



---

OFFICE OF THE MAYOR

Ray Stephanson  
Mayor

November 7, 2012

Council President Gipson  
Members of City Council  
Everett residents

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

Today, I present you with a proposed balanced budget that focuses the City's limited resources on core public services for our community.

My proposed 2013 budget adheres to the deeply embedded principles that make Everett a strong community. It upholds public safety as the top priority; but also supports—to the extent possible—infrastructure maintenance; services—such as parks, libraries, the Carl Gipson Senior Center; and popular community events that are all important to the quality of life of our residents.

Our 2013 General Government forecast for annual revenues is \$112 million. Although this represents a slight increase over 2012, it is still down nearly \$7.4 million or approximately 6.2 percent from our total receipts in 2008.

We have been working hard to preserve essential public services since revenues began to decline in mid-2008, and the budget balancing decisions become more difficult with each passing year. Despite some improvement in the aerospace industry, our economic recovery remains very slow, due in part to offsetting losses, such as the closure of the Kimberly-Clark plant in early 2012.

We began the 2013 budget process with a \$10.6 million gap between the General Government's annual revenue and expenditure forecast. Closing that gap required many difficult decisions. The most significant include:

- committing to holding a minimum of 25 vacant positions open throughout the year
- establishing monthly contributions for health benefits for elected officials and appointive employees
- eliminating departmental M&O increases for the 4th year in a row
- making 2010 temporary budget reductions permanent, and requiring departments to further reduce spending in 2012 so that the savings can be used to pre-pay 2013 reserve contributions; and
- suspending the annual contribution to the LEOFF 1 police and fire pension funds. Even with this action, the City will still be on track to fully fund its LEOFF 1 Pension obligation by the year 2030.

The City is making every effort to minimize the impact that these and previous budget reductions have on our residents. While we have been able to avoid some of the more drastic measures other cities

have faced as a result of the recession, it is frankly not possible to continue to cut funding year after year without having some effect on municipal services.

Whether it is extending the lawn mowing cycle at our parks or a longer waiting list for sidewalk repair, it is inevitable that our ability to maintain service levels will be impacted. Furthermore, until we see a trend toward substantial improvement in our revenues, we must be prepared to take additional steps to reduce spending to ensure that we will continue to live within our means and keep Everett on a sound financial footing.

As with most cities, labor makes up the majority of the overall budget. Controlling costs in this area will require the cooperative efforts of City leadership and our labor unions. Future contract negotiations will focus on moving away from CPI as a guiding index for growth and toward establishing set parameters for wage increases and health benefits that are both predictable and sustainable over the long term.

Our taxpayers can be confident that we will continue to be fiscally responsible, and make prudent and disciplined decisions on the public's behalf. This means that, as the economy improves, we will refrain from expanding operations and use any upward trend in revenues to first build on contributions to capital funds and other reserves.

Everett has a time-honored tradition of looking toward the long-term financial health of the City as budget decisions are weighed. This is evidenced in our commitment to building and maintaining reserves, careful investments in the City's core infrastructure, holding the line on operating costs by limiting the size of government, fostering a culture that seeks to make the most of every dollar, and restricting debt issuance to only those projects that have a stable, dedicated source for repayment.

The importance of keeping fiscal sustainability at the forefront of decisions that affect the City's budget cannot be overstated, and nothing puts the City's future more at risk than taking on additional debt. In keeping with our philosophy on debt issuance, we are successfully funding important capital investments with a combination of cash-on-hand and grants. Recent and upcoming examples include our new municipal court, the Senior Center remodel, Fire Station 1's earthquake retrofit, the synthetic soccer and lacrosse field replacement at Kasch Park, the Broadway Bridge replacement, and our ongoing street overlay program. Standard & Poor's recent reaffirmation of Everett's high AA+ bond rating and its top rating for financial management provides a key indication that our conservative approach is serving the City and its residents well.

While we do not anticipate a significant economic recovery in the near-term, I am confident that strong growth will eventually occur. I further believe that achieving that growth will require city leaders to continue to press forward on the important initiatives that will define Everett's future as a prosperous community that is attractive to businesses and provides a high quality of life for our residents.

First and foremost on this list is our effort to cultivate here at home the educated workforce that businesses will need in a growing economy. With that in mind, establishing a four-year university in Everett has been a long-standing ambition for this community.

We have been on notice for some time now that Boeing, our largest employer, is concerned about a shortage of skilled engineers to replace retiring workers over the next five to ten years. To address this concern we have been working in partnership with Washington State University to develop a four-year



November 7, 2012

Re: Proposed 2013 Budget

Page 3

engineering degree program here in Everett. We played a lead role in the passage of 2011 legislation that will enable WSU to run Everett's University Center by 2014. Additionally, in 2012 we helped secure state funding for WSU to create 60 new full-time-equivalent engineering student slots at University Center.


The other major undertaking that I would like to highlight is the Central Waterfront Plan. On occasion, when one door closes another one opens. While we deeply regret the loss of Kimberly-Clark, we are mindful that we have, at the same time, been presented with a once in a generation opportunity to reshape the face of Everett's core. This is a significant responsibility that we take very seriously.

Considerable effort is going into the development of the Central Waterfront Plan, which will address land use and redevelopment concepts for reuse of approximately 93 acres of prime real estate that spans from the southern end of the Central Business District to Port Gardner Bay. I would like to take a moment to thank community members who have provided input into this critical process as well as the City Council and staff who have made it a priority to ensure that we create an outcome that will serve the best interests of our City, its businesses, and residents for years to come.

In closing, it bears repeating that we have a lot of hard work ahead of us. We will need to continue to be thoughtful as we evaluate what is important to our mission and guide the City's operations and investments accordingly.

I want to thank the City Council, community volunteers, and City employees for partnering with my administration to keep Everett moving forward, and for your commitment to working together to make Everett a vibrant and desirable place to work and live.

Sincerely,

A handwritten signature in blue ink that reads "Ray Stephanson". The signature is fluid and cursive, with the first name "Ray" being particularly prominent.

Ray Stephanson  
Mayor