



SECTION 2 – BUDGET DEVELOPMENT

2021 MAYOR'S BUDGET MESSAGE

Honorable City Councilmembers and the People of Ferndale,

It is my sincere pleasure to present to you Ferndale's preliminary 2021 Budget for your review. Given the events of the last year, significant thought and discussion among City Staff, Council members, and individual community members are embedded in this year's budget. A city's budget is not only an outline of the organization's goals and aspirations, but also documents a community's priorities; reflecting what is vital to sustaining our city and the families that live and work here.

A budget is also a reflection of its time. It is a yearbook and an almanac. While the budget shapes the City for the next twelve months and sets the course for years to come, it is also very much a result of the path that lead us here. It is also important to remember that when reading this document and the budget itself that its purpose is to focus on City operations and to tell the story of the City. The City's budget, and the City's experience, will certainly be different from the experiences of individuals and individual businesses.

2020 was an unprecedented year for the City of Ferndale and the world. In our lifetimes there has never been a year that has been so divergent from the familiar, affecting in some way almost every interaction and every decision in both our public and private lives.

We began this year with six new City Council members, a new Mayor, an attitude of collaboration among City Staff and elected officials, a robust economy, and a ton of optimism for Ferndale's future. Going into Spring, optimism changed to concern as the weight of the COVID-19 pandemic became clear. Construction came to a halt, Alcoa announced the curtailment of their Intalco smelter at Cherry Point and the layoff of 700 workers, and all but the most essential businesses were forced to close. Public agencies rely on a strong private sector just as the private sector relies on efficient and responsible public agencies. Thus there was real concern that the loss of businesses could result in significant impacts to the City and its ability to provide services – further impacting the private sector.

Early concerns about the coronavirus's financial impacts to the City of Ferndale turned to relief by mid-year when our revenue numbers came in. So far, the City of Ferndale has weathered the financial storm better than many local jurisdictions. Ferndale's mix of revenue sources, sales taxes from large capital projects, combined with conservative forecasting and budgeting by Finance Director Salminen has put Ferndale in very good position - given all the circumstances.

Even more, Federal and State relief from the CARES Act allocated an initial \$429,000 and a subsequent \$214,500 (total: \$643,500) to the City of Ferndale to be used as Coronavirus relief. Though these funds are very restricted, they have allowed the City get relief for COVID-related expenses, while also providing meaningful grants to small businesses and community service organizations



through the Whatcom RE-Start program, non-profit relief, utility bill assistance, and the Ferndale Chamber of Commerce Business Sustainability Fund.

The City of Ferndale has always operated on a very lean budget, and 2021 will be no exception – the total 2021 budget of \$72,7111,000 represents an approximately 3% decrease from 2020, and the General Fund is forecast to increase by less than 1% from 2020¹. Even as the City's revenues are better than expected, it would be irresponsible to assume that the local economy will come roaring back in 2021, or that the positive trends that we have seen will necessarily continue. One of the essential characteristics of a successful budget is the ability to accurately forecast revenues and expenditures, and to be able to document why those forecasts have been made. While we are reasonably certain that we understand why Ferndale's revenues have remained strong, we also understand that the ever-evolving nature of this crisis means there is fragility in these trends. The uncertainty of 2021 demands a modest budget.

There may be a natural desire in some quarters to seek to address potential shortcomings in government budgets resulting from this crisis by pursuing tax increases above what is required to keep pace with inflation. The clearest example of such an increase is the City's use of "banked capacity" to increase property tax rates above the annual 1% increase authorized by Washington State.

From our perspective, banked capacity is not a revenue enhancement that should be taken lightly, and any such increase should be carefully considered within the context of the local economy as a whole. It became clear early on that taking banked capacity was "off the table" for discussion as part of the 2021 budget process. Many in our community are struggling and adding this additional burden at this time would not reflect the goals nor the values to which we aspire.

Instead, some large City capital projects have been "paused" as we refocus on taking care of the most acute needs in our community, planning for Ferndale's future, and shepherding to completion the large capital public works projects that began in 2020, namely the Thornton Road Overpass, and the Water and Waste Water Treatment Plant construction.

