

Mayor Helenberg called the October 18, 2014 Special Meeting to order at 11:00 a.m. Location of meeting: 147 Front Avenue NW; Welcome Center (formerly Exhibit Hall building). Purpose of the Special Meeting was to review the proposed budget for fiscal year 2015 showing expenditures requested by each department and sources of revenue for which each program is proposed to be financed.

Councilmembers attending: Kessler, Queen, Davis and Rose. Councilmember Teter was absent.

Staff attending: Police Chief Bob Heuer, Sergeant Scott Neves, Public Works Director David Vorse and Clerk-Treasurer Ryana Covington.

Public: Don Miller and Patti McVay

Documents distributed:

1. Budget Summary-Fiscal Year 2015 (dated 10-18-2014); outlining the following: changes in personnel costs, proposed increase in utility tax, grant awards, revenue adjustments, expenditure increases, ending fund balance calculation, proposed increases to utility rates, personnel cost allocation between funds and capital requests for public works funds.
2. Estimated Revenue Report – including 2013 actual revenues, 2014 revenue totals through October 17, 2014 and revenue estimates for 2015 for all funds.
3. Estimated Expenditure Report - including 2013 actual expenditures, 2014 expenditure totals through September 30, 2014 and expenditure request totals for 2015 fiscal year, for all funds.
4. Cash and Investment Reports; one listing period totals 2014 October and another for fiscal totals (January-October 17, 2014)

Mayor Helenberg stated he met with department supervisors last week to discuss possible reductions to the 2015 fiscal year expenditures. He noted, as a result of that meeting several reductions were incorporated. As of today, General Fund revenues are projected to be \$1,537,966 (which includes a beginning fund balance of \$290,000). General Fund expenditures total \$1,595,004 (including an ending fund balance of \$265,834); which is a difference of \$57,038.

In answer to Councilmember Kessler's question, Covington stated the sales and use tax revenues are received monthly. Her initial estimate for those revenues were \$375,000 and when Councilmember Teter reviewed the budget, he requested that estimate to be increased to \$385,000. Covington stated she has included Councilmember Teter's

request into the proposed budget; however she noted concern that his estimate may be too high.

In answer to Patti McVay's question, Covington outlined the process for reviewing and adopting a budget.

Mayor Helenberg expressed concern over increasing personnel costs. The proposed 2015 budget includes a 2% cost of living increase for non-bargaining employees and those employees in the Clerical and Public Works Bargaining units. Currently the city is re-negotiating the bargaining contract for police personnel. Based on those discussions, the 2015 budget for the police bargaining unit includes a 2.5% cost of living increase and additional pay for 'on call' services. The estimated cost impact for the 'on call' services is \$12,000 annually.

The mayor suggested the city needs to base employee's pay on what the city can afford; adding that Castle Rock will never be able to keep up with salaries paid by Longview and Kelso. He added that supervisory staff compensation is already 10% less than what county averages are. Councilmember Kessler asked if there were any non-monetary benefits that could be provided to supervisory staff in lieu of additional pay. Helenberg stated he has spoken to both Vorse and Heuer about their wage comparisons. The mayor also noted that several employees are nearing retirement age and a plan for replacement of those employees needs to be considered.

In answer to McVay's question, Covington explained what options employees have for participation in the State retirement system.

The mayor stated he has evaluated impacts of a 4% cost of living increase for supervisory personnel; however the budget will not sustain that increase, without impacting other staffing. Chief Heuer stated his salary is 32% less than in other comparable entities. Mayor Helenberg noted the city continues to recruit new business development to the city; but until revenues increase, the city cannot afford to offer a higher cost of living increase.

