Roll Call.

Present: Bassett, Bottcher, Elliott, Lillquist, Tabb.

Absent/Excused: Miller, O’Brien.

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

2011 BUDGET RETREAT

Mayor Tabb called the special meeting to order at 9:00 a.m.

Councilmember O’Brien arrived at 9:07 a.m.

Councilmember Miller arrived at 9:09 a.m.

City Manager Barkley presented an overview of the preliminary budget, highlights and issues.

Revenue decline in most areas is significant while costs have continued to climb and health insurance and benefits continue to rise.

Major items addressed in the preliminary budget include:

• All employees will maintain the same hours as 2010, maintain wages according to their bargaining agreement. All unfilled positions are eliminated from the budget.

• The non-represented employees will not receive either a step increase or any market adjustments; their 2011 salary will be the same as in 2010.

• A 10% increase factored into the health insurance premium but the Administration cost is removed from the departments and will be paid out of the Health Insurance fund.

• Department requests not funded in the preliminary budget:

  Project Manager’s position – City Manager $133,708
  Payroll Tech position – Finance 68,886
Probationary Officer’s position – Police 69,103
Police Sgt. – Police 93,636
Assistant Building Official – Community Development 85,539
Assistant Building Inspector – Community Development 79,038
Park Maintenance Tech – Parks 74,533
Parks Recreational Leader – Parks 13,059
Removed the Health Insurance Administrative Cost – All 170,368
Decrease Parks Maintenance supplies – Parks 10,000
Reduce the Weed Abatement cost – Parks 7,500
Removed one police vehicle – Police 32,000
Removed Park Signage – Parks 6,000
Removed Parks fencing – Parks 10,000
Removed Pool equipment – Parks 37,000
Removed Grind/Pave Main Street – Arterial Street 490,000
Remove Reconstruction of 15th Ave. – Street 80,000
Total $1,460,370

Due to long term financial concerns for early 2011 the City will increase its contribution to the Dolarway Road project by using the GO bond funding designated for the Alder Street Park project and the Library Parking Lot project.

Assuming the City is correct in its conservative estimates for next year, it will need to look at reduction in service hours for the library, pool, city hall and racquet center. The City will be taking a hard look at employee benefits. Switching plans has resulted in reduced costs but it is not enough. The City has one of the richest health benefit programs around in comparison with the local and regional marketplace; the City will not be able to maintain the current level of benefits. Proposals being reviewed include switching to a high deductible plan combined with a health savings account, looking at a tiered plan, and not covering dependents in the current format.

If the liquor initiatives on the November ballot pass the City will no longer receive a share of the profits from liquor sales. The City may not receive the full assessment from Kittitas County for the
library in 2011; the County may cut its funding to the City for animal shelter operations as well. Additionally, the County is asking for an additional $111,000 from the City for the jail services contract.

Public Works

Public Works Director Akers discussed tier 1 and tier 2 overlay cycles and the consequences of delaying the City’s pavement management system. No funding exists for the program in 2012. The City can delay for awhile but the end result may be the need to issue bonds at some point. Council and staff discussed using surveys and public engagement to help make budgetary decisions. Council asked questions about the Six Year Capital Transportation Plan and bond issuance. When the Plan comes back to Council next June staff will be proposing a biennial plan. The City needs to keep funding the seal coat and crackfill program.

2011 City Budget

Finance Director Ariwoola distributed a handout on the 2011 City Budget. A soft hiring freeze was initiated in 2006 so even though some positions are listed in the budget the City did not fill them. This will make the budget numbers appear a little higher than the actual budget numbers. General Fund Revenue Growth is budgeted at $10,394,489 for 2011 versus $11,114,579 in 2010. The next property tax assessment for 2011 will come in in 2012. Utility taxes have been a savior to General Fund revenues in terms of gas increases. In the past, most of the City’s growth in property tax has been due to new construction. In 2009 1.7 million was transferred from the Sales Tax Fund. General Fund Expenditures are budgeted at $11,111,613 and salary and benefits comprise 70% of those expenditures. Council reviewed a chart showing the levels of sales tax revenue and support from 2007-2011. The total budget as proposed for 2011 is $66,577,997 versus the 2011 requested budget amount of $69,070,523. A lot of programs requested by the directors were removed. The projected fund balances for the General, Street, Arterial Street, and Sales Tax Funds are all down significantly for 2011.

A list of unfunded budget items (page 10 – budget handout) were reviewed. Other entities are not funding pay raises for non-represented employees in 2010. Council discussed jail costs and user fees.

