



2021 Budget Message

Members of the City Council and Citizens of Edmonds:

I present to you the 2021 City of Edmonds Proposed Budget.

It is important to note that this budget was prepared during an unprecedented global pandemic in which a deadly virus is still infecting our city, our country and our world. At the time of this writing, 35 million have been infected, resulting in the deaths of over 1 million people. It acknowledges the extreme measures taken by our City government to protect public health, maintain critical government services, and along the way, come up with creative ways to keep our community safe and sane.

In March, I declared a local of state of emergency and issued an emergency order making Edmonds one of the first cities in WA to lockdown to help keep our residents safe. Shortly thereafter, the Governor issued his stay-at-home order locking down the entire State. All public access to city government buildings remain closed, most businesses face severe access restriction and large gatherings and events of all kinds are prohibited.

However, most city government services remain available and accessible thru the internet or by phone. Due to specific continuity of government safety measures we implemented during this emergency, there has been no interruption of critical services to date in any City department.

Spending Reductions in Response to COVID-19

The biggest single effect COVID could have on Edmonds revenues would be a direct hit to Sales Tax revenue. Initially many governments were predicting to lose more than 25% of their sales tax revenues. At the end of May we presented a forecast to Council that said we could lose as much as \$4 million in revenue from the general fund in 2020.

In addition, when I took office, our Amended Budget had revenues of \$43.8 million versus expenses of \$49.0 million, or a \$5.2 million deficit. This is clearly not sustainable, especially in a recession. With an estimated fund balance in the General Fund at the end of the year of \$14.6 million, in three years our fund balance would be gone.

Faced with these projections and the uncertainty of COVID, we cut \$4.5 million in expenditures from the 2020 general fund. Like most cities, we froze hiring, put off starting big projects, and cut travel and professional services.

Projected Revenues Now Improving

We took significant steps to help our local community get through this crisis. Early on we provided an infusion of city funds to help those most vulnerable including our seniors, the Food Bank and local small businesses devastated by the closures. When we received \$1.265 million in Federal CARES Act funding, we recommended and received Council authorization and support to dedicate \$1 million of this money to directly help local businesses and individuals in need. In the midst of this pandemic our citizens stepped up, did what they had to do to get through this and supported our community as best as they could. We are now seeing those results.

For the 9 months ending in September, we have already collected \$5.92 million in sales tax. Last year we had collected \$6.28 million. We are down \$360,000 more than at this time last year.

In fact, our City brought in 3.7% more sales tax revenue in the month of September than during the same time period last year. For the month of September only, we collected \$736,091 in 2020 compared to \$709,684 during September 2019.

We are now expecting a small increase in property tax revenue in 2021 due to new construction.

In light of this and the sacrifices by our residents, we are not asking Council to increase Property Taxes this year, as allowed by law.

Another important contributor to the City is Real Estate Excise Tax money. For the 9 months ending in September, we are only down \$77,501.

Our efforts to support small businesses with targeted city funds, allocating over \$1 million of CARES grants to 90 small businesses, closing Main Street to make it more walkable and safe to shop, and quickly enabling outdoor street dining are making a real difference.

Our current estimate now is that the City will lose \$1.99 million in revenue in 2020, not \$4 million as earlier estimated.

Our calculations are in line with similar projections recently released by the State Office of Financial Management. In June, the State of Washington had forecast an \$8.8 billion reduction in revenues. Last week they cut that forecast in half, to \$4.2 billion.

2021 Budget Highlights

Our intention has been to cut as much as we reasonably could out of the budget, so that we would be prepared for the worst. For 2021, we cut an additional \$3.2 million requested to be spent by departments from the general fund. COVID not only highlights the challenges we face, but it also provides a unique opportunity. The opportunity to refocus our efforts on community connections. Those that are struggling and our most vulnerable. An opportunity to refocus on staying local by rediscovering our parks, our businesses, and more walkable neighborhoods.

Before you are some new projects we would like to highlight:

Human Services Program

Create a new Human Services Program with a budget of \$500,000 that would include a full-time social worker. Unlike all other cities in the region, our city has never had a human services program. It is time we did. This will help our seniors, those who are housing unstable and unsheltered, and prevent them from becoming homeless.

Highway 99 Investments

Continue the Highway 99 Gateway Project approved in 2020 to design and install a raised center median along the 2 mile corridor, new pedestrian crossing to improve traffic safety and spur redevelopment.

