



**Laurie Gere, Mayor**

**CITY OF ANACORTES**

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## **MAYOR'S BUDGET MESSAGE**

Honorable City Council and Members of our Community:

I am pleased to present to you the City's 2019-2020 proposed biennial budget, a financial roadmap for the City of Anacortes that totals \$63,112,833 in 2019 and \$68,553,276 in 2020. The budget is our tool to provide the services and quality of life to every Anacortes resident. It also provides a foundation for implementation of the Comprehensive Plan goals to provide a vibrant future for the next generation. It is a balanced budget that reflects our commitment to maintain our infrastructure and our intent to provide quality services and amenities to our residents while being conscientious of our financial position and in compliance with RCW 35A.34.

The budget is the framework for how we allocate our resources of the City to a variety of programs necessary to move our community toward its achievement of goals within available resources. Once adopted by the City Council, the budget establishes the direction for all City government programs and services for the coming biennium.

It is my fiscal responsibility to continuously evaluate City revenue and expenditures with a view of maintaining a strong financial position while providing quality municipal services. In line with the 2016 Comprehensive Plan, the City seeks to support a dynamic and robust local economy with balanced and sustainable growth that will create jobs and improve the tax basis within the community. The City supports our public safety departments and provides staff with the tools and resources needed, and we seek to continuously maintain and improve our public infrastructure and facilities. We are committed to developing and maintaining a professional, highly qualified, highly trained and service oriented workforce. We employ sound business practices that are efficient, effective, and responsive to the delivery of City services. The proposed budget works to provide our continued investment in much needed infrastructure to allow for growth.

The governmental operating budget totals \$26,944,801 and receives 69.5% of its funding from taxes that can only grow in a strong economy. General taxes fund the operation of police, fire, ambulance service, administrative services, municipal court, legal, planning, community and economic development, parks and recreation, library, museum, Anacortes Senior Center and street maintenance.

Year to date, the majority of our revenue streams are outpacing prior year revenues for the same period. Building activity continues to be busy, with the current year number of building permits issued outpacing the prior year to date by 25%. Sales tax receipts year to date are exceeding the prior year revenues through the same period by 20%, but is skewed by the \$90 million high school construction project. When the high school construction project is removed, the sales tax is continuing to exceed the budget by 9%. This is the sixth consecutive year of sales tax growth where the increases are being driven primarily by hospitality businesses, vehicle sales, residential construction, and boat sales.

Property taxes are the City's single largest governmental revenue stream. I have worked closely with staff to develop a budget with a high level of service to the community that operates within the parameters of Initiative 747, which limits annual property tax increases to 1%, or the Implicit Price Deflator, whichever is less. The proposed budget utilizes a 1% property tax increase in revenue projections. Anacortes remains one of the lowest taxing cities in Skagit County with a 2018 general millage of \$1.53 per \$1,000 of assessed value, generating a 2018 property tax levy of \$5,038,278.

The City has healthy reserves. In the General Fund \$3 million is available in unrestricted cash, \$4.8 million is available for emergency reserves, and \$6.2 million is available in Equipment Rental and Reserve (ER&R). ER&R funds have been methodically replenished to ensure that funding is set aside to replace items as necessary. Additional restricted reserves funds include \$30 million in utilities and \$10 million in other governmental restricted funds.

## **PUBLIC SAFETY**

### **Police Department:**

The 2019-2020 Police budget proposal is a reflection of the department's mission:

- Preventing and responding to crime
- Increasing community readiness and resilience
- Maintaining and enhancing publically owned assets
- Preventing and responding to emergencies

The Police Department staff includes three administrators, three detectives, eighteen patrol officers (including sergeants and corporals), one Narcotics K-9 officer, and one School Resource Officer. Our non-commissioned staff consists of five records staff, one code enforcement/animal control officer, and one community resource officer. In the future, my goal is to increase the staffing of the Commissioned Police Department to meet the needs of our growing community.

The success of our narcotics detection K-9 team in locating and removing illegal drugs from our community has led to an increase in funding to offset additional vehicle tow/impound costs, narcotics field test kits, and animal care costs.

The Community Justice Center is fully operational and the budget includes an increase in the City's portion of jail fees. We have also budgeted increases for Skagit 911 fees and Spillman records management fees.

The School Resource Officer program has successfully increased our role in providing a safer learning environment for our middle and high school students, and we continue to focus on training to better prepare our officers in dealing with high-risk incidents. The budget includes funds to train officers' awareness and skill in dealing with people with substance abuse issues, mental health disorders, and those in crisis.

