CITY OF ELLENSBURG

Minutes of Council Meeting, Special Session

Date of Meeting October 26, 2007
Time of Meeting 8:00 a.m.
Place of Meeting Council Chambers, 501 North Anderson Street

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

Others present were City Manager Barkley; Finance Director Ariwoola; Public Works Director Akers; Energy Services Director Titus; Community Development Director Witkowski; Parks & Recreation Director Case; Library Director DeSoer; and Deputy Clerk Keno.

The purpose of the special meeting is a budget retreat for the discussion of the 2008 preliminary budget.

BUDGET RETREAT – DISCUSSION REGARDING PRELIMINARY 2008 BUDGET

The 2008 preliminary budget comes to Council as a balanced budget document. It is the first time the Finance Department has brought the City Manager a balanced budget funding continuing operations first and then looking at capital investment needs. City Manager Barkley summarized the budget letter in the 2008 preliminary budget. The City’s sales tax performance since budget preparation has been decent, although the 2007 sales tax performance was less than expected. In 2008 the City will be booking sales tax when it is received by the City rather than when it is collected by the merchant to more accurately reflect the City’s current fiscal status. A gap in the construction program at CWU has contributed to construction sales tax being down. Automobile sales is generating the largest amount of sales tax revenue at this time. Weather and utility sales also influence the budget.

Finance Director Ariwoola distributed a handout containing updated information on the 2008 preliminary budget and reviewed changes in the various debt funds since initial budget preparation. The proposed budget hopes to address the fiscal deficiencies in the Fire Relief and Pension Fund by using the City’s property tax authority outside the lid to levy a special tax that would raise approximately $264,000 in revenue to the General Fund. If Council decides to proceed with this tax it will need to be added to the budget.

Council reviewed wage schedules for union and non-represented employees and requested an hourly wage breakdown for the non-represented employees. Council also asked to see the difference between what a County resident and a City resident pays in property taxes. Funded and unfunded 2008 capital facility projects were reviewed and discussed.

Health insurance costs are projected to increase 16% in 2008—a 20% margin was used in preparation of the budget. Wage increases for non-represented employees range from 2.5% to 3.6%. The non-represented employees are being put into a step system reflective of market conditions. A disposition of the 120 developable acres of the West Ellensburg Park property is planned for 2008.
Council is interested in evaluating all City-owned parcels to see if additional parcels may be considered for surplus. The utility funds do not include any of the proposed rate increases.

Council took at break at 10:05 a.m. and reconvened at 10:17 a.m.

**Public Works**

Director Akers outlined operational issues for his Department. The Engineering Division has a status quo budget for 2008. The IT obligation increases to reflect IT costs. The Division is extremely busy and is seeing a reduction in residential activity and a ramping up of commercial activity. The Street Division continues to operate with one less person (heavy equipment operator) than it did in 2003. The Division is faced with significant challenges in being asked to do what is needed with the staff available. The budget includes the purchase of a grinder to enable quicker patching. A significant financial challenge is road closure issues related to events in the downtown—such as the Farmers Market—which require employee double time pay on the weekend. The cost for staffing related to these events is included in the Ancillary Operations line item which increases 40% in 2008 to $16,800. The Street Division budget has increased substantially due to the increased cost of materials. In answer to Council inquiry, the stormwater utility revenue is factored into the budget. The Street Division is proposing to increase street sweeping activity in 2008 and pay for that increase through the stormwater utility. This will result in additional revenue to the budget and additional obligation. Due to the decrease in Motor Vehicle Fuel Tax revenue, sales tax is used to make up the balance of funding in the Street Fund. Due to employee longevity and the accompanying increase in vacation benefits the Public Works Department may need to address the staffing shortfall with temporary seasonal workers. One project is included at 15th Avenue in front of Mt. Stuart School; monies in the sidewalk improvement budget will help put in handicapped ramps on the alignment.

The Arterial Street budget includes street improvements to Mountain View Avenue, Ruby and Chestnut Streets and part of Willow Street to make the sidewalk connection. A major source of funding for this project will be sales tax money. The other major project is the connection of the trail from West Ellensburg Park to Irene Rinehart Park.

