



2024 Budget Message

Mayor Matt Miller

Introduction

Honorable City Council and Members of our Community:

In accordance with RCW 35A.33.050, I am proud to present the City's 2024 proposed annual budget. This \$107 million budget reflects department and program managers' estimates of revenue and expenditure reflecting community priorities and values. It includes \$74 million in operating expenses and \$33 million in capital expenses.

This budget builds on sound financial planning and a focus on optimizing resources and maximizing efficiencies. The most significant change in the budget is the addition of 13 FTE public safety professionals funded via Proposition 1 "Public Safety Staffing" levy approved by the voters in April 2023. This will add increased levels of service to the safety and security of our citizenry.

In 2023, the WA State Legislature adopted SB 5536 which is known as the "Blake Fix." This bill makes it a gross misdemeanor to knowingly possess counterfeit and controlled substances or to knowingly use prohibited substances in a public place. Prior to 2021, drug cases were held in Skagit County Superior Court. These cases are now being held in Anacortes Municipal Court. The City continues to evaluate the impact of this bill on our budgets including the Municipal Court, Office of Public Defense, and Prosecutor's Office. We project an increase of 250 cases each year at the Municipal Court.

Budgetary pressure will continue as we finalize the construction of the last large area of our Access Anacortes Fiber project. This was a conscious and prudent choice by the City Council to fund this significant community investment through the general fund, but it does result in little maneuvering space for incurring additional general fund expenses without additional revenue.

The primary increases to our operating budget for 2024 include the following:

- \$1.7 million for 8 firefighter/medics and 5 commissioned police officers
- \$1.9 million in increased wages and benefits
- \$186K liability/property insurance increases
- \$188K in utility cost inflation
- \$480K in professional services to meet legislated planning requirements

Public Safety

Anacortes Police Department

The Anacortes Police Department (APD) looks to continue the success they have had filling vacant positions in 2023 with proactive recruiting and continuing to foster a positive agency culture in the workplace. We are on track to fill the remaining openings by the end of this year and will begin to fill the five additional positions funded by the Public Safety Levy in 2024. The department will focus on basic training for the newly hired officers to increase 24/7 police presence throughout the city including in our parks and forestlands.

The APD strives to continue the success of reducing the number of individuals living on our city streets through effective partnerships with Anacortes Family Center's *Social Services Outreach Coordinator* and other service organizations. These partnerships successfully placed previously homeless individuals into stable permanent housing in 2023 and contributed to increased quality of life for all city residents. These efforts will continue to pay dividends in 2024.

The addition of a part-time Parking and Code Enforcement position, combined with new parking ordinances in 2023, allowed APD to become more proactive in addressing parking problems, code violations, and removing junk vehicles from our streets.

With the passage of SB 5536, the department returned to addressing illegal drug use with the goal of steering individuals toward treatment programs, while holding those accountable when their actions affect the safety and quality of life for our community. Coordination between the APD, Prosecutor, and court staff will be essential to ensure individuals can be successfully diverted from jails to an effective treatment program, lowering recidivism, providing consequences to those that choose not to engage, and bringing justice to victims.

Anacortes Fire Department

2024 will be a significant year of growth for the Anacortes Fire Department in both size and capabilities. The major focus will be on the training and deployment of the eight (8) new firefighters approved by Proposition #1 and integration of a new ladder truck.

Our staff will operate a 14-week academy for new employees in January 2024. This additional staff will allow us to deploy a second unit at Station #1, improving our effectiveness and lowering response times citywide. The pending delivery of Ladder Truck 29 will further enhance our ability to respond to hazards and protect our community.

The *Alternative Response Team* supports the City's community paramedic and complements the Police Department social worker. A social navigator and mental health professional are contracted through the Anacortes Family Center to support this coordinated response to support people in crisis. This team has successfully connected our homeless population with resources and opportunities. Currently this program is funded through an Association of Washington Cities grant and the City is seeking long-term funding sources to maintain this program.

