CITY OF ELLENSBURG

Minutes of Council Meeting, Special Session

Date of Meeting October 6, 2004
Time of Meeting 7:00 p.m.
Place of Meeting Council Chambers, 102 North Pearl Street

Councilmembers Present: Bassett, Carlson, Collins, O’Brien, Perrie and Mayor Barry

Others present were City Manager Barkley; Finance Director Carpenter; Budget and Accounting Supervisor Snider and Deputy Clerk Keno.

Councilmember Lillquist arrived at 7:10 p.m.

The purpose of the special session is to review the 2005 preliminary budget.

City Manager Barkley presented an overview of the 2005 preliminary budget. The preliminary budget reflects a commitment to maintain the level of service the community has enjoyed for some years, while continuing to provide some significant capital investment, particularly on the City’s street infrastructure. The General Fund receives greater proportional support from the Sales Tax Reserve Fund than it ever has before. This reflects some additional operating costs, the transfer of the new City Hall debt service and operations from the Sales Tax Reserve to the General Fund, the permanent loss of the Motor Vehicle Excise Tax, and a significant reduction in telephone tax receipts. The Sales Tax Reserve Fund is projected to show a significant decline in its unbudgeted balance or reserve. Several major funds show declines in their ending balances for 2005; however, the proposed budget maintains responsible fund balances. As funding for general government functions relies more and more on revenue derived from retail activity, the City’s role in providing a positive environment for retail activity cannot be overstressed.

The preliminary budget for 2005 leaves a combined year end balance of approximately 1.5 million dollars for the Sales Tax Reserve and General Funds. The 2005 budget will be the last budget in which the City will be able to use significant reserves to balance the budget; the search for new revenue sources will be a topic of major importance during the budget sessions and Council’s winter retreat. Two new potential revenue sources are a ¼% real estate excise tax and the creation of a stormwater utility.

REVENUES

The proposed fiscal year 2005 budget reflects a 1% increase in the property tax rate. This will produce approximately $16,465 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 for the Library/Hal Holmes project will generate approximately $124,000 for debt service related to the project. The budget numbers on property taxes are tentative because the County has not finished its new construction values to determine the total assessed valuation. The estimate is based on last year’s evaluation plus $15,000,000 of new construction.

Fiscal year 2005 should see slight increases in utility taxes based on increases in demand. New growth should more than offset the City’s energy conservation programs; demand for both electric energy and gas has increased for non-weather related reasons in 2003 and 2004. Revenue in 2005 from building permit fees is projected at $404,000. Revenue includes permit fees from what may be a record number of residential projects, along with the Student Union and Recreation facilities at CWU, the renovation of Sue Lombard Hall, and several other large projects. The City adopted the International Building Code effective July 1, 2004 but has not significantly changed the City’s permit fee structure. A new fee structure will be proposed which will be better designed to cover the cost of plan reviews, permitting, and inspection services, as well as equalizing the administration of the fee structure. The City will continue the practice of outsourcing plan review services for major projects.

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

City revenue from emergency medical service (EMS) fees is projected to rise only slightly in 2005. Even though costs have risen, revenues are down partially as a result of changes in Medicare and Medicaid reimbursement levels. Even with a significantly increased number of calls for service, projected revenue for 2005 is $620,000--compared with $601,958 in 2001. Currently, the General Fund provides in excess of $250,000 in subsidies for emergency medical services. This subsidization will be a significant topic of discussion during the budget process and winter retreat.