At some point the City will need to create a vehicle to purchase land to protect future right-of-ways. In 2008 the Water Department will be challenged with drilling a number of new wells based upon prior authority received from the Department of Ecology. The deadline for completion of these wells is 2009 and additional employees will be needed in 2009 to address maintenance issues on the wells. Staff is proposing significant increases in sewer and water rates and connection fees based upon aging plant facilities and retirement of bonding debt. Council will also receive a proposal for the creation of a stormwater utility which will contract with the Sewer utility to provide the services. This will bring additional revenue to the Sewer Department. The Shop budget includes a rate revision for rental customers.

**City Manager/City General/Community Funded Programs**
In the 2008 budget the funding level for Community Support Programs is the same as 2007. No additional staffing is requested for the Administrative Division in 2008. The City Attorney’s workload has increased significantly over the past several years as a result of the complex regulatory environment and at some point additional staffing will be needed. Half of the Legal Department’s support staff’s time is spent on work for the City Clerk’s office. The City Attorney’s office is one of the smallest in the state. The City currently uses a variety of specialty attorneys on an hourly basis without bringing on additional staff. Staffing in the Human Resource office is also low and some outside resources are used here as well.

Council discussed the need to work in incremental stages toward closing the salary gap for department heads comparable to salary ranges in other communities to insure retainage of qualified and knowledgeable personnel.

Community Development

The 2008 budget is status quo with increases for bargaining unit and non-represented employees as well as IT support. The Department is currently undergoing a re-organization which may result in some modifications in 2008. The Department’s three main challenges are: 1) Continuing to provide daily services to customers; 2) Comprehensive Plan implementation; and 3) State-required mandates. While the Department has increased construction permit and inspection fees, these fee increases will not support increased land use permitting and policy development. A majority of the City’s challenges and policy issues in process and in the future involve the Department. City review of the urban growth area (UGA) properties and its impact on City staff was discussed. The ending balance in the CHIP Fund is $42,553 with no new revenues to this Fund. In answer to Council inquiry, the façade rehabilitation project has expired and is not included in the 2008 budget.

Finance

The Department’s mission is to support all financial functions of the city. The collection rate has greatly improved and in 2008 the collection policy will be revised. There is currently no service charge for late payments. The major changes to the Department’s budget are in the areas of salaries and benefits pursuant to union contract and outside entities (i.e., health insurance) over which the City has little control. The actuarial shortfall in the Fire Relief and Pension Fund begins to be addressed in the 2008 budget through the use of the City’s banked tax authority to increase the property tax rate to provide $264,000 in revenue to this Fund. In the future Council will have the option to discontinue this additional tax when the Fund’s obligations are satisfied.

Council recessed for lunch at 12:25 p.m. for 30 minutes.

Council reconvened at 1:05 p.m.

Police Department
The Department’s budget increases $262 in 2008 outside of contractual obligations over which the city has no control. Inflation has affected training, fuel costs and supplies. Chief Miller warned the Department cannot continue with zero growth without significant cuts in the future. The 2008 budget contains a special revenue fund for replacement of police vehicles in much the same manner as the previous Fire Vehicle Replacement Fund. The budget includes the replacement of two patrol vehicles. The Department has implemented contingency plans in the event Proposition #2 passes on November 6th that will help move up the hiring process for new officers in the Department.

Parks and Recreation

Director Case distributed a Summary and Staffing Overview for Council’s consideration and reviewed significant challenges for each facility. Challenges at the Adult Activity Center (AAC) include staffing, lack of program space and facility identity. The City receives $36,000 from the County to help offset expenses at the AAC. Minimal staffing in the Administrative Division limits the Department’s ability to seek grants and supervise projects. A full-time staffer dedicated to grant writing would be beneficial. Challenges at the Youth & Community Center (EYCC) include transportation and summer staffing levels. The aging of Memorial Pool is its biggest challenge. The facility is used extensively; cost reduction measures could be implemented in terms of cutting hours. The Racquet and Recreation Center (ERRC) will mark its 10 year anniversary as a city facility in 2008—fulfilling the City’s commitment. In the coming six to eight months Council will need to discuss the facility’s future and whether the opportunity exists to do something else with it.

The challenge for park maintenance continues to be staffing—with the same number of full time equivalent employees as 1980. Expectations from downtown, user groups, special events and volunteers, aging infrastructure and part-time employee interest all contribute to staffing inadequacies. The focus for recreation programs in 2008 will be increasing the number of special events and contracted recreational programs. Director Case highlighted 2007 park development projects and unfunded personnel requests. Council reviewed the West Ellensburg Park funding matrix and the six-year Capital Improvements Schedule. Council discussed requesting funding from the School Board for park maintenance.

