

**FIFE CITY COUNCIL  
STUDY SESSION  
MINUTES**

**Fife City Hall  
Council Chambers**

**Date: September 16, 2008  
Time: 7:00 p.m.**

**EXECUTIVE  
SESSION**

**Mayor Johnson convened an executive session at 6:30 p.m. for the purpose of Real Estate RCW 42.30.140 for approximately 20 minutes.**

**ADJOURNMENT**

**Mayor Johnson adjourned the executive session at 6:50 p.m.**

**CALL TO ORDER  
AND ROLL CALL**

Mayor Johnson called the study session of the Fife City Council to order at 7:00 p.m. with the following Councilmembers present: Richard Godwin, Glenn Hull, Butch Brooks, Barry Johnson, Rob Cerqui, and Kim Roscoe.

Excused: Councilmember Nancy de Booy.

Staff Present: City Manager Steve Worthington, Assistant City Manager Jim Reinbold, Finance Director Steve Marcotte, Confidential Administrative Assistant Andrea Richards, City Attorney Loren Combs, Public Works Director Russ Blount, Acting Community Development Director Carl Durham, Parks and Recreation Director Kurt Reuter, Chief of Police Brad Blackburn, and Recording Secretary Danielle Gardea.

**PLEDGE OF  
ALLEGIANCE**

Councilmember Roscoe led the pledge of allegiance

**CHANGES,  
ADDITIONS OR  
DELETIONS**

There were no changes, additions, or deletions to the agenda.

**STUDY SESSION**

**2009 BUDGET  
REVIEW**

City Manager Worthington reported the proposed budget has a positive balance in the General Fund of \$414,000 for the end of 2009. The City is experiencing reduced revenue receipts that will likely carry into 2009 because of the downturn in the economy. The challenges include working with the General Fund in 2009, a year where significant transportation construction is planned. Staff is projecting an excess of \$15 million in expenses in 2009 for street construction, which is greater than the amount within the General Fund.

Staff is working on the program for construction of Brookville Gardens Park in 2009. Current cost estimates for the project exceed the previous project budget.

Staff will present revenues, expenditures, and several options to the City Council

for consideration. The nation, state, and The City of Fife are in an economic downturn and the question is whether the downfall will be short or long-term.

**ECONOMIC  
FORECASTING AND  
REVENUE  
PROJECTIONS**

Director Marcotte said the information obtained on the state and local economy has been summarized and placed into the 2009 recommended budget report beginning on page 19. The report reflects information from June 2008 and is derived from the State Economic Revenue Forecasting Council. He reviewed state and national indicators:

- The June 2008 report indicates a weaker state economy than the February 2008 report discussed with Council at the June Budget retreat. The August 2008 revenue collection report indicates weaker state tax collections than the June 2008 forecast.
- Weaker national economy – mild recession expected with early indications of slight negative growth in GDP.
- Washington State is expected to do better than the national economy mainly due to strong aerospace and software industries and net in-migration, but growth will be lower than prior periods.
- Washington State auto sales and construction will be weaker with home construction being the weakest sector. The August revenue collection report indicated declines in auto sales at -17.8% and furniture stores at -10.9%, which have particular implications to Fife.

Director Marcotte reviewed additional local economic indicators and the status of the budget:

- Sales taxes remain much weaker than the budget forecast. Collections are tracking at the 2005 level of \$7,230,000 and continue to slip lower towards the 2004 levels.
- Sales tax mitigation payments from the state should supplement sales tax collection in the last half of the year, but the actual impacts are unknown.
- Interest rate on investments is down significantly from a high of 5.28% in February of 2007 to 2.42% in May of 2008 for the Local Government Investment Pool.
- Overall, General Fund revenues are tracking approximately \$500,000 below expectations but the range of the shortfall should be estimated between \$500,000 and \$1 million.
- Estimated ending fund balance for the General Fund has been adjusted to reflect corrections to the Tribal Reserve, but otherwise anticipate expenditure reductions to offset revenue shortfalls in sales tax, building permits, plan check, and review fees.
- Estimated beginning fund balance for the Street Operating Fund has been reduced from \$2,080,944 to \$1,194,944 to reflect the cessation of transfers of 10% of sales tax from the General Fund as part of the plan to offset revenue shortfalls in the General Fund.

- The estimated beginning fund balance in the Public Safety Fund has been reduced from \$879,608 to \$300,000 to reflect the effects of slower than expected implementation of intersections
- Real Estate Excise Tax (REET) is tracking low in the Growth Management Fund. The estimated beginning fund balance was reduced from \$1,615,009 to \$1,323,320.

