

CITY OF FERNDALE

2023 CITIZEN BUDGET GUIDE

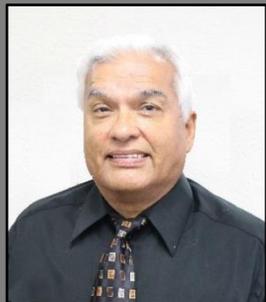


THE CITY OF OPPORTUNITY

cityofferndale.org



CITY OF FERNDALE ELECTED OFFICIALS



Top: Mayor Greg Hansen
Councilmembers Paul Shuey, Ali Hawkinson, Herb Porter, Erin Gunter, Ryan O'Larey, Robert Pinkley, Jon Mutchler

About the City

Population - 15,970

Incorporated - 1907

Average Household Size: 2.7 (State: 2.5)

Median household income: \$77,746 (State: \$84,247)

Persons in poverty (percent): 11.3% (State: 9.9%)

Median Resident Age: 32.7 (City), 38.2 (State)

High School degree or higher: 91.6% (City), 91.7% (State)

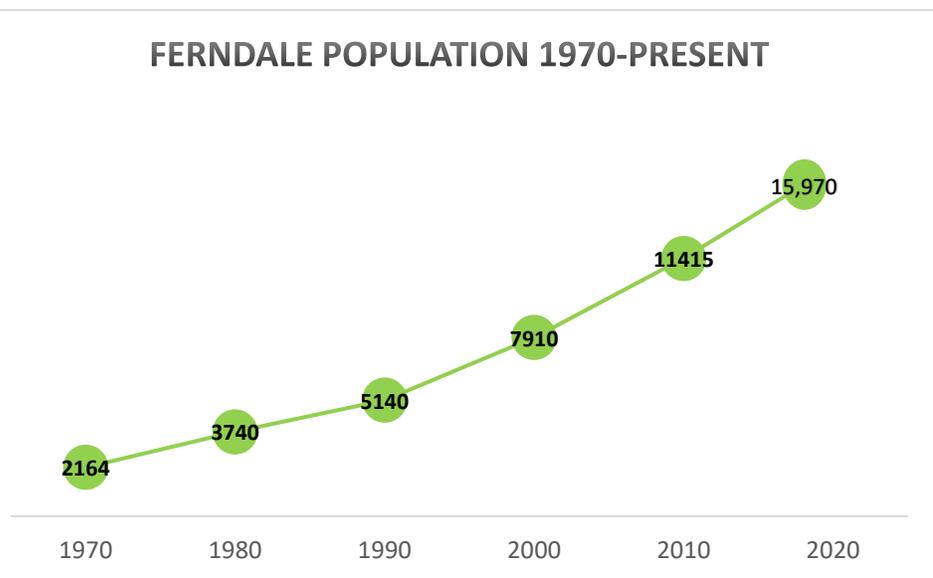
Bachelor's degree or higher: 32.9% (City), 39.0% (State)

Basic City functions include:

Police, Municipal Court, Land-use / Planning, Streets, Sidewalks, Parks, Recreation, City Clerk, Water / Sewer / Stormwater systems, Administrative and Leadership Functions.

School Functions (Ferndale School District)
Fire Services (Whatcom County Fire Dist. 7)

FERNDALE POPULATION 1970-PRESENT



Mayor's Budget Message

Recently, I stood at the Thornton Overpass construction site, watching in awe as massive cranes carefully lifted girders the size of a city block and placed them on pillars above the railroad tracks. These girders will form the bones of the Overpass, supporting cars, trucks, bikes, and pedestrians for generations to come as they travel to and from our city. As the 130,000-pound components were locked into place, I was struck by the size and scope of the moment we find ourselves in.

Here, on the cusp of 2023, Ferndale is making big changes. We are putting in place the structures, roads and organizations we need to grow as a community. This document reflects and supports those changes and capitalizes on new opportunities to come. Therefore, it is my pleasure to present to our honorable City Councilmembers and the greater Ferndale community, the 2023 budget for the City of Ferndale.