Library

Director DeSoer protested the continued erosion of the library materials budget line item due to an increase in the budget for computer rentals and IT support. The $13,000 increase she requested for 2008 would have restored the materials budget to the 2006 level of $75,000. The price for materials and the number of different formats being requested continues to rise. There is hope the County may raise its contribution rate to the Library from $80,000 in 2007 to $100,000 in 2008. In order to simplify the Library Trust Fund account, new budget line items for revenue and expenditures are included in the budget. The office specialist position is the staff liaison to the Arts Commission. This job requires a time commitment averaging two hours a week, while the office specialist position is regular part time at eighteen hours a week. Director DeSoer would like to increase the hours for this position in
the future. The Arts Commission budget for 2008 is $8,000.

**Energy Services**

Director Titus discussed the staffing needs for his Department due to retirements as well as the need for competitive salaries to attract and retain qualified personnel. I-Net revenues and expenditures are static. The 2008 budget contains an $80,000 increase in Operations and Maintenance for diagnosing and fixing problems. In the Gas Fund, commercial and residential loads have increased. Revenues for 2008 are based on current rates. Staff will be coming to Council next month with a rate increase proposal. On the expenditure side, a $400,000 shortfall is anticipated if rates are not increased. Both purchased energy costs and energy sales are down from 2007. The remote meter reading program has been stepped up in order to complete the program in five years. Gas Fund expenditures in 2008 are projected to be 1.2 million dollars less than in 2007. Rates need to be adjusted and will be brought to Council in November in ordinance form. The proposed rate increases are not reflected in the budget at this time. The proposed rate increases will produce a margin instead of a deficient in the Fund. The upcoming revisions to the Utility Code will result in additional income from developers through revised fee schedules and a line extension policy. Both of these proposals will improve the financial position of the utility.

Total 2008 revenues for the Light Fund are projected at $13,717,316 with expenditures projected to be $12,809,604 which will result in a fairly substantial gain to reserves. Significant budget changes from 2007 include increases in retail energy sales, miscellaneous revenue, taxes, and purchased power. Expenditures in 2008 increase $656,130 over 2007. Light Fund reserves are healthy and electric rate adjustments are not being proposed at this time.

The Light Construction Fund contains the capital expenditures for the utility. The City will be finishing the Dolarway substation, and starting on the Northend substation. The City is close to an agreement with CWU for property for the Northend substation. This Fund also supplies the monies for installation of conduit vaults and cable transformers for new developments.

Total expenditures projected for the IT Fund in 2008 are $744,707. The significant budget change is the GIS increase for $231,000 for hardware, software and a new staff person to be responsible for GIS. All costs are being paid equally by the utilities. Implementation will occur over multiple years with additional costs in 2009 and 2010. Other Departments have expressed interest in having access to the GIS system, (i.e., police, parks and community development). Costs to other departments should go down after initial implementation. The City hopes to share GIS licenses with the County under an interlocal agreement. The budget also includes $35,000 for purchase of an e-mail archive/retrieval program due to an Attorney General opinion that requires the same response to a records request for e-mail records that is required for written records and $23,000 for server replacement. Total expenditures are $254,362.

At 3:40 p.m. Council announced the opportunity for public comment. No public comments were made.
Staff learned the reason for revenues in the Cable TV Operating and Maintenance Fund being in deficit for several years is because CWU has been charging items out of this fund that should have been charged to the Capital Outlay Fund. According to the franchise agreement, the $.50 per customer charge is for operations and maintenance and not capital outlay. Staff recommends increasing the $.50 per customer charge to $.62 (based upon the CPI) in 2008 and using some of that money to offset the current deficit in the Operations and Maintenance Fund. Council requested more information from the Cable TV Commission on this issue.

Councilmember Bassett gave the Lodging Tax Committee report.

Council discussed the budget and upcoming issues. The preliminary 2008 budget includes the expectation of a 1% property tax increase and the use of the City’s banked authority to fund the Fire Relief and Pension Fund. The creation of the stormwater utility, impact fees for transportation, park impact fee review, electric rate increases and the rewrite of the utility code will come to Council for consideration before the end of year. After discussion, Council consensus was to direct staff to modify the 2008 preliminary budget to include the additional assessment to use banked authority and allocate that money to help restore the reserves used over the last several years.

**ADJOURN** Adjourn at 4:50 p.m. Lillquist

Affirmed

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Mayor

ATTEST: _______________________________________

City Clerk