



GENERAL FUND

OCTOBER 20, 2025
REGULAR COUNCIL MEETING

PRESENTED BY: DANIELLE INGHAM, FINANCE DIRECTOR

INTRODUCTION:

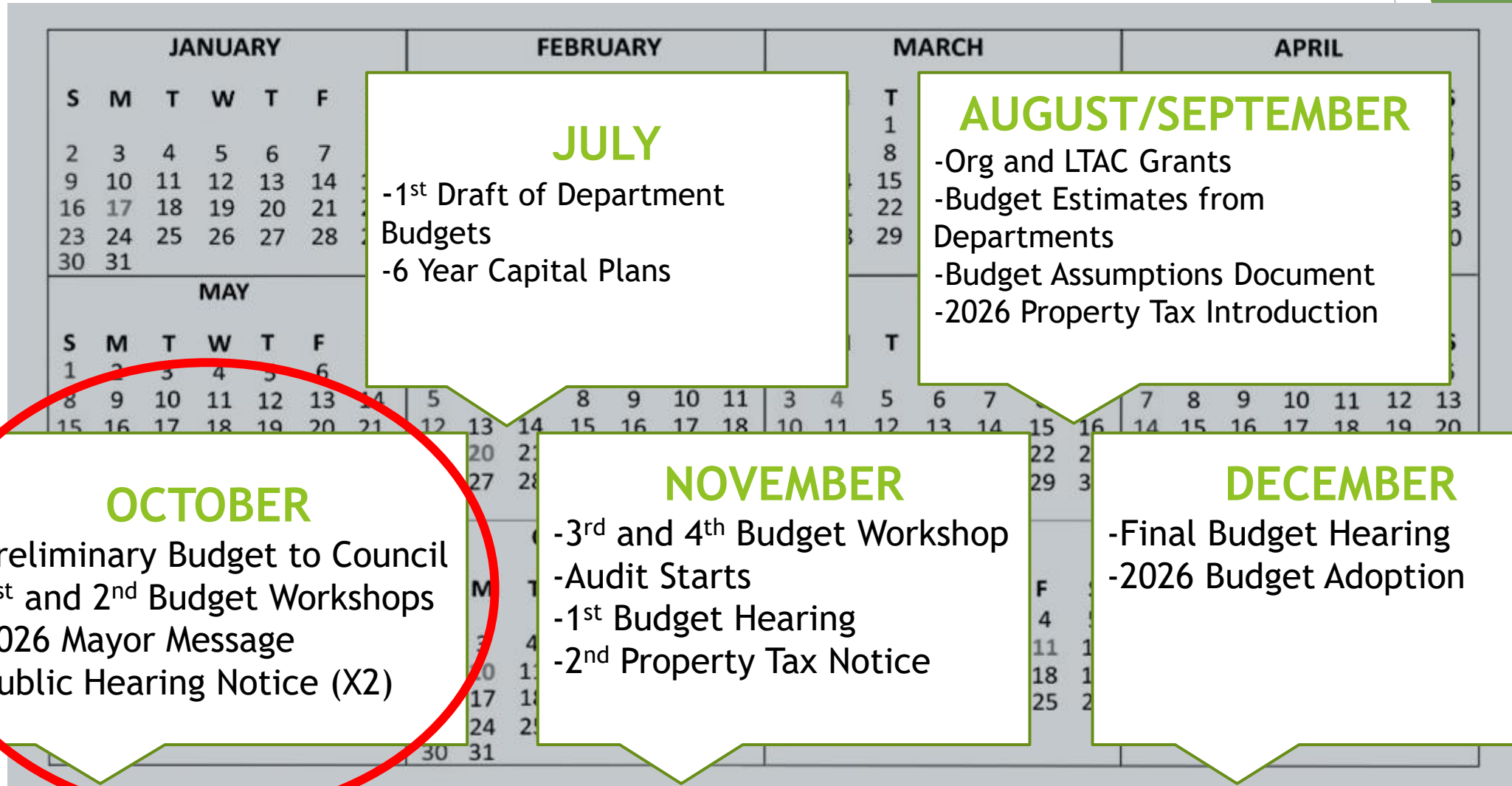
- OVERALL BUDGET PROCESS
- GENERAL FUND

OVERALL BUDGET PROCESS

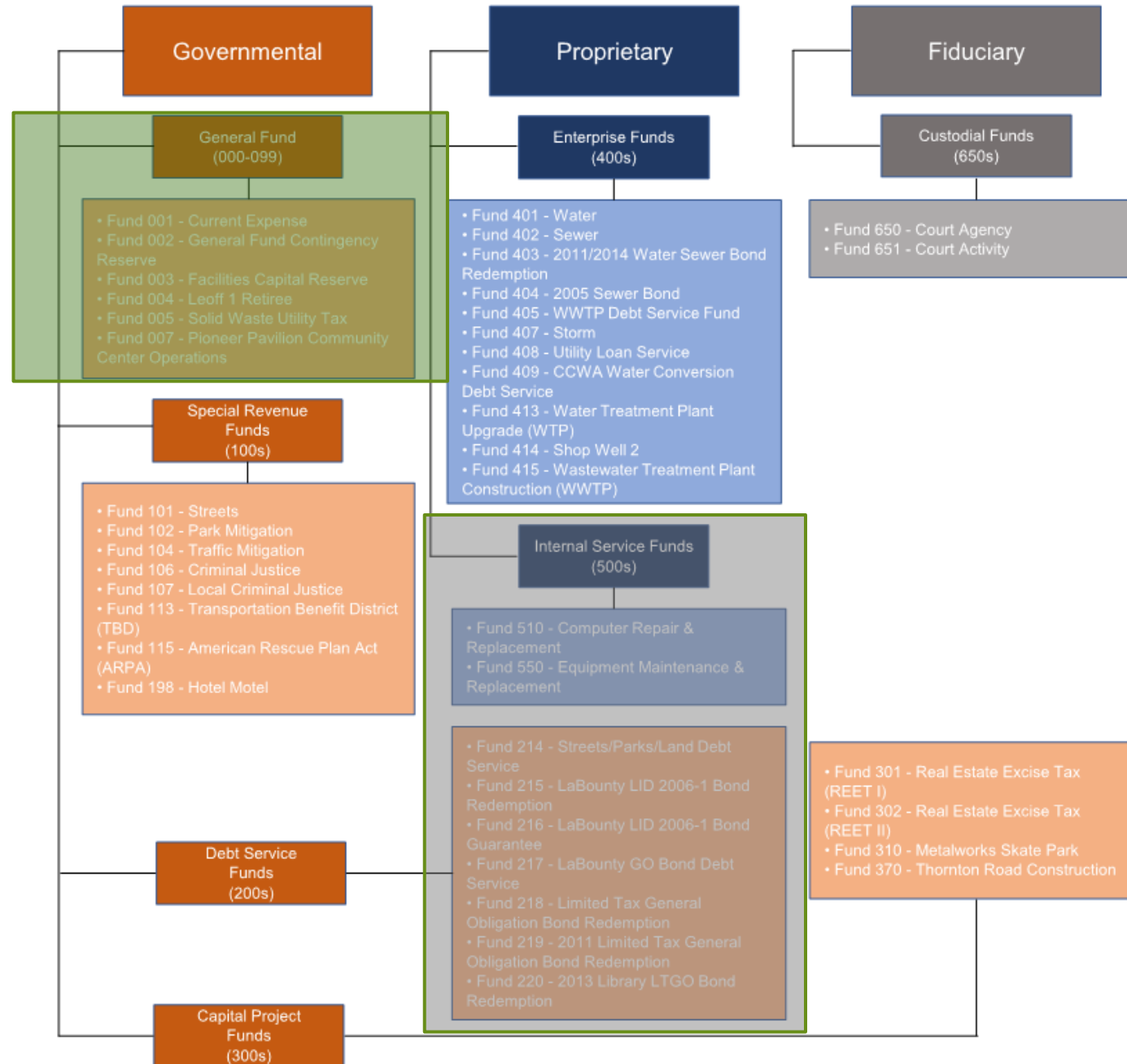
The City has a legal and ethical obligation to adopt an annual budget that funds essential services and, where possible, aligns with both Mayoral and Council priorities.

The 2026 budget process will further integrate the budget within the framework of the City's long-range plans, ensuring that short-term decisions support long-term goals.

