Budget Retreat – 2013-2014 Proposed Budget

City Manager Barkley summarized the budget transmittal letter on pages 1-5 of the 2013-2014 preliminary biennial budget. Some of the challenges the City is facing include slow growth in sales tax revenue, almost no growth in property tax, little net growth in utility tax, and flat growth in permit fees and construction. Due to a decrease in revenues and growing expenditures, some of the fund balances are decreasing as well. The General Fund Ending Fund Balance at the end of 2013 is expected to be at about 16%, which is less than the 20% target set by policy. This balance will be addressed before the end of 2013 by a budget amendment.

The City is forecasting stabilization in revenue at a new lower level. It is not expected that many of the City’s general fund revenue sources will return to 2008 levels for some time, possibly years.

All employees will maintain the same hours as 2012 and maintain wages according to their bargaining agreement. Non-represented employees will receive no market adjustment in 2013 and 2014 but will receive any step increase they may have earned. There will be no increase to City health insurance premiums in 2013 and current levels of service will be maintained.

There will be a significant increase in the employer’s contribution to the PERS retirement system. The budget recommends continuing to take advantage of the 1% property tax increase to fund the Fire Relief and Pension Fund in 2013 and 2014 by $141,081. There may be discussion of another project completion bond to help manage cash flow.

Finance Director Ariwoola distributed a handout entitled “City of Ellensburg 2013-2014 Proposed Biennial Budget” and reviewed the budgets goals, challenges, unfunded items, and budget summary and highlights for General Fund revenues and expenditures growth.

Council discussed the use of the 1% tax levy for the Fire Relief and Pension Fund and requested staff provide the originating ordinance setting forth the reasoning behind the levy for the next meeting.

Public Works Director Akers joined the meeting at 10:10 a.m. Councilmember Aronica arrived at
10:15 a.m.

Council reviewed the Lodging Tax Fund; an updated page 16 reflecting beginning and ending fund balances was distributed.

Council took a five minute break at 10:25 a.m. and reconvened at 10:34 a.m. Council requested discussion on the street furniture issue later in the meeting.

Mayor Tabb spoke in support of a grant opportunity to expand public transit in the City. The Washington Department of Transportation (WSDOT) has issued its request for proposals through its Consolidated Grant Process. Submittal deadline for initial proposal review and ranking by the regional transportation planning organization (QUADCO) is October 19 with the full grant due to DOT by December 10. The Consolidated Grant provides the opportunity to sustain and stabilize the current public transit process, Central Transit. Grants are for a two year period and the annual hard match by the City would be $21,500. No administration capacity exists in the City at this time to administer such a grant.

Finance Director Ariwoola returned to the meeting at 10:55 a.m.

Council consensus was to move forward with the grant process for expansion of public transit in the City as part of the City’s budget process. Council would like to see a model showing the City’s obligation for the grant at its November 5, 2012 meeting.

**Energy Services**

Energy Services Director Titus reviewed a handout detailing significant issues associated with the Department’s 2013-2014 budgets. A new franchise agreement with Charter is being negotiated which will not be as favorable to the City due to changes in FCC rules and reduced requirements on cable TV companies. CWU has informed the City it does not want to enter into an inter-local agreement for operation of ECTV similar to the one that has been in existence for more than a decade. CWU would continue to assist with technical support but would prefer to see ECTV housed off campus. This will raise the cost of ECTV operations well above what is the likely support level from Charter in a new franchise. 2013 will be a transition year where all interested parties get together to chart a future course. It would be a good time to discuss the future role of broadcast channels versus the role of streaming video.

The new proposed franchise agreement with Charter includes a charge to the City for Charter owned dark fiber which, under the existing franchise agreement, was provided at no charge. The City has not accepted this proposal but it may mean the City will install and own any future fiber runs. The City is in the process of changing over to new equipment this week which will allow the addition of the Fire and Hospital Districts.

Electrical rates will need to go up because Bonneville rates are going up. There will be a completely
different rate structure from BPA. In October 2013 there will be another BPA rate increase. Staff will bring a 5% rate increase to Council at the November 5th meeting. The City needs to move forward with the north end substation and the land purchase from CWU. As part of the Energy Conservation Strategy the budget includes $50,000 for new conservation programs and $50,000 for new demonstration projects and public education.

Staff projects a continued drop in gas sales because of the economy, the price of natural gas that we purchase for resale, and projected warmer weather this coming winter. This combination has a major impact on utility taxes which support the General Fund and is likely to result in a $50,000 reduction in 2013. The Gas Fund budget does contain $100,000 for conservation programs and $50,000 for demonstration projects and education annually.

The same level of funding approved for expanding GIS capabilities in 2012 is repeated in the 2013-2014 budgets. No funding is included for Council tablets or for updating the 8+ year old electronics in the Council Chambers which staff proposes to increase reliability and to provide streaming media capability. The Electric Utility Rural Economic Development Revolving Fund 175 includes a $130,000 transfer from the Light Fund to Fund 175 for 2013. $30,000 of the amount was continued over from 2012.

**Police**

Chief Miller distributed a Department fact sheet based on 2011 and 2012 numbers to date. The total budget is $4.6 million. The proposed 2013 budget increases 1.73% or $70,000 and the proposed 2014 budget increases 2.59% or $106,000. The plan for 2013 is to again run the 3/10’s of a percent sales tax increase for criminal justice purposes. The School Resource Officer position is supported by this tax. The Ellensburg School District gives $10,000 yearly to help fund the position. The Department was re-accredited in 2012. Council requested information on the amount of officer time spent in court.

**Public Input**

No one came forward to speak during the time scheduled for public comment from 11:45 a.m. to 12:00 p.m.

