

Purpose of the Special Meeting – to discuss the proposed budget for fiscal year ending December 31, 2016. Discussion to include capital projects, non-bargaining COLA increases, utility rates and revenue projections.

CALL TO ORDER

Mayor Paul Helenberg called the November 30, 2015 workshop meeting to order at 7:08 p.m., followed by the Pledge of Allegiance. The following councilmembers were present: Lee, Kessler, Queen and Rose. Councilmember Davis was absent.

Staff attending: Police Chief Bob Heuer, Sergeant Scott Neves, Officer Charlie Worley, Public Works Director Dave Vorse, Clerk-Treasurer Ryana Covington, Librarian Vicki Selander.

Documents provided at the meeting include:

- Estimated Revenue report dated 11/29/2015
- Estimated Expenditure report dated 11/29/2015 (included November salaries/benefits and other expenditures through October 31st).
- Employee Summary – Fiscal Year 2016 report outlining personnel salary/benefit changes provided in the proposed budget and percentage cost allocations for various employee positions.
- Capital outlay request forms for City Hall, Park Department, DOT Spoil Site, addition of part-time personnel positions, Public Works Vehicle Replacement, Street Construction Capital, Stormwater Capital, Regional Water Capital, Water Capital, Sewer Capital, Boat Launch and Transportation Benefit District.
- Proposed 2016 Utility Rate Increase summary for water, sewer and stormwater services, including comparison of customer rate impacts.

Mayor Helenberg announced that the Business Saturday Event last weekend was a huge success. He has been contacted by several businesses who have reported increased sales and customers on that day. That event was sponsored by the Castle Rock Chamber of Commerce and Castle Rock Community Development Alliance.

The mayor praised staff for working together to create a balanced budget for 2016. He noted there were concessions from all departments. Helenberg stated he attended one meeting with the department supervisors and from there they used good teamwork to develop a workable budget.

Covington stated the budget presented is balanced; with estimated revenues equal to proposed expenditures. Covington noted the proposed budget includes a 2016 estimated beginning fund balance for General Fund of \$350,000. She expressed concern this may be a high estimate if property tax and sales/use tax projections are not met by end of 2015 or if estimated expenditures are higher than anticipated. If the 2016 beginning cash is less than \$350,000, city council will need to meet in January to re-adjust priorities within the

General Fund.

Covington noted staff is recommending increases to water, sewer and stormwater rates and those proposed increases will be including in discussion for those funds.

Police Department

Covington stated the General Fund budget includes a lease/purchase for one new police vehicle. Local Criminal Justice Tax is funding the remaining year for another new police vehicle. Chief Heuer stated this fundamentally reflects his department's priority, as noted in the August budget workshop meeting. Using the Local Criminal Justice Tax Fund, it takes three years to pay off one vehicle. The Local Criminal Justice Tax Fund does not have adequate cash flow to fund another lease/purchase agreement for a new patrol vehicle and for this reason, the a vehicle has been included in the General Fund budget. Funding for the lease will come from a reduction in legal and planning service allocations.

In addition, Covington noted that estimated costs for next year's anticipated Single Audit have been reallocated to those funds receiving federal grant or loan allocations. If the city does not expend \$750,000 in federal funding this year, a single audit will not be required in 2016.

Finance Department

Covington stated the budget includes hiring a part-time employee. The hiring date will be delayed until April 2016 and this position will be funded at \$15/hour not to exceed 69 hours per month. This position will not be eligible for any benefits.

Personnel

The 2016 budget includes the following COLA increases:

Clerical (per collective bargaining agreement); 5% COLA plus additional pay for educational degrees or certification. Police Clerk step increase also was adjusted.

Public Works (per collective bargaining agreement); 2% COLA plus additional pay for certifications attained.

Police (per collective bargaining agreement); 2.5% COLA plus certification pay of 1% above base salary for each certification earned up to a maximum of 2 certificates.

Part-time employees: 2% COLA

Supervisory staff: 10% COLA

Proposed new positions:

Part-time clerk in the Finance Office; \$15/hour not to exceed 69 hours/month

Two part-time seasonal employees for Public Works Department. \$12/hour for four months at 69 hours/month

Part-time Heavy Equipment Operator (this position was budgeted in 2015 and has been included again in the 2016 budget). \$35/hour for four month period.

Capital Projects

Dave Vorse summarized the capital projects and cost estimates. Also denoted were those projects considered, but not funded. Capital projects include:

1. City Hall Capital proposals and cost estimates:

- Remodel clerk's office \$12,000
- Construction of server room and moving equipment \$6,500
- Climate control for City Hall and Senior Center \$43,000 Not funded
- Rehabilitate garage structure \$7,500 Not funded
- Develop new egress for Police Department \$10,000 Not funded

\$12,000 in REET proceeds will be used to fund the capital improvements. Staff felt the server room was the highest priority and if any funds remain unspent, upgrading security of the Clerk's office would be the next priority.