In early June, City Council engaged in a discussion to determine their budget priorities as a group. The list of city budgeting priorities that resulted highlight the council's desire to plan proactively for growth, while committing to community building. The Council sought to make clear that not all of the specific items listed would or could be completed in 2021, but that work should begin to achieve these goals. Staff and the Council observed that some of these goals are non-monetary or have a minimal budget impact.

¹ With the inclusion of CARES Act funding for 2020, the 2021 General Fund budget is expected to be less than the 2020 General Fund in terms of actual numbers.



Top 10 - Council Priorities

10.19.20

#	Description	Department	2021 Budget Elements
1	Minimize unnecessary spending	All Depts.	Adoption of Asset Management software, minimized increase for recurring purchases.
2	Community Center	PW	Potential inclusion in long-range City facility planning.
3	New courthouse/chambers	Courts	City facility planning limited in 2021 to space needs, programming analysis. Civic Campus site identified as preferred option (2020).
4	Improve Utility Billing system	Finance	Anticipated 2020 purchase of new Utility Billing software for online payments. Implementation in 2021.
5	Increased training for frontline staff	Police	Anticipated 2021 trainings spreadsheet to be provided to City Council.
6	Long-term City Hall solution- 5 year plan	All Depts.	City facility planning limited in 2021 to space needs, programming analysis. Civic Campus site identified as preferred option (2020).
7	Continue summer family events	Parks	Summer events included in 2021 budget, reliant on COVID-19 protocols.
8	Body cameras- Police Department	Police	Included in 2021 budget (recurring expenditure).
9	Install traffic calming in Residential areas	PW	No complete streets funding in 2021. Staff anticipates new street trees ordinance and potential modification to development standards related to traffic calming. Specific approaches will be determined on a case-by-case basis.
10	Fund School Resource Officer (SRO)	Police	Not included in 2021 budget. Funding and need for future SRO to be determined.

Within these goals as well as the discussion surrounding goals for 2021, some clear messages arise:

- Be modest;
- Take care of our community's youth and our community's most vulnerable while enhancing the unique sense of place that is Ferndale;
- Maintain service levels to our community while improving them where we can;
- Advocate for small business and further job creation within the Ferndale community and Ferndale Market Area,
- Prepare our City to take advantage of opportunities to invest in and prepare for the future.

Overall, the Council's direction has been to be intentional in decision-making, which means reducing or eliminating expenditures that cannot be tied to needs, relying on our long-range plans to determine the projects that we will pursue, and re-looking at those plans to ensure that they have not become dated.

With these goals in mind, Ferndale's 2021 budget includes the following;

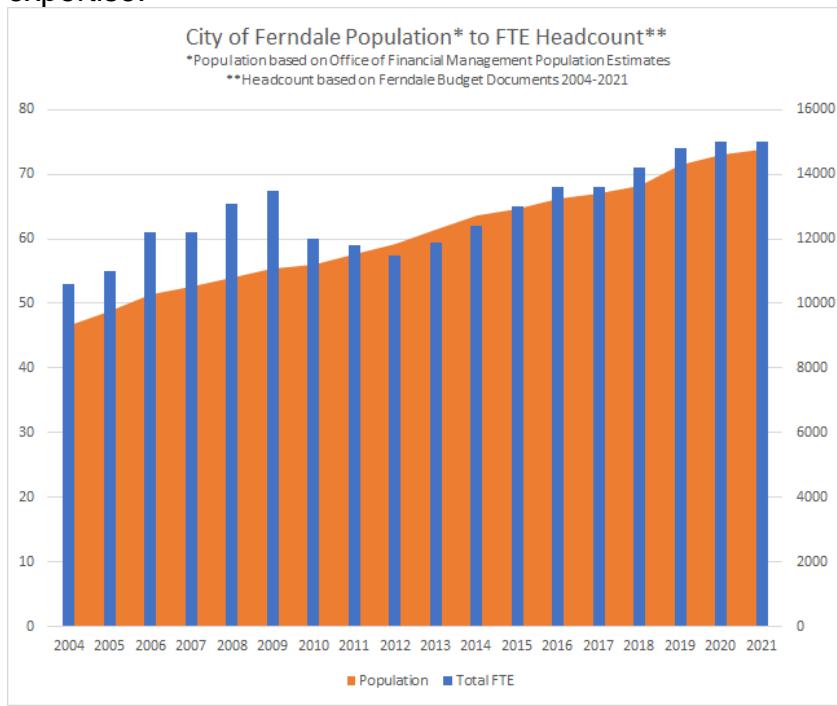
Funding necessary to maintain services and staffing levels. The draft budget does include cuts that would diminish services, staffing levels, or progress made on long-term goals. As noted, in many cases planned advancements have been placed on hold, but no staffing levels or service reductions are required for 2021 at this time.

