

**FIFE CITY COUNCIL
BUDGET SESSION RETREAT
MINUTES**

**Port Business Center
3600 Port of Tacoma Road**

**Date: September 8, 2007
Time: 9:00 a.m.**

**CALL TO ORDER
AND ROLL CALL**

Mayor Pro Tem Edwards called the budget retreat to order at 9:06 a.m. with the following Councilmembers present: Godwin, Johnson, Edwards, Cerqui, de Booy, and Roscoe.

Excused: Mayor Mike Kelley.

Staff present: Worthington, Marcotte, Harris, Blackburn, Combs, Reinbold, Smith, Blount, Reuter, Ringus, Richards, and Recording Secretary Cheri Lindgren.

Others present: Butch Brooks.

BUDGET SESSION

City Manager Worthington reported the proposed budget for 2008 is based on the Council's goals. He reviewed the budget process to date. Department Directors prepared budgets reflecting a 3.5% increase or less in operating costs. The proposal represents a balanced budget. He reviewed the table of contents and the meeting retreat agenda.

Councilmember Roscoe arrived.

Budget Calendar

City Manager Worthington reviewed the 2008 budget process calendar culminating with the Council scheduled to adopt the budget on November 13, 2007.

**Revenue Comparisons
– All Funds**

Director Marcotte briefed the Council on the Finance Department's process used to forecast 2008 revenues. Department Directors assisted to inform projected revenue sources. Approximately 80% of General Fund revenues are from four major sources: sales taxes, property taxes, building permits, and Tribal interlocal funds.

Director Marcotte reviewed financial assumptions. It is anticipated 2007 sales tax collections will be more than 4% of the budgeted forecast. Revenues should continue to increase with one exception: Fife will be affected by the sales tax streamlining statute in the fourth quarter of 2008. The City will switch from growth trends experienced during the last several years to a mitigation amount from the state to make up the difference from streamlining. Property taxes are a reflection of the City's growth. Assessed valuation includes two components - growth in the value of existing properties and new construction valuation. A 9% growth in assessed value is a conservative estimate. New construction valuation is estimated at \$100 million. Another assumption is no change to Fife's current property tax rate of approximately \$1.20 for each \$1,000 of assessed value.

Building and related permits is a significant revenue source. Projections were

reduced by 25% because permitting activity is leveling off.

The Tacoma Power Utility (TPU) franchise fee is up 3% based on power load sold last year. Fees will be paid in quarterly installments this year. TPU confirmed power load is not anticipated to grow.

A 312% increase in Fines & Forfeits includes estimated Red Light Enforcement Program revenues.

In summary, Fife is in good financial shape.

Discussion followed regarding a 36% decrease in other sources. Director Marcotte explained other sources include Local Improvement District (LID) payments and internal transactions (22 funds that do business with each other). As an example, General Fund collects payments from other funds that are charged for support services. Cost allocations change each year.

Director Blount noted bonds were sold to finance road construction reflecting \$7 million in bond revenues in 2007.

Council and staff discussed the last instance where Fife's estimated total revenue dropped and the methodology used to estimate revenues from the Red Light Enforcement Program. In response to the latter, Police Chief Blackburn explained it is assumed that 60% of all violations will be reportable with 50% of reportable violations paying the infraction. The estimate is a very conservative figure for budget preparation purposes. An officer monitored two intersections (54th and Highway 99 and 54th and 20th) for four hours and counted each violation. The vendor estimates a recovery rate of 60% from violations.

City Manager Worthington said the budget assumes the program will be operational as of January 1, 2008.

Police Chief Blackburn said staff estimates that \$1.8 million (net) could be collected. Only 50% was included for revenue projection purposes. The vendor will receive approximately \$465,000 (\$4,850 per month per approach) from estimated gross revenue of \$2.3 million.

