



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 2015 Budget Message
DATE: October 21, 2014

We have expressed our gratitude to our residents on a number of occasions and that is certainly the best preface to begin the Mayor's budget message for 2015. Because of the support the city received in resetting our property tax, EMS and Metropolitan Park District levies, 2014 was our first year of recovery from the Great Recession. When you add that positive economic news to the reinvigorated construction activity in Pullman and construction of sales tax-eligible projects on the WSU campus, we were able to finally address some serious needs in the city with our growing population.

We were able to fill 2014 positions that had previously been held vacant in police, fire, library and parks in order to restore and address demands on city services. We addressed a long overdue budget issue by fully funding a vehicle amortization program so that funds will be available to replace all General Fund city vehicles (including our high cost fire engines and ladder truck) at the end of their useful lives. We started the process of updating our 15-year-old Comprehensive Plan and held a number of public gatherings to engage our citizens. The employee salary schedule, that had suffered from almost five years of no increases to non-represented employees and was one of our council's top goals, was addressed and a comprehensive salary study was accomplished. Not only did our work on employee salaries improve morale and help the city to remain competitive in retaining our great employees, but it will also help us to attract qualified applicants when vacancies occur.

The 2014 General Fund ending cash balance is projected to be \$4 million; that is 24 percent of the 2014 operating budget. That's a significant rebound from 2011 when our reserve was \$1.1 million, only 7.4 percent of the operating budget.

For the most part, the positive financial outlook is projected to continue in 2015 with one exception: the Metropolitan Park District funding that supports Parks and

Recreation. Competing property tax levies for Whitman County and Pullman Regional Hospital approved in 2014 will eliminate funding gains for the District approved in 2013 by approximately \$269,000 per year beginning in 2015.

For the rest of the General Fund, the 2015 budget provides the opportunity to address two significant, one-time capital needs. The first is a \$270,000 project to extend the Fire Station 2 garage bay that is too small for the equipment that we have. We will also be re-siding the building and the parking lot will be reconstructed providing another access to Grand Avenue for emergency equipment. This should serve the city during the interim until the day comes when a new fire station can be built. We are also addressing the replacement of a 22-year-old fire engine that was turned over to the city by WSU when the university decided to terminate its fire service. The cost for the engine is approximately \$700,000 but in the future, with the full-coverage amortization program, the need for the city to come up with such large sums of money for one-time vehicle replacements should be eliminated. Our contract with WSU provides for the university to pay 20 percent of the cost of the new engine.

The 2015 budget also addresses a few staffing deficiencies. The increasing demand and usage of technology has justified funding for another IT support specialist for police and fire at an estimated cost of \$73,000. There is funding for a new library assistant at a net estimated cost of \$61,000 that should help address the time-slip employee turnover issue. The fire services agreement with WSU was re-negotiated in 2014 and will provide around \$225,000 in additional funding in 2015 and beyond. In consideration of this revenue and that our fire staffing has remained at 2005 levels, three new firefighters/paramedics are included in this budget at a cost of \$330,000. Police staffing, despite a growing community, has not increased since 2001 and this budget adds one police officer at an estimated cost of \$102,000.

Pullman has benefited from vibrant construction activity; especially the last couple of years and it remains the greatest source of sales tax revenue for the city. Building activity in 2014 continued at the robust pace of the previous year which set a record for permitted construction valuation of almost \$76 million. Through September, \$50,785,439 in 2014 building valuation has been permitted with three months to go. Major projects that were permitted in 2013 but completed in 2014 include the Marriott Residence Inn, River Trail Apartments, the last five buildings for The Grove apartment complex, and the addition of six classrooms to Franklin Elementary School. In 2014, major projects permitted include the SEL daycare facility, the Relay Applications Innovation office building in the Palouse Business Park, Pullman Building Supply, Pimlico Apartments phase 2, Armory remodel phase 2, Taco Bell, Sherwin-Williams, Porch Light Pizza, and the Swilly's relocation to the BellTower building. Other projects that should be permitted in 2014 include the Pullman High School renovation, Valley Road Apartments and Golden Hills Apartments. After a couple of high-activity years, permitting in 2015 may decline some, but it still should be a good construction year with the effervescent interest in Pullman and its dynamic future.

As we continue to recover from the Great Recession, we have looked at all city departments and their needs, but we have done so in a prudent manner. We believe that the funds in Utility, Street, Transit and Stormwater are relatively stable at this time. The proposed 2015 budget for the General Fund, including capital expenditures and capital transfers, is \$19,490,876, an increase of 11.6 percent from 2014. One-time capital expenditures included in that amount is \$1,049,449, which is well above the yearly goal of \$350,000 for capital expenditures. The 2015 General Fund cash balance is projected to be \$3,146,893 or 17.06 percent of the operating budget. Because the Airport budget is also part of our city's budget, the proposed 2015 budget for all funds is \$70,096,997, an increase of 25.6 percent from 2014. We are projecting that the first year of the Airport Runway Realignment project will be 2015, and because of that, the 2015 Airport budget is \$19,473,373, an increase of \$16,009,287 from 2014. Most of the funding will be from an FAA grant. Other major changes in the 2015 budget include a \$1,891,744 decrease in Arterial Streets from 2014 and a \$2,114,390 decrease in Utility capital projects. The budget also reflects non-cash accounting of depreciation where appropriate.

We want to commend our department heads and city employees for managing and working with limited resources over the years and, for the most part, staying within their budgets despite growing demands for services. There is always the temptation that, with an infusion of new revenue, to immediately try to address all of the issues at once. We can honestly say that we examined every department budget, looked at all the details, and as our citizens expect, questioned every request and justification. With that as a preface, we can report that, in this 2015 budget, we were able to address some large, one-time, necessary expenses and some glaring personnel deficiencies. We believe that we are providing a good balance between delivering services to our fellow citizens, preparing for the future, and at the same time, safeguarding City funds. Years ago the city adopted a motto of: "high tech, higher education, and highest quality of life." In a few short words, it encapsulates our goal of providing quality city services to nurture our businesses, supporting our educational institutions, and cultivating opportunities for our citizens to enjoy a high quality of life. We believe that this 2015 budget—for our citizens and our employees—addresses those worthy intentions.