Council recessed at 12:00 noon for a 30 minute lunch and reconvened at 12:30 p.m.

**Public Works**

Director Akers reported with respect to the 2013 Shop & Warehouse budget there is no money to replace the “B” fleet. Council may see some requests to replace vehicles and equipment in 2013.

The stormwater utility was funded in 2009 with an established revenue stream and identified work product which basically was to comply with the City’s NPDS discharge permit. All of the other utility accounts transfer some amount of funding in support of general government services. There has not
been discussion of the idea of transfer but the 2014 budget includes an annual obligation of $117,660 that did not exist in previous years budgets. The City can make it through 2014 without a rate increase but basically will have to consume all capital reserves that the Division had intended to accumulate under the original programs. Closure of that gap would require a 30% rate increase. The current monthly rate of $5.00 per month would need to be raised to $6.50 per month. The plan is to phase into the increase that would be manageable while consuming some reserves but not all. Staff will bring a proposal to Council within the next 3-4 months.

Capital spending in the Water Fund continues in 2013 and 2014 complete the construction of three new wells. There is a fair amount of growth potential in both the Sewer and Water Departments.

An unfunded budget proposal in the Street Department was an increase to the amount of money dedicated to weed management with the idea of contracting with the County weed board. This money has been taken out of the budget. The Department will see three retirements in 2013 with the accompanying payout costs.

The Arterial Street budget carries all capital work the City will be doing. In 2013 the University Way overlay project and the “B” Street bridge replacement will be overlapping projects.

Council requested information on phasing in the fee increases to the stormwater utility to bridge the funding gap in order to be able to manage projects without going into reserves.

Library

Director DeSoer distributed handouts on the library’s mission, goals, and objectives as well as the 2011 Annual Report. The library is covering more formats with the same budget.

County funding for the library is a yearly challenge. The City requests $100,000 annually from the County but usually receives $88,000. The County’s 2013 contribution has not been determined. The County’s contribution is 10% of the Library’s budget and County residents are one-third of that budget.

The building demolition permit for the parking lot at 2nd and Pine will be on Council’s October 15 agenda as well as the mechanical bid for the Hal Holmes Center. The Friends of the Library are using a portion of its book sales to fund an elevator to the basement which would provide public access to the archives and local history collection.

Staffing continues to be down 1.5 FTE from the soft hiring freeze in 2007-2008. Circulation and patron counts are up significantly. Two long term staff will retire in 2013 resulting in retirement payouts and loss of institutional knowledge.

Community Development

Director Smith distributed a handout detailing areas of responsibility and department staffing levels.
The proposed 2013/2014 budget includes upgrading the half time FTE Building Inspector 1 position to the vacant Assistant Building Official position.

In 2013 the City will adopt the next cycle of building codes—requiring community education efforts. Implementation of the computer permit tracking system begins this fall. The number of permits coming in now is equal to the number of permits coming in two years ago; however, now the permits are for remodels which require staff spending more time with the applicant. Staffing levels will be adequate based on current permit levels and should allow for implementation of needed updates to codes and processes.

**Park and Recreation**

Director Case distributed handouts detailing a program summary for the Department and an athletics update. The Department has an Americorp position at the Adult Activity Center for the first time in seven years. Memorial Pool will host an open house/community forum on November 16 to discuss patron issues such as pool hours. The Park Maintenance Division was able to hire one of its part-time seasonal workers as a full time employee. The biggest challenge for the Department is the inability within the Park Maintenance Division to work from a proactive rather than reactive position when it comes to above and beyond basic maintenance which consists of cleaning, irrigation repair, mowing, trash pickup, special event hauling and trouble reports.

Council took a five minute break at 2:00 p.m. and reconvened at 2:07 p.m.

**Program Presentations**

Funding decisions will be made at the November 5, 2012 City Council meeting.

**Ellensburg Downtown Association (EDA)**

Carolyn Honeycutt, Executive Director, reviewed handouts highlighting the last two years of the EDA’s work and information on the tourism street furniture project. Their 2013 budget is similar to past years budgets; they are requesting funding support of $50,000.

**Kittitas County Chamber of Commerce**

Amy McGuffin, Director of Tourism, gave an overview of the year to date tourism update included in the agenda packet. In answer to Council inquiry, the full tourism contract is through the City of Ellensburg. Kittitas County has not been clear about providing any funding to the organization. Councilmember Scheffer explained the Lodging Tax Advisory Committee’s (LTAC) reasoning behind redirecting event seed money. The LTAC is holding a planning meeting in the next three weeks which may result in some future changes.

**Arts Commission**
Alex Eyre, Commission Chairman, distributed a proposed 2013-2014 budget and an October 2012 Budget report. For 2013 and 2014 the Commission is requesting a budget of $25,000.00--$17,000 more that its 2012 budget of $8,000.00. The Commission would like to be able to provide more support to local artists and groups.

**Street Furniture Discussion**

The Lodging Tax Advisory Commission’s decision not to support the purchase of street furniture with lodging tax dollars due to legal concerns was discussed. Staff had been waiting for an answer from Counsel to the State Auditor whether such a purchase would be an allowable expense and just received an e-mail from that individual indicating the street furniture would be an allowable expense as long as it was part of a project.

Councilmember Miller left the meeting at 3:25 p.m.

City Attorney Pidduck advised Council it will need to go through the resolution process to state a special market condition in order to allow the purchase of the street furniture from a local vendor.

**ADJOURN** Motion to adjourn at 3:30 p.m. Aronica

Approved

___________________________________________

Mayor

ATTEST: ______________________________________

City Clerk