2026 BUDGET



Fund Types



GENERAL FUND

The General Fund includes:

- F001 – Current Expense
- F002 – Contingency Reserve
- F003 – Capital Facilities Reserve
- F004 – LEOFF 1 Retiree
- F005 – Solid Waste
- F007 – Pioneer Pavilion

- The General Fund is one of the City’s largest and most important funds, classified as “unrestricted” due to its broad range of eligible expenditures. It serves as the City’s primary operating fund, supported by revenues from taxes, fees, grants, licenses, and permits.
- Within the General Fund, various “sub-funds” are maintained to separately track specific activities or programs. These sub-funds are combined at year-end for financial reporting purposes and collectively make up the City’s overall General Fund.

GENERAL FUND

Current Expense - Fund 001

- Each city is required to maintain a Current Expense Fund, which serves as the general operating fund for collecting taxes, fees, fines, grants, and charges for goods and services.
- The Current Expense Fund accounts for all financial resources not otherwise designated for specific purposes in other funds.
- Expenditures from this fund support the City's day-to-day operations, maintenance, and general government activities.

GENERAL FUND

Contingency Reserve- Fund 002

- The purpose of this fund is to provide financial resources for unforeseen municipal expenses and emergencies. Commonly referred to as the “rainy day” fund, it ensures the City can maintain essential services during unexpected events or revenue shortfalls.
- Annual contributions to this fund are made through transfers from the Current Expense Fund in accordance with City policy. The policy requires that the fund balance equal 10% of the annual budgeted revenues.
- For 2026, the transfer amount is \$165,991.10 (will change as budget develops).

GENERAL FUND

Capital Facilities Reserve - Fund 003

- These funds are reserved to address unforeseen capital expenditures related to City facilities or for future property acquisition.
- Now that Civic Campus is underway, budgeted transfers will be made in anticipation for future capital development.

GENERAL FUND

LEOFF 1 Retiree- Fund 004

- The City of Ferndale currently has three retired Police Officers covered under the LEOFF 1 benefit program.
- The City is responsible for all costs associated with their monthly medical premiums and related healthcare expenses.
- Each year, as part of the annual reporting process, the City reevaluates the funding requirements for these benefits using the GASB 75 OPEB (Other Postemployment Benefits) reporting tool, which factors in retiree age and other actuarial assumptions.

GENERAL FUND

Solid Waste - Fund 005

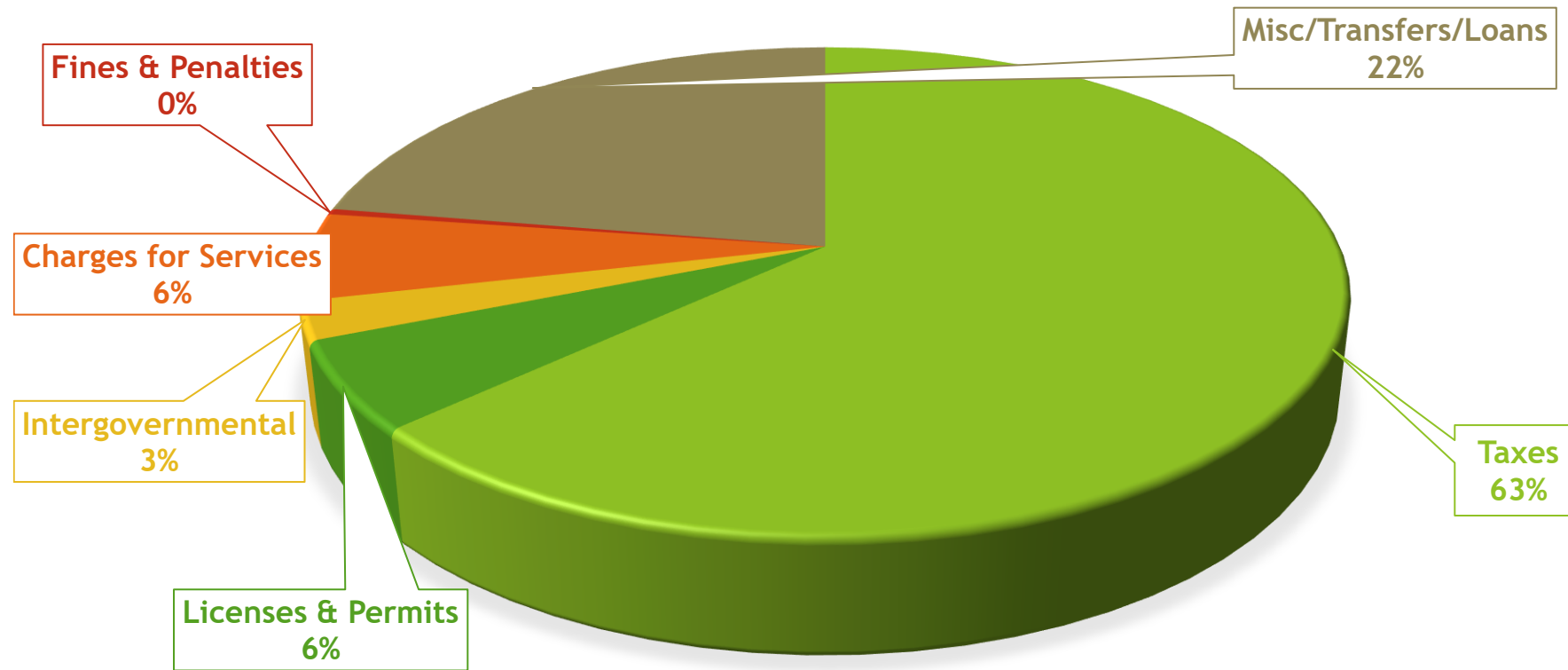
- Revenues are generated from the refuse and recycling stations located in Ferndale. The current tax rate is 14% for solid waste and 3% for recyclables.
- These revenues are considered unrestricted and may be used for any lawful governmental purpose.
- In practice, solid waste revenues are often used to support debt service payments and to fund street projects when grant funding or other resources are unavailable.