2. Park Department

-Improved signage for Gateway, Lois Dye and The Rock parks; staff reduced allocation to \$2,000. The Park Board will be submitting signage design plans for council consideration.

3. DOT Spoil Site Fund (Revenue source is derived from sale of dredge spoil material and RV disposal donations)

- Riding lawnmower \$4,500 Current mower has been used for ten years and currently not functional. Cost estimates to repair almost exceeded the price of a new mower.
- Change out 40 trail lights with LED lights. (\$155 each) \$6,200 City would be eligible for a PUD rebate of \$3,200 Vorse stated it is a less than two-year payback from energy cost savings.
- two part-time seasonal workers; \$12/hour for four months at 69 hours/month. Funding for those positions would be shared between the Park Department, DOT Spoil Site and Street Fund.

The remaining capital items were not included for funding:

- Recreational signage for boat launch, bike park and sports complex \$1600
- Drinking fountain at Lions Pride Park \$2,000
- RV Disposal pay station \$5,500
- Gas lawn edger \$1,000
- Lions Pride Park lawn sprinkler system improvements \$2,000
- Seal coat the Riverfront Trail \$10,000

4. Public Works Vehicle Replacement Fund (Revenue source is annual interfund transfer from Street Fund, Water Fund, Stormwater Fund, Sewer Fund, Regional Sewer Fund and Regional Water Fund)

- Lift truck (streets) \$20,000

- Portable generator (50% Regional Water/50% Sewer) \$15,000
- Loader or tractor (Regional Sewer) \$35,000
- Backhoe (water) \$45,000 Not Funded

Vorse stated the portable generator was funding in 2015, but will not be purchased until next year because cost was higher than anticipated. A loader or tractor will be used at the Regional Sewer Plant to move and incorporate biosolid material. Vorse stated the city is not able to fund a new loader or lift truck, so these would be used vehicles. The city seeks to purchase from other government agencies on their surplus list to avoid creating specs and soliciting bids.

5. Street Construction Capital

- State Route 504/Exit 49 Pedestrian Sidewalk and bikeway project \$468,000
Funding by two grants. This project was slated for completion in 2015; however bids received exceeded available funding, creating a delay. Vorse stated will be addressing Cowlitz County Park Board to request consideration of additional funds for this project. This is not a street project; it directly impacts pedestrian and bike travel. Currently the city anticipates soliciting for bids in December, with the bid opening in January 2016.
- Front Avenue SW Sidewalk Project \$11,317. Vorse stated the amount budgeted is for retainage only. The project is substantially complete. The contractor will be completing punch list items this year.
- Street Maintenance Plan, Section D and completion of Section C. \$40,000 for chip seal. This project will be funded from Transportation Benefit District funds.
- Wi-Fi project for downtown and uptown commercial areas. \$70,000. Funded by a grant from Cowlitz County Economic Development money. A portion of this project needs to be completed at the same time as the State Route 504/Exit 49 project. Therefore this project was delayed for 2015.
- Second Avenue Repair; 100 block. \$10,000 Not Funded
- Huntington Avenue South; grind and replace bridge abutments. \$10,000 Not Funded

6. Street Fund

- Change fifteen street lights in the Lois Dye and Field of Dreams subdivisions to LED lighting. \$2,500 (\$155 each light) City would be eligible for a PUD rebate of \$1,200

7. Stormwater Capital

- Cherry Street pump station \$7,000 Currently there is no outfall and in heavy rain events, public works needs to pump over the dike to eliminate water accumulation. Currently there is a vault and pressure line installed; this would be for the purchase and installation of the pump.
- Development of system-wide comprehensive plan (Phase 1) Vorse stated in many areas the condition, or location of the storm system is unknown. Estimated cost for completing

the engineering for Phase 1 is \$100,000. Adequate funding is not available to fully complete this. Staff recommends funding for \$50,000 to begin that project.

8. Regional Water Capital

- Replace intake pump \$25,000 (this project is included in 2016 budget, if not completed this year)
- Upgrade computer at Regional Water Plant. Reduced allocation to \$10,000
- Filter and Telemetry upgrades at Water Treatment Plant \$118,300 Funded by an RCAC loan. This project will be completed in two separate bids. Bids for the filter work will be solicited in December and opened in January.
- Replacement of water distribution main to wells. \$30,000 This is a fifty-year old line located near Exit 49 that serves to get water from the wells to the distribution system.
- Rehabilitate the 'Pizza' well (replacement of pump and rebuild building) \$12,000 Not Funded
- Voltage monitoring equipment \$5,000 Not Funded

9. Water Capital Fund

- Water main replacement project. Project will be either for Second Avenue SW or Kirby Avenue SE. \$35,000.
- Climate control unit for the Public Works office \$5,500 (qualifies for \$180 rebate). This will be for installation of a ductless heat pump.
- Remodel restroom, locker room and breakroom at the Public Works facility \$15,000 Not funded.

