUDGET MESSAGE**

**TO: Ferndale City Council  
The great citizens of Ferndale  
Stakeholders of Ferndale**

Family checkbooks and bank statements tell our story. They speak loud and clear about what’s important to us, what we value, and what our priorities are. Smart families craft budgets to help their “story” along so that future chapters are pleasant ones.

You can look at past Ferndale budgets and financial reports to read our City’s previous “stories” and how previous councils and administrations envisioned our future.

Our budget for 2016 once again puts forth a vision. It speaks of values and priorities. It is a roadmap outlining how we develop and manage our city government to provide the highest quality of service at a responsible cost.

As part of the Ferndale City Council, I worked with the former mayor and City staff to help craft this budget. It is a judicious mix of steady growth, investment in the future with a premium on public safety, and the cautious planning that was the hallmark of Mayor Jensen’s administration.

We have continued to restore vital employee positions that were reduced in our past economic slowdown with our focus on preserving the basic services of the City that you expect.

Efficiency is ever present during these discussions. We will be continuing the LEAN thinking process through 2016, holding weekly meetings to encourage employees to look for simple improvements in their day-to-day operations that can save time and money. Each week, City staff brings forward new, creative ways to serve you while working faster and reducing costs.

Getting down to the nuts and bolts, road transportation dollars have become more difficult to acquire than in the past. County, state, and federal resources are essential for some of our larger projects. Thanks to the continued efforts of our staff, we have received funds to reconstruct and widen Washington Street and to improve and repave Portal Way.

We will continue to scour our remaining road construction budget for many needed local street repairs. The citizens spoke loud and clear this year: you want roads and traffic challenges improved.

As our city continues to experience unprecedented population growth, we will continue to look for ways in which the city can improve our public infrastructure and bring the community together—emphasizing the “neighborhood” spirit we have here.

One of those opportunities is the STAR Park, which will be built this spring thanks to a matching grant from the state and donations from local Ferndale citizens and businesses. You can still sign up to contribute and volunteer at [www.cityofferndale.org/starpark](http://www.cityofferndale.org/starpark).

2016 promises to be an exciting year and this thoughtful, frugal budget will help the City navigate the upcoming challenges and opportunities. If you have any questions about city finances don’t hesitate to contact the City.

Respectfully,

Mayor Jon Mutchler



## Administrator's Budget Message

Dear Reader

Following this message you will find the 2016 operating budget of the City of Ferndale. With a great deal of effort on the part of staff and the dedication of the elected officials, we have put together a budget that moves the City forward in a fiscally responsible manner.

We are looking at a city budget that holds the line on recurring expenses but includes strategic increases in staffing to meet the growing needs of a vibrant city including a Utility Billing Clerk and a new Public Works Worker. Key to this effort will be the continuing rebound in retail sales tax. As you are aware, Ferndale does not enjoy a large retail tax base but recent years have seen a steady increase in shopping opportunities in our city. We hope that 2016 will continue and possibly accelerate this trend.

We have indeed learned to do more with less – less staff and less revenue. We have focused on our core services and have increased our efficiencies to deliver the vital services our citizens have come to expect.

For 2016 we will continue to strive to grow our city in a smart way by investing in our infrastructure to better serve our community. On the heels of the recently completed Pioneer Pavilion Community Center, we will turn our attention to the possible remodel of the “Pizza Annex”, the building adjacent to City Hall and the new Library as additional office space for the City.

All in all I believe that the future is bright for Ferndale.



## BUDGET PURPOSE

The budget of the City of Ferndale is designed to achieve the following four interrelated functions:

- **Policy Development** – The City’s budget process provides the Mayor, City Council, and City Administrator a vehicle to review the goals, objectives, and strategies of the City, and the ability to direct its activities by means of the allocation of resources. The budget provides an opportunity to set policy for the following year, impacting changes in operations, service levels, and the financial well-being of the community.
- **Financial Planning** – The budget provides a financial plan that will govern the fiscal operation of the City for the next year. A formal revenue estimate provides a listing of the available financial resources, detailing how much has been historically been produced by each source and how much is expected in the proposed budget. A presentation of current and previous year’s financial activity provides a listing of the allocation of these resources, providing an understanding of both the current year’s needs and a longer term view of the development of the City’s programs.
- **Operations Guide** – The budget sets forth the blueprint that governs the amount of services provided and how that service is provided. This direction is presented in various forms throughout the budget document and serves as legislative and administrative guidance to department heads and other City staff.
- **Communications Device** – The budget provides a way for the City decision makers to communicate a variety of information regarding the scope of the City’s activities. This information contains priorities in service needs, rationale for decisions made, and a vision for the future. The budget also provides an effective tool in helping the citizens understand the reasons behind the policy and political decisions.