Discussion ensued about sales tax comparisons. Mr. Brooks expressed a concern about estimated sales tax growth continuing given today's climate and mortgage problems. Individuals might not have as much disposable income compared to prior years. Director Marcotte said the City's sales tax collection for each quarter over the last three years is consistent. Any one-quarter is a good prediction for the total for a given year. Any change in the global economy could shift the current pattern.

In response to a question from Councilmember Cerqui, Director Marcotte

confirmed that automobile sales are exempt from the streamlining statute.

Discussion followed on sales tax streamlining impacts and mitigation. Mayor Pro Tem Edwards reported the Association of Washington Cities (AWC) estimates 600 mail order companies are voluntarily participating. Mitigation is only to bridge the gap.

Councilmember Johnson asked about the percentage of Fife's sales tax receipts from automobile sales. Director Marcotte replied the City's top 10 taxpayers are car dealerships. Assistant Director Harris added sales tax collected from automobile sales accounts for approximately 49% of total sales tax revenues over the last three years.

Councilmember Johnson advocated for a six-year budget planning horizon. Fife currently enjoys a good financial position; however, that could change in the future. The Council has not changed the property tax rate for several years. Licenses and permit revenues have steadily decreased since 2005. The Council should consider implementing Real Estate Excise Tax (REET) 2. Fife is borrowing considerable capital to finance construction projects and paying substantial interest. Approximately \$750,000 could be offset annually in interest costs for infrastructure improvements. Fife would also have a competitive advantage when applying for federal grants.

Director Blount commented that Fife applied for a Public Works Trust Fund (PWTF) loan, which was declined. A scoring breakdown is not available; however, Fife would have been awarded points for a REET 2 component, which could have made a difference.

Mr. Brooks stated he's concerned about revenues flat lining. A broader budget planning horizon is a good idea. He said he could support implementation of REET 2 while holding the line on property taxes.

Councilmember Johnson said a benefit of REET 2 is that it's applied on a pro rata basis.

City Attorney Combs suggested scheduling REET 2 and the six-year budget outlook discussions on the Council's January 2008 retreat agenda.

Councilmember Edwards said federal and state agencies will not look favorably at grant applications if an entity has not maximized taxing capacity to fund capital projects.

Councilmember Cerqui expressed concerns about REET 2.

Discussion ensued about the county's ability to ask citizens to support a gas tax and how Fife might want to participate.

City Manager Worthington noted other citizens within the region pay REET.

Councilmembers and staff discussed potential timing for discussions on REET 2 and potential implementation. City Manager Worthington offered to provide information and outline a process for the Council's consideration in November for a possible decision affecting 2008.

A majority of the Council asked staff to schedule a REET 2 discussion in November 2008 with the Council possibly taking an action.

Councilmember Johnson requested a discussion on the six-year extended budget forecast at the Council's January retreat.

Councilmember Roscoe suggested reviewing national trends.

Mr. Brooks asked whether staff can prepare a spreadsheet comparing property tax rates, impact fees, and sources of revenues for cities of similar size and stature. City Manager Worthington reported the information can be provided in January.

Director Smith pointed out that REET and sales tax streamlining revenues are related to the City's land use policies and strategies.

A majority of the Council believe it's a good idea to explore an extended (six-year) budget forecast and schedule a discussion at its January retreat.

Recess

Mayor Pro Tem Edwards recessed the meeting from 10:22 a.m. to 10:38 a.m.

Expenditure Comparisons

City Manager Worthington reported the preliminary budget provides for a healthy ending fund balance and protects and recognizes the Council's goal to maintain a 17% reserve fund.

He reviewed a summary of project requests. Programs noted with a star represent Council goals. City Manager Worthington reviewed program requests.

Discussion ensued about the \$100,000 allocated for the Gathering Place Analysis Phase 2 under the holistic stormwater model program is in light of the potential that Washington State Department of Transportation (WSDOT) might want to pursue purchase of some of the property. City Manager Worthington said he recommends a \$50,000 funding level, which is included in the preliminary budget. Councilmember Johnson expressed support for allocating some funds for the program.

