

## BUDGET MESSAGE

**City Manager’s Budget Message**

October 5, 2020

Residents of Mountlake Terrace, Honorable Mayor, Mayor Pro Tem and Councilmembers and City Staff:

In the fall of 2018, the City Council adopted a two-year budget focusing on the community’s future, which included the construction of Main Street Phase I, and the design and construction of the Civic Campus. It envisioned the start of light rail construction and ongoing investment from the development community, as well as fostering outreach to the community, and hosting and participating in events that offered the opportunity to meet and listen to residents.



And then COVID-19 came along.

By mid-March of this year, the spread of COVID-19 led Governor Inslee, the Legislature’s leadership and local public health officials to implement safeguards against the disease, including stay-home orders, closing schools and limiting business operations. City Council action was “paused” for three months under these guidelines, which limited Council action to items that were “regular and necessary” or dealing with COVID-19.

And then in May, the killing of George Floyd by police officers in Minneapolis, who refused to listen to the calls of concern from people of color at the scene, highlighted the need for us to listen, learn and act to remove policies and practices that serve as barriers to equal treatment everywhere.

Through all of this, the City Council responded for the community by distributing facemasks and hand sanitizer; delivering food to those who are homebound; providing funds to help residents and businesses with their unmet bills; creating a Diversity, Equity and Inclusion Commission to recognize, celebrate and support people of color and others who face obstacles to inclusion in the community.



And the organization pivoted to continue operations, with employees off-shifting to lower the risk of COVID-19 spreading through a city facility, learning how to conduct a meeting remotely to maintain communication with the community, and being present when the community grieved for those lost.

## BUDGET MESSAGE

**The Economy**

Washington State’s financial forecast from September 2020 highlights the uncertainty of both the national and local economies:

The major threat to the U.S. and Washington economies is the uncertain impact of COVID-19. The potential [now confirmed] consolidation of Boeing 787 production in South Carolina and resulting decline in Washington aerospace employment is also a major concern.

We expect a 4.7% decline in Washington employment this year compared to the 5.5% decrease in the June forecast. We expect above-average growth through the remainder of the forecast as the economy recovers from this deep recession. We expect employment growth to average 2.3% per year in 2021 through 2025 compared to the 2.1% average rate expected in June. Our forecast for nominal personal income growth this year is 7.7%, up from 3.8% in the June forecast. The adverse effects of the recession on personal income this year are more than offset by substantial income support from the federal government. Our new forecast for nominal personal income growth in 2021 through 2025 averages 3.2% per year, which is down from the 3.5% rate expected in the June forecast. The effect of the recovery on growth in 2021-2025 is offset by the loss of income support from the federal government.

The proposed 2021-2022 budget recognizes the ongoing uncertainty of the COVID-19 pandemic, as well as the recent announcement of Boeing’s plan to consolidate production of the 787 in South Carolina.

For example, the state’s own revenue through August 2020 was below projections, and this raises the likelihood that the legislature will divert state-shared revenues (e.g., taxes from liquor and marijuana) from cities to meet the state’s shortfall as occurred during the Great Recession.

Because of this uncertainty, the proposed budget is limited in its growth while maintaining core responsibilities and the City Council’s goals. For example, with the Recreation Pavilion closed until Phase 3 of the state’s response to the pandemic, many investments in the facility are not included in this budget, nor is a recommendation to add three positions for in-house custodial and facility maintenance. I do, however, strongly recommend the addition of these positions once we are able to return to in-person negotiations with the representing union on wages, hours and working conditions in 2021.

**Updates to the Six-Year Financial Forecast**

The City Council reviewed revenue and expenditure projections for the next six years at the September 17 meeting. Since then, the following updates have been made to the forecast that are included in this proposed budget:

- Updated figures for state-shared revenues based on revised forecasts from the Municipal Research & Service Center (MRSC).
- Updated transfers from the General Fund to support Street Operations and the Capital Improvement Fund.
- Updated numbers for the cost of debt in the city’s utility funds, as interest rates are at historic lows and provide an opportunity to refinance some existing debt.
- Wages and benefits were updated to reflect a proposed one percent cost-of-living adjustment for non-

## BUDGET MESSAGE

represented employees. The earlier forecast included cost-of-living adjustments for employees represented by the Police Guild (2.75 percent) and Teamsters (2.75 percent).

