

CALL TO ORDER

Mayor Paul Helenberg called the December 11, 2017, Special Budget Workshop meeting of the Castle Rock City Council to order at 6:30 pm., followed by the Pledge of Allegiance. The following councilmembers were present: Art Lee, Lee Kessler, Earl Queen, Paul Simonsen (arrived at 7:21 p.m) and Ellen Rose.

Also present: Public Works Director Dave Vorse, Acting Chief Scott Neves, Clerk-Treasurer Ryana Covington, Librarian Vicki Selander, City Planner Gregg Dohrn

Documents provided:

2018 Estimated Revenue report
2018 Estimated Expenditure report
2018 Capital Facility Plan Update (dated November 2017)
2017 Ending Fund balance projections
2018 Summary of wage increases
Wage and Benefit impact costs, by fund allocation
2018 listing of capital projects and funding source
Mayor's Budget Message dated December 11, 2017

Mayor Helenberg credited Vorse, Covington and Neves with resolving the initial General Fund deficit of \$345,000 and to be able to present a balance budget for 2018 fiscal year in the total amount of \$8,616,899.

Mayor Helenberg stated the proposed budget includes a 4% increase to both water and sewer rates and a 5% increase in utility taxes for water, sewer and stormwater businesses. No increases are included for stormwater service rates. The increase to utility taxes will benefit General Fund.

The mayor stated that the Water Facility Report completed approximately four years ago by Gray & Osborne Engineering recommended the city increase utility rates by 6% - 8% annually to meet capital needs for those facilities. Helenberg stated he would anticipate another 4% increase would be recommended for the 2019 fiscal year budget, which will also include an increase in stormwater rates. Helenberg stated the driving factors are personnel/benefit costs, increase in chemical costs and increases to PUD rates, in addition to capital projects.

Councilmember Lee questioned eleven line items that were expended this year, which are significantly more than is budgeted to be expended in 2018. Lee specifically asked about the expenditures for office supplies and travel in the Executive Department allocation and also the Engineering expenditure in the Planning Department. He voiced concern that the city was not budgeting fully enough for such expenditures. Covington stated she would need to review the expenditure for office supplies, however the additional travel cost was authorized by council in 2017 for the Public Works Director and Mayor to attend the America In Bloom Symposium, which was not anticipated at time of adopting the 2017 budget. The Planning Department includes allocation for review of projects. Some of those projects required review by the city engineer. An example of this included review of the cell tower application, Gourde mini storage proposal, proposed development options for the Hornstra property and stormwater requirements for a new single family residential development. It is difficult to estimate costs for engineering services for developments, since those are not anticipated at time of preparing the budget. Both the engineering costs and travel are included within the proposed budgetary amendment for this fiscal year.

Covington stated the budget is adopted by fund level and the General Fund is adopted by department level. Expenses can exceed individual budget line allocations, providing the total allocation is not exceeded.

Councilmember Kessler asked why the city does not receive additional property tax revenues when property values are re-assessed. Covington stated the city's taxing authority is limited by State law and the city can not receive additional funds that exceed our taxing authority. Public Works Director Vorse stated the remaining goes to the State.

In answer to Councilmember Kessler's question, Covington stated the year-to-date revenue amounts are as of November 30th. The city has since received notice from Cowlitz County Treasurer of an additional \$7,000 that will be received in December for property taxes.

Kessler asked each department supervisor to summarize the impacts of cuts made to the 2019 budget proposal. Mayor Helenberg stated the General Fund budget was based on 2017 revenue amounts. Finance Department – Covington stated her budget is limited to the ability to make reductions. The 2018 budget is calculated based on the anticipated retirement of the Clerk-Treasurer. Training costs were the largest increase that was proposed for 2018 and those allocations were reduced to 2017 levels. Covington stated she lost 2/3rds of her staff within the last year and with her upcoming retirement, the finance office will be staffed with personnel having less than two years of experience with the city. She felt that training offered by the Washington Municipal Clerks Association, Washington Finance Officers Association and Vision Municipal Solutions software are critical. Covington noted there are scholarships that could be applied for to attend some of the training, and this could be approved, as needed by council. The two current clerks were able to attend the Vision Municipal Solutions Conference in October. In-house additional training will be a priority to assure mandated reporting is completed and cross training on the software programs, including payroll. Public Works Director Vorse stated the Water/Sewer Fund budget includes training costs for one clerk to attend the Vision Municipal Solutions conference next year.

Street Fund – Vorse stated for several years, council has allocated \$25,810 from the General Fund to the Street Fund to support O/M costs. The only other revenue source is from Washington State gas tax allocations. Vorse stated with proposed 2018 budget cuts, this fund is dangerously underfunded. He stated if we have another snow event in 2018, he would not have adequate funds to purchase deicer. This fund has been reduced as much as possible.

