



Budget Message

February 2, 2007

(originally presented November 6, 2006)

Honorable Mayor and City Council People of the City of Mountlake Terrace

Dear Mayor, Councilmembers, and Fellow Residents:

I am pleased to present to you the City's 2007/2008 Adopted Biennial Budget. This policy document represents our continued commitment to prudent fiscal management, effective service delivery and providing our citizens with the highest quality of life. The budget establishes the direction for all City government programs and services for the coming biennium. It represents the synthesis of Council direction and staff recommendations on how to best accomplish Council Goals and respond to community needs in accordance with available resources, established policies and sound administrative practices. With this in mind, the review and adoption of the budget is one of the City Council's most important roles.

This is an exciting time in the history of Mountlake Terrace. The Mountlake Terrace community has so much potential. Our strategic location along I-5 between Seattle and Everett along with our strong demographics, significant purchasing power and terrific community amenities makes Mountlake Terrace a very attractive community to live, work and play. Yet, in many ways, Mountlake Terrace faces the same challenges as other communities - especially in the areas of economic development, capital infrastructure needs and financial stability.

The 2007/2008 Adopted Biennial Budget is a financial plan that will move our community toward its achievement of goals, within the constraints of available resources. This budget document is the means for allocating the resources of the city to a variety of programs necessary to protect the community's physical security, enhance the community's quality of life, increase economic development efforts, and maintain and develop the city's facilities and infrastructure.

The City owes its current strong general government financial standing to balanced, sustainable policies and leadership from the City Council, particularly in terms of setting funds aside for unanticipated needs. Because of these policies and leadership, the City is able to be proactive when dealing with new issues that may impact its biennial budget and long-term financial forecast.

The City's reserves are very strong with financial resources set aside to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations. In this way, the City can expect to be a municipality noted for its responsible fiscal management and ability to deliver projects and programs that will enhance the lives of all those living and working in the community.

The Economy

The adopted budget reflects both the opportunities and challenges of a slowly improving economy. Current economic indicators project a somewhat pleasant forecast, at least for the near future, as Boeing continues to add new workers (though at a slowing rate), with some increased hiring at Microsoft and a continued healthy construction environment.

With the help of a stable economy and guidance from the City Council in terms of comprehensive financial policies, the City's short-term financial outlook is good. In addition, because we have developed a long-term financial forecast, we are well positioned to identify trends that will affect us in the future. Currently, there is no evidence that the present economic cycle is slowing significantly, and the City is experiencing stable economic conditions overall.

Most local governments throughout the Puget Sound region and United States are still feeling the impact of the past recession. Mountlake Terrace is no exception. We continue to monitor our budget closely to insure that we spend within our needs. However, despite the economic volatility over the past few years, services for residents have been enhanced and the City has moved forward on many strategic fronts including:

- Initiation of a Town Center Plan. The plan is expected to provide a returned vibrancy and growth of our downtown commercial area.
- Development of a 6-year Financial Forecast. This forecast improves the short- and long-term financial sustainability and stability of the City by tracking revenues and expenditures over time.
- Development of a 6-year Capital Improvement Plan (CIP) and Transportation Improvement Plan (TIP). The CIP and TIP provide a safe and well-maintained community for the enjoyment of all residents, and provide an investment plan to avoid greater replacement costs in future years for all infrastructure systems (streets, sidewalks, traffic, facilities, parks, water, sewer, and storm drainage).
- Development of pavement management restoration plan. This plan identifies various overlays and chip/slurry seal projects over the next six years to greatly improve our streets.
- Implementation of Information Technology Improvements. Mountlake Terrace has replaced its financial and accounting systems, implemented a new utilities customer billing system (including on-line payment capability), and implemented a new on-line recreation registration system. These investments are expected to improve service to our growing customer base, while also enhancing the City's efficiency.
- Revisions to Development Code. Our development code (e.g., street standards, residential requirements, and commercial requirements) and development services process currently is under review to improve the timeliness and consistency of the permitting process.
- Increased Community Outreach, Information and Education. The City has greatly improved its community outreach process through the use of a retooled website, increased frequency of City Happenings newsletter, Town Hall and community roundtable meetings, increased press releases, e-government (e.g., on-line utility billing and on-line recreation registration), public information brochures (e.g., code enforcement), proactive intergovernmental and legislative relationships, and the continued support and involvement of various community events (e.g., Spring Clean-Up, National Night Out and Tour de Terrace)

- Enhancement of various municipal services. Mountlake Terrace has committed to ensuring adequate resources are available to protect the community's appearance by increasing efforts in parks maintenance, street and right-of-way maintenance, code enforcement and police bicycle patrols for improved visibility.