Director Smith reported a placeholder was included to support outcomes of a study or WSDOT's project. Funds could be used for utility design or engineering work, assessment of endangered species, or landscaping to advance

the City's vision of pedestrian oriented spaces along the 20th Street corridor and assembly area for the Gathering Place.

Mr. Brooks supported retaining a \$100,000 allocation and moving forward with the project as envisioned. Councilmember Johnson agreed.

City Attorney Combs advised the Council that any further discussion of the issue should occur during an executive session.

A majority of the Council agreed to retain \$100,000 initially allocated for the Gathering Place analysis.

Councilmember Godwin said the Council should make a decision on creek restoration and fish habitat. Currently, Fife has a drainage ditch. Cooperation from other agencies is necessary to restore the creek. City Attorney Combs advised the Council that any further discussion of the matter outside of budget considerations should occur during an executive session.

Mr. Brooks said he supports restoring the creek; however, until other resources emerge, he's reluctant to spend \$50,000. Councilmember Godwin suggested retaining \$50,000 for creek restoration and fish habitat, but not expending funds until other problems are resolved.

Councilmembers directed staff to retain a \$50,000 earmark for creek restoration and fish habitat.

City Manager Worthington reported new court positions are dependent on revenues collected from the Red Light Photo Enforcement Program. The Council discussed hiring a new court clerk and part-time court office assistance after sufficient revenue has been collected to fund the positions.

Judge Ringus outlined procedures for processing infractions to include taking and reviewing pictures, mailing notices of violation, answering telephone inquiries, increased customer interaction at the counter, and scheduling court hearings. Staffing impacts are unknown until the program is implemented in January 2008.

Mayor Pro Tem Edwards suggested utilizing in-house staff initially. Judge Ringus added that infractions have increased 32% above 2006 without photo enforcement tickets.

At the request of Councilmember Roscoe, Police Chief Blackburn reviewed Police Department procedures for processing red light photo infractions. City Manager Worthington reported for the first six months, staff anticipates a large number of offenders not familiar with the program will request mediation. Judge Ringus added that experience reveals 11% of violators will request a hearing.

In response to a question from Councilmember Roscoe about staffing recommendations from the vendor, City Manager Worthington said staff has reviewed the issue with other jurisdictions. The staffing proposal is a result of those discussions.

Discussion followed on hiring temporary staff, anticipated call volumes, and estimated revenues.

Councilmember Godwin said a 32% increase in the number of tickets issued in 2007 compared to 2006 justifies a part-time position. Staff is needed to follow through with tasks related to implementation of the enforcement program. Councilmember Johnson agreed. Fife should have adequate staff to manage the program. He said he supports advertising and hiring court staff. Councilmember de Booy indicated support for beginning with a half-time employee. Councilmember Cerqui expressed support for the plan to hire a new court clerk and part-time court office assistance. A kiosk with alternate language (Spanish) options is also important to the program.

Discussion ensued on expanding the Civil Service/Human Resources position. City Manager Worthington said the proposal increases the position from 70% to full-time. Assistant City Manager Reinbold reviewed expanded job tasks.

City Manager Worthington reported the Council directed staff to move forward with hiring a new analyst position in the Finance Department last June. Staff initiated a recruitment process. He reviewed job responsibilities and education requirements for the position.

Director Marcotte reported a professional accountant is needed in the department partly due to transitioning accounts from a cash basis to full accrual accounting beginning with utility funds.

Discussion ensued on the youth program scholarship program, specifically funding identified within professional services in the preliminary budget. Worthington reviewed the scholarship application review process. Staff will determine the appropriate line item to allocate \$8,000.

Councilmember Johnson suggested updating the trail system description in the preliminary budget document. City Manager Worthington said Fife's Parks Plan will identify standards and priorities for trail development.

Discussion followed about assessing the City's facilities needs for the next 20 years, specifically the Community Center renovation allocation of \$25,000 and future library service.

