

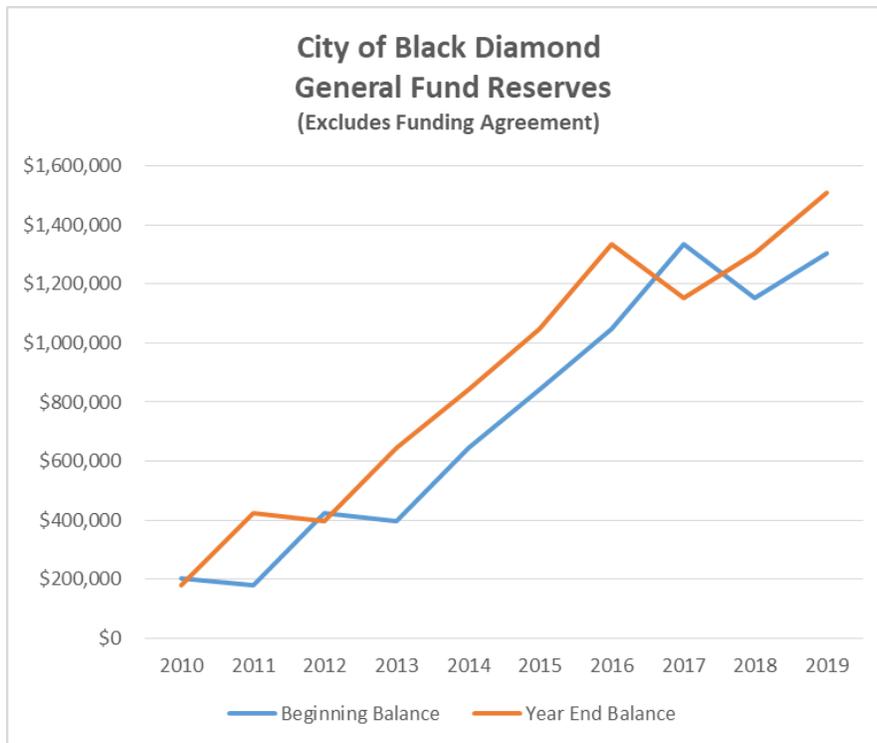
November 23, 2018

Mayor Carol Benson
City of Black Diamond
PO Box 599
Black Diamond, WA 98010

Subject: 2019 City Budget

Dear Mayor Benson:

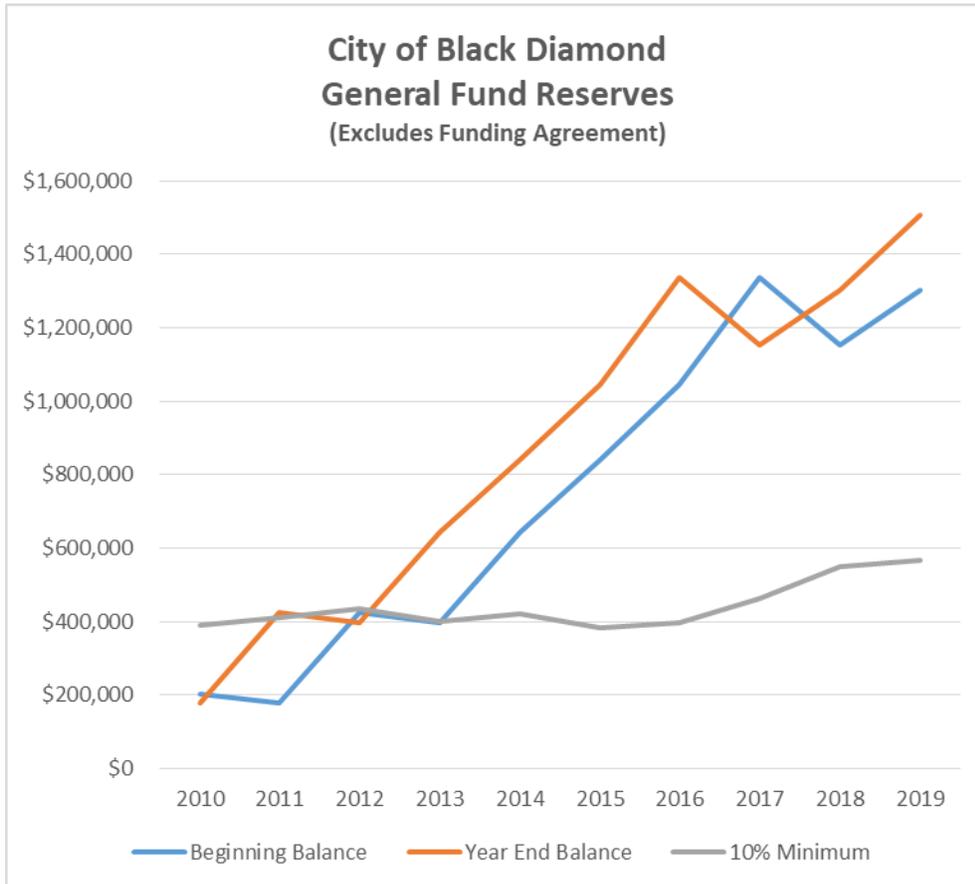
Thank you for the opportunity to provide input and comment regarding the city’s preliminary budget for 2019. I am particularly pleased to see that once again Black Diamond will be increasing general fund reserve balances both in 2018 and in the budget for 2019. As you well know, building healthy fiscal reserves has been a long and at times difficult road to travel. Most people don’t realize how hand-to-mouth our city once was. It was kind of like trying to make payroll at Sears. The following graph shows city general fund reserve balances dating back to 2010.



