The purpose of the special session is to review the 2004 preliminary budget.

City Manager Barkley presented an overview of the 2004 preliminary budget. The preliminary budget reflects a commitment to maintain the level of service the community has enjoyed over the past several years, while providing for some significant capital projects to improve and enhance the quality of service the City can provide. The General Fund receives greater proportional support from the Sales Tax Reserve Fund than it has in the past. Several major funds will show declines in their ending balances for 2004; however, all funds project cash balances at responsible levels. The City is starting to see a hopefully sustained rebound in sales tax with an approximate 11% year to date increase. The City’s assessed valuation is likely to grow at an astonishing rate during the next number of years with the number of vacant City lots scheduled for development. As reliance for general government functions shifts more and more to retail activity, the City’s role in providing a positive environment for retail activity cannot be overstressed. Since preparation of the preliminary budget the City has lost an estimated $75,000 in revenue from gambling tax due to the recent closure of the local casino. Staff will probably not make changes to the preliminary budget until towards the end of the budget process.

REVENUES

The proposed fiscal year 2004 budget reflects a 1% increase in the property tax rate. This will produce a little over $15,000 in additional property tax revenue, plus the taxes collected on new construction. Council reviewed a history of the City’s assessed valuation and tax rates. A consequence of the City’s holding the line on property taxes is that the City’s property tax stream has not historically grown at the same rate as expenses which has forced increasing reliance on sales tax and other revenue sources. The City retains unused legal capacity to increase property taxes in the range of $200,000 per year should the Council ever elect to do so. In addition, the voter approved levy of $0.1794 per $1,000, will be collected, generating approximately $127,650 for the Library/Hal Holmes project.

Fiscal year 2004 should see utility taxes rise compared to projected revenue in 2003. Revenue in 2004 from building permit fees is conservatively estimated at $260,000. Some spill over from 2003 fees is anticipated in 2004. Revenue from current projects includes a potentially record number of
residential projects as well as the new CWU music building, renovation of Sue Lombard Hall, and other large planned projects at CWU. In addition, permit fees for the new Ellensburg High School and planned improvements to County facilities will contribute to revenues. In 2004 the City will be migrating from the Uniform Building Code to the International Building Code which will result in a new fee structure designed to cover the costs of providing permitting and inspections services, as well as equalizing the administration of the fee structure.

State Shared Revenue is expected to increase as the population of Ellensburg continues to grow.

City revenue from emergency medical service (EMS) continues to decline as a result of changes in Medicare and Medicaid reimbursement levels. Even with a significantly increased number of calls for service, projected revenue for 2004 is $590,000. At established rates, the billed but not collected revenues amount to nearly $250,000 of services provided for no compensation. Staff will be suggesting ways to address this shortfall in 2004—possibly through the creation of an EMS utility.

The 2004 Street Fund budget anticipates revenue of $842,145--a decrease of $113,252 over fiscal year 2003. Revenue from the State Motor Vehicle Fuel Tax is expected to grow from a projected $210,803 in 2003 to $225,232 in 2004. Arterial Street Fund revenue is anticipated at $1,566,363 which is down considerably from the 2003 budgeted amount of $2,571,134. The completion of Water Street in 2003 saw an unusually high budget number, which is not replicated in the 2004 budget. Projected revenue in the Sales Tax Reserve Fund includes sales tax proceeds and earned interest totaling 2.622 million dollars. This compares to 2003 budgeted revenues of 2.441 million dollars.