These initiatives position the City well for the future and will provide investment returns to Mountlake Terrace for years to come.

Organization of the Adopted 2007/2008 Biennial Budget

This budget message is intended to provide the City Council with a broad overview of the adopted budget and key changes and issues. The Executive Summary that follows provides a more detailed analysis of revenues, expenditures and operating changes. Each department and program budget that follows the Executive Summary then lays out the mission, services provided, goals and objectives for 2007/2008, performance measures, a multi-year summary of costs and staffing, and highlights and changes.

The departmental and program budgets are divided into three key sections: General Government Funds, Capital Improvement Funds and Utility Funds:

1. General Government Funds
 - General Programs
 - City Council
 - City Manager
 - Municipal Court
 - Administrative Services
 - Police and Jail
 - Fire and EMS
 - Property Management
 - Community Development
 - Parks
 - Special Revenue Programs
 - Street Operations
 - Strategic Reserve
 - Hotel/Motel Tax
 - Solid Waste Service
 - Recreation
 - Accumulated Leave Reserve
 - Debt Service
 - Internal Service
 - Equipment Reserve & Replacement
2. Capital Improvement Funds
 - Real Estate Excise Tax (REET)
 - Street Construction
 - Capital Improvement
 - Facilities Construction
3. Utility Funds
 - Storm Water
 - Storm Water Construction
 - Sewer
 - Sewer Construction
 - Water
 - Water Construction
 - Water and Sewer Revenue Bond

Linking the Budget with City Council Goals and Budgeting for Outcomes and Results

The key purpose of a municipal budget is to provide a link between City Council goals and government programs that are measured to ensure those goals are being reached. The City must be receptive to the needs of the community and proactive in the management of development and revitalization in order to promote a safe and vibrant environment throughout the community.

This budget incorporates performance measures, which are designed to get every city department thinking about how it can advance the goals set by the Council and help the Council determine ways to get the best return on the community's investments in programs and infrastructure.

Likewise, we are constantly seeking to improve our operations and services. Performance measurement is one of the tools we use to do this. Performance measures are integrated into our budget to ensure accountability and establish the link between resources and results.

The following five Council goals, adopted in April 2006, provide overall guidance for the budget, and serve as a basis for decisions and recommendations during the budget process:

Goal 1: Protect and Enhance the City's Financial Health and Stability

Objective: A financial strategy that achieves financial stability and sustainability through strong financial policies and by matching current financial resources with current operating uses over the long term, while maintaining adequate reserves. It is also important to recognize the need to identify new sources of revenue accompanied by strategies to implement cost containment and/or reduction strategies during periods of financial uncertainty or economic downturn.

Goal 2: Generate Economic Development throughout the Community

Objective: An economic development strategy that will create jobs and improve the tax base in the community with a particular focus on the community's commercial corridors, while preserving and protecting existing single-family neighborhoods. Pursue economic development opportunities that balance the pursuit of revitalized commercial corridors with maintaining and enhancing the community's single-family residential character.

Goal 3: Review and Prioritize Capital Infrastructure Needs and Implement Projects

Objective: A capital improvement program that provides a safe, clean, and well-maintained community for the enjoyment of all residents and to provide preventive maintenance to avoid greater replacement costs.

Goal 4: Develop and Implement More Effective Communication and Outreach with the Community

Objective: Improve City effectiveness through ongoing enhancement of communication and public involvement, with a commitment to involving and updating the community on city issues and services, reflecting and supporting Mountlake Terrace's community values.

Goal 5: Maintain Appropriate and Essential Public Services in a Cost-Effective Manner

Objective: Achieve service excellence by periodically re-evaluating policies, programs, processes and structures to improve service delivery, communication and understanding to maximize the leveraging of our resources, which in turn results in the City's ability to deliver projects and programs that will enhance the lives of all those living and working in the community.

