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October 31, 2014

To the Honorable Mayor, Members of Council, and the Citizens of the City of Walla Walla:

I am pleased to present the 2015-16 Biennial Budget to the City Council and to the citizens of the City of Walla Walla. This budget is a reflection of the challenges the City continues to face in its recovery from the Great Recession. Additionally, it is the product of the City's first strategic plan employed to provide a balanced program of municipal services that address the needs of the City in a sustainable manner.

As part of its strategic planning process, the City employed its mission, vision, values, and strategies to address the existing and emerging priorities of our citizens. The following presents a brief summary of the key aspects of our strategic plan:

- **Mission:** We provide municipal services and programs essential to a desirable community in which to live, work, and plan.
- **Vision:** Walla Walla ... the best of the best of the Northwest.
- **Values:** Customer Focus/Service; Excellence; Stewardship; Communication; Leadership; Integrity.

The City's 2015-16 Biennium Budget was developed with the following primary strategies in mind:

- Engaging our residents, businesses and employees by developing and deploying a two-way communication plan that enables feedback; identifies needs and expectations; and evaluates our performance.
- Establishing priorities and dedicating necessary resources to renew our infrastructure.
- Leading a collaborative effort to promote and enhance a safe community.
- Fostering economic development and sustain financial resiliency.

In addition, with two years of statistically valid citizen survey results in hand, the City has been able to develop strategic action plans in line with citizens expressed priorities.

This 2015-16 Biennium Budget for the City of Walla Walla is an outline of the revenues and expenditures for maintenance and operation activities associated with the City's delivery of municipal services to its citizens for the upcoming two years. The budget is organized by fund type and within each type by department and division in numerical order.

The General Fund

The most difficult challenge in realizing these goals for the biennium is the sluggish recovery of revenues in the General Fund, the fund supporting Police, Fire, Parks, Library and Streets. With the ongoing restrictions on property tax increases, sale tax revenues have become the primary means of responding to increases in expenses whether inflation related or otherwise. This severely limits the City's financial ability to reestablish municipal programs at their pre-recession levels let alone introduce new programs of interest to citizens. Although expenses beyond the City's control continue to increase, sales tax revenues have not recovered sufficiently to offset those increases.

Prior to the recession, the City was able to draw on cash reserves to balance the succeeding year's General Fund Budget. However, given experiences during and after the recession, it has been unable to do so because those reserves are needed as a cushion against other unforeseen financial issues that may arise during the biennium. Moving forward in the development of the 2015-16 General Fund Budget, the following assumptions were made in response to the mandate to balance the budget:

- Generally flat revenues
- Property Tax increases of 1% per year plus tax from new construction and annexation
- Benefits, utilities, materials and other uncontrolled cost increases as projected
- Unrestricted fund balance of 15% or more
- Cash is not to be used to balance the budget.
- Expenses should not exceed revenues; proposed increases in expenses must be accompanied by proposed revenue increases or reallocation of existing expenses.
- One-time revenue must be dedicated to one-time expenses or to bolster fund balance.
- Limited increases in taxes and fees

Budget Highlights by Departments Supported by the General Fund

Development Services Department

- Re-establishment of the Development Services Department

Fire Department

- Restoration of the Fire Prevention Officer with establishment of a fire inspection fee.
- Restoration of the Fire Training Captain.
- Increase percentage of Fire Chief's position paid by General Fund from 33% to 50%.
- Move 50% of the Emergency Medical Clerk to the General Fund.

Library

- Support for the media lab.
- Upgrading positions to increase Library hours.

Parks and Recreation Department

- Restoration of the arborist position.
- Support for aviary operations including anticipated donations through the Friends of the Aviary.

Police Department

- Increase crime prevention position to 100%.
- Establish a set-aside for grant matching funds for two new officers.

General Support

- Hire a Human Resources Specialist.
- Increase utility excise tax from 10.75% to 13%.
- Provide program funding for Commitment to Community to build a strong community through building strong neighborhoods.

Other Funds

The City is committed to increasing its efforts to improve its streets in 2015 and 2016, utilizing Real Estate Excise Tax, the Motor Vehicle Fuel Tax; General Fund support; Cable Franchise Fee; and other revenues to chip seal, crack seal and grind and overlay major and minor arterial streets. In addition, the Infrastructure Repair and Renewal Project (IRRP) will move into its fifth year, repairing and replacing water, wastewater and streets infrastructure in those areas of the City where all three municipal assets are in need of such repair and renewal. In 2010, the City of Walla Walla issued bonds, funded by the Water and Wastewater Funds, to provide advance funding to allow the City to immediately implement IRRP. The bonds will be paid off in 2015 allowing all the rate revenue to support construction projects in 2016 and beyond.

In 2011, the City formed the Transportation Benefit District (TBD) to provide funding for repair of its streets. In 2012, the citizens of Walla Walla voted to increase sales tax by 0.2% fund such repairs and the City began collecting the tax revenues and planning projects.

Utility rates are proposed to increase to fund the IRRP in the case of Water and Wastewater and in the case of all utilities to offset increasing costs due to other infrastructure repairs; inflation; and environmental imperatives.

In conclusion the City anticipates continuing challenges in this post-recessionary period and will respond as needed to maintain financial viability and to deliver needed services to its citizens. This budget is intended to accomplish both.

Respectfully submitted,



Nabil Shawa, City Manager