In 2023, the cityscape in which we live will change. We will see the demolition of our beloved Old Main building and the full opening of our new Ferndale High School. We expect to see the Catalyst Project break ground on Main Street. We will see the opening of a brand-new skate park for Ferndale that pays tribute to our industrial history while providing recreation for the future generations. We will see brand new housing developments that reflect the diversity of our community – single family neighborhoods, multi-family near our downtown and low-income housing for those who need it.

In our downtown, we have seen several new businesses open including restaurants, grocery, and retail. Beyond our city core, new manufacturers are bringing fresh jobs, new ideas, and more commerce to our community.



As our city grows and changes, our local government rises to meet the needs of our community. The 2023 budget includes a new police officer – a necessary addition to our dedicated police department that will help keep us safe. It also includes a new planner to keep the permit desk moving swiftly, expanded hours for our park workers, and a new public works crew member to plow our streets and repair our infrastructure.

(continued on next page)

Mayor's Budget Message continued

Like those large girders, we are laying the groundwork for the future. We are designing a new civic campus that will include a new court, council chambers and city hall. We are designing a new stage at Pioneer Park to host more and even better events at the heart of our community. And for the first time, we have hired both a federal and state advocate, to help bring our tax dollars back home from Olympia and Washington, DC for the projects we need done in our city.

During the pandemic, we activated Ferndale Community Services and the Ferndale Downtown Association, expanding their reach and abilities and you will see the impact of those decisions in 2023. Already, Ferndale Community Services is operating a severe weather shelter throughout the cold season and the Downtown Association has distributed thousands of dollars in grants to our downtown community to expand and support our local businesses.

We have done all of this and more through prudent financial management, a willingness to try new things, and good old-fashioned legwork. The actions that we are poised to take in 2023 and beyond are built on solid plans and careful consideration. Ferndale is a community of doers and innovators, much more than dreamers. This means that we must be realistic: we are in an unusual economy, with extremely low unemployment, extreme demand and limited supply of housing, and significant inflation. This budget anticipates that our costs will increase more rapidly than our revenues, and while the budget allows the City to move forward with its plans, we must look carefully at the economics of 2024 and beyond.

Ferndale is becoming known as a collaborative City, and through this teamwork we have been able to do things that larger cities could only dream of. Rather than pounding the table or making partisan speeches, here in Ferndale, we are focused on doing the work and finding the solutions. As President Truman once said, "It is amazing what you can accomplish if you do not care who gets the credit."

This budget, like the girders at Thornton, is a key component in that bridge to the future. A future full of change, promise and opportunities for our city.