### **Fire Department/Medic:**

The City recently entered into an interlocal agreement with Skagit County, City of Burlington, City of Mount Vernon, City of Sedro Wooley and Aero Skagit Emergency Services to transition the countywide ambulance services to a fire based system. While the City has contracted with EMS since 2001 to provide ambulance service on Fidalgo and Guemes Islands, the interlocal expands the City's service area requiring additional staff and 24-hour services at each of the three stations to meet call response expectations. This biennial budget uses EMS Levy funds, as well as City funding, to hire an additional four Firefighter/Paramedics. To prepare for the March's Point Station providing 24-hour service will require \$50,000 each year to pay for the increased station costs and the gear for the additional staff. In addition, \$50,000 each year is allocated for contracted services to enhance and improve the City's emergency operations planning to manage and administer develop, implement, and coordinate the City's Emergency Management Program.

## **PUBLIC WORKS**

Public Works is the largest department within the City and is responsible for managing and maintaining construction of streets and sidewalks, water lines, sewer lines and stormwater lines; the production and distribution of water to the region; maintenance of our streets, sidewalks and street signs; maintenance of our storm water and sewer system; purchasing and maintaining the City's vehicle and equipment fleet; maintenance, repair and construction of City-owned buildings; resource conservation, and managing all activities within the public right-of-way ranging from street vacations to parades.

To support the Public Works Department a total of three new positions have been budgeted for: two engineering technicians and one sanitation worker. One of the engineering technician positions will be dedicated to the Pavement Management Overlay program, and is dependent on voter approval of the two tenths of one percent Transportation Benefit District sales tax that is on the November ballot. The other engineering technician position will be funded by impact fees allowing additional work to be completed in house rather than through the use of a consultant. The sanitation department reduced the size of their staff when they moved to automated trucks. They have since added drop box services and staff are no longer able to complete the routes utilizing the current staffing model. In the future, my goal is to increase the staffing for an additional equipment mechanic due to the deferred fleet maintenance and work being outsourced.

There are several capital improvement projects budgeted to improve our aging infrastructure:

- Construction of fiber optic network to connect all our City buildings and improve the water and wastewater telemetry systems.
- Continued implementation of the Cartegraph asset management software to coordinate our capital improvement projects.

- Geographical Informational Systems mapping is now available online to allow access to our extensive mapping system. The Cartegraph system will be even more powerful as we continue to add more data points. \$40,000 has been allocated to assist with data entry into Cartegraph system and mapping.
- Overlay and sidewalk repair programs expansion
- Design and permitting for a second raw waterline serving the connection to the water treatment plant located in Mount Vernon.
- Wastewater treatment, collection, and conveyance system improvements to include design work on a combined sewer stormwater overflow system enhancement.
- Storm drainage improvements are underway and will lead to infrastructure enhancements following the gradual increase of stormwater utility fees.

## PARKS AND RECREATION

Our Parks and Recreation staff provides over 70 recreational programs and events for community members of all ages. The staff maintains 21 parks, including Washington Park, Grandview Cemetery and over 3000 acres of the Anacortes Community Forest Lands. It manages the facility of the Depot Arts Community Center and Plaza, the Anacortes Senior Activity Center and the Heart of Anacortes. The biennium budget includes some significant projects that will improve our parks and recreation programs and facilities:

- **Community Youth Recreation Center:** The Parks Construction Fund includes budget for \$2.5 million in 2019 and \$5 million in 2020 for the Community Youth Recreation Center. A local anonymous donor has pledged to match each dollar raised for the project, a capital campaign is underway, and grant opportunities will be explored to provide funding for the remainder of the project. As of today, the master plan process with the Anacortes School District is currently in process.
- Washington Park infrastructure improvements: \$40,000 in 2019 and \$50,000 in 2020 for campground improvements. \$25,000 in 2019 and \$25,000 in 2020 to design improvements for day use and boat launch area in anticipation of grant applications to fund these future improvements.
- Grandview Cemetery improvements and expansion: \$100,000 in 2019 and \$250,000 in 2020
- Guemes Channel Trail: \$100,000 is budgeted each year to continue progress

