

Memorandum

To: Hoquiam City Council
CC: Hoquiam City Administrator, Finance Director, Management and Staff
From: Mayor Jack Durney
Date: 10/31/2010
Re: 2011-2012 Recommended Budget Transmittal Letter

Pursuant to RCW 35A.34.080, I herewith submit the 2011-2012 Recommended Budget. This budget recommends a “hold the line” spending plan for all operations. The budget includes an increase of 0.50 new full time equivalent staff, a 1% property tax increase and revisions to the ambulance and utility rates. The capital improvement budget focuses primarily on necessary utility improvements.

General Fund:

General Fund operating appropriations of \$11,373,205 for the biennium are only a 1.3% increase from 2009-10 budgeted amounts of \$11,231,495. Total general fund appropriations and transfers to other funds increase by just 0.3%.

This budget is balanced with a 1% percent property tax increase and using \$245,000 in reserves from each of the City’s Revenue Stabilization Fund and the General Fund Reserves. While this budget is balanced and provides necessary services, the City will have to look at new revenues and reductions in services to maintain its ability to respond to increases in service demand for vital public safety, development related, transportation improvement and regulatory services.

In summary, the general fund budget provides:

- 2009-10 staffing levels for all general fund operating departments.
- A 2010 regular property tax levy rate of \$3.29 per \$1,000 of assessed value, the same as in 2009.
- Continued funding for a 45-day cash flow reserve for the General Fund.

- Continued funding for the Revenue Stabilization Fund.
- Continued funding for the Council Special Projects Fund.
- The addition of 0.5 FTE in the Municipal Court to cover the increased volume due to a fully staffed Police Department.
- An increase in the weekend jail openings from quarterly to monthly.
- Removal of the wading pool and installing a grant funded spray park at Art Pocklington Central Play Park.

While total operating appropriations are staying relatively flat in 2011-12, the City is still absorbing a cost of living increase for all staff in 2011 and 2012. Similarly, medical costs for City staff are increasing an average of 8% for 2011 and 2012. Lastly, the City is seeing a paradigm shift with respect to burials at the Sunset Memorial Cemetery. Ultimately, it will not be possible to maintain current service levels in the General Fund without increases in revenue sufficient to at least match the mandatory payroll and medical cost increases that the City must otherwise absorb.

As such, the City is recommending the following changes to the General Fund and Cemetery Funds:

- Restructuring of the weekend Cemetery schedule and updating the fees charged for weekend funerals.
- Elimination of the Community Services Foreman position through attrition and the reorganization of Cemetery and Community Services under the Street and Sewer Departments. The Community Services Coordinator will continue to report to the City Administrator
- A reduction in the amount transferred to the Cemetery Endowment Fund for each lot purchased from 33% to 10%. The City will also be researching alternative ways to use the Cemetery Endowment Fund to fund Cemetery operations in lieu of the General Fund.
- Reductions in the amounts transferred to the Equipment Rental Reserve Fund from all operating departments. This will delay vehicle purchases in future years, however there will still be adequate reserves available for all future vehicle purchases.

Ambulance Fund:

The Ambulance Fund increases 7.3% over the 2009-2010 biennium. This increase is primarily due to a new, partially grant funded Paramedic that was added in 2010. This fund, like the General Fund, will not be able to maintain service levels without either enhancing revenues or dramatically cutting costs.

Therefore, we are recommending changes to the way the City administers the Ambulance program. Specifically, we are proposing the City eliminate its current practices of:

- “Writing off” any charge not paid by insurance for local emergency transport for a Hoquiam resident.
- Not charging Hoquiam residents the BLS and ALS not paid for by insurance for out-of-county transport.
- Not charging Hoquiam residents mileage for emergency transportation from the pickup point to a local hospital located in Grays Harbor County.

Waterworks Utility Fund:

The Waterworks Utility (water, sewer, storm drain) budget decreases a total of 22% from the 2009-2010 Biennium. This is due to the completion of some large capital items in 2009-10 including two new river crossings, improvements to City owned dams and the initial testing of a new well. Total operating appropriations actually decrease 6.5% for 2011-12 when compared to the previous biennium.

The water, sewer and storm rates all increase 1.4% beginning in 2011 based upon inflation after no increase in 2010. However, this budget absorbed a 3% increase in costs in 2009 and 2010. Therefore, without further increases to rates, the Waterworks Utility will have no other choice but to use reserves to balance the 2011-12 Budget.