In 2023, we were able to purchase our Station #3 property that had been leased for seventeen (17) years. This provides us operational stability and saved the taxpayers \$7-10 million in new construction costs.

Our new wildland fire engine was constructed in-house at approximately 60% of the commercial cost, both increasing our ability to protect our local forest lands and creating the opportunity to deploy statewide support in 2024.

Infrastructure

Access Anacortes Fiber Internet

Since beginning construction in 2019, the City's fiberoptic project now passes 75% of the City's businesses and residences, has over 2100 business and residential customers in service with another 1400 orders in queue, and is generating over \$1.5M annually. Fiber internet construction continues in Anacortes with the remaining core areas of town under construction.

The City's general fund, a \$2.25M grant from the Economic Development Administration and two grants from Skagit County totaling \$1M, and a \$4.5M line of credit have been the primary funding source for the City's entire fiberoptic project.

Staff have completed a thorough analysis of financing options for the City's fiberoptic project, and this budget incorporates a recommendation to utilize an interfund loan to meet the necessary construction cashflow through the end of 2024. An interfund loan will allow the City to continue to build the network, add customers, pay interest internally to the fund we borrow from, and allow additional time for the financial market to stabilize before obtaining a long-term debt financing option.

Anacortes is the first city in the State of Washington to operate as an internet service provider. I am excited to see the network expand to pass every home and business within the City of Anacortes. I truly believe that this is an important legacy investment in our community's future.

Public Works

The Public Works Department is our largest department, providing essential services, such as streets maintenance, engineering, a regional water source and distribution system, sewer collection and treatment, stormwater management, building maintenance and operation, garbage collection, and management of the City's fleet. These services are critical to support the community and require the *no fail* philosophy and work ethic demonstrated by staff.

The proposed 2024 budget allows us to maintain services and implement capital improvements to serve our community most effectively.

Increases in the proposed operating budget account for inflation of service costs, increased costs in fuel, electricity, Skagit County garbage disposal, consultant engineering support, Department of Health required water quality sampling, and the addition of a 1 FTE Engineering Technician

Public Works significant proposed capital investments in 2024 include:

- \$270,000 in stormwater system restoration and upgrades
- \$5 million in wastewater pump station upgrades
- \$4.5 million CSO Pump Station
- \$2 million ongoing WWTP plant maintenance
- \$600,000 in drinking water production improvements
- \$2 million in retail water pipe replacements
- \$2 million in drinking water system infrastructure updates including Advanced Metering Infrastructure (AMI), water tank preventative maintenance, and telemetry.
- \$750K fleet additions:
 - \$60K EV vehicle for stormwater inspections
 - \$650K Vactor truck for hydro excavating
 - \$41K retail water service vehicle
 - \$41K side-by-side utility vehicle for WWTP

- \$8.5 million in transportation improvements:
 - \$5.5 million for 12th and Commercial roundabout
 - \$1.8 million in overlays
 - \$300K in ADA/sidewalks ramps
 - \$250K H Ave multi-model
 - \$300K 16th street improvements

Included in this budget is significant planning to provide the City Council and our community with a long-range holistic assessment of system needs and a general timeline for upgrades and replacements. These planning efforts include updating the General Sewer Plan, the Water System Plan, the Stormwater Management Plan, and the creation of a Comprehensive Facilities Plan, a Maintenance and Operations Plan, and a Transportation Master Plan addressing streets, sidewalks, and multimodal systems.

Smart Growth

Planning, Community, and Economic Development

The Planning, Community and Economic Development (PCED) department is tasked with supporting the community's vision for our future as outlined in the Anacortes Comprehensive Plan. The values defining our work include sustainability, preservation, economic vitality, and providing a supported and connected community.

In 2024, PCED will begin significant work on the required Growth Management Act (GMA) Periodic Updates to the 2016 Comprehensive Plan that are due in 2025. This major update will incorporate revised 20-year population and job growth projections for the years 2025-2045.