The 2005 Street Fund budget is projected to have revenues of approximately $1,093,000. Over $785,000 of this is scheduled support from the Sales Tax Reserve Fund—making the Street Fund among the single highest priorities from Sales Tax Reserve. The other major source of funding is the State Motor Vehicle Fuel Tax, which is projected at approximately $235,000 for 2005. Arterial Street Fund revenue is estimated at 1.712 million dollars. Over one million dollars is projected to come from Helena Street Local Improvement District participants, $182,000 from State transportation program funds, $390,000 from the federal bridge replacement program, $110,000 from the Motor Vehicle Fuel Tax, $188,000 from the Sales Tax Reserve Fund, and $150,000 from the Sidewalk Improvement Fund. These revenues, combined with other miscellaneous revenues and fund balance of $552,000 provide a total Arterial Street Fund preliminary budget of $2,549,500. Projected revenue in the Sales Tax Reserve Fund includes sales tax proceeds and earned interest totaling 3.03 million dollars.

**EXPENDITURES**

Expenditures and revenues in the City General account group have increased dramatically in the preliminary 2005 budget as a result of moving the debt service, operations and maintenance
expenses related to new City Hall into this account group. These expenses total $496,323 for 2005. This account group provides Council support, general building maintenance services, community program support, organizational memberships, audit costs, comp plan update, and the City newsletter. Proposed expenditures for the City General account group total $1,007,232 for 2005. With the implementation of new information technology, key staff retirement, and the move to new City Hall, the Finance Department will be undergoing numerous changes at the end of 2004 and on into 2005. Total expenditures for the Finance Department are proposed at 1.026 million dollars. The 2005 Fire Department budget re-establishes the Fire Marshal’s position at the rank of Captain and assigns the position as part of a duty shift. The total Fire Department budget for 2005 is 2.153 million dollars. Total expenditures proposed for the Police Department for fiscal year 2005 are 3.143 million dollars. While no additional personnel are proposed at this time, additional help in Animal Control will be discussed as part of the budget deliberations. Total expenditures for Parks and Recreation are proposed at 1.381 million dollars with increases reflecting labor costs and a significant increase in acreage. Additional seasonal labor will need to be discussed for this department.

The Sales Tax Reserve Fund continues to be a major source of funding for both general government operations and capital expenditures. The 2005 preliminary budget proposes $159,481 for capital projects, $774,632 for street maintenance, $15,879 in I-Net support, $176,403 for Information Technology, $183,115 for arterial street support, $169,874 for debt service on the West Ellensburg Park, $30,036 for debt service on the Ellensburg Youth and Community Center, and 2.506 million dollars in general fund support. 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.

The Fire Vehicle Fund anticipates the expenditure of $90,000 to transfer one of the current ambulance truck bodies to a new chassis. The Park Acquisition and Development Fund will receive revenue from the motor vehicle fuel tax and impact fees for 2005. The fund may also receive significant revenues from an IAC Grant for West Ellensburg Park. Presently recommended projects from this fund include West Ellensburg Park softball field lighting, off leash dog park improvements, and the North Main Street Park. Recommended expenditures also include $20,000 for miscellaneous landscaping at West Ellensburg Park.

Revenues in the Lodging Tax Fund are running slightly higher than projected. Lodging tax expenditures proposed for 2005 total $324,653. Major expenditure categories include $56,366 for tourism support, $100,000 for signage, $127,600 for marketing and $40,687 related to debt service for stadium seating at the Fairgrounds and grand stand renovations. The CHIP Reserve Fund budget for 2005 uses the remainder of the monies in the Fund for historic district grants.

The General Obligation City Hall Debt Fund was created to service the debt for new City Hall. Starting in 2005, the funding related to this building will come from the General Fund.

The Capital Projects Fund of the 2005 budget totals $159,481.00. Capital projects and purchases from
this fund will include bunker gear replacement for the Fire Department, rope rescue equipment, patrol vehicle replacement and ballistic vest replacement for the Police Department, a new vehicle for Community Development, a new City aerial photo and planning software, fitness equipment for the pool and fitness center, roof repairs to the Racquet Center, replacement furnishings for the Senior Center, and other smaller items.

In 2005 Sidewalk Improvement Fund expenditures total $285,000. Expenditures proposed for 2005 include support to the Arterial Street Fund for the City’s share of the Helena Street LID, and $85,000 for residential sidewalk repair. Staff will also be discussing with the Council the use of some of these funds for sidewalk improvements associated with the new City Hall project. City expenses associated with the I-Net Fund total $140,000 for 2005.

