

- 0032 Mayor Barbara Larsen called the workshop meeting to order at 7:00 p.m. The following were present: Councilmembers Bean, Yund and Smith, Public Works Director David Vorse and Clerk-Treasurer Ryana Covington. Members of the public include: Mr. and Mrs. Jack Riley
- 0055 Covington distributed the following for discussion:
- An outline of General Fund estimated revenues and expenditures for October-December 2007. This includes an estimate of the ending fund balance as of 12/31/07.
 - Copy of the estimated revenue report showing fiscal year 2006 and 2007 data and 2008 estimated projections.
 - A summary of the impacts from wage increases per classification. Also included is the salary and benefit cost increases outlined by fund.
 - A summary of projected increases in expenditures, including capital and project requests outlined by department for fiscal year 2008. Also included are summaries for Arterial Street and Street Fund interfund transfer requests.
 - Spreadsheet of quarterly revenues for fiscal year 2005, 2006 and 2007 year to date data.
 - Copy of the estimated expenditure report showing fiscal year 2006 and 2007 data and 2008 cost estimate requests for General Fund departments, Street Fund and the Arterial Street Fund.

Covington stated that fiscal year 2008 revenues are projected to be \$1,289,280, with expenditure requests of \$1,571,271. This results in a projected shortfall of \$282,271. In answer to Bean's question, Covington noted that an ending fund balance of \$135,000 was included in the General Fund, Non-Departmental appropriation for 2008,

- 0445 In answer to Yund's question, Covington stated the city should receive an additional \$100,000 for property tax revenues in 2007.

Councilmembers reviewed revenue historical data and 2008 projected. Yund noted that revenues for building permits have increased in this current year. In answer to a question from Yund and Smith, Vorse stated that the proposed subdivision 'Field of Dreams' will be installing the trail system as required by the city council. Staff also summarized other pending development issues.

Covington stated the city has also submitted a \$100,000 grant to CTED to analyze and update the flood plain ordinances. The match for this grant will be staff time that is already budgeted.

- 1136 Both Councilmember Bean and Yund stated that property valuations were

reassessed in Castle Rock and they questioned why the city is not receiving additional revenues from the Ad Valorem taxes. Covington stated that the city's taxing authority is limited by voter-approved State law and that she believed that the city is taxing at the current limit. If she is correct, the city will only realize a revenue increase in 2006 of just over \$2,000. Both councilmembers stated their total property taxes significantly increased and questioned why the city is not receiving any added revenue. Covington stated she would meet with Charlotte McIntyre from the County Assessor's office to verify the city's taxing authority limitation and the amount of revenue increase for fiscal year 2008.

- 1626 Councilmembers discussed the fiscal impacts associated with the proposed phone system acquisition. If the city leases the equipment, as recommended by the council, the monthly lease cost of \$620/month would be shared equally between the Executive Department, Planning/Building services, Finance Department, Police Department, Regional Water Fund, Regional Sewer Fund, Library Fund and the Sewer Fund. This would equate to \$840/year for each.

Covington stated the city would need to be careful that the lease includes full maintenance on the system otherwise the city would need to purchase such an agreement, at an added cost. If the city purchases the equipment, the cost estimate does not include a maintenance agreement. However there would initially be a warranty included with the purchase. In addition, the city could apply for a Rural Development (RD) grant in the amount of \$10,000 and a loan to fund the remaining balance. Covington stated that the grant funds are highly competitive and the city would need to apply immediately. However, funds would not be available from RD until mid-year of 2008.

Vorse summarized problems he is having with the current phone system. Vorse noted that by including the lease cost into each fund, this would probably be the most that each fund would need to appropriate for this purchase.

Yund stated that he favors leasing because the technology is changing so rapidly. Smith concurred that he also favors leasing.

- 2440 Councilmembers reviewed proposed cost estimates in each department which depends on General Fund revenue support.

City Attorney services – proposed 10% increase. Covington stated that the city attorney did not request the increase. She summarized that since fiscal year 2002, the last amendment of this charge was a 2% increase in 2006. The 10% increase included in the budget is a proposal only.

Covington also stated that the city attorney has been discussing the issue of court-appointed attorney services with Chief Heuer. They have reviewed preliminary cost estimates for funding a city defense attorney. This which would be an additional cost currently not funded in the Municipal Court Department.

Jail costs – Covington stated she budgeted an additional \$10,000 over the amount currently appropriated for 2007.

- 2751 Covington stated in a previous budget workshop meeting, it was questioned why Castle Rock is not able to provide similar wage and project funding as the City of Kalama. She noted that one difference is that Kalama does not have any LEOFF I retirees, therefore does not have the obligation to fund medical expenses. Castle Rock is paying almost \$80,000/year just in medical insurance coverage. Smith noted this is a major impact on small cities.

In addition, Kalama's new construction value is higher than that of Castle Rock, which helps their assessed valuation for their city.

- 2943 Finance Department – Covington stated increases reflect personnel costs for wage and benefits. The only other impact is the proposed allocation for training costs, which are needed to allow the clerk-treasurer to obtain continuing education for the Certified Municipal Clerk designation.