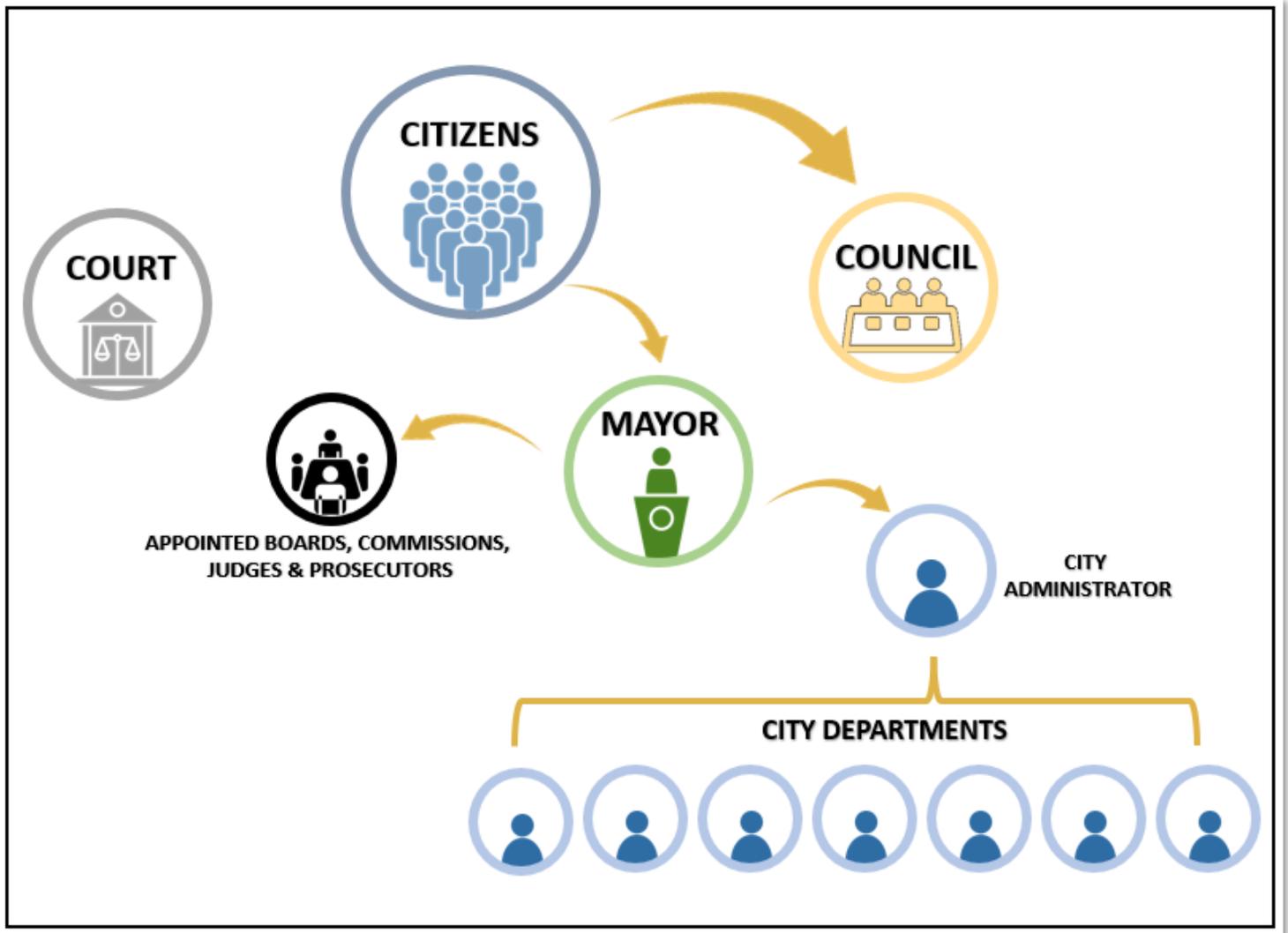
Thank you,

Mayor Greg Hansen



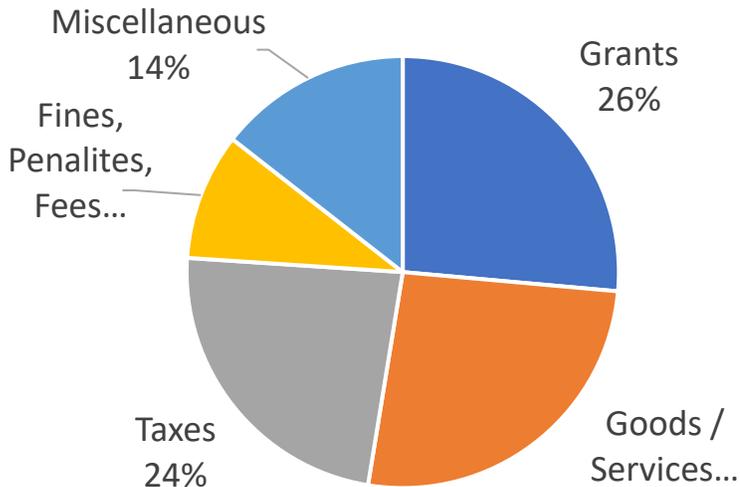
CITY ORGANIZATIONAL STRUCTURE

The City utilizes a “strong mayor” form of government, through which the Mayor is elected directly by the public and serves as the Chief Executive of the City. The Mayor oversees the daily operations of the City, managed by the City Administrator and department heads. Seven councilmembers are also directly elected, and serve as the City’s Legislative Branch. The Ferndale Municipal Court considers misdemeanor cases within the City.

