



SECTION 2 – BUDGET DEVELOPMENT

2017 MAYOR’S BUDGET MESSAGE

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

One of my most treasured responsibilities as Mayor is the careful stewardship of our taxpayer dollars. As the Mutchlers do at home, we work very hard to make sure that every dollar that we take in is used for the highest and best purpose to provide the public the services they require.

I want to thank the Council and City Staff for their hours of work on this budget. We went line by line through this entire document and I appreciate their time and effort to navigate the often complex waters of City finance. I especially want to mention our new Finance Director, Sirke Salminen, who joined us halfway through the process and did a phenomenal job producing this document.

We have much to be proud of in this budget. As we close the books on 2016, we end the year with more revenues in the general fund than we anticipated thanks to our frugal and effective management of costs. As our City grows, we continue to invest in Public Safety, Ferndale’s Parks and our Transportation Infrastructure.

On the Public Safety side, we welcome our new Police Chief, Kevin Turner, as well as our first Russian-speaking officer, Myra Pluschakov. Our officers continue their work making sure our City is safe, and everyone is treated with respect.

This year, building on the success of Star Park and thanks to the strong advocacy of Councilmember Xczar, we have increased our parks maintenance budget, provided resources to our Parks Board and dedicated staff time under the direction of Riley Sweeny to host a series of summer recreational activities in our City parks. These efforts strengthen the community ties that bring us together and I look forward to seeing you all at these events.

Finally, we’ve continue to invest in our Transportation Infrastructure. Under Public Works Director Kevin Renz, our Public Works staff does an excellent job of securing federal and state funds through grants and we are seeing the benefits on every street corner. This year, we are working with our partners across the state to convert our streetlights to energy efficient LEDs. We are also working to install sidewalks on Cherry Street, carry forward our improvements to Washington Street and of course, continue work on the Thornton Street Overpass.

Central to all of this, is our unwavering commitment to transparency. Any member of the public can go to our website and read every line item, every contract, every permit and even, every receipt from the City credit card. This is the public’s money, and we go above and beyond to ensure that everything we do is open and transparent.



2017 is going to be a great year for Ferndale as we grow wisely as a community. This budget will guide our way through the upcoming challenges and opportunities. If you have any questions about city finances, don't hesitate to reach out.

Respectfully,

Mayor Jon Mutchler



Administrator's Budget Message

Following this message, you will find the 2017 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.

The City Council has crafted a city budget that holds the line on recurring expenses and includes strategic investments in city infrastructure. In 2017, the city will also be managed by some new department heads. We have hired a new Public Works Director, Finance Director and Chief of Police. Ferndale has been blessed with dedicated long-term senior staff, but with recent retirements, we have moved to replace these individuals who will continue the long history of outstanding city management.

In 2017, we also look forward to the continuing slow 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 2017 will continue this trend. With the continuation of our strong annual residential growth, we believe that we will also see additional growth in this revenue source.

We have focused on our core services and have increased our efficiencies to deliver the vital services our citizens have come to expect. For 2017, we will continue to strive to grow our city in a smart way.

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 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 Finance Director 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 31st. 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 versus 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.

| BUDGET PROCESS STEP | AUG | SEPT | OCT | NOV | DEC |
|---|------------|-------------|------------|------------|------------|
| 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 th day prior to the next fiscal year | | | | | |
| 10. Council adopts balanced Final Budget | | | | | |

ORDINANCE NO. 1975

**AN ORDINANCE ADOPTING THE OPERATING BUDGET FOR THE
CITY OF FERNDALE, WASHINGTON, FOR THE FISCAL YEAR
ENDING DECEMBER 31, 2017**

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, 2017 and hearings on the preliminary budget were held November 21 and December 5, 2016 pursuant to state law; and

WHEREAS, a notice was published that the City Council would meet on the 5th day of December, 2016 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 2017 is hereby adopted at the fund level in its final form and content as set forth in the document entitled City of Ferndale 2017 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 2017 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 2017 as set forth in the City of Ferndale 2017 Operating Budget Document.