### **The 2021-2022 Proposed Budget**

This proposed budget continues the path begun in 2016 to ensure that the Council is *making* the community’s vision happen, rather than *waiting* for it to happen.

#### **Priority 1: Life / Health / Safety**

As seen in the 2019 Community Satisfaction Survey, residents experience a good quality of life and believe the city is a good place to live. The overall quality of life was rated as “excellent” or “good” by 81 percent of respondents.

A key part of this is feeling safe and protected, which is more likely to lead to growth in population, commerce and property values. Residents overwhelmingly feel that our downtown and their neighborhoods are safe, as shown by high ratings for police, fire and emergency medical services. To continue this, staffing of commissioned personnel in the Police Department continues at the level budgeted in 2020.

The city’s contract with South County Fire is fully-funded, taking into account retroactive increases anticipated when the agency completes labor negotiations.

Recreation & Parks also receive high ratings from the community as an element of health, and the proposed budget continues funding of recreation programs as if the Pavilion is open in early 2021. The community also rates the natural environment of Mountlake Terrace very high, and the proposed budget continues investments in parks, particularly Ballinger Park, where work with the Army Corps of Engineers will re-channel Hall Creek for habitat.

2021 will also see the completion of the Recreation, Parks and Open Space Plan (RPOS) to determine the community’s priorities in those areas.

The design of Main Street Phase II will continue in 2021, and when construction is completed in 2023 it will provide a safe route for pedestrians, cyclists and motorists to get to the Transit Center.



#### **Priority 2: Legal Mandates**

This budget ensures we continue our commitment to carry out financial, performance and land use reporting so the community knows everything about where the organization stands both in terms of budgeting and performance. In particular, the proposed budget maintains the effort to digitize the city’s paper records in order to provide timely responses to public records requests as well as reduce the space needed to store records in the new City Hall.

#### **Priority 3: Increased Efficiencies**

The proposed budget continues to provide for additional contracted services in Community & Economic

BUDGET MESSAGE

Development to supplement in-house plan review. By mid-2021, the department will be operating under new permit software and online permitting to reduce the number of paper documents currently used.

**Priority 4: City Council Goals**

The key purpose of a municipal budget is to provide a link between the goals of the City Council and the manner in which those goals are achieved. The 2021-2022 proposed budget moves the City Council’s goals forward in the following manner:

- Protect and Enhance the City’s Financial Health and Stability While Maintaining Appropriate and Essential Public Services in a Cost Effective Manner.
  - Discussions will begin with South County Fire (SCF) in early 2021 to lay out plans for fire and emergency medical services when the city’s contract with SCF expires at the end of 2024. Although three years ahead, this early start provides the City Council with options and the ability to choose which is right for the community.



- Property and liability insurance for municipalities throughout the country is becoming not only more expensive, but also more difficult to find following demonstrations and lawsuits involving police. The proposed budget continues to invest in employee training throughout the organization to address these issues proactively.

- Capital Projects.
  - As the City Council has reviewed throughout the past two years, the city has a long list of unfunded capital projects, ranging from replacing the Recreation Pavilion to rebuilding roads and utilities. The 2021-2022 proposed budget invests heavily in replacing the community’s water and sewer systems, as well as projects for streets and sidewalks.
  - Following the completion of the RPOS at the end of 2021, the community will be tasked with developing a plan for the replacement of the Recreation Pavilion.

- Generate Economic Development Throughout the Community.
  - The adoption of an updated Town Center Plan in 2019 began a program to highlight Mountlake Terrace as a great place for businesses to invest. The proposed budget includes funds to continue marketing to create the Council’s vision of a community that welcomes and supports everyone with restaurants, shopping, art, activities and jobs.
  - We will continue with two Code Enforcement positions to work on the community’s image, which residents have consistently rated in surveys as relatively low. By investing in the community’s image, we improve the ability to market to private investment.