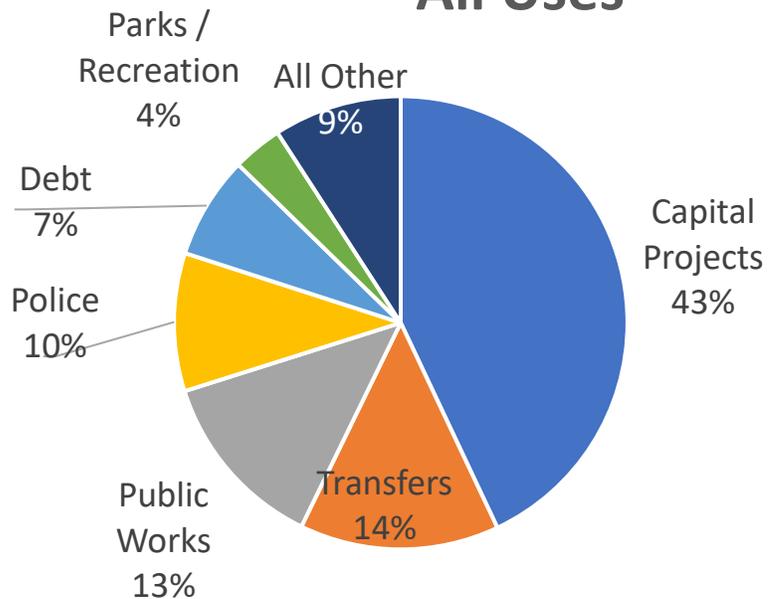


2023 BUDGET FUNDING PLAN

All Sources



All Uses



BUDGET OVERVIEW, 2023 FUNDING PLAN, OTHER ASSUMPTIONS

The City of Ferndale 2023 budget anticipates that total City expenditures (\$64.7 million) will be greater than revenues (\$52.4 million), reflecting ongoing public facility construction (\$27.3 million) that will draw down on project funding built up over previous years, for these purposes. Ongoing expenses associated with City day-to-day operations are anticipated to reflect City revenues, although inflationary factors may require a combination of revenue adjustments or reduction in non-essential expenditures which will be monitored throughout the year.

STRATEGIC INITIATIVES



**THORNTON OVERPASS
PROJECT**



**LONG-RANGE WATER
PLANNING**



**CITY STAFFING: CHANGES TO
MAINTAIN/IMPROVE
SERVICE LEVELS**



**FUTURE NEEDS: I.E., FUTURE
CITY HALL/COURT**



**PIONEER PARK: CABIN
RESOTRATION, STAGE DESIGN,
MISC. IMPROVEMENTS**



METALWORKS SKATEPARK



MISC ROAD PROJECTS



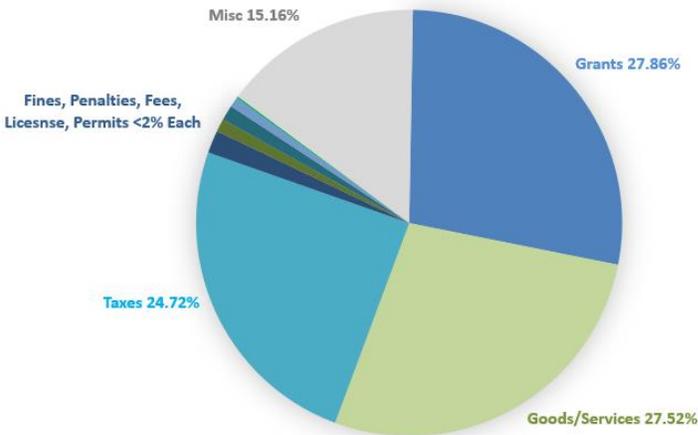
**STORMWATER DECANT
FACILITY, CULVERT
REPLACEMENT**