Except for 2017 and the extraordinary legal expenses incurred then, we have seen “steady as she goes” progress in building reserves year after year. That’s quite an accomplishment, especially given the fact that we have seen MPD Funding Agreement revenues decline from \$1.4 million in 2011 to \$800 thousand in 2019 and Funding Agreement staffing levels fall from 12.0 FTE’s in 2012 to 3.85 FTE’s budgeted for 2019.

Why so much continued emphasis on building reserves?

1. The City of Black Diamond is a “cash business”. As May Miller makes clear, if we don’t have cash in the bank, we can’t pay our bills or meet payroll. We have no lines of credit. A minimum reserve balance of 10% or more is needed just meet day to day needs. Most people that I talk to in our community are not aware of this. Though the city is now well beyond the 10% minimum reserve balance, this has not always been the case.



2. Although the MPD developer is responsible for significant mitigation of traffic and other impacts of the development on our community, they are not responsible for mitigating existing deficiencies or the impacts caused by other development either inside or outside the city. For this, the city will need to fund improvements ourselves and obtain significant grant funding. The more matching funds we have available, the more successful we will be in obtaining grant funding.

I know that I am preaching to the choir, but I encourage you, city staff and councilmembers to continue waving the flag and stay on course.

I also have a more fundamental concern, however, about our city’s fiscal future. This concern revolves around the question: Are the MPD’s going to pay for themselves or will our community have to shoulder the burden of paying for more police officers and other city services as the MPD’s develop? Are higher property and other taxes in our future to simply maintain current levels of service? These concerns are not just mine but of concern to many in our community.

As you know, a condition of approval for the MPD's and for the Development Agreement, requires that the MPD developer fund level of service shortfalls that result from the development. To make this determination requires a Fiscal Analysis be prepared every 5 years. The first fiscal analyses were prepared at the time approvals were issued for development of Phases 1-A and 2. Based on the analysis dated April 28, 2014, I found the numbers to be disturbing. If we exclude one-time revenues generated by the MPD's such as sales tax revenues from construction materials, upon build-out our city would be left with annual deficits of approximately \$800,000 per year to maintain defined levels of service.

The 2018 city budget included \$10,000 for a new fiscal analysis, though I am not aware of the status. I also see that the draft 2019 general fund budget includes \$10,000 for a fiscal analysis. Please confirm current plans and schedule for an updated fiscal analysis. This analysis would also be most helpful in our city's current budget planning. I had hoped to see at least a high level 5 year forecast as part of the 2019 budget. With an updated fiscal analysis and current forecast development schedule, perhaps we can have a five year outlook included next year.

Thank you again for your leadership and for the dedication of city staff and City Council. Now, time to go for a hike and take some pictures.

Sincerely,

Craig Goodwin

cc: Councilmember Tamie Deady
Councilmember Melissa Oglesbee
Councilmember Janie Edelman
Councilmember Erin Stout
Councilmember Chris Wisnoski
Finance Director May Miller