## LEGAL

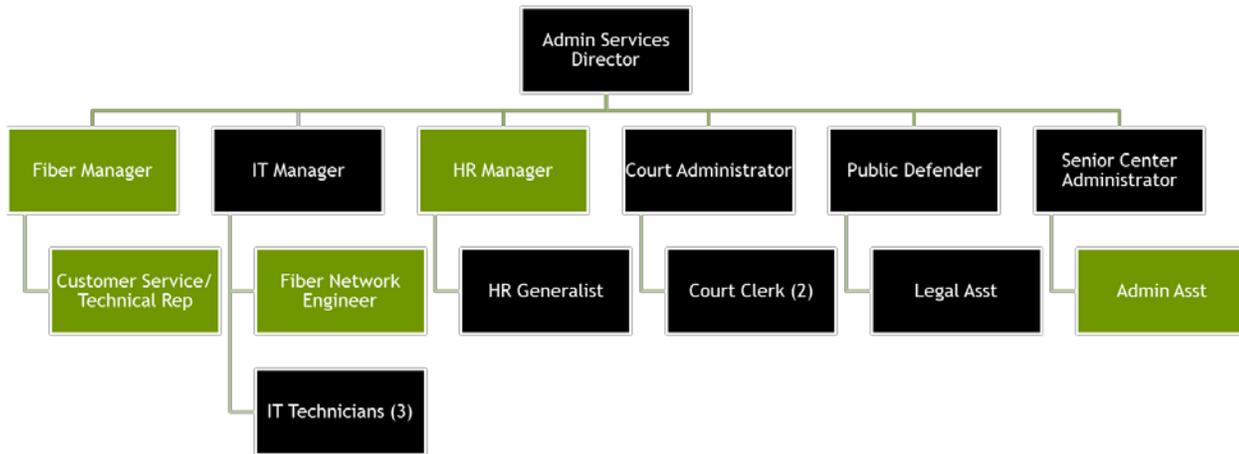
The City Attorney's Office provides in-house counsel to City leaders and staff to support the good work they do and ensure the City meets the highest legal standards. The legal budget currently funds a full-time City attorney, a contract specialist, a legal assistant who supports the City Attorney and City Prosecutor and oversees public records and claims, a part-time legal assistant overseeing the Laserfiche implementation and records management, and contract City prosecutor.

In addition to continuing to provide quality legal support to all City departments, the legal department has two main goals for the next biennium. The first of these is to complete implementation of the Laserfiche enterprise content management software across all City departments. The City has made significant progress towards this goal in 2018 by implementing the software, developing a public portal, and beginning the process of moving City records into the system. The legal department will focus in the coming biennium on moving all City departments into the system and building processes to more efficiently and effectively create, store, preserve, and deliver City records and carry out City business processes.

The City Attorney's office will also focus on a number of Code and process updates in the coming biennium to better serve the City's legal needs. We anticipate significant Code updates through the development regulation update as well as a complete rewrite of Title 13, Public Services. The legal department's budget reflects the funds necessary to codify all ordinance updates and support other departments in transitioning to the new code. The legal department will continue work on projects to increase City efficiency and legal compliance, such as working with City foundations to establish agreements for cooperation, and rewriting the City's procurement and contracting policies. Additionally, the City Attorney's Office will be carefully evaluating and building on City processes for responding to public records requests to promote transparency and ensure the fullest compliance with information requests. In future budgets, I foresee needing to separate the prosecutor support from public records support.

## ADMINISTRATIVE SERVICES

Currently administrative services consolidates human resources, risk management, the public defender's office, municipal court, and the senior activity center. In 2019, I am recommending restructuring the department to incorporate the business management of the City's municipal fiber project and IT services. I anticipate that the Senior Activity Center will transition mid-biennium to the Parks and Recreation Department to better align core services. The positions in green are new positions:



### Human Resources:

The human resources department focuses on prevention and training as a risk management strategy and a way to reduce liability. Anacortes is recognized as a Well City by the Association of Washington Cities. This designation provides a 2% discount on medical premiums, which results in significant savings. In 2019, the City is implementing payments and withholdings for implementation of WA Paid Family Medical Leave Act in preparation for claims beginning in 2020.

In 2019, funds have been budgeted to transition to an electronic system for recruitment and applicant tracking. This will improve applicant's experience with the selection process and add efficiencies to the hiring process.

We are committed to providing a safe work environment. The safety committee is actively engaged in reducing workplace injuries. Our projected 2019 Labor & Industries (L&I) experience factor is 0.8196 which is 18% lower than L&I anticipates of similarly sized cities. The City's focus on safety and prevention provides cost savings to the City and employees in premiums, and more importantly, helps reduce injuries.

The human resource department provides labor relations with our four collective bargaining units. Contract negotiations will begin in summer 2019 for a successor Teamster Local 231 bargaining agreement which now includes library and museum employees. The current Teamster contract expires on December 31, 2019. In 2019, a library class and compensation study will be completed in accordance with an agreement made in the collective bargaining process.