## BUDGET PROCESS

The Budget is the culmination of over four months of work and consideration by many individuals. Beginning in August, City Department Directors are asked to prepare estimates of anticipated expenditures for the coming year. During this time period, the City Treasurer begins the process of estimating year-end expenditure levels and projecting revenues for the ensuing 12 months. The Mayor and administrative staff work to organize all requests into the proper funds and within the resources estimated to be available.

By the beginning of November, the Preliminary Budget is submitted to the City Council for review and comment. The Council then conducts Budget Workshops and, later, public hearings to gather additional information and public input. A balanced and complete budget for the ensuing year is then adopted prior to December 31<sup>st</sup>. This adopted budget, together with any required amendments, serves to guide City department expenditure levels and major activities throughout the year.

## BUDGET POLICIES

Overall City policies are established by the City Council. These policies are in turn expressed in the budget document. In setting forth revenue sources to be used and establishing expenditure priorities, the Council establishes how much and which services are to be delivered to the community. The Mayor, City Administrator, and Department Heads are then charged with the responsibility for carrying out the policies set forth by the Council in the annual budget.

The City Clerk and Finance Director are responsible for coordinating all aspects of the budget process under the general guidance of the Mayor and City Administrator. The Finance Director is charged with entering and monitoring the budget into the BARS accounting system. Monthly budget verses actual revenue and expenditure reports are generated and disseminated to the various City departments to aid them in tracking their expenditures. Quarterly financial reports are submitted to the City Council for review and comment. During these quarterly financial reviews, possible amendments to the adopted budget are considered. In addition to these quarterly reviews, the budget is also reviewed for possible amendment at the end of the year.

In 2005 the City Council reviewed and adopted Financial Management Policies which included budget policies meant to guide City administration in the development and implementation of the annual budget. The budget policies for the City of Ferndale are available for review at City Hall.



## BUDGET CALENDAR

The City of Ferndale’s budget process and timetables are established by state law. The budget process is designed to provide the essential structure for the financial planning, control, and evaluation process of government, presenting a forecast of expected resources and the purposeful distribution of those resources. Once adopted, the budget is a formal expression of public policy on the City’s objectives and priorities and on how resources will be provided to meet those objectives. To meet these objectives, the City uses the following budget calendar.

<b>BUDGET PROCESS STEP</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>
1. Estimates of revenue and expenditures prepared for each department and fund.					
2. Estimates are submitted to City Administrator for compilation					
3. Mayor, City Administrator, and Finance Director review requests					
4. City Administrator’s Preliminary Budget is prepared and filed with the City Clerk					
5. City Clerk publishes notice of Preliminary Budget and public hearing					
6. City Council conducts budget workshops					
7. Copies of Preliminary Budget are made available to the public					
8. City Clerk publishes notice of public hearings on Final Budget					
9. Public hearings begin by first Monday in December and conclude by the 25 <sup>th</sup> day prior to the next fiscal year					
10. Council adopts balanced Final Budget					

**ORDINANCE NO. 1927**

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**AN ORDINANCE ADOPTING THE OPERATING BUDGET FOR THE  
CITY OF FERNDALE, WASHINGTON, FOR THE FISCAL YEAR  
ENDING DECEMBER 31, 2016**

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**WHEREAS**, the Mayor of the City of Ferndale, Washington completed and placed on file with the City Clerk a proposed operating budget and estimate of the amount of the monies required to meet the public expenses, bond retirement and interest, reserve funds and expenses of government of the City for the fiscal year ending December 31, 2016 and hearings on the preliminary budget were held November 2, November 16 and December 7, 2015 pursuant to state law; and

**WHEREAS**, a notice was published that the City Council would meet on the 7th day of December, 2015 at the hour of 6:00 p.m., at the Ferndale City Hall Annex for the purpose of making and adopting an operating budget for said fiscal year and giving taxpayers within the limits of the City an opportunity to be heard upon said budget; and

**WHEREAS**, the City Council did meet at said time and place and did then consider the matter of said proposed operating budget; and

**WHEREAS**, the said proposed operating budget does not exceed the lawful limit of taxation allowed by law to be levied on the property within the City of Ferndale for the purposes set forth in said budget, and the estimated expenditures set forth in said budget being all necessary to carry on the government of the City for said year and being sufficient to meet the various needs of the City during said period;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF FERNDALE DO  
ORDAIN AS FOLLOWS:**

**Section 1.** The operating budget for the City of Ferndale, Washington, for the year 2016 is hereby adopted at the fund level in its final form and content as set forth in the document entitled City of Ferndale 2016 Operating Budget, three copies of which are on file in the Office of the Clerk.

**Section 2.** Estimated resources for each separate fund of the City of Ferndale, and aggregate expenditures of all such funds for the year 2016 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 2016 as set forth in the City of Ferndale 2016 Operating Budget Document.

