

THE BUDGET CONVERSATION

By Edmonds Mayor, Dave Earling

Over the past several months the staff and I have been writing a series of articles to help you become aware of the pressing budget dilemma the city is facing. Articles by Shawn Hunstock (Finance), Phil Williams (Public Works), Carrie Hite (Parks and Rec), Stephen Clifton (Community Services/Economic Development) and I have hopefully been informative and helpful in understanding the details of financing a municipal government.

When I was sworn in last November 29th, I spoke of only two issues, one of which was, we in Edmonds were going to have to have a "blunt conversation" regarding the General Fund budget issues facing the city. Budget issues not only for 2013, but longer term out to 2015-2016. I believe at the time, Mr. Hunstock was predicting a shortfall in 2013 of \$800,000. That projected shortfall for next year has grown to a little over \$1.1 million, in large part because the state legislature reduced the amount of liquor tax we can expect next year by \$211,000. In the longer term, Shawn is projecting about a \$3 million shortfall by 2015-2016. Not pleasant news.

For the past ten years we have found a variety of resourceful ways to balance the revenue and expenditures. Many hard choices have been made from 23 staff lay-offs in 2003, to reallocating funds traditionally used for street overlays to balance the general fund, to negotiating our local fire fighter staff merger with a larger fire district. Staff have taken furlough days without pay and additional layoffs have occurred over the past few years. In addition, the City has increased fund balance in the last three years despite declining revenue in the General Fund due to further cutbacks by Directors, City administration and the City Council.

Of course the economic downturn has compounded the problem. Our City's main funding source comes from property tax and sales and use tax. Those two taxes account for 55% of our revenue. We have seen a slight uptick in sales tax, but we expect property tax to flat line for the next few years. If we stay on course, we anticipate revenue growing at only 1.4% per year and expenses growing at 3.2% per year. Clearly this is not a workable formula.

As we have mentioned previously, while the city's budget has around 30 different revenue funds totaling about \$66 million, most of those funds have restrictions on how they can be spent as well as specific program uses for the funds. A clear example is -- if we receive a transportation grant for a specific project, we can only utilize those funds for that project. We often hear the mantra, "just use the dollars to balance the general fund", it doesn't work that way!

None of this is intended to create sympathy. I don't agree with some of the changes, but the end result is we have: a staff size per capita smaller than other similar-sized cities and even some smaller cities; not had funding for a street overlay program for several years; and, less influence on our fire department. The point is we have run out of "creative" options and now face a \$1.1 million short fall.

Which brings me back to my earlier comment about "blunt conversation"... it will not be fun. The staff and I will be assembling a budget over the next few months. This process will entail periodic check-ins with the Council until the preliminary Mayor's Budget is transmitted to the Council in October for their consideration. We are currently looking at a variety of options to reduce expenditures and meet the projected revenues. Aggressive solutions will be needed and we have several in mind. Bottom line

though, expect proposed budget reductions that will affect programs and people. We will continue to keep you informed.