Covington stated the 2015 General Fund budget currently has a deficit of \$57,038. This includes an ending fund balance of \$265,834. She explained that Finance Committee members Councilmember Ray Teter and Councilmember Lee Kessler met with her to evaluate the amount of ending fund balance that needs to be budgeted for. The councilmembers evaluated cash flow and emergency needs and determined that a ending fund balance of at least 15% of the total General Fund operating budget be set

aside for this need. Covington stated the ending fund balance included in the proposed 2015 budget is calculated at 20% of the total proposed 2015 General Fund expenses. Councilmembers may determine this is too much to set aside for an ending fund balance. Covington stated the ending balance for the current year budget is \$213,000. The city expends approximately \$100,000/month within the first quarter of the year; and must have adequate reserves to meet these obligations until property tax revenues are received. Covington stated an ending fund balance; calculated at 15% would be approximately \$199,000.

Councilmember Kessler asked what changes occurred between this meeting and the meeting with department supervisors. Helenberg stated the police was initially estimated at a 2% cost of living increase and has been amended to 2.5% increase. In addition, the impact of 'on call' services was added. Covington stated there were several other increases including \$10,200 estimated for a computer server system, \$5,000 for Cowlitz-Wahkiakum Council of Government dues and a minor increase for the council tablets/or laptop.

Covington stated 2015 personnel impacts include reallocation of the public works position to better reflect services provided to each fund. In addition, Covington noted that cost allocations for her position are now shifting more to General Fund services.

Vorse stated Lois Dye Subdivision developer, Vic Verhasselt was required to provide \$10,000 to the city for park development. Vorse stated currently there is only \$2,000 allocated for this in 2015. He noted an additional \$8,000 needs to be added to the Park Department expenses to complete this project in 2015. Covington stated with this additional expense; 2015 General Fund expenses now exceed estimated revenues by \$65,038.

In answer to Councilmember Kessler's question; Covington stated it is anticipated that General Fund budgets for 2014 will be fully expended at year end. She noted budgetary amendments also will be required for the Executive Department and possibly for the Planning Department. Heuer noted this year he anticipates expending additional costs to outfit a new hire and to pay for academy tuition costs.

Helenberg suggested one way to balance the General Fund is to reduce the ending fund balance allocation and to increase utility taxes by 1% or 1 1/2%. The city's utility tax is currently 8%. He stated this additional utility tax revenue will provide needed revenue for General Fund services.

Councilmembers reviewed General Fund and Street Fund revenue estimates. Helenberg stated based on recommendations from Councilmember Teter, the mayor directed Covington to increase 2015 revenue projections for sales and use tax from \$375,000 to \$385,000. Covington stated she is still concerned that this amended estimate is too high; especially since the city has only received \$275,580 through September. However the proposed budget includes the amended estimate.

Mayor Helenberg recommended increasing the gambling tax revenue estimate by an additional \$2,000. Covington reminded councilmembers that the reduced gambling tax rate went into effect July 2014; therefore the 2014 revenue totals will not accurately reflect the effects of the reduced tax.

McVay asked the mayor if all businesses in the city are licensed. Mayor Helenberg stated he does not believe that all business have paid the required business license fee and this will be addressed by the city attorney in the next fiscal year. Enforcement will require an amendment to the city's municipal code.

Covington noted that grant awards have already been included in 2015 estimates. In addition, revenues include \$20,731 from Washington State Training Commission for the officer salary costs while attending the police academy training. Covington stated Chief Heuer provided the revenue estimate for this reimbursement.

In answer to Councilmember Kessler's question; Covington stated the city does not impose a business and occupation tax.

Covington summarized that General Fund expenditures exceed revenue estimates by \$65,038 and Street Fund expenditures exceed revenues by \$23,568. She noted the Transportation Benefit District Fund also has not been balanced because of an option to use a portion of those funds to balance Street Fund needs.

Chief Heuer stated 2015 revenue estimates for the Local Criminal Justice tax appear to be low. He will re-evaluate his estimate and notify Covington if any changes are needed.

Councilmembers reviewed the 2015 expenditure request totals, including an outline of personnel fund cost allocations. Covington explained that revenues from General Fund can be allocated to pay for expenses within any other fund. However proprietary funds that are supported by user fees can only allocate their revenues to support costs associated with that particular service. Allocation of costs for those funds must be

based on some form of evaluation based on services provided to the proprietary fund. Vorse stated his department tracks hours by project and this is what he used to develop his allocation formula to estimate hours expended for the following fiscal year.