Councilmember Godwin asked what the City receives with a \$750,000 appropriation for Brookville Gardens Park, Phase 1. Director Reuter reported

Phase 1 includes clearing and grading the site, construction of some infrastructure (power, parking lot), providing access to the property, and planting grass. Developing a master plan for the site is underway. The Council is interested in creating a community park with open spaces. Councilmember Godwin noted water is available at the site. He expressed support for Phase 1, particularly providing a large grass area and picnic amenities.

Mr. Brooks stated a long-term budget would help to determine the total cost to complete the Brookville Gardens Park. Identifying resources for operation and maintenance of new parks is also needed.

Director Reuter reported the draft master plan is anticipated to be available in October or November. Councilmember Cerqui suggested beginning discussions on visioning for the property in November.

It was noted that funds budgeted for a Patrol Supervisor/Commander position includes all start up costs.

City Manager Worthington reported the pedestrian bridge over/under Union Pacific Railroad (UPRR) is scheduled for the Council's September study session. An engineering report (type, size, and location study) will be available at the meeting. Director Blount noted the \$1 million allocation will construct only one-third to one-half of the pedestrian bridge. It will prove difficult to build the facility in 2008.

Five-year street construction projects were reviewed. Councilmembers agreed to rename "Overlay Program" to "Impervious Surface Preservation Program."

Discussion ensued about street construction projects that fit in with the Tribe's work and mitigation. City Manager Worthington explained the Tribe's mitigation for first phase traffic improvements totals \$2.9 million. The match is met with the extension and required improvements along 59th to 12th. Signals will be installed at Highway 99 and at 12th. A second phase includes a different set of mitigation requirements.

Mayor Pro Tem Edwards commented on the benefit of signal installation at 59th and Highway 99 coinciding with the opening of the parking lot.

Director Blount reported two agencies (WSDOT, Puyallup Tribe) have approached staff about ideas that would impact the east end of Valley Avenue. The two agencies might be willing to reopen right-of-way discussions.

Conversation followed about the *Integrate DD #23 multi-jurisdictional* request and that additional resources are necessary for the project. Councilmember Godwin referred to a lack of maintenance. He suggested first surveying needs and resources available to help balance interests. Councilmember Cerqui commented that \$100,000 might not be adequate to cover maintenance costs.

Director Blount said the \$100,000 allocation is intended as a placeholder. A project has not been identified.

Mayor Pro Tem Edwards asked how much it will cost to initiate an interlocal agreement with Drainage District (DD) #21. City Manager Worthington answered approximately \$15,000.

Councilmember Johnson commented that the Drainage District is an outdated organization. DD #23 activities impact the City. He suggested informing and educating Fife residents about drainage issues. Mayor Pro Tem Edwards agreed.

Considerable discussion ensued on the request to replace the Parks Department's 15-passenger van with a safer shuttle type vehicle for a cost of \$45,000. City Manager Worthington pointed out that the Council previously supported the request. Mayor Pro Tem Edwards asked whether two shuttle vehicles are required. Director Reuter said the current shuttle vehicle is used on a daily basis during summer months. A second shuttle vehicle will replace another van also utilized extensively during the summer. Neither vehicle is used as heavily during the school year.

Councilmember de Booy noted seniors do not use the van on a weekly basis. Children can walk to the pool in the winter. She questioned the need for a second vehicle when the first is not fully utilized on a full-time basis. Councilmember Godwin said he's not necessarily opposed to a second shuttle vehicle as long as it is used efficiently to serve Fife citizens. Councilmember Johnson indicated two shuttle vans are justified during summer months. However, it appears there could be a lack of programs for seniors, children, and families. A vehicle could be used to shuttle children back and forth to the library. Councilmember Cerqui said he could support acquiring a second van to support expanded parks programs.

Director Blount emphasized the shuttle is a FLEET request and not a Parks Department proposal. The Parks Department uses the 15-passenger van on a daily basis in the summer. The City's insurance carrier is also recommending replacing the current vehicle. As FLEET Manager, Director Blount suggested the Council respond to the insurance carrier's recommendation and change out the current 15-passenger van.