In 2019, we will be entering the second year of a three-year contract with IAFF 1537, the second year of a four-year contract with the Fraternal Order of Police (commissioned), and the second year of a three-year contract with the Fraternal Order of Police (non-commissioned).

### Public Defense:

The City employs a full-time public defender and legal assistant to meet the state-mandated standards for delivery of public defense services. Our public defender attends daily in-custody hearings ensuring prompt public defense for indigent clients. Funding continues to be allocated to determine client's eligibility for public defense. The transition to in-custody hearings at the Law and Justice Center is complete and running smoothly.

### **Municipal Court:**

The City contracts with Skagit County District Court for judicial services. The Court continues to see an increase in probation services following the District Court policy change that alcohol related and domestic violence offenses are referred to probation for pretrial monitoring and post sentence compliance with treatment requirements. Courtroom safety is a priority and in 2019 funds are allocated for contracted security and screening services on days when Court is in session.

### **Anacortes Senior Activity Center (ASAC):**

The Anacortes Senior Activity Center is a vital community hub where seniors thrive. There are an average of 150 visitors per day and 258 programs per month. The ASAC is staffed by one full time administrator, an administrative assistant, and over 170 volunteers providing nearly 10,000 hours annually of volunteer assistance. The administrative assistant is a .8 FTE who is transitioning from a Foundation funded position to a City funded position.

In 2017, the ASAC transitioned management from Skagit County to the City of Anacortes. Negotiations are underway with Skagit County for the successor agreement which includes county funding toward the senior center administrator wages and City funding for the county managed nutrition program. In 2019, the Anacortes Senior Activity Center Foundation is contributing \$30,000 to transition a Foundation employee to City employment in the role of administrative assistant. Over the next six years, the Foundation contribution toward this employee's wages will decrease incrementally.

In 2019, the ASAC will be implementing an Aging Mastery Program through the National Council on Aging. The City is very appreciative of the financial support, in excess of \$100,000, that the Foundation provides to augment the City's budget for the ASAC.

### **Municipal Fiber:**

For several years the City has been researching the possibility of a municipal fiber network. Initially our water and wastewater utility systems transitioned to fiber for our telemetry needs to replace the outdated radio frequency communication systems. We built a telemetry backbone with excess capacity aware that there may be a need for future expansion in support of a broadband system.

In 2017, the City issued a RFQ for an internet service provider partner. In March 2018, four providers presented their proposals to City Council. Following the presentations, City Council passed Resolution 2013 detailing the community's support for municipal fiber, articulating the criticality of technological infrastructure to current and future development, and kicking off the development of a business plan in support of the municipal fiber network.

An ad-hoc municipal fiber committee formed and over many iterations a business plan is emerging that provides for building a citywide system over a five year period. The business plan goals include:

- Delivering high speed residential and business internet service at competitive prices throughout the community
- Providing excellent customer service
- Achieving a market share of 35% or more
- Paying for construction liabilities (loans) with subscriber revenue
- Becoming cash flow positive in 2-3 years
- Becoming a catalyst for local business development and economic growth

I am recommending a methodical approach to this business implementation. Phase 1, the pilot test area, will pass 1000 buildings in the Central Business District, Old Town, and M Avenue. We will gain experience in this pilot area that will guide future business decisions about how best to move forward with further expansion of the network. I recommend that Council support this project understanding that we are taking the project in calculated phases and in a fiscally responsible way.

The five year construction project is projected to cost \$13 million with \$3.29 million necessary to support this project for the first two years. **This figure is not accounted for in the proposed budget.** Given the significance of this project, I am supportive of considering multiple funding mechanisms including but not limited to loans from reserves, bonds, grants, and revenue from our customers. I am looking forward to an interactive conversation to address funding options for the municipal fiber project.

During the first year, I anticipate hiring four staff members- a Business Manager, a Network Engineer, and a Customer Service/Technical Representative to support Fiber, and additionally, an HR Manager to support the Human Resources department as the Administrative Services Director takes oversight of the Fiber department.

With fiber access, I foresee a community where households can connect all their devices without worry, entrepreneurs have the infrastructure they need to innovate, our education and healthcare providers will have the platform for learning and telemedicine, and the City will have additional capacity to address local problems, from growing traffic congestion to managing large databases. All this translates into improved economic performance with the creation of more jobs, more innovation, as well as incentive for additional infrastructure investments and companies relocating or expanding into the City of Anacortes.