## **2009 REVENUE ASSUMPTIONS**

Director Marcotte reviewed 2009 revenue assumptions within the different funds:

### ***General Fund***

- Property tax – levy assumed at full legal amount permitted for 2008. New construction will offset any declines in assessed valuation. Unresolved question about the use of “banked” capacity.
- Sales tax – all sales taxes retained by the General Fund and no transfers to Street Operating Fund.
- Tribal ILA – assumes \$850,000 plus \$870,000 from “in lieu” sales tax.
- Passport revenues – assumes the same volume but reflects a decline in fee from \$30 to \$25
- Reserve Conference – will not be held but revenue reduction is offset by expenditure reduction so no impact to General Fund.
- Interest revenue – interest assumed to be 2.5% and calculated on estimated beginning fund balance.
- State shared revenues – assumed a population of 7,520.

### ***Street Operating Fund***

- Sales tax – assumes all new revenues are retained in the General Fund rather than 10% allocated to the Street Operating Fund.
- Interest revenue – assumes a “draw down” of fund balance which will reduce interest revenue.

### ***Detention Services Fund***

- Revenues based upon analysis.

### ***Public Safety Fund***

- Revenues – assumes two intersections with four approaches at \$35,000 per month for each intersection.

### ***Utilities***

- Revenue – assumes the same rate in 2009, but rates must be adjusted per the Fife Municipal Code (FMC) in 2009. Any increase in rates will result in an

increase in gross revenues.

***G.O. Debt Service***

- Utility tax – assumes utility taxes received in the 1997 Bond Fund is used for the 2001, 2005, and 2007 bonds without any transfers to the General Fund. Assumes a transfer from the Recreation/Pedestrian Capital Facilities Fund in the amount of \$100,000. If Freddie's is sold, this source will need to be replaced. There is sufficient fund balance accumulated in the 1997 Bond Fund from utility taxes to make up any shortfalls.

Councilmember Roscoe asked for an explanation regarding the 10% transferred from the General Fund to the Street Operating Fund. Director Marcotte replied the transfer is a longstanding practice of the City. In 2007, the City sold Street Construction Bonds and all of the street construction activities moved out of the Street Operating Fund to the Street Construction Fund. Sales tax was continually transferred into the Street Operating Fund resulting in the fund acquiring \$1.6 million a year when the fund only needed approximately \$800,000 a year. The recommendation retains the funds in the General Fund for basic services.

Councilmember Roscoe asked whether the Street Operating Fund has an ending fund balance. Director Marcotte replied that at the end of 2009, the balance will be approximately \$600,000.

Director Marcotte reported the majority of basic services are funded from the General Fund and half of the General Funds revenue comes from sales tax. He outlined how collections for the fund are tracking. The City is tracking along the same level as in 2004 and 2005. Based on the current pattern, there will be approximately \$7.3 million in projected sales tax during 2009.

Councilmember Hull asked whether the General Fund is experiencing problems. Director Marcotte replied that the City will be unable to continue operating at the same levels as it has in prior years because revenues are down. The 2009 forecasts less revenues and expenditures.

Director Marcotte reported that property tax rates are an assessed valuation. The property tax levy rate is capped at 1%. The City is only allowed to collect 1% more property tax each subsequent year. The county's estimate of \$2,559,391 for the levy amount is an estimate with the final amount available in December of 2009. The county's estimate is based on the assessed valuation of \$2.2 billion. It's the maximum allowable tax levy. If the City Council adopts the levy, the property tax rate will be \$1.15 per \$1,000 of assessed property valuation.

The City's banked levy has a balance of \$209,527. The Council can include that amount in the property tax levy allowing it to go above the 1% cap.

Mayor Johnson reported that prior to 2005 there was a 10-year period where the Council maintained a property tax rate of \$1.20 for each \$1,000 of assessed property valuation. Director Marcotte pointed out that if property values are stable, the rate may be similar but not exact.

City Manger Worthington advised that staff has been working on the budget since June and many cuts have occurred to balance the budget. Declining revenue in sales tax is projected to be approximately \$1.5 million. Labor contracts are projecting an increase of 4% to 5% representing approximately \$500,000 to \$600,000. The ending General Fund balance is projected to have a positive balance of \$414,000 at the end of 2009.

Director Marcotte referred to the Beginning Fund Balance in the 2009 proposed budget column of \$4,227,808, which includes Tribal reserve, 17% required reserve, and the contingency fund.