Budget Summary and Highlights

With the help of a stable economy and fiscal and budgetary guidance from the City Council via comprehensive financial policies, the City's fiscal strength in 2007/2008 is improved. The City's short-term financial outlook is good and because we have developed a long-term financial forecast, we are well positioned to identify trends that will affect us in the future. Currently, there is no evidence that the present economic cycle is slowing significantly, and the City is experiencing stable economic conditions overall.

The 2007/2008 Adopted Biennial Budget amounts to \$58,636,834 in 2007 and \$45,149,518 in 2008. The General Government Budget totals \$28,144,408 in 2007 and \$28,077,612 in 2008. This is supplemented with \$16,428,374 in capital improvements in 2007 and \$4,104,743 in capital improvements in 2008. The utility budgets, which consists of storm water, sewer and water totals \$14,064,052 in 2007 and \$12,967,163 in 2008 and includes both a maintenance/operating component and a construction component.

	2006	2007	2008
	Revised	Adopted	Adopted
General Government Funds	30,607,749	28,144,408	28,077,612
Capital Improvement Funds	6,548,865	16,428,374	4,104,743
Utility Funds	<u>16,031,295</u>	<u>14,064,052</u>	<u>12,967,163</u>
Total	\$53,187,909	\$58,636,834	\$45,149,518

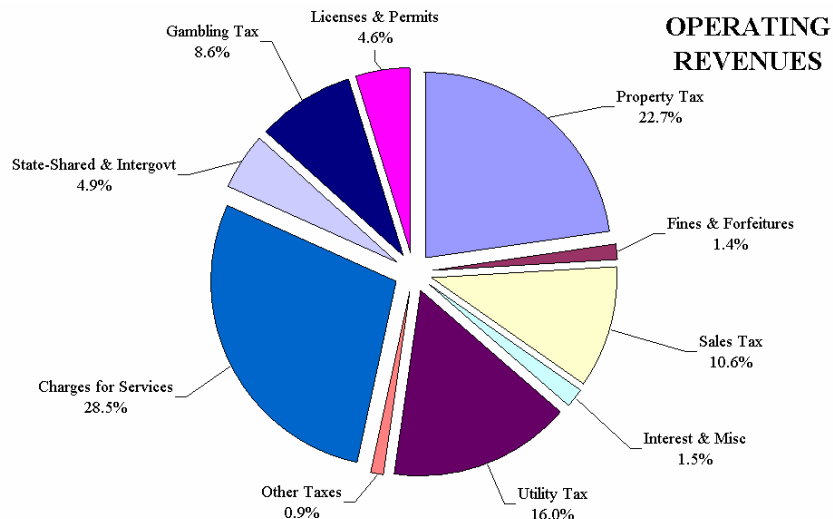
Section 1: General Government Funds

The 2007 and 2008 general government operating budget, which accounts for municipal services such as police, jail, court, fire, EMS, streets, parks, recreation, land use and zoning, planning, development services, debt service, and general administration such as finance, information services and community outreach and information amounts to \$28,144,408 and \$28,077,612 respectively.

Where the Money Comes From

GENERAL GOVERNMENT FUNDS	2006	2007	2008
	Revised	Adopted	Adopted
Beginning Fund Balances	\$9,464,261	\$8,157,098	\$6,652,884
Operating Revenues			
Property Tax	3,933,209	4,003,184	4,059,670
Sales Tax	1,800,000	1,854,000	1,909,620
Utility Tax	2,760,876	2,836,175	2,935,058
Gambling Tax	1,400,000	1,500,000	1,560,000
Other Taxes	164,000	165,600	167,216
Licenses & Permits	880,048	813,593	832,312
State-Shared & Intergovt	841,688	870,889	883,105
Charges for Services	5,797,542	4,972,424	5,149,476
Fines & Forfeitures	250,000	250,000	255,000
Interest & Misc	<u>184,449</u>	<u>264,044</u>	<u>267,539</u>
Total Operating Revenues	18,011,812	17,529,909	18,018,996
Other Financing Sources	3,131,676	2,457,401	3,405,732
Total Revenues & Sources	<u>\$30,607,749</u>	<u>\$28,144,408</u>	<u>\$28,077,612</u>