Vorse stated his budget includes restoring the one public works position that was cut in 2014.

Councilmember Kessler voiced concern over the personnel percentage allocation estimates proposed for General Fund in 2015.

Councilmember Queen questioned if the city will be adding a new city administrator position next year. He also voiced concern over the ramifications of moving a person currently covered by union contract into a non-bargaining position. Vorse stated if a person is moved from a bargaining position into a supervisory position; they would receive less pay. Vorse stated if one of the bargaining employees is moved to a supervisory position; it would leave an unfilled bargaining position that the city would not fund. Councilmember Queen felt this is not warranted because the employee is already performing the additional duties when Vorse is gone. Mayor Helenberg explained that present day duties of elected officials require almost a full-time commitment to do the job correctly. Currently the city already relies on the Public Works Director to obtain grants and serve as city representative to various boards; both regionally and locally. The city needs someone on the public works maintenance crew to oversee daily operations. Helenberg concurred with Councilmember Davis that this would be considered a working foreman over the public works department.

Councilmember Queen stated most cities with a city administrator have populations over 5,000. Vorse explained what the City of Kalama has done to provide for these additional administrative services. Councilmember Kessler felt the forum to discuss this further would be in executive session.

In answer to Councilmember Kessler's question, Covington stated impacts of the two additional utility loans would require a rate increase of 2.5%. Staff is recommending consideration of an additional .5% increase to provide for additional operations and maintenance costs proposed for 2015; for a total proposed increase of 3%.

Councilmember Kessler expressed frustration that impacts required of General Fund do not include offsets of revenues to pay for the additional costs. The mayor said that increasing the utility tax would help offset those costs.

Mayor Helenberg outlined several areas that already had been reduced from General Fund expenses; including jail costs, city attorney fees and planning costs.

Councilmembers Davis and Kessler requested staff provide a comparison of personnel cost allocation impacts relating to General Fund and to the utility funds. Davis stated he would like to ascertain if the reallocation would allow councilmembers to forego the need to increase utility rates in 2015. Helenberg noted there are additional utility issues that need to be addressed, so an increase in rates still may be needed. Covington stated she would prepare the comparison, but felt the allocation impact should be approximately \$28,000.

Vorse suggested councilmembers consider reducing the ending fund balance from the proposed \$265,834 to \$213,000, and increase the utility tax by 2% (total of 10% utility tax).

Chief Heuer noted that he met with Sergeant Neves and the city prosecutor to discuss new mandates and associated costs to the indigent defense attorney services. There may be some support from judges to require people requesting indigent defense to provide proof of need.

Councilmember Davis and Kessler agreed that assessing personnel cost allocations to reflect accurate duty needs makes sense. Mayor Helenberg stated the cost allocation initially submitted by Vorse required 20% from General Fund. The mayor asked Vorse to reduce the General Fund impact to 15%.

Vorse explained that he has been involved in issues such as development of the city's critical areas ordinance update, flood mapping issues and updating the city's Shoreline Management Plan.

Councilmember Queen asked what the City of Kalama pays for their city administrator position. Vorse stated he would provide that information to him.

Councilmembers agreed that the most frequent complaint they receive from taxpayers is the cost of utility services. In answer Councilmember Queen's question, Covington stated utility shut offs have increased over the last few years. Councilmember Queen noted additional costs are incurred if service is disconnected for nonpayment.

Councilmembers reviewed the 2014 utility rates. Councilmember Queen voiced concern over any rate increases.

In answer to Mr. Vorse's question, Sergeant Neves stated the rate increase proposed by Cowlitz Fire District #6, for voter approval at the November general election, may have an impact on junior taxing districts. Vorse stated the librarian may want to be informed of this possible impact.

Councilmembers discussed costs of gas and oil. Vorse stated the city partners with Cowlitz County on their contract bid. Kessler stated gas prices are expected to decrease and he wanted to make sure the city takes advantage of this decrease.

