



Laurie Gere, Mayor

CITY OF ANACORTES

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Mayor's Budget Message

October 5, 2020

Honorable City Council and Members of our Community:

I am pleased to present to you the City's 2021 proposed annual budget. This budget continues our commitment to balance fiscal responsibility while meeting City Council and community priorities of public safety, essential services, and infrastructure that allows for growth. Our world is evolving and changing, and it is our responsibility as your City leadership to make the strategic decisions that will support sustainability, technological progress, and preserve the quality of life that is the hallmark of Anacortes.

The City's financial roadmap for 2021 has been created in a time mired by economic uncertainty brought on by the Coronavirus. I acknowledge this uncertainty and reinforce our commitment to creating a budget that reflects our commitment to moving our community forward by maintaining and building essential infrastructure and providing efficient, quality services while being conscientious of our financial position and in compliance with RCW 35A.33.

Perhaps the most significant change in the 2021 budget is the transition from a biennial budget to an annual budget. We are leveraging the best available information and revenue projections to establish this annual budget. An annual budget will allow us to concentrate on the short-term economic indicators and be nimble in our response to the uncertainty of the current economic condition.

Expenditure budgets must be balanced against revenue projections, and those projections for budget year 2021 are tempered against the effects of Coronavirus in 2020. Sales tax is one of the largest tax revenue streams funding City functions. The City has seen an average monthly decrease in sales tax revenue of 11 percent, and in the recent 2 months we have seen a decreasing impact on sales tax revenues. To develop the sales tax projections, we make assumptions based on available data. Our information indicates that we will continue to improve throughout the remainder of the year, this means we project to see sales tax revenue bounce back to be 3 percent higher than the prior year by 4th quarter.

The other two major tax revenue streams, property tax and utility tax, remain consistent compared to prior years. Some other revenues streams that are dependent on user access, such as recreation and library fees, were kept at moderate levels compared to prior years. As the economy reopens, we expect those revenue streams to return to normal levels. In preparation for the 2021 budget we shifted property tax revenue to the General Fund, so the funds can be administrated to ensure adequate resources are available to support essential services.



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Early in my administration we adopted a fiscal policy that put on the books a rainy-day fund cash reserve in the General Fund. That reserve fund increases or decreases as the City Budget grows or shrinks. For Fiscal Year 2020, that reserve stands at over \$5.4 million dollars and is available to support general operations. Other operating funds have their own reserves as well; each of the Utility Funds have rainy-day reserves that represent 10 percent of that Fund's annual expenditures and exceeds \$2.2 million dollars for 2020. Additionally, the Equipment Rental Fund has over \$7.6 million dollars set aside for future equipment replacement.

The financial impact of the Coronavirus and the City's commitment to investing in our technological infrastructure guided the framework of this year's budget. Funding priorities have been reassessed and we made tough decisions. My perennial focus is to provide services to every Anacortes resident and build the infrastructure that is our foundation for a vibrant future for generations to come. It is the duty of your City leadership to envision the needs of the City long term, making decisions that will benefit our community's future. I look forward to working with you all on the 2021 budget and I affirm my resolve to employ sound business practices that are efficient, effective, and responsive to the delivery of all City services.

Budget Landscape

This coming year many departments budgets will remain static. Due to the economic landscape and projected decreases in revenue there are accompanying changes to departmental budgets. Several departments are utilizing what we have called a "hold the line" budget in which they remain staffed at their current level, continue to provide efficient high quality services, and move already established projects forward – beyond that, budgets remain static from the previous year.

Public Safety

Anacortes Police and Fire Department

Our Police and Fire Departments have been on the front lines of the Coronavirus pandemic. The focus of these departments has been to prevent and respond to crimes and emergency situations professionally and with integrity. They have cultivated partnerships with other agencies and strengthened our community's readiness and reliance. The City supports our public safety departments and remains committed to providing staff with the tools and resources needed to keep our community safe.

In the 2021 budget we have budgeted to fully staff our Police Department and focus on investing in de-escalation and bias training for all our commissioned police officers. To facilitate physical distancing and provide a safe contactless way to process fingerprints the City, a new machine will be



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in place when the Public Safety building reopens to the public. This will process the nearly 100 applications for fingerprinting that are currently backlogged.