The City expects to receive \$17,529,909 and \$18,018,996 in general government operating revenue in 2007 and 2008, respectively. This operating revenue is supplemented with available fund balances of \$8,157,098 in 2007 and \$6,652,884 in 2008 as well as other



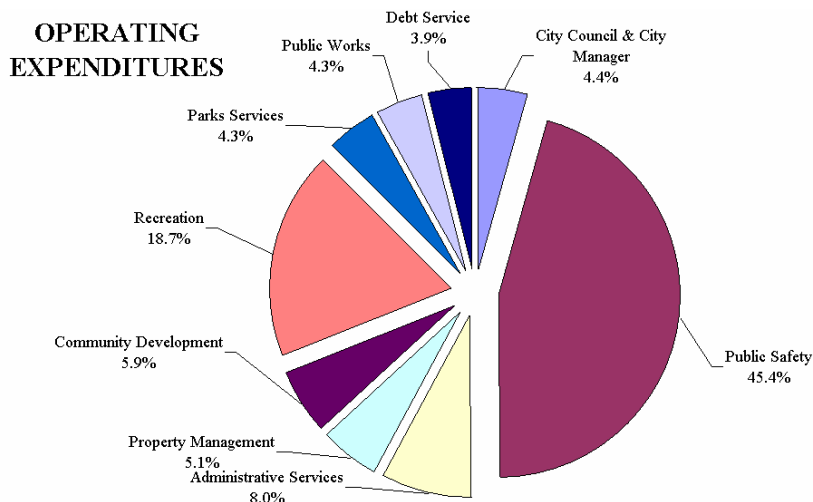
financing sources, including interfund transfers between different funds for a general government budget totaling \$28,144,408 in 2007 and \$28,077,612 in 2008. Major operating revenues include charges for services, primarily recreation fees, property tax, utility tax, sales tax and gambling tax. The balance of operating revenue is comprised of licenses and permits, interest, fines and forfeitures, state-shared revenue such as motor fuel tax, and other taxes.

Where the Money Goes

GENERAL GOVERNMENT FUNDS	2006 Revised	2007 Adopted	2008 Adopted
Operating Expenditures			
City Council & City Manager	739,099	751,334	755,271
Administrative Services	1,379,347	1,334,349	1,405,748
Property Management	1,075,066	890,072	876,495
Public Safety	7,345,460	7,603,849	8,000,561
Community Development	1,751,095	988,452	1,029,241
Recreation	3,237,525	3,158,773	3,274,225
Parks Services	830,780	719,754	767,246
Public Works	922,800	622,653	840,416
Debt Service	<u>711,519</u>	<u>675,738</u>	<u>666,528</u>
Total Operating Expenditures	17,992,691	16,744,974	17,635,731
<i>Operating Surplus (Deficit)</i>	<i>19,121</i>	<i>784,925</i>	<i>383,265</i>
Other Financing Uses	4,327,333	4,746,549	3,845,825
Ending Fund Balances			
Contingency (2% of GF Oper Exp)	729,820	268,953	284,002
Reservies (5% of GF Oper Exp)	916,332	672,383	710,006
Strategic Reserve (5% of GF Oper Exp)	206,239	952,985	991,104
Designated/Reserved:			
Streets, Recreation & Debt Svc	206,239	-	-
Equipment Replacement & Reserve	2,292,982	2,447,166	2,669,084
Hotel/Motel - Tourism	25,778	20,000	-
Solid Waste Services	53,558	44,631	34,705
Accumulated Leave Reserve	<u>758,659</u>	<u>278,659</u>	<u>289,819</u>
Subtotal Designated/Reserved	3,337,216	2,790,456	2,994,607
Undesignate/Unreserved	<u>3,304,357</u>	<u>1,968,108</u>	<u>1,616,337</u>
Total Ending Fund Balances	8,287,725	6,652,885	6,596,056
Total Expenditures and Uses	<u>\$30,607,749</u>	<u>\$28,144,408</u>	<u>\$28,077,612</u>

The 2007 and 2008 operating budgets amount to \$16,744,974 and \$17,635,731, respectively. These expenditures are supplemented with ending fund balances of \$6,652,885 in 2007 and \$6,596,612 in 2008 as well as other financing uses, including interfund transfers between different funds for a general government budget totaling \$28,144,408 in 2007 and \$28,077,612 in 2008.