BUSINESS SUPPORT

A CLOSER LOOK AT CITY REVENUES

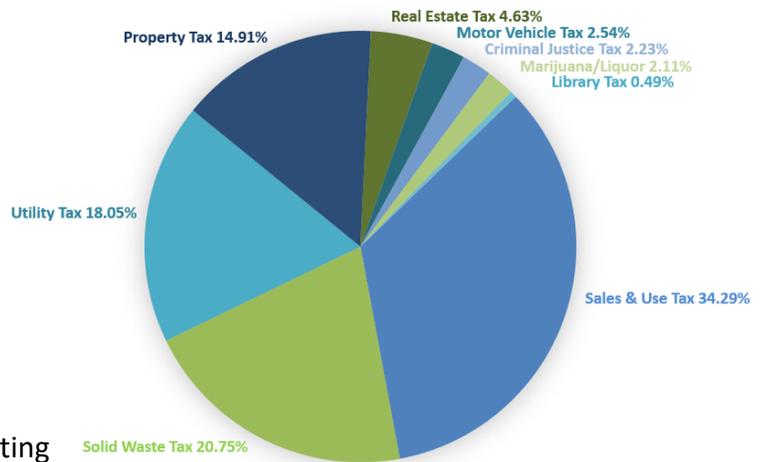
The City has projected approximately \$52.5 million in revenues in 2023. City revenues can generally be split into three main categories: goods and services, grants, and taxes, each representing between 24-27% of all City revenues. The remaining revenues are split between a variety of smaller sources.



Goods and Services: Goods and services reflect the revenues collected by the City for the services provided by the City. The vast majority of these revenues are associated with the City’s water, wastewater, and stormwater utilities, and are paid for through bi-monthly utility bills. Additional revenues in this category include City review and permitting fees to ensure that private development projects adhere to City use, safety, and design codes.

Grants: Grant revenues fluctuate significantly from one year to another. It is typical for the City to experience a greater number, and larger, grant revenues when the City is in an active capital project phase (roads, utility projects, etc.) – as is the case in 2023.

Taxes: The City’s tax base is split among four primary sources of tax income: Solid Waste, Sales and Use, Utility, and Property. The **Solid Waste** tax is relatively unique to Ferndale, and relies upon an additional tax placed on the two solid waste transfer stations in Ferndale, near Slater Road. As these are regional facilities, much of the revenue derived from this tax comes from residents and businesses outside of Ferndale. This revenue helps to support relatively lower tax collection in other sectors. **Sales tax** reflects the City’s share of sales tax collected on items purchased or delivered within the Ferndale City limits, including construction materials for development projects. Historically the City of Ferndale has collected far less in sales tax than what its population numbers would project. This is a result of Ferndale residents and businesses doing much of their shopping in Bellingham and other cities. Due to the rise of internet sales resulting from the COVID-19 pandemic, as well as significant public investment in facilities (new WasteWater Treatment Plant, new high school), the City’s sales tax collection over the last two years has been significant.



The City also derives revenue from a **9% utility tax** on its three utilities, which operate as independent businesses within the overall City structure. While it is not uncommon for jurisdictions to charge a utility tax of 20% or more, it is not uncommon for cities to charge 5% or less; Ferndale’s utility tax is approximately average for Washington cities with a similarly low retail market share.

A CLOSER LOOK AT CITY REVENUES

The City receives revenues from property tax. Of each property tax dollar that is collected, the City of Ferndale receives approximately 9.6 cents; Washington State at \$.31 per dollar, Ferndale School District at \$.28 per dollar, and Whatcom County Fire District 7 at \$.11 per dollar are the largest property tax collectors locally.

Each of these public entities are considered “taxing districts,” and the property tax that each collects is based on the property tax collection budget set by each organization. By law, these budgets cannot increase by more than 1% annually plus additions to the tax base. This does not mean that the property tax on an individual property owner will increase by 1%, however.

For example, the City of Ferndale’s property tax budget for 2023 is \$1,932,235.22. The Whatcom County Assessor will calculate a property tax assessment to property owners based on this amount in order to establish an assessment rate per each thousand dollars of assessed value (a “mill rate”). Essentially, the Assessor will divide the City’s (and other taxing districts’) budgets by the overall assessed value, to determine an assessment per property. Generally speaking, if the overall assessed value is less than previous years, the property tax per property will increase. If the assessed value is more than in previous years (which results from higher home values), and above the one-percent increase limit, the mill rate will decrease.