| <u>Fund Number and Name</u> | <u>Estimated Beginning Cash Balance</u> | <u>Estimated Revenues</u> | <u>Available Resources</u> | <u>Authorized Expenditures</u> | <u>Estimated Ending Cash Balance</u> |
|---|---|-------------------------------|--------------------------------|------------------------------------|--|
| 001 Current Expense (General Fund) | \$1,851,999 | \$7,854,460 | \$9,706,459 | \$7,850,713 | \$1,855,746 |
| 004 LEOFF 1 Police Retiree | 419,531 | 100,839 | 520,370 | 132,178 | 388,192 |
| 005 Solid Waste Utility Tax | 200,984 | 1,862,556 | 2,063,539 | 1,980,105 | 83,435 |
| 007 Pioneer Pavilion Com. Center Operating | 8,462 | 32,000 | 40,462 | 34,800 | 5,662 |
| 101 Streets | 30,100 | 3,152,207 | 3,182,307 | 3,112,309 | 69,999 |
| 102 Park Mitigation | 137,925 | 218,273 | 356,198 | 161,455 | 194,743 |
| 104 Traffic Mitigation | 567,203 | 370,728 | 937,931 | 250,000 | 687,931 |
| 106 Criminal Justice Fund | 2,668 | 17,888 | 20,556 | 14,000 | 6,556 |
| 107 Local Criminal Justice | 18,073 | 200,000 | 218,073 | 200,000 | 18,073 |
| 113 Ferndale Trans. Benefit District | 58,113 | 397,838 | 455,951 | 330,000 | 125,951 |
| 198 Hotel/Motel | 272 | 52,000 | 52,272 | 52,000 | 272 |
| 214 Streets/Parks/Land Debt Service | 2,975 | 120,947 | 123,922 | 120,947 | 2,975 |
| 215 LaBounty LID 2006-1 Bond Redemption | 1,388 | 55,572 | 56,959 | 55,572 | 1,388 |
| 216 LaBounty LID 2006-1 Bond Guarantee | 24,512 | 0 | 24,512 | 2,500 | 22,012 |
| 217 LaBounty GO Bond Redemption | 95 | 26,720 | 26,815 | 26,720 | 95 |
| 218 2010 GO Bond Redemption | 250 | 433,267 | 433,517 | 432,358 | 1,159 |
| 219 2011 GO Bond Redemption | 2,185 | 160,272 | 162,457 | 160,237 | 2,220 |
| 220 2014 Library GO Bond Redemption | 1,830 | 186,072 | 187,902 | 186,072 | 1,830 |
| 301 Real Estate Excise Tax First 1/4% REET 1 | 131,764 | 275,132 | 406,895 | 221,036 | 185,859 |
| 302 Real Estate Excise Tax Second 1/4% REET 2 | 531,753 | 275,532 | 807,285 | 120,000 | 687,285 |
| 309 Star Park Construction | 26,907 | 0 | 26,907 | 0 | 26,907 |
| 370 Thornton Road Construction | 100,000 | 1,200,000 | 1,300,000 | 1,200,000 | 100,000 |
| 401 Water | 1,494,506 | 3,093,246 | 4,587,752 | 3,799,306 | 788,446 |
| 402 Sewer | 2,374,101 | 4,050,658 | 6,424,759 | 5,325,795 | 1,098,965 |
| 403 2005 Sewer Revenue Bond Redemption | 3,565 | 1,131,931 | 1,135,496 | 1,132,831 | 2,665 |
| 404 2005 Sewer Revenue Bonds Reserve | 1,482,300 | 10,000 | 1,492,300 | 10,000 | 1,482,300 |
| 407 Storm & Flood Control | 1,094,093 | 1,289,490 | 2,383,583 | 1,344,104 | 1,039,479 |
| 408 Utility Loan Service | 6,515 | 353,641 | 360,156 | 347,050 | 13,106 |
| 409 Water Debt Service | 0 | 126,000 | 126,000 | 126,000 | 0 |
| 510 Computer Repair & Maint. | 3,242 | 150,000 | 153,242 | 152,624 | 619 |
| 550 Equipment Repair & Maint. | 578,120 | 614,000 | 1,192,120 | 608,952 | 583,167 |
| 650 Court Agency | 0 | 225,000 | 225,000 | 225,000 | 0 |
| TOTAL | \$11,155,429 | \$28,036,268 | \$39,191,697 | \$29,714,663 | \$9,477,034 |

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 5th day of December, 2016.

ATTEST:

Jon Mutchler, MAYOR

Susan Duncan, CMC, CITY CLERK

ORDINANCE No. 1971

AN ORDINANCE FIXING THE AMOUNT OF REVENUE TO BE RAISED BY PROPERTY TAXATION FOR THE YEAR 2017

Whereas, the Ferndale City Council did properly give notice of the public hearing on revenue sources held on November 21, 2016 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 \$10,398.05**) over the amount levied for collection in 2016 (which amount was \$1,039,805.46), 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 21st day of November, 2016.

Jon Mutchler, Mayor

Susan Duncan, CMC, City Clerk