Police Department – Neves stated there was \$11,435 taken out from the 2017 budget numbers. The current overtime line item is very thin this year due to Chief Heuer's unanticipated retirement, however he anticipates being able to stay within the remaining department level allocation. The 2018 budget reductions included training for both reserve officers and full-time staff. In addition there was a \$2,000 reduction in allocation for ammunition and range supplies. The budget for wages and benefits are reduced to defer filling of the open position until April 2018, which will save approximately \$26,000. Covington stated the Finance office also will defer filling any vacant position for a two-month period.

In response to Councilmember Kessler's question, Covington stated basically General Fund revenues have remained flat for several years. Over the past years, council have used the fund balance to offset increases in expenditure needs. This is no longer an option and the proposed budget is based on estimated revenues for 2018.

Kessler asked what were the anticipated increases for the police department in fiscal year 2018. The

Mayor stated increases included wages and increases in the Police bargaining contract (which is not yet settled), liability insurance cost increase (due to a recent property value assessment conducted by AWC RMSA in 2017). Kessler asked if there was a way to reduce liability costs. Covington stated any assets that the city owns through July of the previous fiscal year is included in the valuation assessment, because that is when AWC RMSA establishes their exposure liability. If the city sells an asset after the month of July, that asset is still part of the valuation assessment for the following year coverage. In addition, if the city purchases an asset after July, that asset will still be covered, however the valuation will not be included in the next year's assessment. Personnel liability is based on the number of worker hours that was reported by the city to Washington Labor and Industries for a twelve month period (August– July). Vorse stated the liability insurance asset assessment evaluated each part within the two treatment plants for replacement value. Covington stated the total insurance cost for 2018 increased by \$5,000, however allocations of that cost increased for some of the funds. Neves stated the police department will realize a decrease in liability insurance costs for 2018.

Council discussed increases in Washington State Liability Insurance costs. Covington stated law enforcement rate is scheduled to increase by 4%. She noted this increase is projected for all law enforcement class codes and does not consider the city's experience factor, which may reduce the actual cost to the city.

Changes in medical insurance provider costs was also discussed. The current medical plan cost is based on a tiered cost. The OTET plan is based on a flat monthly rate, which charges the same for single person coverage as they do for family coverage. As a result, the Library Fund will see an increase of approximately \$9,000 for medical insurance coverage. Vorse stated the police department medical insurance cost decreased by \$36,000.

Councilmember Kessler stated all of the impacts that department supervisors have discussed are of concern to him.

Councilmember Kessler suggested with the next budgetary cycle, councilmembers could have the benefit of doing an earlier review of budget proposals, plans and priorities. He understands that cost projections for some items cannot be assessed until later in the budget process. Mayor Helenberg expressed concern that the 2019 budget also will be tight.

Covington agreed with Kessler that the 2018 fiscal year budget process has had several critical expenditure impacts that are still not resolved. Some of those impacts include evaluation on medical insurance provider coverage plans, LEOFF I Medicare supplemental insurance options, negotiation impacts for the Police Collective Bargaining Agreement, process for filling the Police Chief vacancy, wage/benefit plan for filling the vacant Police Chief position and allocations between funds for liability insurance costs. She noted the budget includes cost estimates only and when issues are resolved, a budgetary amendment may be required in 2018 to reflect any differences.

Covington stated she will be emailing copies of the budget reports on a monthly basis to department supervisors and elected officials to provide better communication of the status of each fund. This should address issues that Councilmember Simonsen stated at the last council meeting.

Kessler stated issues the public has voiced concern over is in regards to streets and also 24-hour police coverage.

Covington stated she hopes the two new retail businesses are successful and encourage other retail businesses to open.

Covington stated the city has been fortunate to see an increase in property sales, which have resulted in REET revenues. Vorse stated REET revenues will be used next year for the purchase of a new server, taser, completion of the server room, police computers and remodeling of the police clerical work area.

Councilmember Lee stated it would be nice if the city could evaluate ways to reduce utility increases. He still has a major concern over those on fixed incomes.

Councilmember Simonsen arrived at 7:21 p.m.

Mayor Helenberg stated he would provide better communication on the budget process for 2019. Covington suggested that a possible council liaison could attend the preliminary departmental budget meetings and provide input on project proposals/needs.

ADJOURNMENT

There being no further business, Mayor Helenberg adjourned the Special Meeting at 7:24 p.m.

Paul Helenberg, Mayor

Ryana Covington, Clerk-Treasurer