At the recommendation of Councilmember Kessler, Covington reduced the 2015 allocation for Non-Department office and operating supplies from \$3,000 to \$2,000.

In answer to Councilmember Kessler's question on the Street Fund; Vorse stated \$5,000 allocated for roadside replaces the 54 hanging baskets with water efficient baskets.

Councilmembers discussed the use of Transportation Benefit District Funds (TBD) to offset the deficit in the Street Fund. Vorse stated this is a legal use of those funds; however the intent was to use those funds for residential street improvements. Expected 2015 TBD expenses include loan repayment, or loan fees if the RDA loan is not received until 2015. Mayor Helenberg stated he does not want to see council begin to rely on this funding source to balance street expenses.

Councilmembers agreed to use a portion of the TBD funds to offset costs in the Street Fund for 2015. Councilmember Davis suggested that next year street improvement projects be scheduled earlier in the year to take advantage of better weather conditions. The next Transportation Benefit District meeting is scheduled for October 27<sup>th</sup>. The TBD board will need to agree upon the use of these funds to offset street operations in 2015.

Mayor Helenberg stated further evaluation of the proposed General Fund expenses for 2015 is needed. He felt that councilmembers should consider reducing the proposed ending fund balance to further reduce the deficit and to include a 1% increase in the utility tax rate.

Vorse outlined projects proposed for 2015 as follows:

Water Fund -            Calibrate master meters; \$1,000  
                                 Leak detection; \$6,000  
                                 Clean and inspect the reservoirs; \$10,000

Update developer standards; \$2,000

Sewer Fund -            Line X the utility truck bed; \$2,000  
Meter reading equipment (shared cost); \$9,500; will allow capabilities to download meter information in the field.  
Update developer standards; \$2,000  
Install emergency generator switch over connection; \$7,000 (for Westside Highway lift station)

Regional Water Fund-    Calibrate master meters; \$2,000  
Leak detection program; \$3,000  
Clean and inspect reservoir; \$5,000  
Upgrade wells PLC protection; \$6,000

Regional Sewer Fund -    Belt press and skidster work; \$10,000  
Repair or replace the air compressor; \$2,000

Stormwater Management -            Update developer standards; \$2,000

Stormwater Capital Fund -    Improvements to south stormwater outfall, which controls water level of slough at Sundial development; \$15,000

Regional Water Capital -    Replace intake pump; \$25,000  
Four turbidity meters (mandated by Department of Health); \$17,000  
Purchase of fireproof filing cabinets; \$1,000  
Upgrade of filter and communications work; \$110,000 (funded by loan)

Municipal Water Capital    Purchase of portable sample station (for bacteriological samples); \$2200  
Purchase of 16" chop saw; \$1500  
Fireproof filing cabinets; \$1,000  
Replacement of roof on outbuildings; \$10,000  
Roake Avenue North water main project; \$30,000

Sewer Capital Fund-            Biosolids pilot project; \$10,000    Vorse explained the proposed project, which may result in development of a



fertilizer product that could be sold to the public.  
Sewer main work in Sundial development; \$40,000  
Mallory Street NE main lining project; \$32,000 (USDA RDA  
loan application has been submitted for funding)  
Completion of 2014 sewer line replacement; \$73,000  
(USDA RDA loan submitted)

Vorse suggested if reductions are needed for the sewer fund; council could consider eliminating sewer main work within the Sundial development.

Transportation Benefit District – Completion of Street Maintenance Plan; sections C and part of D; \$50,000

Vorse cautioned that the 2015 budget does not include impacts relating to the State's new NPDES Permit requirements. Vorse outlined options being considered, which include increasing the size of the existing retention ponds. Vorse noted that new standards also include additional monitoring and testing. Currently the city engineer is assessing options which could eliminate the need for this permit.

Councilmember Queen stated he would like to meet again to finish discussion of some budgetary items. In addition Mayor Helenberg will request an executive session at the next regular council meeting to discuss personnel issues.

Mayor Helenberg adjourned the Special Meeting at 2:25 p.m.

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Mayor Paul Helenberg

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Clerk-Treasurer