## **INFORMATION TECHNOLOGY**

The information technology (IT) department supports the City's computing and networking requirements. The IT department is responsible for the operation and security of the City's computing network at all City buildings, as well as keeping operational 311 desktop and laptop computers, 111 cell phones, and 53 servers. The department is funded through interfund charges from the departments that use its services based on the number of electronic devices the department has. The interfund charges pay for the department's operating costs as well as the replacement charges for future computers. Included in the budget is funding for 25 additional Laserfiche licenses each year to continue the citywide electronic content management implementation.

## **PLANNING, COMMUNITY & ECONOMIC DEVELOPMENT**

Our Planning, Community, and Economic Development department has several projects continuing including the completion of the Development Regulation updates consistent with the 2016 Comprehensive Plan. Since the Comprehensive Plan and Land Use Development code updates are near completion, we are focusing on providing robust economic development, building a strategic plan to address business expansion, business retention and business attraction in the community and creation of an economic development webpage.

The building department's budget includes a new building inspector position that was filled in 2018 due to increased permit activity and inspection needs. The department will be moving into the 2018 International Building Codes next year therefore the budget includes training and materials. Laserfiche implementation is underway to allow public access to building permits.

Building and Planning staff, in coordination with the finance department, continue to research permit software allowing for more interactive processing of applications and building permits with the public.

## **LIBRARY**

The Library budget proposal is a reflection of the department's mission as well as the Library's Strategic Plan to improve access to services and programs, develop and launch branding and communication improvements, better utilize library spaces and provide staff training to meet the changing needs of the community.

Anacortes Public Library is the only library in Skagit County open seven days a week offering this essential City service. The Library continues to be the "heart of the community" as demonstrated in the huge attendance for programs and events, the demand for materials and downloadable content, the increase in customer help for technology assistance, and the rising number of visitors.

We have focused on library rebranding to provide consistent signage and marketing materials using an easily identifiable library logo. The Library has trained more passport agents for the very popular service since we are the only passport service acceptance facility within 50 miles that is available on weekends.

## MUSEUM

The Anacortes Museum serves many constituents. It is also caretaker of three major City properties: the 1910 Carnegie Library Building, the W.T. Preston stern-wheel steamboat (both of which are on National Historic Registers) and the Anacortes Maritime Heritage Center.

Community engagement is a core value, exemplified in the following ways:

- Support for all City staff and departments on history research that has present day relevance such as sign collaboration, planning department assistance, and historical content for the A-Town is Our Town Magazine.
- Support for the Anacortes School District, Port of Anacortes, tribes, businesses, media, and other museums with assessing and archiving their own collections.
- Increasing online collection availability
- Exhibits that involve the community from start to finish.

## SOCIAL SERVICES

The City participates in social service support to aid the poor and infirmed. In 2018, the City adopted municipal code that exempts low income housing projects from paying impact fees. The Anacortes Family Center benefited from this policy change when they applied for a building permit for a twenty unit transitional housing project resulting in cost savings of approximately \$160,000 in reduced impact fees and general facilities waivers. The City also offers a 20% utility bill discount for residents who are within 150% of the federal poverty level.

The proposed budget has the following social identified:

- \$108,000 in Community Development Block Grant funding (to date in 2018)
  - \$65,000 went to Anacortes Housing Authority
  - \$16,300 has gone to the Anacortes Family Center
  - \$30,100 Anacortes Family Center to purchase essential appliances for twenty apartments
- \$1,500 for Anacortes Community Health
- \$10,000 for Skagit Community Action Agency
- \$14,000 to the County Health department for chemical dependency treatment
- \$10,000 for the Boys and Girls Club for members who meet poverty criteria
- \$40,000 to the County for the Meals on Wheels program
- Continue to share the cost of a Community Resource Officer with the Anacortes School District at a City share of \$66,345 in 2019, and \$68,261 in 2020.

## EXECUTIVE SUMMARY:

Balancing the City's 2019-2020 biennial budget is a simple equation of our operating expenditures not exceeding our operating revenues. As presented, my budget continues our commitment to balance fiscal responsibility while meeting City Council and community priorities. It reflects my expectation to maintain and improve our infrastructure. As a reminder, this proposed budget does not include funding of the Municipal Broadband project and I look forward to further discussing our funding options for municipal broadband separately. The proposed budget is a financial roadmap for our City and represents our continued commitment to effective service delivery.

I look forward to your working with you all on the 2019-2020 biennial budget, providing the services and quality of life to every Anacortes resident.

Respectfully,



Laurie Gere, Mayor