

2010 CITY OF PULLMAN YEAR-END REPORT

Although the "Great Recession" officially ended in June 2009, economic issues continued to impact the city throughout 2010. The City Council adopted budget goals aimed at avoiding layoffs; monitoring economic conditions and the city's budget status throughout the year; increasing the General Fund reserve from 13 percent to 16 percent as a long-term goal; and setting aside a portion of the revenues from new business to address capital needs. The city was able to avoid layoffs in 2010 and did provide economic and financial reports throughout the year. The goal of attaining a 16 percent General Fund reserve will have to continue to be a long-term goal. The 2011 budget will start the year without even a 13 percent reserve. Furthermore, decisions made by the legislature and WSU may necessitate revisions in the adopted 2011 budget. The City Council adopted an ordinance mandating that 50 percent of revenues from retail sales, less construction derived sales tax, above the average 2008-2009 quarterly retail sales tax of \$594,135 be placed in a Restricted CIP Reserve Fund. However, the City Council acknowledged that like unto the goal of achieving a 16 percent General Fund reserve, it would probably be some time before the economy recovers enough to actually deposit much into this new CIP reserve fund.

The opening of the new Walmart supercenter may help to provide funding for the CIP reserve and boost the city's overall financial strength. It is anticipated that Walmart will help to reverse some of the retail sales tax leakage that resulted from people shopping in other areas. It will also help to draw in shoppers from outside of Pullman. Walmart paid for the installation of traffic signals at the intersections of Harvest and Bishop as well as Fairmount and Bishop. There are now three fully improved access points to Walmart. Already there are indications of other businesses possibly locating near Walmart, including a new Hampton Inn which has already taken out a grading permit from the city.

Overall construction activity remained well below the record levels of 2003-2007 when each year exceeded \$30 million in permit valuation and the average yearly building permit valuation exceeded \$50 million per year. Since 2007, building permit valuation has been below \$30 million every year and the average yearly valuation has been around \$20 million. 2010 will probably be the lowest year of building permit valuation since the 2003-2007 boom years. Through the end of November, the building permit valuation was \$16,342,245. The number of single-family building permits issued through November was 34. This is only about half the average of the 71 building permits per year that were issued from 2000-2009. In summary, 2010 reflects the continuing effects of a down economy.

One of the biggest concerns regarding a turnaround in the housing market is the uncertainty regarding continuing state of Washington budget cuts and their impact on WSU. In our 2009 year-end report we noted that WSU had already lost \$54 million in state funding and 359 positions. WSU is now facing an additional \$25 million in cuts. In response WSU has announced 32 currently filled positions may have to be eliminated and 126 vacant positions may not be filled. At the City Council meetings on February 23 and October 12 the City Council adopted resolutions in support of higher education funding that were subsequently sent to the Governor and Legislature.

Somewhat offsetting the job cuts at WSU are the continuing expansions in the number of employees in some private sector businesses. In addition to the employees of the new Walmart,

Schweitzer Engineering Laboratories, Inc. (SEL) is continuing to grow at a strong pace. In a presentation to the City Council on October 26, SEL President Ed Schweitzer stated that the company is planning to build an approximately 100,000-square-foot building in Pullman. SEL currently has over 1,400 employees in Pullman and has current career openings within the company of 160 positions of which 69 are engineering positions. Other companies within the Port of Whitman Industrial Park and the WSU Research & Technology Park are continuing to grow as well.

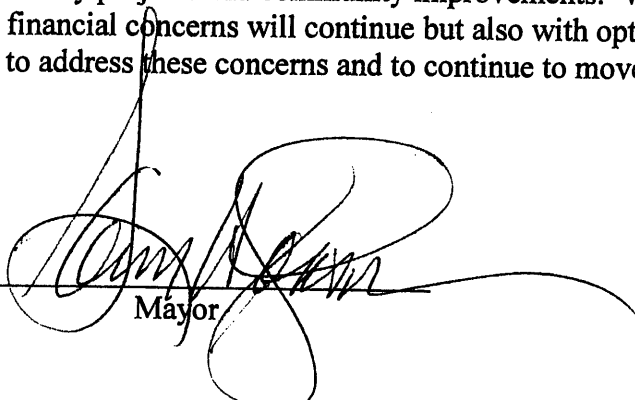
We remain hopeful and somewhat confident that the local economy can grow in spite of the tremendous budget cuts at WSU. One of the reasons for this cautious optimism is that WSU is really successful, as a research university, in its pursuit of grant awards. A recent article in *The Wall Street Journal* stated WSU received more than \$360 million in federal research grants in fiscal 2009, on top of \$352 million in fiscal 2008. This research creates jobs and can create companies through technology transfer.

Some notable city of Pullman employee changes occurred in 2010. After over 30 years of dedicated service to the city of Pullman, Police Chief Ted Weatherly retired at the end of June. Gary Jenkins from the Claremont, California Police Department was appointed as the new Police Chief at the end of July. Jeff Hawbaker served his first year on the City Council. Cheryl Brinkley was hired as the new Adult Services Librarian.


Several city projects were successfully completed in 2010 including Well No. 8 southeast of the Spring Street and Derby Street intersection, near the Charlie Brown Tank. Various street, sidewalk, and utility projects were completed in 2010 as was the new Johnson Road path. The community continued to show its strong support through such projects as the Grand Avenue Greenway Committee improvements at Bill's Welding on South Grand, the continuing improvements to the SEL Wayside on North Grand, the acceptance of the Mary's Park property donation, and the installation of new path signage provided by the Pullman Civic Trust.

The City Council acted on 29 ordinances and 98 resolutions in 2010. Although issues such as the denial of a downzone of the historic district on College Hill, the proposed elimination of the Senior Shuttle, and the pre-zoning of over 500 acres on the northwest part of Pullman drew some controversy, for the most part there were few contentious issues. Due to the financial situation, most city employees received zero percent salary increases for 2010. The only salary increases given were for Police and Fire bargaining units in exchange for lower cost health insurance programs. We appreciate the cooperation of city employees and unions in helping us to address the current financial situation. Some cities are locked in bitter controversies with their unions over requested rollbacks in their labor contract provisions.

In summary, financial issues dominated 2010 but significant progress was made in terms of city projects and community improvements. We view the future in the realistic sense that financial concerns will continue but also with optimism in that we have been able to join together to address these concerns and to continue to move the community forward in a positive direction.



Mayor



John Sherman
City Supervisor