



CITY OF PULLMAN

HIGH Tech, HIGHER Education, HIGHEST Quality of Life

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MEMORANDUM

TO: City Councilmembers and the Citizens of Pullman

FROM: Glenn A. Johnson, Mayor

RE: Mayor's 2017 Budget Message

DATE: October 17, 2016

It is a pleasure to present our 2017 budget that meets most of our needs this coming year and provides enough funding to actually exceed our 13 percent minimum reserves. Considering the challenges we faced as we started 2016 with a projected budget that accounted for just slightly more than eight percent reserves, we have made a lot of progress. Our Executive Finance Committee worked hard with our great team of department heads at the end of 2015 and the early months of 2016 to restore the 13 percent. As a result of this effort, a building inspector position and a police information technology position were held vacant for the year; over \$275,000 in capital projects were deferred affecting police, fire, parks, and government buildings; \$60,000 for the removal of junipers on Stadium Way was eliminated, and selected minor equipment and training were eliminated or deferred. By April, the projected reserve goal of 13 percent had again been attained.

From that starting point, 2016 had the normal fluctuations of savings and unanticipated expenses along with the settlement of labor agreements, but the 2016 general fund ending cash reserve is now estimated to be 21.6 percent of the amended 2016 operating budget. In addition, a second fire prevention position was added to assist with the increased plan review and inspection workload from assuming those responsibilities for WSU, an additional information systems technician was approved for hire at mid-year, a new splash pad was constructed at Reaney Park, and \$650,000 was transferred to the Airport Runway Realignment project bringing that total to \$1.9 million toward Pullman's commitment of \$2.5 million. A commitment was made by the public works and parks departments to address the removal of junipers on Stadium Way in-house and that effort was begun in 2016 with a goal to complete it in 2017. The 2017 general fund beginning cash is projected to be \$4,329,544. This is down just slightly from the 2016 beginning cash of \$4,697,369.

Pullman's robust economy and growth are helping with our projections for 2017 and our projected revenue reflects that. General fund revenues for 2017 are projected to be increased from 2016 by \$1,779,650, mostly due to an increase of \$1.1 million in retail sales tax from construction activity and a \$200,000 increase in property tax. While we have limited expansions

of programs for 2017 to attain a balanced budget, the general fund budget does include filling the building inspector and police technology specialist positions that were held vacant in 2016. We are budgeting \$540,099 in capital projects with the most significant ones slated for improvements at Mary's Park and Emerald Pointe Park for a total of \$247,740. Additional funding is being provided for the city's information systems department as a final step in funding that department at a level that allows it to support the city's basic but crucial technology needs and that impacts every department's budget. We are transferring \$300,000 from our general fund to the airport fund to meet our obligation. That leaves only \$300,000 for our portion in the next two to three years to make the \$2.5 million. Other increases in 2017 general fund budgets are related to earned salary step increases, minor equipment replacements, and increases in building and vehicle maintenance expenses.

We believe that we are justifiably optimistic with reports that we have received that our outstanding construction activity, which has broken all of our previous records, will continue for the foreseeable future. This is important because construction is the largest component of retail sales tax revenue in Pullman as well as creating vitality in the community. Construction permitting is way up in 2016 with permit valuation at \$139 million through September. This compares to our previous record of \$98.7 million for the entire year of 2014 and \$46 million for all of 2015. Some of this remarkable increase is due to having assumed building permitting and inspection for the WSU campus in July 2015, but much of it is also due to general activity around Pullman. Projects permitted in 2014 and 2015 and still under construction in 2016 are the Pullman High School, Golden Hills Apartments, and The Flats Apartments on Terre View Drive. Projects permitted in 2016 include WSU Chinook Center, WSU Multicultural Center, WSU Digital Classroom, WSU Troy Hall Rebuild, SEL Zocholl Beta building, Food Safety Building (Ferdinands), Marriott Courtyard Inn, a 4 classroom addition to Jefferson Elementary, Pullman-Moscow Regional Airport Runway Realignment, and 50 single family homes. Other projects still anticipated to be permitted in 2016 are the SEL Manufacturing building, Pullman Regional Hospital Surgery Center remodel, and an additional 15 single family homes. Projects anticipated to be permitted in 2017 include Avalon Care Center and the Learning Center in the Palouse Business Park development, Kamiak Elementary School on West Terre View Drive, Starbucks on Stadium Way, Skyview Apartments (161 units), Birch Hills Apartments (100 units), Hill Top Suites (28 units), Old Pullman Building Supply Retail Center, commercial development and up-scale condominiums on North Fairway Drive, the New Fine Arts Museum replacing the old WSU Public Safety building, WSU Soccer Stadium, and a new WSU Pedestrian Bridge over Stadium Way. Then add to this list, what we are hearing from contractors and developers for 2017 and you can understand our optimism.

For the most part, the major funds for the city are adequate and stable including the utility, street, and stormwater funds. Having acquired the council's approval earlier, the 2017 budget provides for the addition of two public works maintenance and operations positions and one equipment rental division position for fleet maintenance; the first additions to those departments in over 12 years. The transit fund has had a relatively flat revenue trend in recent years but not so for expenses. That has forced transit to just maintain existing service without accounting for the increasing needs of a growing city. Similarly, the general fund revenue trend has allowed maintenance of service levels, but not significant growth; police, fire, parks, recreation, and library have all made compelling arguments for additional personnel which simply are not able to be filled at this time.

The proposed 2017 budget for the general fund, including capital expenditures and transfers, is \$21,693,172, an increase of 6.4 percent from 2016. The one-time capital expenditures included in that total is \$540,099. Even though 2017 general fund expenditure budgets exceed anticipated revenue by \$1,087,427 and reserve cash is being used to provide a balanced budget, the 2017 year end reserve is still projected to be 16 percent of the 2017 general fund operating budget. To ensure the ongoing viability of the general fund, the plan for 2017 is to restrict non-essential minor equipment purchases and all of the police capital expenditures, except a Spillman Touch module to provide Spillman records access to smart phones and tablets, until near mid-year when the final 2016 numbers are known and we have a sense for how 2017 is going financially. In addition, all department heads have been encouraged to be especially frugal with their general fund budgets the remainder of 2016 and into 2017. The proposed 2017 budget for all funds, which includes the full airport budget, is \$85,729,026. This is an increase of \$15,268,393, or 21.7 percent, from 2016. The airport budget is increased \$8,804,661 from 2016 to \$29,097,211 due to increased construction activity on the Airport Runway Realignment project. Other significant changes in the 2017 budget from 2016 include an increase of \$1,418,334 in arterial streets due to a \$1.6 million street resurfacing project planned on College Hill funded by a grant; an increase of \$2,062,672 in water and sewer utility budgets primarily due to planned projects including the replacement of the water line on North Grand and the design of a major ultraviolet light disinfection project at the waste water treatment plant; and an increase of \$1,184,659 in the Equipment Rental Division budget due to a \$1 million project to construct a new fuel island facility.

As we have mentioned earlier, this is a far more encouraging budget than we have presented in the past few years and we certainly enjoy the refreshing change. But we must all be mindful of our limitations as well. We are counting on our department heads to monitor their budgets now and in 2017. And as promised, before we authorize some deferred expenses in 2017 we will make sure our mid-year numbers are on target with this budget.