The Anacortes Fire Department experienced budget cuts in 2020 to account for the projected revenue losses associated with the Coronavirus. The budgetary priority for 2021 will be to focus on reinstating training and education forgone in 2020.

Infrastructure

Access Anacortes Fiber

The 2021 budget reflects a significant investment in Access, Anacortes Fiber Internet. In 2021, the City will continue to expand broadband access by extending fiber to the premise to an additional 1,815 residents and businesses. Reliable, affordable, and municipally managed high-speed internet service is a necessary and important investment in our community.

The growth of Access, Anacortes Fiber Internet improves quality of life in our community. Widely available broadband access supports job searches, online learning, telemedicine, and remote employment. Building a broadband network for our community is like building the electric networks in the 1920s. It provides a building block for a creative and innovative economy while establishing the platform for business development and expansion.

Our daily lives are now driven by technology from our work, to how we meet and talk with medical providers, to how we obtain education for our children and ourselves, and the way in which we safely stay connected with our friends and families. The greatest asset to the City of Anacortes is each of you who build our community. Building a fiber infrastructure in our community will position Anacortes as we move toward an increasingly digital future.

Anacortes is bridging the digital divide, and the 2021 budget reflects this investment in Access Anacortes Fiber as we work actively working toward our service goals. By the end of 2021, we project revenues will offset our operational expenses. Staff is actively pursuing grant opportunities to offset costs associated with the network expansion as we continue to support local businesses and residents.

Public Works

Public Works is the City's largest department and is responsible for managing the construction and maintenance of streets, water, sewer, and stormwater lines; the production and distribution of water to the region; purchasing and maintaining the City's vehicle fleet; maintenance, repair and construction of City-owned buildings; and resource conservation.



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The 2021 budget focuses on many capital improvements and maintenance of infrastructure. The Raw Water Pipeline Project which drills a 2000 ft bore drill under the Skagit river has begun and will be a major focus in 2021. In addition, the completion of the Clearwell project will provide redundancy to our Water Treatment Plan, furthering the resiliency and security of our regional water system. These combined projects are budgeted at \$12 million dollars paid for with a Utility Revenue Bond.

Another priority for 2021 is the Waste Water Treatment Plan Outfall, which strives to eliminate or reduce Surface Sewer Overflow and Combined Sewer Overflows. This project is budgeted at \$20 million dollars. The City is currently working with FEMA to apply for and obtain grant funding to assist with funding a portion of this project. The balance will be paid with a Utility Revenue Bond.

My ongoing priority is to take care of our streets and in 2021 our pavement restoration program and roadway improvements continues. Projects will alleviate safety concerns at 12th and Commercial and 32nd and M Avenue. Estimates for the 12th and Commercial project currently are \$3.3 million dollars, and 32nd and M project are at \$1.3 million dollars. Both projects will be paid for with a combination of grants and local dollars.

The “A” Avenue Landfill cleanup project will be funded by Public Works’ Solid Waste Fund. The City is following the guidelines laid out by the Department of Ecology under the Model Toxics Control Act.

Essential Services

Planning, Community, and Economic Development

The Planning, Community, and Economic Development department will maintain focus on ongoing projects in 2021. They will complete the update of the Critical Areas Regulations, and the Shoreline Master Program. Another primary focus will be to work with the community to address concerns relating to the R4 Zone Height Bonus and updating Development Regulations as needed.

This department has been the keystone of success for telework at the City. Throughout this year the department has been reviewing and issuing Single-Family Residential and Single-Family Residential Alterations permits, surpassing the number of permits issued in 2019. To facilitate the anticipated continued high levels of permit applications and increasing workload the budget reflects a commitment to funding equipment that will facilitate telework for employees.

In February of 2020, City voters approved a 1/10th of 1% sales tax increase the proceeds of which would go towards affordable housing, as outlined in RCW 82.14.530. Current estimates put that revenue at \$536,000 for 2021. The projects will fund construction of housing by the Anacortes



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Housing Authority, and the Anacortes Family Center. The issue of affordable housing is one that our community is taking on together and it is important for the future of our community.