Public safety, which includes police, fire, EMS, jail and municipal court services comprise the



largest component of the operating budget, representing 45.4% of total operating expenditures. Recreation services, which is funded primarily with fees for services comprises second largest component of the operating budget at 18.7% followed by administrative services, community development, property management, city council & city manager, park services, public works, and debt service.

The City's reserves are very strong with financial resources set aside to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations.

Section 2: Capital Improvement Funds

A solid plan for delivering major capital improvement projects to the community is also included in this budget proposal. The City's Capital Improvement Funds, which include street and sidewalk construction, facilities, parks improvements, information technology investments, and traffic control investments, are projected to be \$21.4 million between now and 2012, including \$9.7 million into streets, roads, sidewalks, and traffic calming.

The following is a summary outlining capital investments by program for 2007 and 2008:

CAPITAL IMPROVEMENT	Revised	Adopted	Adopted
Street (overlay & chip seal)	\$ 1,396,480	\$ 1,010,000	\$ 738,500
Future street reconstruction projects, traffic calming	70,622	1,190,000	-
Traffic & signal control	340,102	42,800	425,500
Transportation Plan	-	160,000	-
Recreation & Parks	63,400	226,000	226,200
Information Technology	128,050	283,350	270,000
Property Management	53,251	503,712	148,000
Police	81,300	-	-
Interurban Trail	-	146,700	-
Turf Field at Mountlake Terrace High School	25,000	-	-
Engineering Services	87,000	115,828	121,268
Town Center Investment (i.e., streets, roads, streetscapes, utility under-grounding, art, etc.) and City Hall	-	8,500,000	-
Total Projects	2,245,205	12,178,390	1,929,468
Transfer to Debt Service & CIP Funds (from REET)	352,336	1,745,468	777,261
Ending Fund Balance-designated /reserved for capital projects	3,951,324	2,504,516	1,398,014
Total Capital Improvement Budget	\$ 6,548,685	\$ 16,428,374	\$ 4,104,743

There are additional capital needs that cannot be included in the current budget due to the limited funds available to our community. The capital improvement section of this budget includes a list of needs that are currently not included in the adopted budget.

Section 3: Utility Funds

The City operates three utilities: storm water, sewer, and water. The 2007 and 2008 utility operating budgets total \$9,603,957 and \$9,647,520 respectively. In addition to the operating budgets of these utilities, \$4,460,095 and \$3,319,643 are adopted for utility construction improvements in 2007 and 2008, respectively.

UTILITY FUNDS	2006	2007	2008
	Revised	Adopted	Adopted
Sewer Utility	\$ 4,332,218	\$ 3,930,008	\$ 4,543,785
Water Utility	5,063,172	4,241,789	2,996,045
Storm Water Utility	1,569,058	1,432,160	2,107,690
Subtotal Utilitiy Operations	10,964,448	9,603,957	9,647,520
Sewer Construction	1,760,001	1,295,764	1,128,635
Water Construction	1,585,298	2,207,276	1,760,847
Storm Water Construction	1,347,930	700,522	324,955
Water/Sewer Revenue Bond	257,715	256,533	105,206
Subtotal Utilitiy Construction	4,950,944	4,460,095	3,319,643
Total	\$ 15,915,392	\$ 14,064,052	\$ 12,967,163

Each utility is a stand-alone enterprise funded with user fees collected from the customers of each system (i.e., residential property owners, commercial property owners, etc.). These revenue sources are collected to finance both the ongoing maintenance and operations of each system, as well as construction projects in support of system rehabilitation and expansion.

The one area of concern is the ability of our utilities to finance needed construction projects in both the short- and long-term. The 6-year financial forecast developed in 2006 revealed fund deficits totaling \$2.0 million in the storm water utility, \$2.9 million in the sewer utility, and \$5.7 million in the water utility at the end of 2012 at the current rate structure.