Declining sales tax revenue, flat property tax revenue and the potential loss of liquor profit sharing will be future challenges for the city while endeavoring to maintain good financial standing and adequate staffing levels in the face of increasing benefit costs and bargaining agreement wage increases. Options to address these challenges may include monitoring and capping wage increases, reducing service hours and programs, adjusting the medical insurance premium contribution ratio and imposing penalties and interest on late utility payments.

Council took a five minute break at 10:55 a.m. and reconvened at 11:09 a.m. Council consensus was
to proceed with a working lunch.

In answer to Council inquiry, no relief on the state level is anticipated at this time to cope with rising state retirement rates and Cadillac insurance plans.

**Energy Services**

Energy Services Director Titus distributed a handout of the Department’s 2011 Budget Presentation and reviewed its highlights. The Department is down two full time employees and there are no plans to replace the positions. The I-Net is approaching ten years old and the only source for some maintenance materials is ebay. Existing reserves are expected to cover the entire cost of upgrading the I-Net electronics to current technology with greatly expanded bandwidth and speed. The prospect of having the hospital and fire district join the I-Net is improved with the updating of the I-Net electronics. Additional members will decrease the ongoing support costs for all members.

Councilmember Miller returned to the meeting at 11:15 a.m.

Major changes to the Gas budget include over a million dollars decline in sales due to flat usage levels and a substantial three year purchase of natural gas which will expire in March 2011.

Additional budget issues for the Gas Department include a projected continued drop in gas sales because of the economy which includes a significant drop in consumption by Twin City Foods. Staff is also projecting a drop in the price of natural gas that the City purchases for resale. This combination will have a major impact on utility taxes which support the General Fund and is likely to worsen in 2012.

Council briefly discussed switching the City’s rate structure. Consumption is conservatively budgeted for natural gas as weather moves consumption. This winter’s weather forecast is fairly extreme for a colder, stronger winter. Staff would come to Council in late spring or early summer 2011 when Bonneville Power Administration’s (BPA’s) rate process ends. In answer to Council inquiry, it is best to adjust electric and gas rates at the same time.

**Public Input**

No one came forward to speak during the time scheduled for public comment from 11:30 to 12:00 p.m.

Council briefly recessed while councilmembers and staff picked up their lunches.

**Energy Services (continued)**

Revenues in the Light Department are down over $630,000 due to consumption. Bonneville’s tiered rates go into effect on October 1, 2011. Although details are unknown at this time, estimates are wholesale rates will increase at least 10%. While not having a large impact in 2011 it will increase
expenses and utility taxes significantly for 2012. Smart Grid Funds revenue of $650,000 is forecast with approximately $600,000 in expense on equipment and facilities for the Renewables Park. The Smart Grid Project has no impact on taxes. In 2011 total expenses will increase by $118,000 over 2010.

Significant budget changes for IT are an overall expense decrease of $36,000. In 2010 the City performed two years worth of PC and server replacements. In 2011 the City will be switching to the current version of the Cogsdale software at a cost of $25,000. The billing software will be completely redone. The proposed budget does not include the second tier of website improvements.

The cost of living adjustment to the customer charge for the CATV Capital Outlay Fund #155 is not generating additional revenue. In the past, monies from CATV Capital Fund #155 have been used to make up the shortfall in the CATV Operations and Maintenance Fund #150. Consumption is flat and Charter Cable’s franchise with the City expires in 2012. The current situation is not sustainable and funding will be needed from other sources. Council consensus was this issue needs further discussion.

Public Works (continued)

Public Works Director Akers advised the City is negotiating with the Department of Ecology over the imposition of a few new requirements at the Wastewater Treatment Plant. The final draft of the United States Geological Services (USGS) groundwater study has been released. The study establishes that groundwater and surface water are connected and all of the City’s wells have junior water rights in relation to surface water. This means the City could be asked to shut off its wells in water short years. The City may need to obtain outside legal counsel for help to determine the consumption portion of water used. Consumption occurs only in the summer. The City may be able to lease its Ellensburg shares to junior water users and generate some revenue. In answer to Council inquiry, the City has a contract to drill one new well and the authority to drill two additional wells. Council and staff discussed the groundwater study.

Parks and Recreation

Parks and Recreation is currently down two full time positions and when the temporary seasonal workers are gone the Department will be down the equivalent of three full time positions. The City has nine neighborhood parks and no plans to develop anything further in 2011. There are no plans for further field construction at West Ellensburg Park next year. Spring 2011 will be challenging with less full time employees. The Department picked up four programs in 2010—youth and adult basketball, and adult indoor soccer and softball. A handout was distributed detailing each program, including fees collected, expenses and net revenue. Net revenue from these programs totaled $16,000 with some one time start up expenditures. The Department sees revenues from these programs increasing in the future and will look at the fees for these programs in 2011. There is room for growth in this area that could benefit the community. Goals for 2011 and beyond include increasing participation numbers in
existing programs and creating new programs at the Racquet Center, an adult soccer league, sports camps and adult softball and outdoor soccer tournaments.