Councilmember Roscoe asked for an explanation regarding the Council reserve. City Manger Worthington replied the Council reserve fund is a contingency fund used by the Council under specific circumstances. Director Marcotte added that the Council has a long-standing financial practice of establishing a targeted ending fund balance that includes a 17% reserve. The amount is equal to two months of operating expenditures if no revenue was received by the City. Additionally, any funds received from the Tribe's interlocal agreement are reserved, except when Council directs its use. The \$414,000 excludes those two funding reserves.

**GENERAL FUND EXPENDITURES**

City Manager Worthington reported projected General Fund expenses include expenses for Council programs. He described the differences between the worksheet on page 45 and the new draft numbers:

**2009 BUDGET REQUESTS**

- CD1 – Expanded recycling at City Facilities \$2,500
- CD2 - LEED building \$40,000
- CD3 – Enviro-Retrofit project \$100,000
- EXEC1 – Amend Marketing Coordinator from a contract to regular employee status \$17,750
- IT1 – Microsoft Enterprise Agreement \$27,000
- IT2 – Server Replacement \$31,200
- IT3 – Network Switches \$12,000
- IT4 Computer Replacement Program \$25,000
- COURT1 – New Position – Court Bailiff \$64,816
- PRCS2 – Replacing existing lighting fixtures and lamps in Community Center \$5,000
- PRCS3 - Brookville Gardens Park Development \$950,000
- PRCS5 - Increase funding for Part-time staffing \$15,000
- PRCS10 – Item A – Natatorium HVAC Item B – Domestic Hot Water Heater \$172,500
- PRCS11 – Installation of drainage systems \$25,000

• PW1-DOE and NPDES – Testing Program	\$25,000
• PW1-DOE and NPDES – Testing Program Design	\$30,000
• UPS Unit for Computer Server Room	\$25,000
• Traffic Signal Cabinet	\$32,000
• PW9 – Overlay Program	\$500,000
• PW10 – Acquire ROW	\$300,000
• PW11 – Improve 20 <sup>th</sup> Street	\$2,200,000
• PW12 -70 <sup>th</sup> /Valley Phase 1	\$10,500,000
• PW13 – 70 <sup>th</sup> /Valley Phase 2	\$1,400,000
• Replace 4 Police vehicles and backhoe	\$120,000
• Replacement of existing 8-inch asbestos-cement water line	\$800,000
• Well #5 pump and piping replacement	\$25,000
• Wapato Creek Salmon Recovery Plan	\$125,000

**FIFE SWIM CENTER  
HVAC EQUIPMENT  
AND DOMESTIC  
HOT WATER TANK  
REPLACEMENT.**

Director Reuter reported the Council directed staff to obtain cost estimates for replacement of the main pool air handler and domestic hot water tank. Staff retained the services of a structural engineer to examine the pool building and provide a recommendation on accessing the equipment as well as the cost. Staff recommends considering the replacement as a preventative maintenance measure. If a catastrophic failure of the equipment occurs, the pool would be forced to close immediately and would remain so for a period of 8-12 weeks. If the pool is properly planned for a closure, the timeframe would be reduced by several weeks.

Two pieces of equipment recommended for replacement include the 500-gallon electric hot water tank and the main pool air handler. Existing equipment have been in operation since the pool opened in 1985. According to manufacture specifications, the equipment has exceeded its normal life capacity.

The structural engineer determined the easiest and most cost effective way to access the equipment is through the pool roof. Three variations of the roof opening element of the project were examined:

- Option A – Replace Main Pool Supply Air Handler and Domestic Hot Water Tank through opening created in pool building and install permanent roof access scuttle (hatch) with parapets provided by manufacture. Cost \$196,000
- Option B – Replace Main Pool Supply Air Handler and Domestic Hot Water Tank through opening created in pool building roof and install permanent roof access scuttle (hatch) with site built parapets. Cost \$195,000
- Option C – Replace Main Pool Supply Air Handler and Domestic Hot Water Tank through opening created in pool building roof and reconstruct roof to prior condition. Cost \$184,500

Based on input from the City Building Official, structural engineer, and Air

Systems, staff recommends Option B with material placed on the sides of the aluminum parapet to cut down on the glare from the top of the building.

Councilmember Brooks asked whether the project could be considered as an appropriate use of lodging tax. City Manager Worthington replied that staff would need to research the issue as the Legislature has become more lenient on how lodging tax funds can be expended.