- 3004 Police Department – increases reflect personnel wage and benefit increases. In addition, the proposed budget includes lease of a new police vehicle. Smith stated that he thought the vehicle allocation was \$15,000. Chief Heuer also included \$3500 in Capital Outlay costs. These appropriations capital costs will be funded by grant awards.

- 3110 Park Department – Includes \$7,000 to complete the land survey on the west side of the river which is required by DNR before any negotiations can be entered into for land exchanges. The total cost of the project was \$14,000 and the city has already expended one-half of that cost. The county has allocated \$14,000 of Rural Development funds toward this project, however the city will not receive any of these funds until the project has been completed.

- 3146 Non-Departmental – Covington stated that she has included a projected ending fund balance of only \$135,000. She noted this is lower than recommended and asked councilmembers for their input.

The city will be required to have an annual audit for the next several years because the city's debt exceeds \$1 million dollars in federal funding. This cost will be shared between Non-Departmental and Regional Sewer Fund.

Funding to complete the municipal code revision project is estimated to cost \$5000 in the next fiscal year.

Liability insurance costs totals from AWC RMSA will not be made available until December, therefore the budget includes an estimated 10% increase, based on prior year history.

Building maintenance – estimated allocation of \$10,000. Covington noted last year staff had identified various needed improvements, which include exterior paint, reroofing of the main building, and development of an archived file storage area. The council did appropriate funds to paint the exterior at City Hall, however public works staffing and projects did not allow for this work to be completed. Covington identified a problem with the gutter system on the south side of the building and stated that she would be requesting council approval to reallocate a portion of the building maintenance to complete this repair in the current fiscal year.

Covington also noted that the electrical hookup for the police generator has never been completed and this work was not been included in the 2008 proposed budget. Vorse stated the transfer switch and propane tank are installed, however the required circuit work still needs to be completed. Yund stated it was his understanding that there was a problem as to where the connections need to go. Vorse stated the electrician hired by the police department has reviewed the project several times and the generator still has not been hooked up.

LEOFF medical premiums – an increase of approximately \$10,000 for medical insurance coverage for two LEOFF I retirees. In addition, the city has a liability of approximately \$28,000 for pending medical bills which were in excess of the amount covered by insurance. Payment will be required once supporting documentation is received from the various medical facilities.

Planning costs – includes an increase of \$2,000 over 2007 appropriations. In answer to Councilmember Smith's question, Covington stated that developmental fees do not cover all planning related costs. Projects such as updating the zoning ordinances, review of flood plain regulations, preliminary meetings with developers and private citizens and attendance at planning commission meetings are examples of some of the costs not covered by adopted fees.

Data processing – update of the software for payroll, budget and business licensing to a Windows based application. Preliminary cost estimate for this upgrade is projected at \$25,000.

Interfund transfers from the General Fund include the following:

Street Fund - \$103,975, an increase of \$1,075 over the 2007 transfer.

Arterial Street Fund - \$73,700, an increase of \$24,200 over the 2007 transfer.

Covington stated if DOT reclassifies Front Avenue, the city would qualify for an additional \$28,500 ISTEA funds from the county for the Front Avenue sidewalk project. This would then reduce the 2008 interfund transfer request.

Library Fund - \$3658 interfund transfer to supplement the Library budget due to personnel wage and benefit impacts. This would be an increase of \$1412 over the 2007 transfer.

Accumulated Reserve – per council direction, \$2500 to be transferred annually.

Water/Sewer Fund - \$2800 interfund transfer (no increase over 2007 transfer)

- 4320 Street Fund – Covington stated most of the proposed projects are based on grant fund application requests. However the proposed 2008 budget includes an appropriation request of \$32,000 for completion of a street project (street to be determined at a later date) and \$8,000 to chip seal gravel streets. The budget also includes a request to purchase a portable welder at a cost of \$950.
- 4409 Arterial Street Fund – the proposed upgrade to Cowlitz Street West, in the amount of \$1,336,000 would be projected to be funded by grants. Grant awards have not been made at this time.
- 4526 Covington requested council direction as to how much of an ending fund balance to include as an estimate. Councilmember Bean stated that she does not want to project a balance less than what was appropriated for 2007. Covington summarized revenues that will not be received in this current fiscal year.

Yund noted that each year revenue estimates for the next year's beginning fund balance are lower than what the city actually realizes in January. Covington agreed that the revenue projections made in November are conservative, however in 2007, they were only off by approximately \$60,000. Another factor that influences the beginning fund balance calculations are expenditures made in the month of November and December. Covington stated that she attempts to work with department supervisors to ascertain what remaining projects are to be spent from the time of budget adoption to the end of the actual fiscal year.

In answer to Councilmember Bean's question, Covington stated that revenue estimates are made based on historical data, as distributed at this meeting.

In answer to Councilmember Smith's question, Covington stated that the General Fund shows a deficit of \$282,271, which includes appropriation of an ending balance of \$135,000. Yund noted that without the ending fund balance, the budget still shows a deficit of \$147,271.