Revised expenditures for the Racquet Center for 2008-2010 were distributed. Projected expenditures through the end of 2010 are $123,833 with revenues of $62,732. Any restriction in hours will result in turning patrons away. Council wants to work with customers to decide hours. A handout showing a comparison of operating hours at Memorial Pool versus other city indoor pools in the State was reviewed. City pool operates a total of 110.5 hours per week versus an average of 70 hours per week in the comparison cities. Staff is in the process of putting together an intern program that it can present to CWU for 2011. Kittitas Valley Fire and Rescue plans to help with weed control at the West Ellensburg property in 2011 as part of a training exercise.

The pool will close November 1, 2010 to begin the maintenance upgrades. The plan is to reopen January 1 with new operating hours. Council and staff held a lengthy discussion about reducing hours at the pool versus a fee increase. Council noted the pool is one facility that generates significant expense to the General Fund and the City is spending a lot of money on infrastructure improvements. Council and staff extensively discussed the procedural aspects of conducting a survey for pool closure hours. Council instructed Director Case to begin compiling information for a possible change in pool fees and hours beginning January 1, 2011.

**Community Development**

The Community Development Department is down to one building inspector which is doable at this time based on the level of activity. Citizens will receive same day or second day service unless the inspector is on vacation or sick. If major construction activity increases with a resulting increase in revenues, there would be justification for hiring a second inspector. Current revenue is coming from small, remodel-type projects. Council may hear feedback from the public at some point on inspection turn around times. The City is currently using 2007 building rates. A lengthy discussion was held on funding for a grid system layout for a multi-modal transportation system for the consultant on the land use code update. Staff will explore grant money or other opportunities. At this time there are no funds available.

Council consensus was to direct staff to bring back information on the cost of implementation of GIS for the planning department for consideration as part of the budget approval process. Director Smith advised the money budgeted in 2010 for the Land Use Development Code update is carried over for 2011.

**Library**

Library Director DeSoer advised Hal Holmes Center is down one facilities assistant. The Center has experienced three agency meeting cancellations this week which will affect the revenue stream. Director DeSoer attended a County budget meeting at which the County contribution of $100,000 to
the library has been cut to $88,000. Due to budgetary restrictions she doubts the $88,000 funding will survive though the County’s next budget meeting on October 25th. The Library’s budget will be very stressed if the County funding is lost as 70% of the Library’s budget is wages. The Holmes Center is studying event center pricing at similar cities in size to see if anything can be done to raise rates. The Library is also studying hours of operation at the facility and reviewing when they are most busy. If County funding is cut, they may need to reinstate the library card fee for out of City residents. A solid third of the Library’s patrons are County residents.

**GO Bond**

A handout detailing the project list for the 2010 GO Bonds was reviewed. Council is limited to using the bond proceeds for items on the project list. The City is not required to do all of the projects on the list; however, it can only use the bond proceeds for items on the list. To balance the 2011 budget as proposed, the City is taking $500,000 from the bond money earmarked for completion of Alder Street Park (Item 5 - $300,000) and Library Parking lot (Item 14 - $200,000) to put towards the Dolarway Road project. The City does not know at this time the final cost of the Dolarway Road project; it may not need all the money but the City wants to make sure it has sufficient funds and will not be stressed for this project.

Council requested figures on the costs of the completed roof projects. Staff indicated the roof projects will finish under budget. Council also requested identification of the specific challenges associated with the library parking lot remodel. Staff will bring back a revised project sheet for Council’s October 25, 2010 special meeting.

Town Talk is budgeted at $30,000 for 2011 with three issues next year. The fourth issue for 2010 is being carried over to 2011.

In answer to Council inquiry, the Dolarway Road frontage improvements need to be built before the West Ellensburg property lots can be marketed. The lots are not yet construction site ready. Lot 6 on Anderson Road is ready to be sold and the City is in discussions with Anderson Hay. The building located on the Library parking lot site is not burnable and will need to be dismantled. Staff anticipates it will cost approximately $110,000 to tear down the building and remediate the site.

The special meeting on October 25 will include the 2011 budget discussions with the Chamber of Commerce/Economic Development Group of Kittitas County, Ellensburg Business Development Authority Board and Lodging Tax Advisory Committee.

**ADJOURN** Motion to adjourn at 2:52 p.m. Bottcher

Approved

____________________________________ Mayor
ATTEST: ________________________________

City Clerk