During the budget process, the Council evaluated seven financing scenarios, including advantages and disadvantages, to address how to maintain the fiscal integrity and viability of the utilities and address the City's aging utility infrastructure by investing more than \$19 million in needed water, sewer and storm water improvements over the next 6 years.

This budget includes a combination of streamlining operating budgets, reducing utility reserves, together with rate adjustments and debt financing to finance utility construction not only in 2007 and 2008, but also for the years through 2012. These investments are needed to provide for the adequate replacement and repairs of our utility infrastructure as much of it approaches 30 to 50 years old.

The rate adjustment that was adopted in late 2006 provides for a 30% discount for resident homeowners who are senior citizens with a household income equal to or less than 140% of the federal poverty level. The rate structure that was adopted is displayed in the chart below.

	MONTHLY UTILITY RATES						
	Current	2007	2008	2009	2010	2011	2012
Storm Water		6.00%	6.00%	5.00%	5.00%	5.00%	3.00%
	\$5.50	\$5.83	\$6.18	\$6.49	\$6.81	\$7.15	\$7.37
Sewer		3.00%	3.00%	2.00%	3.00%	4.00%	3.50%
	\$27.17	\$27.98	\$28.82	\$29.40	\$30.28	\$31.49	\$32.59
Water		4.00%	5.00%	5.00%	5.00%	5.00%	4.60%
	\$17.91	\$18.63	\$19.56	\$20.54	\$21.56	\$22.64	\$23.68

Note 1: Rates have not been adjusted in three years.

Note 2: Consumption for water and sewer is based on a residential average of 12 ccf per month.

Note 3: Low-income senior citizen bills are reduced by 30%.

Budget Highlights by Council Goal

Goal 1: Protect and Enhance the City's Financial Health and Stability

- Updated 6-year financial forecast (2007-2012) and updated 6-year Capital Improvement Plan (CIP).
- Updated financial policies.
- Performance measures incorporated into the adopted budget.
- Updated 6-year Information Technology Plan, including the reclassification of Computer Support Technician to IT Systems Administrator and the reallocation of current contracted IT resources to an entry level Computer Support Technician.
- Designated street funding identified (e.g., overlays, chip sealing, sidewalks, and seed monies for future street reconstruction, traffic calming and sidewalks).
- Alternative delivery service means evaluated, particularly: the reduction in 5 FTE custodial positions and transition to more cost effective contracting for custodial services; reduction of one Customer Service Specialist; and reclassification of Personnel/Management Analyst from Human Resources Manager.
- General fund reserves are funded consistent with our financial policies;
 - 5% of General Fund operating expenditures set aside as undesignated General Fund reserves to mitigate unforeseen emergency needs;
 - 2% of General fund operating expenditures set aside as contingency to accommodate unexpected operational changes; and
 - A strategic reserve, currently equal to 7% of General Fund operating expenditures set aside for catastrophic natural or economic disasters.

Goal 2: Generate Economic Development throughout the Community

- Initiation of a Town Center Plan, including capital investment funds totaling \$8.5 million set aside for Town Center improvements (e.g., roads, underground utilities, streetscapes, planned action ordinance, art, etc.) and new City Hall. Primary funding are Councilmanic GO Bonds financed with existing real estate excise taxes, one-time transfer totaling \$500,000 from Accumulated Reserve Fund and additional capital improvement funds.
- Evaluate public/private partnerships in support of Town Center project (e.g., Senior Center, Library, City Hall, Sound Transit, etc.)
- Development of an Economic Vitality and Marketing Strategy to promote and provide for the City's continuing development as an attractive community with opportunities for business, housing, and education.
- Continue evaluation and revision of development code (i.e., street standards, residential requirements, commercial requirements, subdivision code, administrative code, ROW/vegetation code, storm water code, traffic code, PUD code, conservation strategy, etc.)
- Implement streamlined development services (permitting) process, including the addition of a second Permit Technician funded with development services fees and permits management system software system.
- Membership in Snohomish County Economic Development Council to promote and coordinate economic development in Mountlake Terrace.
- Development of a business welcome packet.