Yund noted that the city's 2007 evaluation totals \$91,848,427. If the city were to realize a 10% increase, this would be a huge assist to the budget.

Side - B

- 5126 Covington stated she will verify with the assessor's office to ascertain that the proposed ad valorem ordinance and resolution include the full taxing authority for the city. Covington provided Councilmember Yund with documentation from the County Assessor's office outlining the city's taxing limitations.
- 5436 Covington asked if councilmembers could prioritize listed increases for General Fund projects so that staff can meet and make recommendations for balancing the

budget.

In answer to Councilmember Smith's question, Vorse stated that the REET revenues have been included in the Street Fund for the 2008 street project. The specific street to be completed will be determined at a later date.

Councilmember Bean stated she favors a 2.43% increase in non-bargaining wages instead of the 4% recommended by council at a previous workshop meeting. In answer to Smith's question, Covington stated the savings would be \$1165 in the Finance Department and \$1159 in the Police Department.

Bean noted that Public Works contacted employees are getting a 2.43% COLA increase and this seems more in line with actual cost of living increases.

Vorse stated with a 4% increase, the supervisory staff will not lose ground with other cities. Councilmembers discussed cost of living projected increases for other cities. Covington stated she has not done an evaluation of those increases.

Smith stated if funds are not available for those repairs and if emergency repairs are required, the city still has funds in the Accumulative Reserve Fund to cover those costs. Mr. Riley noted that City Hall is a landmark in the town and it does not seem right to let it get into disrepair.

Councilmembers Smith and Yund both felt that updating the city's software programs is critical to the city's operations. Covington stated that she will also be applying for a reallocation of the AWC Loss Control grant to fund the purchase a back-up hard drive system for the finance computers.

- 6612 Vorse asked councilmembers to prioritize the street and arterial street projects with General Fund requests. Councilmember Yund stated if funds need to be cut, it would have to be from the Street and Arterial Street Fund projects.
- 6753 In answer to Covington's question, Councilmembers Yund and Bean agreed that a minimum of \$135,000 should be allocated for an ending fund balance projection.
- 6845 Covington distributed a summary of water and sewer revenue projections for fiscal year 2008, which included a 7% increase in water rates. Total estimated revenues for water and sewer services amount to \$1,139,900, with projected expenditures of \$1,400,809; a revenue deficit of \$260,909. Overcoming this deficit would require a 25% increase in rates for water and 27% increase in sewer service rates. Calculations include only operating revenues and do not include the estimated beginning fund balance of approximately \$254,000.
- 7216 Covington attributed this deficit to the high unaccounted water, which is averaging over 30% loss each month. In answer to Councilmember Smith's

question pertaining to the reason for projected sewer rate increases, Covington noted that water revenues have always supplanted sewer service costs and this additional revenue is not available to cover sewer costs in 2008.

Vorse noted that the largest expenditures for each fund are charges for purchase of water and the production of sewer which are paid to the Regional utility systems.

Vorse stated he has already removed the Carpenter Road project and he recommended eliminating \$20,000 for the meter replacement project.

Councilmembers discussed the request for an additional employee. The position would be funded 50% in Regional Water and 50% in Regional Sewer Funds. Because Cowlitz County is a partner in the Regional Utility Service system, they would also share a portion of this expense. In answer to Councilmember Bean's question, Vorse stated that the need for this additional employee is related to additional testing requirements at the treatment plants and to the additional utility work that is now not being able to be addressed.

Vorse stated that the current year's water project could also be deleted from the Water Fund budget, which would reduce the needs an additional \$32,000.

Vorse stated that the only two capital project proposed in the Sewer Fund is a 2/3 cost for the sewer inspection plan, which is required by the city's insurance company and the cost to upgrade the utility billing system.

The Regional Sewer Fund includes 1/3 cost for the sewer inspection plan and the additional employee (as stated above). Vorse noted that the cost for purchase of sewage treatment is proposed at the same rate as in the current year.

In answer to Councilmember Yund's question, Covington stated the city does have funds to assist low-income residents. Approximately \$13,000 has accrued in funds received from Cowlitz County as the city's portion of the document recording fee revenues. The city receives \$3,000 per year. Covington stated a committee will need to be appointed by the mayor and parameters outlining the types of assistance, qualifications and application process will need to be completed before funds are expended.

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Side - A

- 0065 Councilmembers agreed that they did not want to see a 26% increase in rates. Instead, they recommended that a portion of the beginning fund balance be used to offset the difference and the rates be increased no more than 15%.
- 0307 Councilmembers agreed to schedule an additional budget workshop meeting on November 6th at 7:00 p.m.

0315 Mayor Larsen adjourned the workshop meeting at 9:37 p.m.

Mayor Barbara Larsen

Clerk-Treasurer

BUDGET WORKSHOP MEETING

November 6, 2007

The workshop meeting scheduled for this date was cancelled and will be rescheduled for November 14, 2007 at 7:00 p.m.

Mayor Barbara Larsen

Clerk-Treasurer