---

## BUDGET MESSAGE

### **The Mountlake Terrace Community**

Mountlake Terrace is located about 12 miles north of downtown Seattle and about 15 miles south of Everett. The city is inside Snohomish County along the northern border of King County, just three miles northwest of Lake Washington. Our strategic location along with our strong demographics, significant purchasing power and terrific community amenities (recreation programs, great parks and schools, and low crime) makes development and redevelopment in the community's downtown and elsewhere very attractive.

Visitors and residents can enjoy 187 acres of recreational attractions including parks, playfields, a golf course, fishing, a Recreation Pavilion and year-round swimming in an internationally acclaimed aquatics center. Mountlake Terrace is known for its quiet residential neighborhoods, beautiful parks, trails, first-class schools and proximity to employment centers.

The City of Mountlake Terrace is governed by a seven member City Council that serves under a Council-Manager form of government. The City Council elects the Mayor and Mayor Pro Tem from among its members. The City Manager, who serves as the chief executive officer, is responsible for implementing the policies and goals of the City Council and provides leadership, coordination and development of city departments. The City Manager is appointed by, reports directly to, and serves at the pleasure of the City Council.

City services are provided through a combination of city employees, public and private contracts, and community volunteers. City departments are:

- City Manager (City Clerk/Community Relations, Records Management and contracted City Attorney)
- Administrative Services (Finance, Organizational Development and Information Technology)
- Municipal Court & Jail Services (contracted)
- Police
- Fire (contracted through South County Fire)
- Community & Economic Development
- Public Works (Engineering, Streets, Water, Sewer, Stormwater and Fleet)
- Recreation Parks & Facilities.

The city contracts with Snohomish County and the City of Lynnwood for jail services, along with county jails out of the area. Snohomish County PUD delivers electric services. Community Transit and Sound Transit supply public transportation services.

The Sno-Isle Library District provides library and reference services. Edmonds School District No. 15 provides educational programs for kindergarten through high school students.

### **Organization of the Proposed 2021-2022 Biennial Budget**

This budget message is intended to provide the City Council and community with a broad overview of the proposed budget, as well as key changes and issues. The Executive Summary that follows provides a more detailed analysis of revenues, expenditures and operating changes.

Each department and program budget that follows the Executive Summary lays out the mission, services provided, goals and objectives for 2021-2022, performance measures, a multi-year summary of costs and staffing, and highlights and changes.

## BUDGET MESSAGE

The budget document that follows contains information on the following:

General Government

- General Programs
  - City Council
  - City Manager
  - Municipal Court & Jail Services
  - Administrative Services
  - Police
  - Fire and Emergency Medical Services
  - Property Management
  - Community & Economic Development
  - Parks Services
  - Engineering
- Solid Waste Service
- Recreation
- Accumulated Leave Reserve
- Housing Needs
- Debt Service
- Internal Service (Fleet Management)

Capital Improvement Funds

- Real Estate Excise Tax (REET)
- Street Construction
- Capital Improvement

Utility Funds

- Stormwater
- Sewer
- Water

● Special Revenue Programs

- Street Operating
- Strategic Reserve
- Hotel/Motel Tax

Conclusion

I would like to thank and recognize the City Council and our valued employees for their exceptional commitment and responsiveness to the community's needs, particularly during this unusual period.

A special note of thanks and appreciation to Assistant City Manager Stephen Clifton, Finance Director Crystil Wooldridge, and Executive Assistant Leslie Lavoie for their work and dedication in preparation of this adopted budget.

Although near-term economic uncertainty has suspended my recommendations for certain positions, such as in-house custodians and adding a facilities maintenance position, the budget ensures core programs and investments in infrastructure continue for another successful two years and beyond.

During the coming biennium, the organization will continue to build on the community's priorities of safety, legal mandates, finding efficiencies, and carrying out the City Council goals of financial stewardship, communication with the community, economic development and the care of facilities and infrastructure.

Respectfully submitted,



Scott Hugill  
City Manager  
City of Mountlake Terrace