



OFFICE OF THE MAYOR**Ray Stephanson**
Mayor

October 30, 2013

Council President Moore, City Council members, city staff, and residents of Everett:

Tonight I am pleased to present to you a proposed balanced budget for 2014 that supports public safety and maintains key services for our community. This budget continues the hold-the-line approach that we've taken since the beginning of the recession in 2008.

Our country's economic recovery remains slow and subject to bouts of uncertainty, as evidenced by the recent government shutdown and debt ceiling debate. We are beginning to see some positive signs of growth in Everett, but we are still a long way from being fully recovered from the recession.

Balancing the budget

I'll begin tonight with the outlook for the general government, which includes a broad range of city functions and services that directly impact residents' quality of life, such as:

- **Public safety**, the largest program funded by the general fund, which includes police officers, firefighters and our municipal court staff
- **Infrastructure**, which includes the street crews who keep our roads clean and in good condition
- **Community program funds**, which support staffing and resources for the library, animal shelter, senior center, cultural arts programs and parks department
- **Governmental operations**, which includes planners, inspectors, code compliance staff and facilities staff who maintain city properties
- **Legislative funding**, which supports the city council that develops policy and enacts legislation
- **Departmental support**, which represents staff responsible for day-to-day city management, including the human resources, legal, information technology, and administrative departments.

The general fund makes up more than a third of the city's total operating budget, and is the most vulnerable to economic volatility and changes in legislation at state and federal levels. Our 2014 revenue forecast for the general government is \$113.5 million, a modest 1.3 percent increase over 2013.

Despite the challenging economic landscape, we have achieved a proposed budget that maintains baseline funding for city services and allows for basic maintenance of our roads and buildings.

We worked hard to get here. Nine vacant positions were eliminated this year. In all, we've eliminated nearly 25 full-time positions from the city ranks since 2009, none of which were public safety positions.

We've also deferred maintenance projects and reserve contributions during the recovery from the recession. These actions are not sustainable for the long term and we will need to reinstate contributions to the pension and capital reserves in the near future.

Based on our expectations for the next several years, I believe that the time has come for us to acknowledge that our revenues will not recover quickly enough to avoid taking more difficult measures to safeguard the city's finances over the long term. Therefore, I've asked our department directors to convene in the coming months to develop options and recommendations for bringing the budget back into a structural balance.

City initiatives and projects

Despite the strain that the struggling economy has placed on our ability to fund operations, I am pleased that the city has continued to deliver on past promises to the community. In 2013 we completed several major projects:

- Construction wrapped up on the new Municipal Court building in May. The new building is bigger, safer, and more efficient to operate and maintain.
- In September we finished widening 112th Street SE between I-5 and SR 527, improving traffic flow and safety on the busy arterial.
- With assistance from a \$400,000 state grant, we replaced roofs on several parks buildings, including popular rental facilities.

All of these improvements were cash funded with grants and reserves that city leaders created for this purpose in more prosperous times.

Next year we will begin work on long-awaited projects throughout the city. With a combination of state and county grants, we will make improvements and upgrade playground equipment at Senator Henry M. Jackson and Hannabrook parks. We will also start work to replace the aging Broadway Bridge next spring – and save an estimated \$1 million through an innovative one-year construction schedule.

In 2014 we'll remain focused on positioning Everett as an attractive home base for industry and technology in this region. We continue to campaign for investments in education, transportation and aerospace that will sustain our economic base and invite future growth.

We are deeply involved in Governor Inslee's efforts to win the Boeing 777X program in Everett. The Governor has laid out an aggressive strategy to attract the next generation of the popular 777 model, including a streamlined permitting process. We are strongly advocating for the legislature to approve a transportation funding package with local and regional aerospace-related projects designed to address congestion, freight mobility and future growth.

Our work to establish a four-year university in Everett to provide area businesses with a ready pool of skilled workers continues to move forward. Washington State University is now firmly established in Everett and will assume the operations of the University Center in the coming months. With \$10 million from the legislature in 2013, design and plans to expand the University Center and relocate it to a new building on the east side of Broadway have begun.

WSU's mechanical engineering program is now in its second year. Coursework in electrical engineering, communications and hospitality business management is scheduled to begin in 2014.

New business and development

Our economic development efforts are paying off with new growth and partnerships. In 2013 we saw businesses set up shop or expand their operations, and several major development projects are getting started or are currently under way.

In early September we celebrated aerospace supplier Umbra Cuscinetti's investment in an 80,000-square-foot building on Hardsen Road that will allow it to expand its operations and add new jobs in aerospace and renewable energy generation. Burlington Coat Factory opened a 70,000-square-foot store at the Everett Mall. The mall's first new anchor store since 2009 is expected to employ 75-100 people.

Earlier this month, Saltchuk Resources, Inc., announced an agreement to purchase the Kimberly-Clark site and relocate its shipbuilding and repair business to Everett – including 250 family-wage jobs. Thanks to the hard work of the council and community to develop the central waterfront plan, we now have a new partner who's eager to diversify our working waterfront and bring even more jobs to the city in coming years.

On the east side of the city, Polygon Northwest has begun site work on the Riverfront development. Construction will begin next spring, and we expect to see the first homes up for sale in 2015. In downtown Everett, construction continues on the year-round farmers market and hotel project that's also set to open in 2015.

We're also seeing Everett continue to grow as a destination for families, arts and music lovers, sports enthusiasts and out-of-town visitors. Attendance soared this year at Sorticulture, Cinema under the Stars, the Experience Everett Arts Festival, Music on the Pier, Village Theatre performances and events at Comcast Arena. We look forward to drawing even bigger crowds in 2014.

In closing, I want to acknowledge the dedication and hard work of Everett city staff – at every level. As is the case in many organizations, our employees have been asked to do more with less, and they have consistently delivered. I am honored to work alongside people who demonstrate such commitment and integrity in their daily work.

I would also like to thank the city council and community leaders for partnering with my administration to set priorities, make tough decisions and continue our commitment to build a vibrant and attractive community for people to live and work.

Sincerely,



Ray Stephanson
Mayor