Goal 3: Review and Prioritize Capital Infrastructure Needs and Implement Projects

- Updated 6-year Capital Improvement Plan (CIP) and Pavement Management System
 - Proactive Street Construction budget (e.g., overlays, chip sealing, sidewalks, and seed monies for future street reconstruction, traffic calming and sidewalks).
- Provides funding for the development of a Transportation Plan, including the evaluation of traffic impact fees and development of sidewalk priority placement and replacement program.
- Capital investment projects in support of information technology, property management, parks, and recreation:
 - Provisions to upgrade, enhance, and improve information technology services, equipment, and applications (i.e., cable TV programming, GIS, permits management system, server replacements, PC and monitor replacements, printer replacements, upgraded application software, etc.).
 - Recreation Parks Master Plan funding to evaluate future recreation and park needs including skate park and off-leash dog park opportunities, acquisition of land for future park, trail & open space uses, impacts of Disc/Frisbee Golf to Terrace Creek Park, and needs of additional trails and greenbelts within the community in old and new areas.
 - Property Management capital project investments including: new phone system for City Hall and Police Station; HVAC replacement at the golf course clubhouse; carpet replacement at library; HVAC controls at Police Station; facility improvements at Public Works shop (e.g., exterior painting, restrooms, and equipment roof); and facility improvement at Recreation Pavilion (e.g., sprinkler system, pool deck resurface, storefront glass, main pool pump, HVAC filter system, family changing room, remodel of locker rooms; office and program furnishings; cardio room equipment; registration kiosk; spray toys for leisure pool; and dance floor for middle court).
- Storm water utility construction projects include the continuation to develop and implement Lake Ballinger watershed partnering strategy as well as funding in support of the development of the City's first Storm Water Comprehensive Plan. In addition, construction resources are allocated to replace and repair various storm water lines and repair of storm water lines prior to the annual overlay program. Lastly, the construction budget proposes funds to construct a decant facility (funded together with Sewer and Water utility funds) to handle soil and other debris excavated during maintenance of our utilities.
- Sewer construction projects include the replacement, relocation and repair of various sewer mains, including those needed in advance of the annual street overlay project. The sewer construction budget also proposes funds to construct a decant facility (participate with Storm Water and Water).
- Water construction projects include the replacement and repair of various water mains, including those needed in advance of the annual street overlay project. The water construction budget also proposes funds to construct a decant facility (participate with Storm Water and Sewer).

Goal 4: Develop and Implement More Effective Communication and Outreach with the Community

- Provides funding for continued community outreach and information including: a retooled website; bi-monthly City Happenings newsletter; E-government (e.g., on-line utility billing, on-line recreation registration); public information brochures (e.g., code enforcement, utilities); regular press releases; public hearings; legal notifications; joint meetings with Council's Advisory Commissions, Committees and Boards; proactive intergovernmental relationships; proactive Legislative agenda; and volunteer recognition event.

- New community outreach and information programs include: Council meetings in neighborhoods; coffee with City Councilmember and City Manager; Town Hall and community roundtable meetings (e.g., public safety, recreation and parks plan); City Council State of the City Address; Budget-in-Brief; improved City signage; public information kiosks at city facilities; Council meeting materials and audio feed of meetings available on the Internet; and televised Council meetings via local government cable channel.
- Additional one-time resources are provided for a community survey in both 2007 and 2008, the 2007 survey being a customer satisfaction survey measuring municipal services and a 2008 survey focusing on budget priorities.
- Reclassification of City Clerk/Executive Assistant to City Clerk/Community Relations Manager.
- Resources allocated in support of various community events (e.g., spring clean-up, National Night Out, Tour de Terrace) plus the addition of one-time funding in 2007 for the City to sponsor a community July 4th fireworks event and funds set aside in 2008 to partner in regional efforts to support the 2010 Olympics.

