



# CITY OF PULLMAN

## Administration/Finance

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### MEMORANDUM

TO: City Councilmembers and the Citizens of Pullman

FROM: Glenn A. Johnson, Mayor

RE: Mayor's 2009 Budget Message

DATE: November 1, 2008

During these challenging financial times, we recognize that there have been troubling signs of economic problems at the global, national, state, and local levels. We cannot, and indeed have not, ignored the situation. To the contrary we have taken definitive steps to ensure that we are carefully monitoring our current year's budget and proceeding in a very conservative manner in crafting the 2009 budget.

As was discussed and agreed upon at the pre-budget workshop on October 21, we want to approach the 2009 budget with caution but not panic. We do not want to reduce or eliminate any of the highly valued services that we are providing to our citizens. We do not recommend making radical reductions in city expenditures and city services until we are certain such actions are completely warranted.

Should our financial situation continue to deteriorate in 2009, we would recommend that we implement a strategic budget approach like the process we followed in 2002 when it became necessary to reduce services and implement layoffs. Under this strategic approach we examined levels of services and priorities for all city departments. Prudent but painful reductions were then made in those areas which fell outside the City Council's identified priorities of public safety and infrastructure. The current mission statement of the city of Pullman retains these key priorities. Our current city mission statement is:

The mission of the City of Pullman is to provide for the essential infrastructure, ensure public safety, and support managed growth and improved quality of life within the constraints of fiscally responsible government.

Because no labor contracts had been ratified at the time of the preparation of the 2009 preliminary budget, no salary Cost of Living Adjustments (COLAs) increases are reflected in the proposed city budget. Stormwater expenditures continue to be reflected in the Street budget for 2009, although it is anticipated that the 2009 budget will be amended after the creation of a stormwater utility. It is also anticipated that the airport fire flow project will be funded in 2009 through a budget amendment. In summary, it is anticipated that after the adoption of the 2009 budget, amendments will have to be made to reflect salary increases, additional stormwater expenditures, and the airport fire flow project. The City Council also agreed to consider funding priority Government Building projects in 2009, should sufficient revenues become available.

The city of Pullman budget is a complex budget that is comprised of many separate funds. The General Fund typically is the most financially challenged. Revenues for the General Fund are derived from a variety of sources. The four major sources of General Fund revenue are property tax, sales tax, user fees, and utility tax. Included within the General Fund are departmental expenditures for fire, police, parks and recreation, library, planning, engineering, building inspection, finance and administration, as well as capital and operational transfers.

For 2009 the proposed budget for the Operational portion of the General Fund is \$15,211,674. This represents only a 0.5 percent increase over the amended 2008 General Fund Operating Budget. The total General Fund Budget for 2009 is \$15,376,624. This also reflects only a 0.5 percent increase over the 2009 total General Fund budget. As has been the case in past years, even with only a 0.5 percent increase, the General Fund budget will have to be balanced out of reserves.

The total city budget includes not only the General Fund but also a host of other funds. Among these other funds there are also several that exceed a million dollars annually in expenditures. These larger expenditure funds are the Arterial Street Fund, the Street Fund, the Utilities Fund, the Utility Capital Projects Fund, the Transit Fund, the Equipment Rental Fund, and the Airport Agency Fund.

The total city budget for all funds for 2009 is \$42,402,497. Due largely to the completion of several major capital projects in 2008, this total budget city budget for all funds actually represents a decrease of 8.9 percent from the 2008 amended budget.

We want to express our sincere gratitude to our citizens who have generously supported us in the past in the face of budget slashing statewide initiatives and other financial challenges. Your generosity and support is overwhelming.

We also extend our appreciation to our dedicated and hard working city employees. It is difficult to adjust to equipment, training, and other expenditure deferrals during these challenging financial times. We sincerely appreciate their patience and understanding.

Although there are many reasons for both caution and pessimism with respect to the 2009 budget outlook, there are also reasons for both hope and optimism. There are several potential major construction projects that might go forward in 2009 that were identified within the Pullman Progress presentation. We also have not suffered from the boom-bust cycle of major revenue peaks and valleys that many other communities suffer from because we have a very stable employment base anchored by Washington State University as our major public employer and the ever-growing Schweitzer Engineering Laboratories, Inc. as our major private employer. We have confronted daunting financial challenges in past years and have managed to restore desired services after weathering hard times.

In closing, I would just like to emphasize that we are in a period of financial uncertainty in which the prudent course of action is to be vigilant and conservative. The proposed 2009 budget reflects such an approach. If conditions worsen, we will be quick to respond by recommending appropriate actions for the City Council's consideration.

Once again I would like to express my sincere appreciation to our citizens, the City Council, and city staff for the support you have shown us in addressing difficult financial challenges. The proposed 2009 budget sustains existing city services on a shoestring. Due to fiscal restraint we look forward to when better economic times will allow us to address important organizational needs. In the meantime we will continue to emphasize the expansion of our economic base.

We have a wonderful community. During the year we had the opportunity to hear presentations by many of our key organizations. It is great to hear not only about current successes but also of the visions for the future. In Pullman we have a wonderful history and a great future. We look forward to working cooperatively with others to address our challenges and work to achieve our visions.