Public Defense and Municipal Court

The City employs a full-time public defender and legal assistant to meet the state-mandated standards for delivery of public defense services. This budget maintains the commitment enabling this team to continue to serve this community to the highest standards. Our Municipal Court will continue to serve the community and through the newly created Community Court our criminal justice system will continue to explore innovative alternatives to incarceration for those who need resources in our community. Skagit County applied for a grant to offset the costs associated with Community Court and in the 2021 budget the City of Anacortes has committed to a financial contribution of \$7,202.18.

City Business

City Attorney's Office

The City Attorney's Office provides in-house counsel to City leaders and staff. The Legal Department works to ensure the City meets the highest legal standards. A primary focus of this department in 2021 is to make the Laserfiche Forms process interactive with the public to provide transparency and accessibility to the public. Additionally, the City Attorney's Office will evaluate and build on City processes for responding to public records requests to promote transparency and ensure compliance with information requests. As the work in the City Attorney's Office continues to grow, the department will evaluate and assess opportunities in future budgets to bring on an Assistant City Attorney.

Human Resources

Our Human Resources Department is committed to developing and maintaining a professional, highly qualified, and service-oriented workforce. That commitment translates to reaffirming the City's commitment to a culture of inclusion and diversity by providing staff with opportunities to engage in training about understanding bias and building inclusivity in our organization.

The City is currently in the process of hiring for a Human Resources and Labor Relations Director. This new Department Head will oversee labor relations with our four collective bargaining units. These contract negotiations will begin shortly to address 2021 wages and then will transition to other items specified as part of the 2020 bargaining agreement. In 2021, contract negotiations will commence with the IAFF 1537 and the Fraternal Order of Police, our commissioned officers, and the Fraternal Order of Police, our non-commissioned officers.



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Information Technology

The Information Technology department supports the City's computing and networking requirements. Throughout this year, they have played a pivotal role in keeping the City's business moving forward as many staff transitioned to working remotely. Their adaptability, professionalism, and resilience is not often seen by the public. The behind the scenes work of this department is crucial to the success of the City of Anacortes. The 2021 budget includes funding for continuing services that provide Managed Detection and Response to network intrusions on a 24/7 basis – keeping our data and information protected. They will be updating our systems to transition to a hyperconvergence environment and the 2021 budget for IT also includes a reorganization of the department and the hiring of a Systems Administrator. The department is funded through interfund charges from the departments that use its services based on the number of electronic devices the department has. The interfund charges pay for the department's operating costs as well as the replacement charges for future computers.

Enrichment

Parks and Recreation

Our Parks and Recreation staff have been innovative and adaptable in the face of the many Coronavirus restrictions, which inhibited in person services and programs. Outdoor recreation has become a crucial part of assuring residents have access to safe socially distant opportunities for physical activity and that translates into the budget through a continued commitment to trail maintenance and expansion.

The 2021 budget for this department reflects a commitment to completing the Depot Plaza Restroom and as well as the continued improvements to the Washington Park Campground including replacing aging electrical infrastructure. The budget also facilitates the initial clearing and construction of the Grandview Cemetery Expansion. The City is also working with the Samish Nation and Department of Natural Resources on ways to improve the health of Fidalgo Bay for salmon habitat.

Library

The Library is preparing for the eventual reopening of City facilities and getting back to serving the community in person in 2021 (or sooner). Staff time will be focused on a safe reopening, continued partnerships to support students, exploring opportunities to expand digital resources, and strengthening partnerships with the Friends of the Library and the Library Foundation whose support has been crucial during these uncertain economic times.



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Museum

The Anacortes Museum continues to focus on the high level of customer service and expansion of engagement on their increasingly in-demand digital platform. The recent reopening of the Carnegie Gallery has been a success that the City hopes to replicate in other City facilities as our community begins to reopen.

Conclusion

It is my fiscal responsibility to continuously evaluate City revenue and expenditures with a view of maintaining a strong financial position while providing quality municipal services. Now, more than ever we face challenges in our community. This budget has been created in the shadow of a devastating Public Health crisis. I could not be prouder of the City's response to this crisis. This budget reflects our unwavering commitment to serving each and every resident to the highest standard and protecting the strong fiscal position of the City. We commit to providing our front line public safety professionals with the resources and tools they need, continuously maintaining and improving our public infrastructure and facilities, and most of all – assuring that every resident enjoys the quality of life that is the hallmark of our community.