Community Renewal Plan on Hwy 99 to set the stage for future redevelopment of properties along Highway 99, especially in some southern parts of the Corridor where problems of crime, graffiti, nuisances, code violations and general disinvestment persist. Some areas do not feel as safe and attractive for people. We hear you and we are addressing that.

Diversity Training

Creating City Equity Diversity Training for all staff and board and commissioners

Update Comprehensive Plan with a View to Equity

Funding to update our City's most important planning document, the City's Comprehensive Plan, which will include racial equity. We need to ensure our city programs and services reach all populations. This city-wide approach will work closely with residents to ensure planning and activities also meet the needs of underserved communities.

Equity /Inclusion Arts Grant Funds

The cancellation of programs and events from COVID has had a severe negative impact on nonprofit arts organizations and artists. Over the years we as a City have supported a variety of arts programs. This year we will create New Arts Grant Fund to inspire and support projects that emerge from these challenging times that focus on equity and inclusion.

Police Body Cam Project

We have already begun a pilot project, and some officers are being trained and outfitted. There is currently no cost to the city but we will be coming back at the beginning of the year to request funding once we have completed this analysis and testing period.

Pedestrian Safety Improvements

Citywide Pedestrian Improvements of \$2.2 million as well as expansion and maintenance of Sidewalk program.

Salmon Safe Certification Program

We are seeing significant decline of our resident orcas and massive decline of Chinook salmon in the Puget Sound. Every coastal city plays an important role in saving orcas and salmon. This program will provide an in-depth assessment of our city policies, plans, operations that impact water quality and habitat of our watershed and Puget Sound.

Park Land Acquisition Fund

This would create a permanent open space fund that would grow every year. The fund will start with \$500,000. We need to re-imagine the role of our public lands as the solution they can be for building a more sustainable world.

Climate Comp Plan Update

New updates to our Comprehensive Plan to address climate crisis and our Marsh. It is a climate crisis, not climate change. Change sounds like you are talking about the weather today, not the destruction of our oceans, forests, snowpack, more droughts, catastrophic fires, 100 year floods that are happening every year. We need to better plan, prepare, and reduce these impacts.

Major Capital Projects

-We are planning to begin construction this spring on the much-anticipated new 8-acre Civic Field. This park will provide another place within our city where children and families can connect with nature and enjoy outdoor recreation in beautiful surroundings.
-The largest capital project ever in our city to replace our aging and out of state compliance wastewater treatment plant with a greener Wastewater Carbon Recovery Project. The city plans to issue revenue bonds to finance the City's portion of the costs, and has applied for Climate Bond Certification. If certification is achieved, these would be the first Certified Climate Bonds in the State of Washington.

Outstanding Issues that have Unknown Impacts

-City fire protection is provided by South County Fire (SCF), at a cost of approximately \$8.5 million per year. SCF has not had a signed labor contract since 2017, and has continued to bill member cities at the 2017 rate. At some point when the contract is fully settled, SCF will send invoices to retroactively bill the City for agreed-upon increases, the amount of which is currently unknown.
-Statewide Initiative 976, passed by voters in 2019, would lower or repeal certain vehicle registration fees or taxes. If I-976 is ultimately determined to be constitutional, the City will lose about \$700,000 annually that is used to pay for street repairs.

City Council

I would like to thank our City Council for sharing their important input from their retreat. We found alignment in many areas and attempted to incorporate many of their priorities. Unfortunately, not all could be met in our current economic climate but we look forward to working with Council and revisiting them if the economy rebounds better than our forecast.

City Staff

I greatly appreciate the significant efforts and sacrifices made by city staff during this time and in preparation for this budget. No training or experience could have prepared you for this and you gave your all to our city. I am forever grateful and appreciative for your commitment and your professionalism in helping keep our city running. I especially want to thank our Finance Department for their guidance and dedication during this unrepresented time where manuals for managing city finances during a pandemic have yet to be written.

Revenue Improving but Cautious about Future

There are still many unknowns including; pace of economic recovery as we head into winter, the potential resurgence of the virus and, a realistic timeline of a vaccine and its distribution. Past economic recessions are a poor indicator and predictor because their root causes were derived from an imbalance in the economy, not from a pandemic.

This virus and every one of your and our actions will help decide the future health of our community and our local economy. We have seen when we wear masks and social distance, the virus drops significantly, when we let our guard down and fail to take regular precautions, it comes back with a vengeance.

Our budget accounts for the uncertainty that COVID lays before us.

But it does not shy away from the real opportunities that lie ahead to shape our city to be more resilient, healthier, safer, and welcoming for all.



Mike Nelson
Mayor

