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OFFICE OF THE MAYOR

Ray Stephanson  
Mayor

October 27, 2010

Council President Roberts  
Members of City Council  
Everett residents  
and City employees

Good afternoon Council President Roberts, members of the City Council, and residents of Everett.

Today, I present you with a balanced budget that maintains important public services for our community. We have remained focused on the City's financial health through this unprecedented downturn in the economy, and our dedicated staff continues to work as a team to see the City through these difficult times.

From the day I first took office, managing the City's resources in a careful and effective manner has been the cornerstone of my administration. It requires focused attention to the day-to-day details of how we provide public services, as well as long-term planning that examines how decisions we make today will impact the City's financial strength over the long term.

For the last seven years, we have approached each annual budget with an eye toward the future. Our disciplined approach to financial management when times were good has now placed us in a better position to continue to weather this economic downturn.

Examples include:

- Maintaining compliance with our fund balance policy, which requires that we preserve a fund balance equal to 20 percent of the revenue forecast

- Reducing debt ahead of schedule
- Cash-funding targeted capital investments that will serve our community well for years to come, rather than increasing operating costs by issuing debt
- Funding reserves with underexpenditures
- Controlling labor costs through negotiating revisions to the self-insured employee health plan

Even so, the economic crisis remains with us. This recession is unlike those of our past experience in both the depth to which the economy has fallen and its resistance to federal recovery efforts.

Our 2011 General Government revenue budget is just under \$109 million. This is down nearly \$6.3 million from our total receipts for 2008. Revenues actually began to decline in mid 2008, which means that we have been coping with the effects of this recession for more than two years now. Hardest hit has been sales tax revenue, which is the most sensitive to fluctuations in the economy.

While the National Bureau of Economic Research declared an end to the recession in June of 2009, the sluggish recovery continues to put an enormous strain on government, businesses, and individuals.

In response to our diminished resources, we continue to tighten our belt with a proposed budget that requires departments to work with less. We reset the baseline for City operating expenditures to include 2010 budget reductions, such as:

- Holding the line on wages with no cost-of-living increases for City employees for the second year in a row
- Managing staff vacancies closely—determining whether each position that comes open is still critical to our overall mission and if so, whether the work could be accomplished differently
- Eliminating underutilized positions through attrition or moving staff to areas where the demand is greater
- Modifying how we deploy labor to reduce overtime costs
- Realigning bus routes to adjust to changing demand
- Funding maintenance of City property to avoid more costly repairs in the future
- Avoiding risky capital investments that require bonding unstable revenue sources

The operating budget I present to you today is lean and concentrates on essential public services with no proposed layoffs.

In 2011, public safety will continue to remain our No. 1 priority. We are investing more than \$600,000 to support new technology that includes a computer-aided dispatch system, a law enforcement records management system, and automated field reporting. This technology will reduce the amount of time our public safety professionals spend on repetitive paperwork, which in turn will increase the amount of time in the field. We are also beginning the design process for a much-needed new municipal court, which is expected to open in 2012.

While I present this balanced budget to you today, there are still uncertainties on the horizon that may negatively impact our circumstances, including the pace of our local economic recovery and measures on the November ballot that would further reduce Everett's revenues. Although these decisions are never easy, we remain prepared to make further budget adjustments should they become necessary.

As our economy continues to struggle in the near term, I believe that our economic development initiatives are now more important than ever before, and that we must intensify our efforts to encourage job growth in our community.

We will work to deploy the tools available to local government that can improve our business environment to attract new employers and to retain our existing businesses.

- We will continue to be diligent in our support for the Boeing Tanker bid, and are optimistic that Boeing will land the deal in a pending announcement, which could come as early as December. This award would add significantly to the recovery of our local economy with the creation of as many as 11,000 new jobs and bring nearly \$700 million into the Puget Sound Region.
- We will strongly advocate for the replacement of the USS Lincoln aircraft carrier at Naval Station Everett as well as the expansion of its mission to include the Green Fleet.
- We will continue our active pursuit of a four-year university in Everett to provide employers with a ready pool of educated employees.

It is true that we are not yet out of the woods and we still face tough times ahead. However, I believe that our concerted efforts can and will make a difference, and that we will become a stronger, more vibrant community as a result.

In closing, I would like to thank the Everett City Council for its leadership and commitment to our City; our volunteers, who give so generously of their time; and City staff members for their commitment to quality work. I look forward to working with each of you as we continue to serve the public.

Respectfully submitted,



Ray Stephanson

Mayor