In answer to Councilmember Kessler's question on the cost savings to fund a Heavy Equipment Operator position; Vorse stated using city work forces to complete the two water main upgrade projects would cost approximately \$75,000. If the city were to solicit bids; those two projects would cost the city between \$125,000 to \$150,000 to complete. So there is a significant cost savings for those two projects if city work forces are used. Mayor Helenberg suggested extending the employment time period for that position in case other projects arise where a heavy equipment operator is required. Vorse stated he would check with city policy and the collective bargaining agreement to see if that is possible.

10. Sewer Capital Fund

The following two projects are paid from a \$32,500 interfund transfer -

- Reuse pump at Wastewater Treatment Plant \$5,000
 - Wastewater Treatment Plant computer update \$27,500
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- Additional spare Dougherty Drive lift station pump \$6,500
 - Mallory Street NE sewer main; lining and trenchless repair project \$4,250 (retainage owed from the current 2015 project contracted with C-More Pipe).

- Voltage monitoring equipment \$5,000 Not Funded
- Root and grease removal \$72,000 Not Funded
- Biosolids work \$10,000 Not Funded

11. Boat Launch

- Replacement of 10 lights at the boat launch with LED (\$155 each) total cost of \$1,700 City will qualify for an \$800 PUD rebate)
 - Dredging at the launch \$30,000 Not Funded.
- Vorse noted he will be seeking grant funds to complete that project.

12. Transportation Benefit District (TBD)

- Street Maintenance Plan, Section D and completion of Section C. \$40,000 for chip seal. This project is included in both the TBD expenditures and Street Construction Capital expenditure. City will invoice TBD for this project.
- Second Avenue SW; 100 block - concrete repair \$10,000 Not Funded
- Huntington Avenue South grind and repave bridge abutments \$10,000 Not Funded

Staff recommends for the next three years, to expend TBD funds to repay the three loans incurred for prior street projects. Two of the loans were for Cowlitz Street West reconstruction and the third is a 2015 Rural Development (RDA) loan for City-Wide Residential Street upgrades. TBD board already have agreed to repay the RDA loan; which is for a twenty-year period. Total annual debt payments for the next three years would be \$66,693. After that timeframe, the only debt remaining to be funded by the TBD would be the RDA loan.

Council discussion:

Councilmember Lee asked if the upgrades to the server room would include any environmental control. Vorse stated the plans include air quality and air conditioning controls; however he does not know if the \$6,500 estimate will be enough. That project may require the entire \$12,000 to complete. That is why the Finance Office upgrade is contingent on any funds remaining from the \$12,000 REET transfer, after completion of the server room.

Councilmember Lee requested additional information on the Sewer Treatment Plant software upgrade. Vorse answered there are eight separate systems that must be able to interface. The system was new in 2004 and is now beginning to freeze up. The upgrade will include only the logic controller.

Councilmember Rose asked why the city is not replacing all of the street lights with LED. Vorse stated everything that is owned by the city will be replaced with LED lights. Those include the trail lights, lights in the two subdivisions and at the boat launch. The other street lights are all owned by the PUD. Mayor Helenberg stated a few of the lights have already

been replaced at the boat launch. Replacing those few reduced the wattage usage from 27 watts to only 7 watts.

Covington noted the Regional Utility Board will need to schedule a meeting to review the proposed budget. There are only two customers to the Regional Utility System. The customers are Cowlitz County and the city. The Regional Utility Board reviews the budget and establishes the rate to be charged to those two entities, based on the production percentage used. Staff will be recommending a 5.2% increase in the rate to cover increased costs for chemicals and debt incurred from the RCAC loan to fund the Telemetry and filter work at the Water Treatment Plant. Covington stated the city's cost toward the Regional Treatment Plant becomes a debt against the city Water Fund. The impact to the city's Water Fund is estimated to be an additional \$14,816 over the 2015 budgeted allocation.

In 2015, Councilmembers also approved additional debt from USDA Rural Development to fund replacement of water and sewer utility lines and complete purchase of water meters. Repayment of that debt is included as an expense in the Water Fund and the Sewer Fund. Staff has evaluated expenditures for all of the utilities (water, sewer and stormwater) and made several reductions to the expenditure allocations in an effort to reduce impacts on Castle Rock utility customers.