Once those projections are determined, the City will update its Comprehensive Plan and zoning map to show how we will accommodate projected growth.

As we have done in years past, a consultant will be hired to perform a land capacity analysis (LCA) to determine how much land is available for development in the city and its urban growth area (UGA). The PCED budget request includes \$35,000 for this LCA.

The City will also update its Critical Areas Ordinance (CAO) as part of the 2025 Periodic Update. The Department of Commerce has given us a \$125,000 grant to assist with the costs of the project. This grant will cover many of the required updates and studies.

In addition to the usual requirements for a periodic update, HB 1181 further requires that jurisdictions plan for climate change in their comprehensive plans and development regulations.

HB 1181 further requires that jurisdictions plan for climate change in their comprehensive plans and development regulations. The City will need to create a new Climate Change and Resiliency Element, as well as make amendments to the Transportation Element, Utilities Element, and Land Use element to comply with these requirements.

Fortunately, the State has made a \$500,000 planning grant available to help defray the costs of adopting comprehensive plan policy and development regulation amendments to implement in accordance with these new state mandates.

In addition to the work on the 2025 Periodic Update, PCED is actively working to achieve the City's affordable housing goals. We completed major updates to the zoning code to support the housing affordability and diversity policies in the 2016 Comprehensive Plan. To further support the development of affordable housing, the city also adopted a Housing Action Plan (HAP) in 2023. The HAP will inform major updates to the Housing Element of the Comprehensive Plan during the 2025 Periodic Update.

All areas of housing continue to be a pressing concern. The City is working to implement housing action items in the HAP in advance of the 2025 Periodic Update. For example, we are pursuing private partners that could provide high-density affordable housing on city-owned land at Sharpe's Corner. To understand how much housing can be accommodated on that land, staff has put a \$35,000 request in the budget to commission a feasibility study and subarea plan for housing at that location.

PCED also expects that the City will continue its agreement with Community Action to provide social services at a satellite office in Anacortes at \$60,000.

The 2025 Periodic Update and HAP are not the only activities PCED will be engaging in over the next year that will require budget support. The Economic Development Committee is working on a request for proposals (RFP) for a consultant to complete an Economic Development Strategic Plan (including a community survey) and requests \$20,000. Additionally, in concert with Public Works, we will be perusing grants for EV charging planning and acquisitions with potential sites at the Depot Arts Center and movie theater parking lot.

In our ongoing support of the maritime industry, we will continue the planning process to install travel lift pier floats at the city-owned dock. In our Capital Facilities Plan (CFP) we included a request for \$54,000 to complete the creosote pile and treated wood replacement at the Fidalgo Bay Marina, which meets our DNR lease requirements and supports environmental stewardship goals.

PCED staff will continue working with property owners along Guemes Channel to acquire easements for the planned trail. Stabbert Maritime has indicated that they are willing to dedicate a trail easement across their property as part of redevelopment plans at that site. Because Stabbert owns a long stretch of property along the waterfront, acquiring this trail easement will be a major step in the trail project. Permit applications for early phases of Stabbert’s redevelopment of the site may be received as soon as 2024.

In 2024 PCED staff will also be spending time working with the MJB project. MJB has submitted applications and those will be processed with public input well into 2024. MJB has indicated that they are preparing to submit building plans for Phase 1 in the near future.

Courts

Municipal Court and Public Defense

The Municipal Court is responsible for processing infractions and citations in violation of city ordinances and state statutes issued by the Anacortes Police Department. This now includes processing infractions for knowingly possessing counterfeit and controlled substances or knowingly using prohibited substances in a public place.

Currently the City employs a court administrator, two court clerks and contracts with Skagit County District Court for Judicial Services. In 2024, we will continue to monitor the impact of the “Blake Fix” on the current staffing levels. The Municipal Court has a duty to set cases for arraignments, hearings, probation revocations, and trial. The City currently has an interlocal with Skagit County to provide two court dockets per month for Community Court, a non-traditional system that is intended to address the root cause giving rise to criminal behavior.