Early in the COVID pandemic, we froze all hiring – except for the most necessary of positions or by filling key positions that had become vacant. We will carry this through 2021, pausing hiring that would increase staffing levels except for key public safety and public service positions. It is important to note that over the last 10 years, the City has only seen modest growth in City Staff and has typically operated with bare-bones staffing in most departments (see graph below).



While these austerity measures have been able to keep staffing costs relatively low, there is also the risk of placing too large a workload on individual staff members, which can result in burnout, unfamiliarity with certain aspects of specialized positions, lack of time for training and education, and more.

This risk is especially acute at the department head level, as department heads and other “senior staff” are often required to fill staffing gaps with their own time and expertise.



This budget does include money to invest in staff through additional training to provide opportunities for individual growth, expertise, and efficiency. We recognize that there are advantages to the City’s practice of “learning by doing,” but it is also important to make sure that our practices match our goals and conform to industry-wide best practices. To that end, nearly 150 trainings, conferences, and training workshops are planned in 2021 for City staff, and

every staff member will have opportunities to participate in trainings of a general nature, or specific to their individual duties.

This budget also invests in the City’s Senior Staff by renewing contracts that include raises. The City of Ferndale is fortunate to have these talented and dedicated individuals and we need to keep them here, working and lending their talents to Ferndale. Ferndale will never be able to match the salaries offered by larger jurisdictions or by some private sector organizations, but it can provide competitive compensation to these senior staff so as to maintain consistency within the organization over a multi-year period.

Temporarily increased funding of some community service organizations. Using a combination of City funds and CARES Act funds, the City is providing funding that will help ensure that organizations that work with youth and most vulnerable residents have the resources they need to meet this crisis. This budget, combined with CARES Act support provided in 2020, will increase funding to organizations whose mission is to serve our community.

Through the 2021 budget as well as CARES Act funding distributed in 2020, the City provided over \$200,000 in grants to individual Ferndale businesses to respond to COVID 19, and additional funding to local non-profit and service organizations that support Ferndale residents.



This additional funding reflects our belief that the demand placed on these organizations will increase as well. However, it is also important to make clear that the City views this augmented funding as a temporary increase, rather than as a funding enhancement that will become the norm in future budgets.

Investing in Body Cameras for Ferndale Police Officers. Body Cameras to document individual police interactions not only protects the public, it also protects our officers. This investment requires the purchase of body camera equipment, but also includes the storage of video footage and the administrative capacity to respond to public records requests related to that video footage. This is an investment that our police officers have requested, and body cameras have quickly become a tool that the community expects local law enforcement to have.

Efficiency Software. Perhaps most significant in this budget in terms of impacts (if not expense) are the investments in the City of Ferndale's long term processes and procedures. Modest investments in utilities billing software and asset management software are initiatives that have been on the "wish list" for many years. The 2021 implementation of this software allows our organization to spend less time shuffling paper and more time serving the public. The asset management software when fully implemented, will allow the City to anticipate expenditures for a variety of City assets ranging from vehicles to computers. It will also give the City the ability to analyze maintenance costs and needs, and plan for those needs into the future.

Capital Projects. This budget also includes limited funds to continue planning and design some capital projects in an effort to move them closer to shovel-ready. Road projects such as Ferndale Terrace and Thornton Street between Vista and Malloy could be eligible for State or Federal funding should infrastructure investments become part of an economic relief package.

In 2020 the City developed an extensive list of larger infrastructure projects that would support future growth, resiliency, and economic development in the Ferndale area. This list was provided to state and federal elected representatives in support of state or federal infrastructure funding packages. Other projects such as a permanent solution to the City's Municipal Court and City Council Chambers require a few years of planning and design to see completion. That process has begun and will continue through 2021.

Not Included in the 2021 Budget.