GENERAL FUND

Pioneer Pavilion - Fund 007

- Pioneer Pavilion revenues are derived from interfund transfers and facility rental fees.
- Expenditures primarily include salaries and costs associated with operations and maintenance.

2026 CURRENT EXPENSE REVENUE SUMMARY



| | 2023 Actual | 2024 Actual | 2025 Budget | 2025 Projected | 2026 Forecast |
|----------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| Taxes | \$ 9,210,515.00 | \$ 9,338,180.00 | \$ 9,275,290.00 | \$ 9,697,054.00 | \$ 9,615,486.00 |
| Licenses & Permits | 874,344.00 | 1,190,448.00 | 989,148.00 | 931,614.00 | 885,700.00 |
| Intergovernmental | 373,174.00 | 588,707.00 | 668,902.00 | 795,440.00 | 381,554.00 |
| Charges for Services | 1,432,507.00 | 1,298,561.00 | 1,343,667.00 | 1,255,230.00 | 884,339.00 |
| Fines & Penalties | 72,039.00 | 80,920.00 | 50,700.00 | 112,205.00 | 56,900.00 |
| Misc/Transfers/Loans | 2,751,277.00 | 3,225,038.00 | 2,147,936.00 | 2,617,710.00 | 3,408,541.00 |
| | \$ 14,713,856.00 | \$ 15,721,854.00 | \$14,475,643.00 | \$ 15,409,253.00 | \$ 15,232,520.00 |

2024 vs 2025 TAXES

- Taxes are the largest revenue generator for the General Fund



TAXES

- Property Tax: Core revenue for the General Fund and non-volatile (LINE 12)
 - Levy amount is set by City action.
 - 2026 budget assumes a 1% increase as indicated in the Budget Assumptions document.
 - 2026 = \$2,139,270 (without new construction and refunds).
- Sales Tax: Core revenue for the General Fund and less predictable year over year (LINE 13)
 - Sales tax revenues tend to increase with large construction projects, higher levels of discretionary spending, and destination-based purchases such as online shopping (e.g., Amazon).
 - Projected to be \$400,000 less than 2024 actuals
 - Public Safety Tax (jail) effective June 2024: 75% to County, 25% to City through 2028 (LINE 14)

TAXES- cont'd

- Utility Tax: Reduce by Council action in 2023. Staff does not recommend further reduction at this time.
- Solid Waste Tax: Overall steady with a slight increase in projected over 2024 actual.
 - Conservative budget for 2026 (LINE 9-10)