Natural gas prices continue to be volatile, with prices hovering in a range similar to the excessively high prices of a year ago. Total expenditures in the Natural Gas Fund for 2005 are budgeted at 7.59 million dollars. The 2005 budget for the Light Fund is 11.255 million dollars compared to the 2004 budget of 10.746 million dollars. The wholesale cost of electricity seems to have stabilized with anticipated rises being smaller and later than were first perceived. At least some price increases are expected by the end of 2005, however the City has been able to minimize the impact of these rate increases on customers through the issuance of rate mitigation bonds. Planned expenditures from the 2005 Light Construction Fund total $1.324 million dollars and include electrical system expansion and upgrades, a replacement power transformer at the Dolarway Substation, and maintenance and replacement projects as necessary to meet system growth requirements.

Protecting and perfecting the City’s water rights continues to be a priority. The preliminary 2005 Water Fund budget includes expenditures of slightly over 2.410 million dollars. Included in this budget is the operations and maintenance of the City’s water system, a rebuild of the City well pump and motor, upgrading the CPU and back up for the telemetry system, and the construction of a metered water truck fill station. Funds from the Water Construction Fund are proposed for City well replacement design ($55,000) and support for sewer projects ($154,458). These expenditures will zero out the Water Construction Fund. The 2005 Sewer Construction Fund budget proposes the continuance of cured in place sewer rehabilitation ($85,980) and capital investment in biosolid handling equipment at the Wastewater Treatment Plant ($81,347). The preliminary budget for 2005 for the Sewer Fund proposes total expenditures of 2.282 million dollars, down slightly from the 2.334 million dollars projected for 2004.

Purchases proposed for 2005 from the Shop/Warehouse Equipment Fund total $464,000 and include the replacement of seven vehicles, as well as the purchase of a three-ton press and a heavy equipment diagnostic kit. In addition to the equipment purchases, the addition of three heated equipment bays is proposed in the amount of $140,000.

The City General budget includes the salaries of the Mayor and councilmembers as well as the Building Maintenance position. This budget contains the expenditures for the City newsletter ($9,000)
and the Comprehensive Plan Update ($175,000).

The total preliminary budget for the City Manager’s Office is $526,453. Salaries and benefits increase due to a 2.5% wage increase for non-represented employees and a 15% increase in the cost of medical insurance premiums. Employee cost sharing for health insurance premiums is at 10% for most employee groups. With the move to the new City Hall in December, 2004, the Finance Director and City Clerk will be moving out of the administrative offices. The Executive Assistant position remains budgeted at a full time position even though it is currently a ¾ time position in the event staffing and service patterns in the new City Hall require the hiring of additional part time help to provide coverage.

The 2005 Finance Department budget includes some changes in personnel. This week Council approved and staff filled the Payroll Technician position. The 2005 budget includes an unfilled Payroll/Accounting Specialist position as well as the addition of an Accounting Analyst position to assist with union negotiations. While the new financial and billing software can provide more information it has increased staff workload. Council would need to approve the addition of the Accounting Analyst position. If Council approves the Accounting Analyst position then the Payroll/Accounting Specialist position will not be filled.

Finance Director Carpenter advised Council the earned interest in the Fire Relief & Pension Fund has declined due to low interest rates. This decline—in combination with rising medical costs—has the potential to render the Fund actuarially unsound. Should this occur the City will need to make up the shortage from property taxes. The City is awaiting the results of an actuarial study ordered in 2004. In the past, could do $3.60 per $1,000 of assessed valuation. The City General account group has benefited from this Fund because Council levied the full taxable amount. Approximately 10 firefighters and two widows are beneficiaries of the Fund.

**ADJOURN** Adjourn at 8:46 p.m. Carlson Affirmed

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Mayor

ATTEST: __________________________________ City Clerk