EXPENDITURES

In the 2004 budget the Library Director’s position and the Hal Holmes staff positions are moved from the City General account group to the Library account group of the General Fund to better reflect the operational structure of the City. The City General account group also provides the community program support. Changes in the Finance Department will continue through 2004 with implementation of new information technology, the move to a new City Hall, and the retirements of the computer programmer and cashier in 2003. Evolving work patterns will guide new staffing patterns in the Finance Department by the end of 2004. The 2004 Fire Department budget eliminates the Assistant Chief position and brings back the position of Training Officer at a rank equivalent to Captain. This change better reflects the needs of the organization. While a significant amount of planning has begun for a future second fire station, the 2004 budget does not anticipate significant expenses on this project. The 2004 Police Department budget includes the filling of a sworn officer position which was vacant during part of 2003 due to retirement. That position is now filled. The Police Department is aware of one retirement in the detective division in 2004. One significant change to the Parks and Recreation account group in 2004 is the elimination of a full-time position at the Racquet Center, in an effort to conserve funds and increase efficiency. Services have been maintained with an increase in part time help.
The Sales Tax Reserve Fund continues to be a major source of funding for both general government operations and capital expenditures. The 2004 budget includes $217,475 for capital projects, 1.5 million dollars for General Fund support, $28,000 for the Arterial Street Fund, $167,874 for debt service on the West Ellensburg Park property, and $374,270 in debt service in the City Hall/Washington School project. Changes in the Sales Tax Reserve Fund from recent years include increasing support for the General Fund, and decreasing funds available for miscellaneous capital projects and equipment replacement. Debt service payments for West Ellensburg Park and City Hall have had a significant effect on the ability of this fund to accumulate capital funds and make them available for City use. In 2005, departments occupying the new City Hall will be making internal lease payments, thus reducing the net debt service requirement supported by this fund.

The 2004 budget for the CATV Capital Fund includes $65,000 for capital equipment, including equipment for community television access at the new City Hall. The Fire Vehicle Fund anticipates the expenditure of $170,000 for a new ambulance—bringing the City’s fleet to four ambulances. The City will not be adding monies to this Fund in 2004. In 2004 Park Acquisition and Development Fund monies are scheduled for expenditure on parking and restrooms in West Ellensburg Park, the addition of West Ellensburg Park softball field lighting, off leash dog park development, and additional planning for the John Wayne Pioneer Trail Reconnection. This Fund receives revenue from the motor vehicle fuel tax, the school district, the distressed county sales and use tax program, the county real estate excise tax, and impact fees for 2004.

The 2004 preliminary budget for the Lodging Tax Fund is $316,487 and includes administration of the tourism promotion effort through a contract with the Chamber of Commerce, event seed money, the construction of a permanent restroom facility downtown, an aggressive marketing program, and debt service paid to Kittitas County for stadium seating and Fairgrounds renovations. To date, 2003 lodging tax revenues are running about 15% higher than 2002. The CHIP Reserve Fund budget for 2004 includes an additional $50,000 to continue the historic building façade improvement and code compliance grants.

Major expenses anticipated from the Risk Management Fund in 2004 include support for the Safety Committee, the payment of insurance deductibles, support for the Wellness Committee, and general support for insurance and risk management, including a $40,000 transfer to the General Fund.

The General Obligation City Hall Debt Fund services the debt of the new City Hall; total debt service for 2004 is scheduled to be $374,270. The source of funds for fiscal 2004 is the Sales Tax Reserve Fund. In 2005 the Sales Tax Reserve Fund will be supplemented by internal lease payments paid by other departments and utilities in the City that will help offset the costs of owning and operating the building. The General Obligation Bonded Library Debt Fund pays the debt on the Library/Hal Holmes Center Remodel and Expansion Project. The source of funding for this project will be the property tax levy collected pursuant to the election and applied to the debt through this fund. Debt service scheduled for 2004 is budgeted at $129,500.
The Capital Projects Fund of the 2004 budget totals $217,475.00. Expenditures for the Fire Department total $57,275 and include bunker gear replacement ($7,000); self-contained breathing apparatus bottle replacement ($9,000); and replacement of the call back radio system ($41,275). Expenditures for the Police Department total $20,000 and include improvements to the animal shelter ($15,000) and a storage area expansion for the evidence building ($5,000). A laser level for the Public Works Department is budgeted at $2,000. Expenditures for the Parks Department total $10,350 and include a generator ($1,350); portable bleachers ($4,500); and an enclosed cab for the turf sprayer ($4,500). Pool expenditures total $115,850 and include replacement of the hot tubs ($70,000); HVAC improvements ($38,850); facility sign ($3,000); and submersible vacuum ($4,000). Re-roofing of the Youth Center Building is budgeted at $12,000.