Goal 5: Maintain Appropriate and Essential Public Services in a Cost-Effective Manner

- This budget provides funding to ensure the community's safety, appearance and environment are protected, particularly: police bicycle patrols in parks and neighborhoods to increase visibility; reinstatement of SWAT/Felony Search Warrant Team; addition of a second code enforcement officer; and community assistance funds in support of code enforcement strategy.
- Increased efforts in addressing deferred park maintenance needs, including bringing a Parks maintenance worker from half-time to full-time and leveraging part-time, seasonal and contracted services; additional resources in support of deferred street right-of-way maintenance; and the reclassification of two public works maintenance workers to lead positions in support of Street/Storm Water operations and Water/Sewer operations versus the current self-directed work team approach.
- Resources allocated to review and evaluate solid waste contract options.
- Funding for off-site archive and records storage including funding for one-time temporary help to assist with records management.
- Continuation of annual community grant program, including additional funding in support of Tour de Terrace and continuation of Seniors Group annual contribution.

Departments made limited additional budget requests. These were prudent, but many were either not funded or funded at lower levels than requested.

- Economic Development program
- Spring Cleanup (free drop-off)
- Records Clerk
- Increased bandwidth to remote facilities
- Building Inspector/Plans Examiner
- Hand outs and brochures for development community
- On-line permitting with credit card payment system
- Administrative Assistant in support of Engineering Services
- Engineering Technician

All of these proposals were well considered and were high priorities for the departments that requested them. However, it is expected that we will revisit several of these requests, particularly the creation of an economic development program either in early 2007 after the adoption of a Town Center Plan or as part of the mid-biennium review in mid-2007.

Other Issues Affecting the Budget

The adopted budget is balanced, and stable revenue growth allows the recommendation of additional expenditures to better serve a vibrant community. The City's fiscal position and the local economy are strong. However, there are possible concerns on the horizon.

First, there are a number of issues in our financial makeup that could impact our fiscal security. Of particular concern is the City's reliance on gambling taxes for basic municipal services - a total of 11% of General Fund revenue and 9% of total operating revenue. In addition, legislative changes and rising health care costs, not only for our current employees but also our LEOFF 1 retirees, represent an unknown liability on the horizon. Additional concerns include a slowing of the housing market nationally, which could have an impact on consumer spending.

Second, there is a growing demand for services that impacts all areas of the budget in terms of quantity and quality. Residents want improved maintenance of our parks and streets (quality), while at the same time wanting additional park land and sidewalks (quantity). Only through ongoing dialogue with the community will be able to identify, prioritize and sustain the balance between taking care of what we have and adding to it.

Finally, most of the City's physical infrastructure is approaching the end of its useful life at the same time - much of it is 30 to 50 years old put in during the community's infancy. Every infrastructure element reaches the point where maintenance is no longer a cost-effective strategy, and significant renovation and replacement is required. Our infrastructure is at that point. Planning for infrastructure replacement is no small undertaking, and a comprehensive assessment and prioritization of capital investment needs will continue to be an issue for the foreseeable future.

Given these issues, the City must position itself to meet the demand for services as well as fluctuations in revenues that will undoubtedly occur in the future. We propose to do this by continuing to evaluate revenues and expenditures on a regular basis and allocating resources in a manner such that the effect on City operations of any future budgets, if necessary, would be limited.

Providing municipal services, developing infrastructure and public facilities, maintaining physical security and quality of life, developing pedestrian-oriented neighborhoods with proper planning for commercial areas, infrastructure investment, family oriented open spaces and parks, cultural amenities, as well as up to date transportation systems that allow people to travel easily throughout the City will continue to be a difficult balancing act.

Acknowledgements

We must express our personal appreciation to members of the city staff for their diligent efforts in developing a budget that reflects the needs of the community. Through this process we believe that the departments have strengthened their understanding and relationships as to the needs and contributions that each provides to the community. A special note of thanks and appreciation should go to the Administrative Services Department for its excellent performance in gathering, analyzing, and presenting information clearly and accurately.

We are confident that the programs and investments included in this adopted budget reflect the policies and direction of the City Council and provide the financial plan for a successful two years.

As we look to the coming two years, a high level of activity is anticipated. This activity will stretch our resources thin, however the strong leadership of the City Council coupled with a “can do attitude” by our staff will result in our City continuing to grow as a vibrant community.

Respectfully submitted,

A handwritten signature in black ink, reading "John J. Caulfield". The signature is written in a cursive style with a large initial "J" and "C".

John J. Caulfield
City Manager
City of Mountlake Terrace