Fund Number and Name	Estimated	Estimated	Available	Authorized	Estimated
	Beginning Cash Balance	Revenues	Resources	Expenditures	Ending Cash Balance
001 Current Expense (General Fund)	\$1,500,223	\$7,582,877	\$9,083,100	\$7,579,415	\$1,503,685
004 LEOFF 1 Police Retiree	308,599	100,617	409,216	132,178	277,038
005 Solid Waste Utility Tax	322,379	1,725,560	2,047,939	1,888,692	159,247
007 Pioneer Pavilion Com. Center Operating	5,970	11,540	17,510	4,800	12,710
101 Streets	52,717	961,522	1,014,239	971,604	42,635
102 Park Mitigation	60,927	103,000	163,927	142,834	21,093
104 Traffic Mitigation	149,679	250,000	399,679	0	399,679
106 Criminal Justice Fund	402	14,632	15,034	14,000	1,034
107 Local Criminal Justice	959	206,000	206,959	200,000	6,959
113 Ferndale Trans. Benefit District	73,802	386,250	460,052	450,000	10,052
198 Hotel/Motel	624	51,000	51,624	0	51,624
214 Streets/Parks/Land Debt Service	2,946	126,672	129,618	126,672	2,946
215 LaBounty LID 2006-1 Bond Redemption	5,648	50,188	55,836	55,376	460
216 LaBounty LID 2006-1 Bond Guarantee	26,493	0	26,493	3,500	22,993
217 LaBounty GO Bond Redemption	91	26,720	26,811	26,720	91
218 2010 GO Bond Redemption	254	430,659	430,913	430,514	399
219 2011 GO Bond Redemption	1,965	162,573	164,538	162,538	2,000
220 2014 Library GO Bond Redemption	2,292	186,072	188,364	186,072	2,292
301 Real Estate Excise Tax First 1/4% REET 1	89,561	275,090	364,650	223,290	141,360
302 Real Estate Excise Tax Second 1/4% REET 2	261,903	275,262	537,165	20,000	517,165
309 Star Park Construction	80,117	0	80,117	0	80,117
347 Main & LaBounty Roundabout Construction	250,000	0	250,000	250,000	0
370 Thornton Road Construction	175,000	0	175,000	75,000	100,000
401 Water	747,996	5,955,860	6,703,856	6,038,455	665,401
402 Sewer	6,633,725	3,785,745	10,419,470	8,807,518	1,611,952
403 2005 Sewer Revenue Bond Redemption	4,190	1,990,132	1,994,322	1,990,532	3,790
404 2005 Sewer Revenue Bonds Reserve	1,482,300	14,000	1,496,300	14,000	1,482,300
407 Storm & Flood Control	628,339	2,232,570	2,860,909	2,818,211	42,698
408 Utility Loan Service	5,413	327,189	332,602	327,186	5,416
510 Computer Repair & Maint.	663	140,000	140,663	137,421	3,242
550 Equipment Repair & Main!.	75,072	1,112,000	1,187,072	1,111,795	75,277
650 Court Agency	0	225,000	225,000	225,000	0
<b>TOTAL</b>	<b>\$12,950,249</b>	<b>\$28,708,731</b>	<b>\$41,658,980</b>	<b>\$34,413,323</b>	<b>\$7,245,656</b>

**Section 3.** The City Clerk is directed to transmit a certified copy of the budget hereby adopted to the State Auditor's Office and to the Association of Washington Cities.

**Section 4.** This Ordinance shall be in force and take effect five (5) days after its publication according to law.

PASSED by the Council of the City of Ferndale, Washington, on this 7th day of December, 2015.

**ATTEST:**

Gary S. Jensen, MAYOR

Susan Duncan, CITY CLERK

**ORDINANCE No.  
1925**

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**AN ORDINANCE FIXING THE AMOUNT OF REVENUE TO  
BE RAISED BY PROPERTY TAXATION FOR THE YEAR  
2016**

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**Whereas**, the Ferndale City Council did properly give notice of the public hearing on revenue sources held on November 16, 2015 and;

**Whereas**, the Ferndale City Council, after hearing, and after duly considering all relevant evidence and testimony presented, has determined that the City of Ferndale requires a one percent increase in property tax revenue from the previous year, in addition to increases resulting from the addition of new construction and improvements to property, annexations, and any increase in the value of state-assessed property, in order to discharge the expected expenses and obligations of the City of Ferndale, and in its best interest;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY  
OF FERNDALE DO ORDAIN AS FOLLOWS:**

Section 1 That there be levied a one percent increase (**1%** and **\$24,473.82**) over the amount levied for collection in 2015 (which amount was \$2,447,381.87), in addition to increases equal to the maximum amount allowed under the new construction provisions of RCW 84.55.010 and the maximum amount allowed to be derived from state-assessed property and new annexations.

Passed by a majority vote of the Ferndale City Council, while in regular session, this 16th day of November, 2015.

  
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Gary Jensen, Mayor

  
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Susan Duncan, City Clerk