In 2004 Sidewalk Improvement Fund expenditures total $120,000 and include $70,000 for intersection node repair and $85,000 for general residential sidewalk repair. City expenses associated with the I-Net Fund total $252,178 for 2004.

Total expenditures in the Natural Gas Fund for 2004 are budgeted at 6.690 million dollars, down slightly from the 6.866 million budgeted for 2003. Natural gas costs have stabilized somewhat over the past year, however that stability is at a higher price than was anticipated a year ago. The 2004 budget for the Light Fund stands at 10.745 million dollars compared to 10.907 million dollars anticipated in the original 2003 budget. The wholesale cost of electricity continues to rise, but at a slower pace than a year ago. Additional increases are expected by the end of 2004, however the City has been able to minimize the impact of these rate increases on customers through the issuance of rate mitigation bonds. The 2004 Light Construction Fund contains a preliminary expenditure of $1,317,280. The main feature of expenditures contemplated for 2004 include either the construction of a new substation to manage system growth, or, in the alternative, extensive investment in one or more of the existing substations.

The City is close to resolving the bulk of its water rights issues. Once these issues are resolved the City will be in a position to start improvements to the water system. The preliminary 2004 budget for the Water Fund includes expenditures of slightly over 2.1 million dollars, slightly less than the 2003 budget of slightly over 2.2 million dollars. Most of the projects funded by the Water and Sewer Construction Funds have been completed, leaving a balance of approximately $428,000 in water and $195,000 in sewer. Some of the funds are eligible for transfer to the Sewer Construction Fund under the terms of the bonds and part of the funds are currently scheduled for the planning and construction of projects related to the implementation of the City’s strategic water plan. The preliminary budget for 2004 for the Sewer Fund amounts to 2.277 million dollars, down slightly from the 2.390 million dollars originally budgeted for 2003. Replacement of the last two aerators at the Treatment Plant is scheduled for 2004.

Purchases scheduled in 2004 from the Shop/Warehouse Equipment Fund total $215,700 and include the replacement of five vehicles and a backhoe.
The City General budget proposes increasing the hours of the Personnel Intern to full time by the end of 2004. With the move to the new City Hall in late 2004, the Finance Director and City Clerk will be moving out of the administrative offices. More staff hours will be needed to provide front desk coverage for the administrative suite. A 1% wage increase is scheduled for non-represented employees. Budgeted expenditures include $9,000 for re-staffing the City newsletter and $15,000 for election services, if needed. In answer to Council inquiry, the Credit Card Fees account is moved to the Finance Department budget in 2004. The City Manager’s budget is a status quo budget from 2003. In 2004 cost sharing for insurance premiums increases to 10% for non-represented employees.

Finance Director Carpenter advised Council the budget numbers on property taxes are tentative because the County has not finished its new construction values to determine the total assessed valuation. During an audit of the County Assessor’s office from 1985 to the present it was determined that in 2002 the City levied more than the 1% tax authorized by Initiative 47 in an approximate amount of $3,600. This issue will come back before Council to determine how that money will be refunded. The City will need to reduce this next year’s tax levy to compensate.

The total 2004 Finance Department budget is less than the total 2003 projected expenditures. A supplemental budget amendment will be needed for 2003 to cover staff overtime incurred during the conversion to the new financial software system. In the 2004 budget Information Technology salaries and wages are decreased due to the IT positions being moved into the IT Fund and the Utilities Supervisor and Programmer/Operator personnel salaries being moved into Financial Services. The remaining expenditures were also moved to Financial Services. The computer programmer and a cashier are retiring from the Department at the end of 2003. These positions will be filled in 2004; the computer programmer position will probably be redefined depending upon the City’s financial software requirements. A balloon payment of approximately $47,000 from the PERS 1 retirement system is budgeted due to retirement of the computer programmer. The City’s financial history will be maintained on the current computer system for at least two years as a low cost alternative to transferring this information to the new system.

**ADJOURN** Adjourn at 9:25 p.m. Collins Affirmed

Mayor

ATTEST: ________________________________ City Clerk