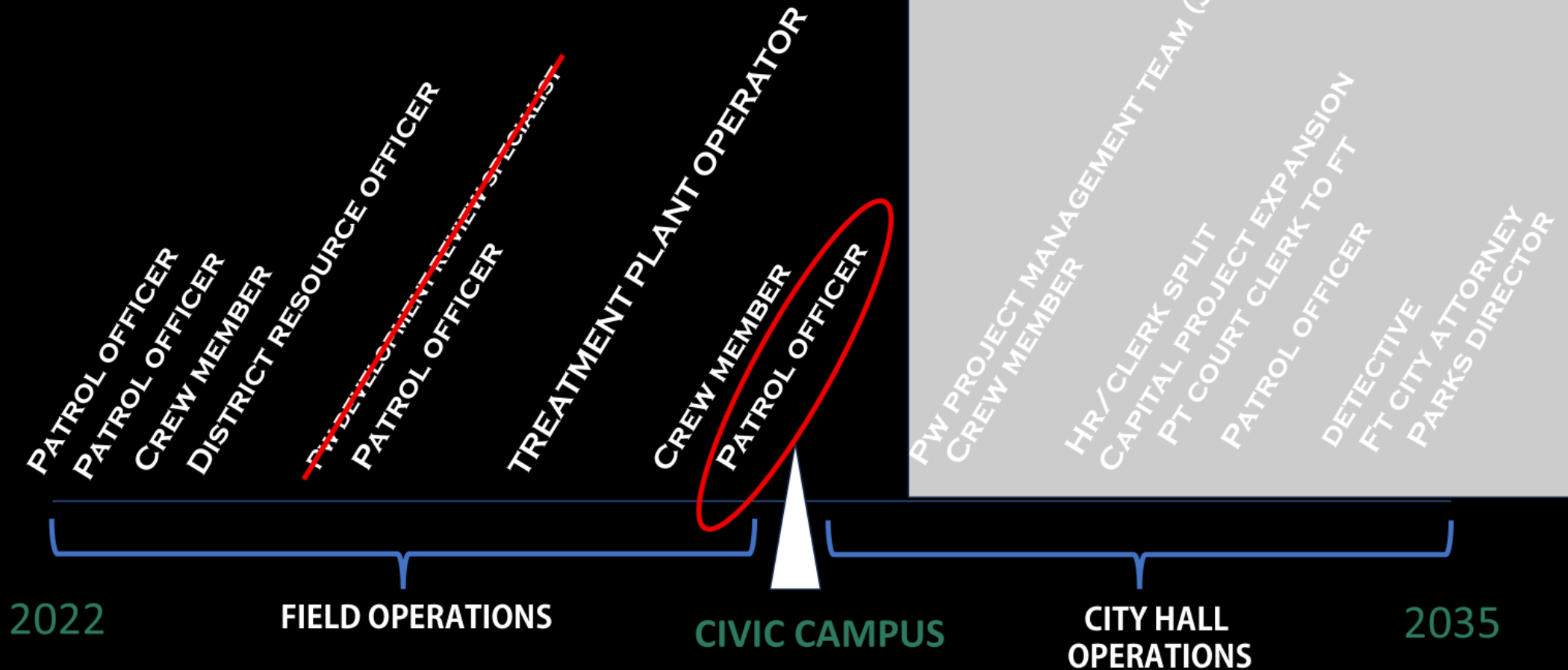
TAXES- cont'd

- Investment Interest Income: Considered a one-time revenue (LINE 206)
 - LGIP: closely tied to Federal Interest Rates
 - Long-term investments: currently at \$10m and performing near LGIP rates and above 2-year benchmark.
- While the “five-legged stool” provides the City with a strong and balanced financial foundation, staff does not recommend any further tax reductions that could weaken this structure or limit the City’s long-term fiscal stability.

TAXES AS A PERCENTAGE

- Taxes are the largest source of revenue for the City's General Fund.
- Property, Sales, and Utility Tax are expected to make up approximately 47% of the current expense revenues for 2026. This figure is down from 49% that was budgeted in 2025.