Utility Rates:

Because of the impacts from the additional revenue debt incurred in 2015 and the increase in charges for purchase of water and sewer production charges, Covington stated staff is recommending the following utility rate increases:

\$1.75/month increase to the water base charge

\$0.75/month increase to the sewer base charge

\$0.05 increase to the water consumption rate

No increase to the sewage consumption usage rate

2% increase in monthly stormwater rates

Covington noted current stormwater rates have allowed the city to meet annual demands of the system, but not fund projects such as mapping of the stormwater system.

The average customer usage is approximately 500 cubic feet per month. With the proposed increase, those customers using 500 cubic feet of water would incur a total monthly increase of \$3.19.

Vorse stated increasing the base is a more equitable rate because the base is intended to provide for ongoing operation/maintenance costs; including debt repayments. The increase in water usage rate reflects the city's portion of additional charges for water production costs at the Regional Water Plant.

Councilmember Kessler asked how much rates were increased for 2015 utility services. Covington stated she does not know the exact percentage, but believed it was around 3% for both the base and usage charge.

Mayor Helenberg noted the recently completed Water Comprehensive Plan recommended an annual rate increase of 5% to 10% to allow for reserves.

Councilmember Kessler asked what the impact would be if council did not increase the utility rates. Vorse stated the sole reason for the rate increase is due to the additional debt approved by city council. If rates are not increased to at least meet debt requirements, then projects such as the computer upgrades at the treatment plants could be compromised. The rate increases are assessed directly for each utility system's requirements. If plants begin to fail, the city could incur fines from the State or even have development moratoriums imposed. If plant computers continually need to be reset, that will increase overtime and manpower costs.

Covington stated the stormwater cost comparisons are for those being assessed the base rate; which is all of your residential customers and many businesses. Those businesses/developments with large amounts of impervious surface are assessed at rates, based on the amount of impervious surface they have. The proposed 2% stormwater fee rate increase would be for all established stormwater rates, if adopted by council.

Covington noted when the city engineer discussed issuance of new debt with councilmembers; they had estimated the RDA loans would impact customer rates by 3% and the RCAC loan would require an additional rate increase of 2%.

Covington stated at the end of 2014, the amount of revenue debt (principle only) was \$5.9 million dollars. In 2015, city council added an additional revenue debt of \$139,000 for the RCAC loan, \$103,400 for the RDA sewer loan and \$220,000 for the RDA water loan.

COLA Increase

Covington noted concern over the amount proposed for salary increases for supervisory staff. Mayor Helenberg stated he felt the proposed increase was easy to defend; since there were years when supervisors did not receive any COLA increases, even though bargaining contract employees did. He felt the city has department supervisors that work well for the city and should be compensated for their service. Councilmember Lee felt those who will voice their concern are residents on fixed incomes. Councilmember Kessler stated he knows first-hand how the lack of COLA increases affect both income and retirement benefits. He stated he will work diligently to protect employees from that.

Chief Heuer stated it is important to recognize there were years when department supervisors did not receive any raises. Non-supervisory employees are now consistently earning more than supervisors because they receive overtime benefits for additional hours

worked. If supervisors were to include all of the additional hours they work; their hourly compensation rate would be very low. Vorse added that department supervisors put in the additional hours because they have the compassion for it.

General Fund/2016 ending balance:

Covington noted staff did not use the calculation used to establish the 2015 budgeted Ending Fund balance for General Fund. Instead, they carried forward that same amount for 2016. In the General Fund, if all estimated revenues are received and expenditures are made as allocated; the General Fund balance will be reduced to \$205,000 at end of the 2016 fiscal year.

Mayor Helenberg stated staff has made several significant reductions to be able to bring forth a balanced budget for 2016. He suggested if revenues exceed projections, possibly some of those budget needs could be re-evaluated in mid-year. Covington stated she hopes more retail establishments will choose to establish in the city. Mayor Helenberg stated people want to move to Castle Rock and he feels businesses will follow.

Exhibit Hall:

Councilmember Rose stated the Castle Rock High School Senior class has requested to use the Exhibit Hall building for their Winter Ball. Vorse stated the city should at least require a facility use agreement and insurance. Mayor Helenberg asked Covington to contact AWC Risk Manager for input.

Mayor Helenberg stated he would like to schedule a workshop with councilmembers in March or April to discuss plans for the Exhibit Hall building on Front Avenue.

ADJOURNMENT

There being no further business, Mayor Paul Helenberg adjourned the special budget workshop meeting at 8:09 p.m.

Mayor Paul Helenberg

Clerk-Treasurer Ryana Covington