



SECTION 2 – BUDGET DEVELOPMENT

2020 MAYOR’S BUDGET MESSAGE

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

All budgets are by definition a moral act. They are the means by which we take our values and making them physical; converting promises into policies and priorities into action. This budget that you now hold is the result of hundreds of hours of hard work by city staff, and the vision of your mayor and councilmembers. It represents a path forward towards a stable and promising future. There are many issues, long-neglected, that are finally addressed within and done so in a way that opens doors for future possibilities. The budget has two parts, the budget message which goes into depth about the underlying assumptions and policy goals and the budget itself which articulates how to carry those out. This is a responsible, fiscally-prudent budget that speaks to our values as a community, and I would like to express my appreciation for all those who informed is creation and development.

The 2020 Budget is respectfully submitted to the City Council and residents of the City of Ferndale. This budget complies with the Ferndale Municipal Code and the requirements of the State of Washington and represents our commitment and obligation to provide a balanced budget for the City Council’s consideration.

As a whole, the 2020 budget reflects a strong and growing economy, tempered by the costs linked to a fast-growing and fast-changing city. The budget represents a 42% increase above 2019 with the most significant increases in the enterprise funds, due to capital projects. In anticipation of coming lean years, the City is making a number of investments in facilities, public safety, and personnel.

However, the City is always mindful of the impact to the individual taxpayer and is using every effort to deliver the services required in a responsible and fiscally prudent manner. The 2020 Budget is comprehensive in nature and is charged with analyzing and predicting all anticipated revenues and expenditures, for all City operations. Every forecast includes some educated guesswork, but the numbers articulated in this budget reflect the research and lived experience of our municipality.

No budget can include every desired expenditure. And every budget is unique. The 2020 budget represents an increase over past years, a choice and decision that has been difficult. As noted at the beginning of this budget message, the primary reason for the budget increase in 2020 is the result of two generational capital projects: the Thornton Street Extension and the expanded Waste Water Treatment Plant. These two projects have been planned for many years, and the next several years will see these projects become a reality.

- Jon Mutchler, Mayor – City of 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 Finance Director is 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. 2118
AN ORDINANCE ADOPTING THE OPERATING BUDGET FOR THE
CITY OF FERNDALE, WASHINGTON, FOR THE FISCAL YEAR
ENDING DECEMBER 31, 2020

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, 2020 and hearings on the preliminary budget were held November 18 and December 2, 2019 pursuant to state law; and

WHEREAS, a notice was published that the City Council would meet on the 2nd day of December, 2019 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 2020 is hereby adopted at the fund level in its final form and content as set forth in the document entitled City of Ferndale 2020 Operating Budget, 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 2020 are set forth in summary form below, and are hereby appropriated for expenditure at the fund level during the year 2020 as set forth in the City of Ferndale 2020 Operating Budget Document.

<u>Fund Number and Name</u>	<u>Estimated Revenues</u>	<u>Appropriations Expenditures</u>
001 Current Expense (General Fund)	\$9,713,494	\$9,628,068
004 LEOFF 1 Police Retiree	204,000	100,000
005 Solid Waste Utility Tax	2,430,000	1,960,609
007 Pioneer Pavilion Com. Center Operating	39,000	53,828
101 Streets	1,014,323	1,689,602
102 Park Mitigation	152,000	204,613
104 Traffic Mitigation	752,000	800,000
106 Criminal Justice Fund	20,449	17,000
107 Local Criminal Justice	250,000	260,000
113 Ferndale Trans. Benefit District	430,000	550,000
114 Complete Streets	0	200,000
198 Hotel/Motel	50,000	51,500
214 Streets/Parks/Land Debt Service	122,097	122,097
215 LaBounty LID 2006-1 Bond Redemption	21,000	38,210
216 LaBounty LID 2006-1 Bond Guarantee	300	0
217 LaBounty GO Bond Redemption	26,720	26,720
218 2010 GO Bond Redemption	476,958	417,659
219 2011 GO Bond Redemption	158,800	159,400
220 2013 Library GO Bond Redemption	186,072	186,072
301 Real Estate Excise Tax First 1/4% REET 1	350,750	327,592
302 Real Estate Excise Tax Second 1/4% REET 2	350,750	900,000
370 Thornton Road Construction	17,200,000	15,000,000
401 Water	8,822,678	9,562,727
402 Sewer	22,890,730	23,145,934
403 2005 Sewer Revenue Bond Redemption	1,136,569	1,137,270
405 WWTP Debt Service Fund	9,000	0
407 Storm & Flood Control	6,982,733	5,479,559
408 Utility Loan Service	175,892	175,892
409 Water Debt Service	50,000	35,674
510 Computer Repair & Maint.	234,375	247,000
550 Equipment Repair & Maint.	1,037,917	1,187,397
650 Court Agency	225,000	225,000
651 Court Activity	100,000	100,000
TOTAL	\$75,613,607	\$73,989,423

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 2nd day of December, 2019.

ATTEST:

Jon Mutchler, MAYOR

Susan Duncan, CITY CLERK

ORDINANCE # 2117

AN ORDINANCE FIXING THE AMOUNT OF REVENUE TO BE RAISED BY PROPERTY TAXATION FOR THE YEAR 2020

WHEREAS, the Ferndale City Council did properly give notice of the public hearing on revenue sources held on November 4, 2019, and

WHEREAS, it is the intent of the Council to take an additional amount to include a portion of banked capacity, which includes the statutory 1% increase; 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 an increase in property tax revenue from the previous year, in addition to the increase 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 an in its best interest;

NOW THEREFORE, be it ordained by the Council as follows:

Section 1 That there be levied an increase of **\$473,437.64**, an increase of **38.7411%** over the amount levied for collection in 2019 (which amount was \$1,222,055.49), plus an increase equal to the maximum amount allowed under the new construction provisions of RCW 84.55.010 and plus the maximum allowable amount 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 18th day of November 2019.

ATTEST:

Jon Mutchler, Mayor

Susan Duncan, CMC, City Clerk