OFFICE OF THE MAYOR

Ray Stephanson
Mayor

November 2, 2011

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

Good evening Council President Affholter, members of the City Council and residents of Everett.

Today, I present you with a balanced budget that provides essential public services for our community, while continuing to hold the line on spending.

Our long-standing commitment to living within our means through both good and bad times has enabled the City to maneuver through this economy without major impacts on the community. But it should be clearly understood that we have not been immune to its effects. We are still facing very difficult economic challenges—similar to those experienced by other cities in the Puget Sound Region.

Delivering a balanced budget this year has not been an easy task. The exceedingly slow pace of economic recovery has placed tremendous pressure on our ability to fund core services, and we do not expect to see any meaningful improvement for the next few years.

Consumer confidence remains weak, and it is difficult to say when the business sectors that influence our economy will return to their pre-recession level of activity. Accordingly, to assure that we budget responsibly and move forward with a realistic and solid foundation, the revenue forecast for 2012 does not look for a significant change from 2011.

We are now in our third full year of seeing direct effects from the recession and our resources continue to lag. Our 2012 General Government budget for annual revenues is $110 million. This is down nearly $9 million or approximately eight percent from our total receipts for 2008.

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As many of you recall, just six months ago we were looking at a $10 million budget gap for 2012. Eliminating that deficit wasn't easy, and it required many hard decisions as we balanced the needs of our community with our ability to pay. The most significant include:

- Eliminating cost of living increases for appointive employees and elected officials;
- Implementing additional controls to reduce overtime costs;
- Eliminating 12 positions through attrition;
- Reassigning staff to areas of need from departments where activity declined with the downturn;
- Reducing departmental spending in 2011--the savings will be used to prefund 2012 contributions to insurance premiums, vehicle replacement and facility maintenance reserves; and
- Suspending annual contributions to the police and fire pension funds for 2012. Even with this action, the reserves are still on track to be fully funded by the year 2025.

As the job market remains weak, our economic development efforts become increasingly important. This recession has been particularly hard on families and individuals who have lost their livelihoods as businesses have downsized or closed altogether. While we cannot reduce the unemployment rate in our area by adding to the City's workforce, we can create an environment that is conducive to economic growth and serve as a strong advocate to further the interests of our business community.

Our efforts to create a positive business environment focus on financial incentives, such as the B&O tax credit for new and expanding businesses; providing a well-maintained infrastructure that enables people and goods to move about efficiently within the City, maintaining a first-class, ample water supply, and making sure that we encourage rather than impede quality development with efficient permitting processes and an effective zoning code.

Examples of our more recent efforts on behalf of our local business community include working with state and federal legislators to help win the Boeing tanker bid, which will create jobs and enhance growth in the local aerospace industry; encouraging the Navy to replace the departing USS Lincoln with the USS Nimitz, which will help preserve Naval Station Everett's important presence in our community; successfully recruiting AVTEC and Tech Aerospace to the Merrill Creek area; and making important progress toward our goal of establishing a four-year university in Everett with legislation that awarded administration of University Center to Washington State University.

Our work to retain family wage jobs and encourage business expansion continues with our support of the sale of Kimberly-Clark's Everett plant, participation in the pursuit of the next generation of Boeing's 737, and active, ongoing efforts to convince many other highly sought-after companies to make Everett their location of choice.

As I mentioned earlier, we expect the recovery will continue to grind along at a very slow pace. Current thinking indicates that it could take another 36 to 48 months before we see any significant return to a healthy rate of activity. But I am also confident that strong economic growth will eventually occur, and when it does, it will likely generate pressure to spend the additional resources on new initiatives without first restoring deferred reserve contributions and other basic investments that directly relate to core services.

I cannot stress enough the importance of upholding the disciplined approach to financial management that has served our community so well. We must be thoughtful as we evaluate what is important to our mission and direct the public's resources accordingly.

In keeping with this philosophy, at the earliest point possible, I will work to reinstate annual contributions to the police and fire pensions and capital improvement reserves. I will also avoid expanding operations beyond our core mission or otherwise spending the additional revenues in ways that may not serve the public's long-term interests.

In closing, I want to thank you all for partnering with my administration through these difficult times and helping to preserve a strong financial foundation for our residents. We remain committed to making the most out of every resource available to us to preserve and enhance Everett's quality of life, both now and into the future.

Respectfully submitted,

Ray Stephanson
Mayor