As an example, if market conditions, growth, and inflation were stable and if in one year a property owner paid an equivalent of \$960 to the City in property, the City’s one percent increase would result in the City collecting \$969.60 from the same property in the next year (an increase of \$9.60). Conversely, if significant assessed value growth is occurring but the overall tax collecting budgets are not, the overall tax burden will be split between more property owners and the actual mill rate per property has the potential to stay the same, or even decrease.



CITY RESPONSE TO ECONOMIC UNCERTAINTY

Global society experienced three years of economic uncertainty from 2020-2022, and the 2023 budget anticipates further uncertainty as well. After years of inflation at or below 2% per year, the part of 2021 and the entirety of 2022 reflected inflation above 7% from the previous year.

Despite the impacts of inflation, the American economy has remained relatively strong, although many economists have predicted that there will be a recession in 2023.

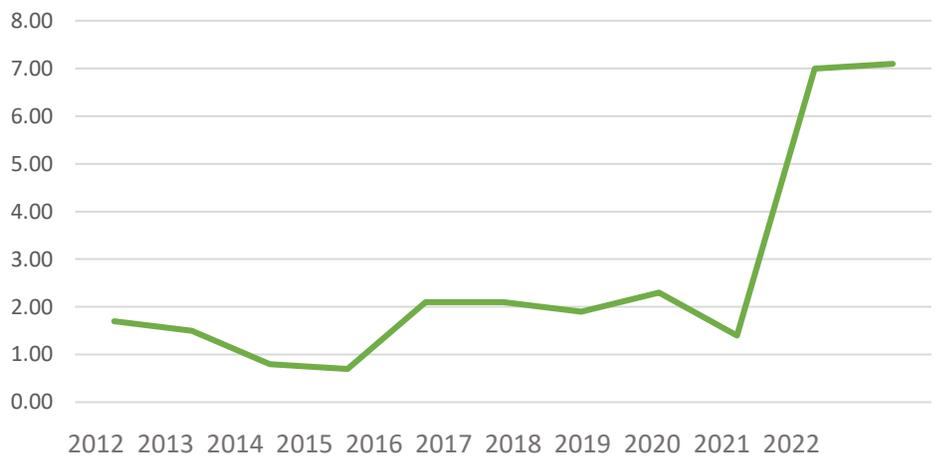
The 2023 City of Ferndale Budget has been designed to include conservative (low) revenue projections, and does not anticipate several potential grant sources that could expand revenues.

Additionally, while the 2023 budget authorizes several new staffing positions, the local job market has tightened, which may lead to a delay in hiring new personnel or “backfilling” open positions. These delays will likely serve to reduce total City expenditures, as these new staff positions will not be paid for the full twelve-month period, and hiring could be delayed should a recession occur.

The City is also optimistic that construction costs for public infrastructure projects will be competitive, especially if private development slows down as expected, and private contractors reposition themselves to take on public works projects.

Finally, should the City experience a deeper recession it is strategically positioned to delay additional projects or expenditures and to pursue other austerity measures, including tapping into contingency reserves prior to reducing essential services or laying off City personnel.

ANNUAL INFLATION RATES 2012-2022



The City Budget Funds a variety of city services and facility improvements



Maintaining 69 miles of city streets, 72 miles of sewer mains, 94 miles of water lines, and a variety of sidewalks, crosswalks, and hundreds of traffic control devices and signs

Providing 150 acres of parks and green spaces.
Organizing recreational activities and community events



Investing in our essential facilities

Cutting the ribbon on our newly expanded wastewater treatment plant



PROJECT LOCATION

GRANDVIEW SEWER
FUNDING REQUEST

MALLOY CULVERT

PROPERTY
ACQUISITION

POLICE STATION
IMPROVEMENTS

DOUGLAS WELL

CIVIC CAMPUS
DESIGN

CABIN RESTORATION
AND PARK
IMPROVEMENTS

METALWORKS
SKATEPARK

DECANT FACILITY

EMERGENCY WATER
INTERTIE

VISTA RIDGE TRAIL

THORNTON
OVERPASS

DOWNTOWN
BUSINESS
ASSISTANCE

PUMP STATION
DECOMMISSION