STAFFING CALENDAR



EXECUTIVE & LEGISLATIVE

- Increase in travel and training (LINE 264)
 - Council is encouraged to attend trainings (AWC, etc.)
- Continued exploration of shift to Prevention Model with collaboration between agencies
 - Likely to be reflected in the use of opioid settlement funds, advocacy, interlocal agreements, and long-range strategies
- Professional Services maintained at \$10,000 (LINE 311)
 - Funding provides opportunity to rapidly consult with professionals on emerging issues

COURT

(LINES 270-297)

2026 Preparing for transition

Larger caseload

- Larger Police Force=more filings
- Additional court days

Public Defender

- Hiring second defender –Welcome Todd Anderson
- Pending state changes
- Office requirements

Court Staff

- Digital transition (2026) Enterprise Justice
- Move to Civic Campus (2027)
- 2nd full-time court clerk

LAW ENFORCEMENT

- LE Administration Travel (+\$20,000) (LINE 431)
- LE Facilities (+25,000) which includes \$40,000 for exterior painting (LINE 453)
- O&M, Equipment & Uniforms, Active Shooter Response Kits (+\$34,000) (LINE 481-482, 485)
- Minor Office Equipment and Furniture (+\$10,000) (LINE 484)
- Professional Services, Contracted R&M, Records Management (-\$64,000) (LINE 489-491, 498-499)
- Training and Travel (+\$38,000) (LINE 494-495)

ADMINISTRATIVE SERVICES

- Salaries and benefits (LINE 320-326)
 - These lines include the Communications Officer.
- Training budget reduced by 50% in 2025. Maintaining same budget in 2026 (LINE 334)
- Neo Gov HR software was purchased in 2025. Annual subscription fee for 2026 is \$10,428 (paid from F550 – Internal Service Fund)
- Next Request Public Records Management software was purchased in 2025. Annual subscription fee for 2026 is \$10,800 (paid from F550 – Internal Service Fund)

COMMUNICATION

- Discontinued PEG Channel Fees (LINE 363)
- Reduced travel budget (-\$1,000) (LINE 369)
- PRTAB- Parks, Recreation, Trail Advisory Board (LINE 660)
 - Consistent with the last year, requesting the same amount.

FINANCE

- Reduced Financial and Investment consulting (LINE 348)
 - Includes Tara Dunford and Brian Carlson.
- Custodial Fees to OST for long-term investments (LINE 349)
- Added \$15,000 for financial software. While the current ERP is budgeted out of F510 – Internal Service Fund, additional funding is included to cover the crossover needed for smooth transition from current to new ERP (LINE 357)

GENERAL GOVERNMENT

- Increase to Insurance (+\$50,000) (LINE 461)
 - The City does not receive the WCIA invoice until after the budget is adopted. Costs have shown a consistent upward trend.
- Changes in Organization Grants- both amounts and recipients
- Audit has decreased (-\$25,000) (LINE 393)

COMMUNITY DEVELOPMENT

(LINES 537-556 and 686-715)

- Professional Service Contracts (Periodic Update to Comprehensive Plan)
 - Maul Foster & Alongi to continue to facilitate adoption of Climate Element
 - Transpo (1/2 funded by PW) to facilitate adoption of Transportation Element and revised Impact Fees

PUBLIC WORKS

- Increase to City Hall and Library Building Maintenance (+\$80,000) (LINE 587-588)
 - City Hall- Roof
 - Library- HVAC and Windows
- Professional Services (+\$40,000) (LINE 605)
 - Increase in billing rates and number of reviews
- Parks Professional Services (+\$90,000) (LINE 644)
 - Update to the Parks, Recreation, & Trails Master Plan. Total Cost is \$200k from 2026-2027
- Pioneer Stage (roll over from 2025 Budget) (LINE 671)
 - Waiting on final bid
 - Transfers from REET I/II & ARPA

OTHER INCREASES

Uncontrollable Costs

- Whatcomm Dispatch Fees (+\$30,000) (LINE 510)
- Emergency Service Contract (+\$10,000) (LINE 559)
 - Best guess. Final figures have not been received.
- Office Supplies and O&M Supplies
- Vehicle Costs, Utilities (PSE & CNG)
- Insurance (both health and property)
- Legal, Public Defender, Professional Services, etc.