It should be noted that given the capital improvement needs of the water utility, such as replacement of the water main, and the fact that we are using reserves to balance the budget, future water rate increases will be necessary. Also , the previous water, sewer and storm rate study was completed in 2005

and is in need of updating. The new rate structure will need to be sufficient enough to incorporate current operations and capital improvements.

Recommended Waterworks Capital Improvements for 2011-2012 include:

- \$250,000 to complete grant funded improvements to the West Fork Dam.
- \$200,000 to develop additional sources of water.
- \$50,000 to replace the sewer force main from Adams St. to the Sewer Plant.

Notably, outside of the one-time funding provided by Watershed Fund, the City has very limited funding available for waterworks improvements. Details of individual improvements can be found in the capital sections of each department. The City will continue to research all possible grants, low interest loans and federal appropriations to continue improving the water and sewer systems.

Summary

It has been both rewarding and challenging serving as your Mayor these past 7 years. Early on it was necessary to follow former Mayor Roger Jump's lead in reducing the size of our operations in order to meet the realities of significantly reduced revenues. Since that time, I have worked very hard to make sure that all City operations think differently about the way services are delivered in our community. Even in these difficult economic times, the encouragement and comments I have received from our citizens and the Council gives me the growing sense that the City of Hoquiam is doing a very good job in responding to the immediate needs of our community, planning for its future and exploring innovating funding and operational methods.

As with all governmental entities, the economy is taking its toll on the City of Hoquiam. In spite of the tough times, the City is still in a very strong financial position. We have built up our reserves over the past two bienniums to \$2.3 Million for exactly this reason. However, there are also many reasons to be optimistic. For example, AGP is in the middle of an \$80,000,000 expansion at Terminal 2 and the Port of Grays Harbor is seeing record volume coming through our waterways. We recently met in a workshop with Port staff and directors concerning rail and other improvements that are being planned for Terminal 3. We will see significant growth in future years providing employment and increased tax base. Further, retailers continue to invest in Hoquiam with a clothing

boutique, book store, feed company and new restaurants all opening in the last year. A new Tully's in the LaVogue building is nearing completion and we expect a new Northwest cuisine restaurant in the same building to get started in 2011. Locally, the Pontoon Project and Cosmo Specialty Fibers will create significant jobs in the coming biennium which should correspond to an increase in housing, investment and economic activity for the City of Hoquiam.

Nevertheless, the economy is not forecasted to recover quickly and it may even linger on through this biennium. Therefore, with this two-year budget we have addressed those concerns head on by reducing spending and making critical changes to our revenue structure without impacting service levels.

As we look back together as a city on the past few years of service to our community, I believe we can be very proud of some very important projects and accomplishments – many developed through our Hometown Hoquiam effort -- that will be our legacy:

- Residential, business district, and waterfront sidewalk projects.
- Historic preservation effort.
- Focus on economic development and strong partnerships with our business community and the Port of Grays Harbor.
- Focus on our aging infrastructure with Little Hoquiam dam removal and Hoquiam River sewer crossing accomplished, the bio-solids removal underway, and planning for a replacing water transmission line, a new well at the water treatment plant, and other water/sewer upgrades.
- Commitment to our community parks, recreation, and beautification through our recent upgrades to John Gable Park, completed construction of our new skate board park, imminent construction of a spray park at Art Pocklington Central Playpark, and our urban forestry emphasis.
- Energized abatement effort to upgrade or remove unsafe or unsightly lots and buildings as well as abandoned vehicles and a remarkable partnership with NeighborWorks and Habitat for Humanity to build new homes to stabilize and stimulate residential improvements.
- Adopting a new zoning ordinance and comprehensive plan which facilitated economic and community development.
- Commitment to financial stability and sustainability in each department of the City.

But an equally important legacy is our people. Every organization over a period of time finds it necessary to replace retiring staff. In the instance of the City of Hoquiam, we have – at all levels – brought in to our organization men and women who are committed to our mission of serving the community. Our management team of Brian Shay, Steve Johnson, Ray Pumphrey, Jeff Myers and Mike Folkers have received formal statewide recognition for their professionalism and accomplishments as managers. They work every single day to make the City of Hoquiam a good place for people to work and inspire their staffs to provide services that will carry us on in to the future in a financially sustainable way.

I look forward to discussing this budget with the Council and the community and I encourage your comments and suggestions on the services we provide.

Sincerely,

Jack Durney
Mayor