The majority of this budget message has focused on those additional items that are included in this budget, beyond what is required by law or existing contract or commitments. But it is also important to return to the City's list of multi-year goals in order to discuss what has not been included, and why.

New City Facilities: 2020 began with the expectation that it would end with progress on, and potentially funding for, new City facilities such as a new or expanded City Hall and Council Chambers/ Municipal Court. A new community center has also been discussed.

We have concluded that it is simply not the time to seek additional funding for substantial design or construction costs for these facilities. However, the need for these facilities is even more pressing in light of the pandemic. To be clear: there is no longer any question if new or expanded facilities are needed. It is a matter of when they will be built and how they will be paid for.



We have continued to make progress by developing a revised list of short and long-range needs and consolidating our location options to the existing City Hall/Ferndale Library campus. We believe that the progress made in 2020 will allow us enter the design phase in 2021, allowing the City to have durable, high-level plans ready to go when the economy rights itself and when the “new normal” of public and office interaction is known.

Student Resource Officer (SRO): As a function of budget reductions necessitated by a failed levy in early 2020, the Ferndale School District informed the City that it would be unable to extend the SRO contract for the 2020-2021 school year, or to pay the City the costs of supporting that officer. The City had discussed a continuation of funding for the SRO in order to maintain this resource in the schools, but with distanced learning as well as the societal discussions that have taken place in 2020, funding for the SRO position is not included in the 2021 budget. The 2021 budget enables us to maintain the police staffing levels budgeted for 2020, but does not anticipate an expansion in 2021. This means that the City will sustain the loss of the SRO funding without eliminating a position.

Final Thoughts:

The City of Ferndale’s 2021 Budget is a balanced budget that is rooted in the difficulty and uncertainty present at the time of its writing. 2020 was an unprecedented year and as we enter 2021, this budget puts the city on solid footing to protect our most vulnerable, retain essential services and prepare for Ferndale’s future. This document reflects not only our values, but it is a commitment to the community that the City of Ferndale will continue to work towards our community’s shared growth, prosperity and health.



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 six months of work and consideration by many individuals. Beginning in June, 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 October, 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.

<u>2021 Deadline Dates</u>	<u>Budget Process Action Items</u>
Friday, June 5	Six-year capital plan worksheets distributed to Department Heads.
Wednesday, June 10	Council budget workshop.
Friday, June 12**	Department Heads requested to prepare estimates of revenues (if applicable) and expenditures.
	Notification to public for submissions for Lodging Tax.
	Notification to public for submissions for Organizational Grants.
Wednesday, June 17	First draft of Six-year capital plan due to Finance Department.
June 22-June 26	Department Head meetings with Finance Director and City Administrator regarding capital plan.
Friday, July 10	First draft of estimates of revenues and expenditures (from departments) due to Finance Department.
	Final Six-year capital plans due to Finance Department.
July 20 – July 24	Department Head meetings with Finance Director regarding first draft of estimates of revenues and expenditures.



Friday, July 31	Applications due for Lodging Tax.
	Applications due for Organizational Grants.
Month of August	**LTAC meets to review applications.
Friday, September 4**	Final budget estimates from departments to be filed with Finance Director.
	LTAC recommendations to be filed with Finance Director.
	Organizational Grant proposals to be filed with Finance Director.
Monday, September 28**	Budget estimates presented to Mayor/City Administrator for modification, revision, or additions.
Monday, October 5**	Mayor presents 2021 Preliminary Budget message to Council and provides the Council with the proposed preliminary budget for 2021.
	Council budget workshop.
Monday, October 19	Council budget workshop.
Monday, October 26**	Publication notice for public hearing on property tax levy (public hearing Nov. 16).
	Publication notice for public hearing on preliminary budget (public hearing Nov. 16).
Wednesday, October 28	Preliminary budget made available to the public.
Monday, November 2	Council budget workshop.
Monday, November 16**	Public hearing – property tax levy. Set property tax levy.
Monday, November 16**	Public hearing – preliminary budget. Council budget workshop.



City of Ferndale, Washington

2021 Preliminary Budget

Monday, November 16**

Publication notice for public hearing on final budget (public hearing Dec. 7).

Monday, December 7**

Final public hearing on proposed 2021 Preliminary Budget.

Adoption of 2021 Preliminary Budget by City Council.

**Required by RCW