The City employs a full-time public defender and legal assistant to meet the state-mandated standards for delivery of public defense services. The 2024 budget includes additional funding to increase the number and reimbursement rate for contract attorneys retained to handle overflow or conflict cases. The Washington State Office of Public Defense (OPD) awarded the City of Anacortes a \$30,000 grant, the City will utilize \$15,000 each year to offset the increase in indigent defense expenses.

State law limits the number of cases that public defenders can represent. This budget maintains the commitment to continue to serve this community to the highest standards.

City Business

City Attorney

The role of the City Attorney's Office is to provide in-house counsel to City leaders and staff, ensuring the City meets the highest legal standards. The City Attorney's Office also oversees all City procurement and contracts, public records management and responses, claims management, and prosecution services.

The 2024 budget includes a plan to transition prosecution services in-house through the addition of an assistant city attorney position. Currently these duties are contracted with Skagit Law Group. This individual will provide additional staff time to handle the anticipated increased caseload from the new drug possession laws. An in-house assistant city attorney will also help support the Anacortes Police Department as it navigates recent state legislation, court decisions and new city ordinances.

Human Resources

The Human Resources Department is staffed with a Human Resources and Labor Relations Director and a Human Resources Generalist. The Department received the help of a Temporary HR Assistant in 4th quarter 2023 and will continue this temporary addition as we onboard new city staff in 2024. The Department is also working to increase efficiency with the implementation of NeoGov recruiting software which will roll out in 2024.

The City is diligently assessing the expenditures linked to employee compensation and negotiated wages and benefits. This meticulous evaluation encompasses salaries, benefits, and other related costs. By scrutinizing these financial aspects, the City aims to ensure fair and competitive compensation for its workforce while maintaining fiscal responsibility and efficient resource allocation. This process underscores the City's commitment to both its employees' well-being and prudent financial management.

In 2023, a successive collective bargaining agreement was negotiated with Teamster's Local 231 Union. In 2024, the HR Department will negotiate new contracts with both Anacortes Police Services Guilds, Commissioned Employees and Non-Commissioned Employees.

Information Systems and Technology

The Information Systems and Technology division supports computing and networking requirements playing a vital role in keeping the City's business moving forward. The work of this division is crucial to every department's success and essential to ensure stability and security of city networks. Each year there is an increase in the number of systems the division is responsible for with new hardware and software requirements.

The division is funded through departmental interfund charges. Each department's funding allocation is based on the number of "nodes" utilized. A stringent review of "nodes" and life cycle replacement has resulted in significant cost saving for several departments. Interfund charges support the department's operating costs and equipment replacements costs.

The 2024 a significant amount of time will be spent evaluating a new enterprise resource program software system to automate and manage core business processes for optimal performance. Focus remains on enhancing the City's security and protecting critical data. In 2024 we will complete a security audit to evaluate our cybersecurity posture and identify security gaps and vulnerabilities.

Quality of Life

Parks and Recreation

The Parks and Recreation Department manages our parks, community forest lands, recreation programs, Senior Activity Center, and Grand View Cemetery. We are proudly a "city within a park" with nearly 40% percent of our city limits being parks and forest lands.

Our 2024 budget emphasizes how important our park spaces and facilities are for our residents and continues funding of existing maintenance.

Planned construction includes the small courts area at Storvik Park, rebuilding the damaged section of the Ship Harbor Boardwalk, renovating a trail on Cap Sante's east side, as well as cemetery and Washington Park improvements.

We are continuing to investigate ways to support the community with the closing of the Port Transit Shed Event Center at the end of this year. We are studying the feasibility of a temporary tent facility at the Depot Plaza or on private land to support the shoulder season. This endeavor will need Lodging Tax funding support.