A majority of the Council directed staff to retain the \$45,000 allocation in the preliminary budget.

Recess

Mayor Pro Tem Edwards recessed the meeting from 12:18 p.m. to 12:45 p.m.

**Expenditure
Comparisons,
Continued**

Councilmembers considered Enterprise Fund (water, sewer, storm) requests, particularly a Utility Local Improvement District (ULID) request (extend deep sewer - Valley from 70th to Freeman) and a number of water and sewer LID

projects.

Councilmember Cerqui encouraged staff to explore other funding options.

Director Blount reported the City's consultant prepared a preliminary assessment role on a parcel-by-parcel basis. However, he does not anticipate distributing copies of the assessment at the Council's September study session.

In response to an inquiry from Mayor Pro Tem Edwards about whether the \$6.2 million reflects total construction costs, Director Blount replied the number could be higher when factoring overhead costs. He noted the City could save money if it financed the utility construction.

Conversation followed about the need to replace faulty sewer flow meters.

Discussion ensued about meaningful construction activities planned for Valley Avenue in 2008. Director Blount explained construction (widening the roadway and applying asphalt) can commence immediately after Fife secures a required National Environmental Policy Act (NEPA) permit.

Mr. Brooks asked whether \$4.7 million budgeted to extend sewer on Valley from 70th to Freeman represents total construction costs. Director Blount said it does but excludes the roadway restoration component that is funded separately.

City Manager Worthington added the Council expressed support for the ULID, but has not determined funding sources.

City Manager Worthington referred to the *Expenditure Comparison Summary*.

Councilmember Roscoe asked about the source of the \$50,000 to fund the Gathering Place analysis. City Manager Worthington replied the ending fund balances will be reduced by \$50,000.

City Manager Worthington reported staff will initiate the public hearing and adoption process for the draft 2008 budget.

Councilmember Godwin reported citizens and business organizations have invested time and money to clear property in the vicinity of the Gathering Place. However, vegetation has returned. He added that he observed children playing soccer on Levee Road right-of-way. Mayor Pro Tem Edwards replied staff is hesitant to move forward until full support from the Council is evident. He suggested the Council could provide direction to staff regarding the Gathering Place.

Councilmember comments are summarized as follows:

- Support to keep the site clear of vegetation, planting grass, and installing a

- sprinkler system
- Concern about spending money knowing the owner wants to sell the property, and that play fields will be underutilized
- Plant grass and post signage designating the area as an open park for Fife citizens and monitor usage
- Clarify what “finishing” the site means and associated costs
- A question is whether to install a permanent irrigation system and who will do the work
- Determine costs and make a commitment to see the project through; otherwise, seed the site with grass and see what happens

City Manager Worthington noted it will take approximately a year to establish grass on the site.

Discussion ensued regarding maintenance and installing a temporary underground irrigation system costing approximately \$40,000.

A majority of Councilmembers directed staff to hydroseed the site this fall, mow grass in the spring, and not install an irrigation system at this time.

Mr. Brooks commented his company invested \$5,000. He assumed the Council had a plan. He said he agrees with the Council’s direction; however, a decision should have made a month ago.

Councilmember Roscoe asked Director Blount to address the “yellow water” issue at the next Council meeting.

**EXECUTIVE
SESSION**

Mayor Pro Tem Edwards adjourned to an executive session at 1:17 p.m. for the purpose of Potential Litigation RCW 42.30.110(i) for approximately 15 minutes. No action is anticipated.

**RECONVENE /
ADJOURNMENT**

Mayor Pro Tem Edwards reconvened and adjourned the meeting at 1:40 p.m.

Kory Edwards, Mayor Pro Tem

Steve Marcotte, City Clerk/Finance Director

Cheri Lindgren, Recording Secretary
Puget Sound Meeting Service