In 2023, our recreation staff provided over 120 opportunities for community recreation; in 2024 we expect to exceed that amount. Enrichment for all ages is a fundamental part of the Parks and Recreation responsibilities.

Senior Activity Center

As the only accredited senior center in the State of Washington, the Anacortes Senior Activity Center takes pride in providing innovative programs. Nearly 140 guests visit our facility each day of the week for meals, classes, and events. In 2024 we look forward to the continued expansion of offerings promoting the health, wellness, and creativity of our community's seniors. In 2024, we are budgeting for an anticipated 10% increase in costs to continue providing essential "Meals on Wheels" service to our residents.

Museum

Anacortes Museum staff operates three public facilities in our historic downtown: the museum and research library, the Maritime Heritage Center, and the National Historic Landmark *W.T. Preston*. We are proud to share that visitation numbers have increased nearly 20% during the first three quarters of 2023 and we expect continued growth in visitations and programming in 2024.

Beyond these structures, the Museum outreach extends to stewardship of the Bill Mitchell murals, creation of interpretive signage at significant locations, and digital platforms linked from the Museum website to more than 90,000 archived photographs, historic films, oral history recordings and online access to 110 years of local newspapers.

The Anacortes Museum provides dedicated customer service for residents and visitors while working in collaboration with community organizations with respect for our history. Each year the Anacortes Museum Collection receives more donated artifacts, creating a need for additional artifact storage and curatorial workspace. Beyond core needs, the museum partners on fundraising with the Anacortes Museum Foundation to enhance our exhibits, events, publications, and other programs.

Library

The Anacortes Public Library is an inclusive space encouraging lifelong learning, curiosity, and a sense of belonging. Whether it be a quiet place to get some work done, a place to connect with other parents with young children, or a place to attend one of the hundreds of enriching programs the library offers every year, the library is a crucial investment in the community.

The library is making every effort to keep their budget flat again this year, despite increasing utility expenses, by being mindful of technology expenses, drawing on other city departments such as the fire department to provide required CPR training, and continuing to rely on the Foundation and Friends to support crucial services loved by the community.

The Library Foundation and Friends organizations contribute over \$150,000 a year to supplement the library budget. They provide the library's only programming funding while supporting popular online resources like Hoopla which provides Audio books, eBooks, and streaming and downloadable movies. They also fund scholarship opportunities for students, and support jazz events that bring in thousands of people a year.

In 2024, the Library Foundation will continue to explore a teen area remodel. The first design and engineering step of this project has already been funded. Utilizing funding from donors like HF Sinclair, teens will see updates including expanded technology access, seating, and study space. This update is a core part of the Library's mission to create a welcoming space for all and recognizes the community's continued efforts to support our teens and young adults.

Conclusion

It is my fiscal responsibility to continuously evaluate City revenue and expenditures with a view to maintaining a strong financial position within the parameters of our fiscal policies and state law all while providing quality municipal services.

Looking forward, we continue our commitment to our community with high quality services and a balanced budget. We will always look to enhance public safety, grow smartly, improve infrastructure, be fiscally accountable, and maintain and enhance our quality of life and pursuit of happiness for all.

All the Best/Matt

- **Enhancing public safety** by strengthening the capability of police and fire departments with additional code enforcement and creative crisis response
- **Smart growth** with a clear vision that supports a variety of housing options, enhances access to waterfront, supports downtown businesses, and protects our natural resources while we monitor impacts of recent code changes with respect to density and affordability.
- **Focus on Infrastructure** by fixing our streets using innovative paving strategies and completing our exceptional fiber project that remains on a positive trajectory.
- **Fiscal accountability** that prioritizes must haves versus nice to haves, taxing only what we need, with a commitment to transparency in how we spend your tax dollars.
- **Quality of Life** by continuing to offer extraordinary services through our library, museum, senior activity center, parks, forestlands, arts, and recreation programs – services that bring our community together and support healthy, vibrant citizens.