Director Reuter reported a condensing unit is attached to the Main Pool Supply Air Handler, which is also an original piece of equipment. Air Systems is also recommending the replacement of the condensing unit. The estimated cost is \$35,000, which would increase the project cost.

Councilmember Hull asked about the expected life span of the new equipment. Director Reuter replied the equipment has a 15-year life span.

Director Reuter commented that the Council previously supported a comprehensive maintenance program for pool equipment. Air Systems informed the City that the cost of the maintenance contract will increase because of the chance for catastrophic failure of the existing equipment.

Councilmember Cerqui asked about other sources of funding for the project. City Manager Worthington replied the funding could come from REET reserves; however, there are also other demands for those funds.

Councilmember Cerqui asked about “in lieu” funding from the Tribe. City Manger Worthington replied that in the last several years, a portion of tribal funds has been allocated to the lodging tax fund.

Director Marcotte added that during the last several years, \$50,000 of the “in lieu” sales tax was transferred from the General Fund to the Lodging Tax Fund.

Discussion ensued regarding “in lieu” tribal funds, allocation of the funds, and availability of the funds.

Director Reuter reported the pool project is estimated to cost \$235,000.

Councilmember Godwin asked about the \$750,000 allocated for trails. The City doesn't have the ability to construct \$750,000 worth of trail system. With the completion of the Torre property, there should be sufficient funds remaining for the project. City Manger Worthington said he'd like to discuss parks and streets so that Council has an overall picture of projects requiring funding.

**BROOKVILLE  
GARDENS PARK**

City Manager Worthington said the City Council reviewed the latest draft of the park master plan at its August 26, 2008 meeting. The Council provided input on the updated plan to staff and the design team. The design team used the feedback

and developed a draft engineer cost estimate for each of the three elements of the park. The cost may be reduced, but not by more than \$750,000. The park maintenance facility could be deferred, which would result in approximately \$1 million in savings. The projected cost estimate is \$5,063,544 for the Brookville Gardens Community Park project. There is currently \$1.7 million in the Brookville Gardens Park Construction Fund and \$550,000 in the Park Development Fund. Current resources total \$2,250,000 leaving an undetermined funding amount of \$2,813,544.

City Manger Worthington reviewed available funding options:

- REET revenue up to \*\$1,200,000
- Proceeds from Real Estate Sale up to \*\$2,800,000
- Property Tax Bank Capacity \*\$209,000
- Public Safety Fund (for lighting and paths) \*\$500,000
- Lodging Tax (for tourism wetland viewing area) \$1,500,000
- Council Tribe Reserves up to \*\$1,500,000
- Internal Debt Financing up to \*\$2,800,000
- Council 17% contingency reduced to 10% \*\$1,022,000
- Develop further reserves over 24 months \$1,500,000
- Grant rewards over 24 months up to \$1,200,000

\* Funding options for multiple projects.

Project design could be completed and construction deferred until full funding is available. Permits to work in Wapato Creek can take 12 to 18 months to obtain, which will need to be considered. Internal debt financing could be at 2.5% interest, which is the current State Investment Pool rate.

Councilmember Brooks asked whether the permits are included in the scope of work for the design contract. City Manger Worthington affirmed that the permits are included.

Councilmember Godwin expressed concerns about the park. He said he's advocated for the park for many years and it appears costs have continued to spiral out of control and now appear to be \$5 million instead of the original \$2 million. He noted he would not support borrowing funds or acquiring loans to fund the park. The City Council spent \$600,000 for a design the Council agreed on. He said he's willing to wait to acquire the necessary funding considering the state of the economy.

Councilmember Cerqui agreed with the suggestion to delay the park a year, resolve design issues, and decide on the proper way to fund the project.

Mayor Johnson said the designer is scheduled to attend the Council's next study

session. He agreed with the comments from Councilmember Godwin. The design was changed, which resulted in increased costs. Phase 1 has already been funded. However, Phase 2, which is the stream restoration element, could be funded through grants.

Councilmember Hull agreed for retaining funding for the park, but believes the revenue forecast is too high by approximately 10%. He said he's comfortable in delaying the park project and not expending the funds.

Councilmember Brooks said he doesn't want to delay funding of the park. The concept originally discussed was transformed and it's the first opportunity to review the cost estimate. He indicated he favors leaving the budget in place and moving forward with the permit and grant process. He expressed concerns for constructing the park in phases. There are some severe construction/build issues and it may cost more to proceed on that course. He said he favors moving forward with the park but would like to discuss the projected budget of \$5 million.

Councilmember Roscoe commented that she's lost track of the original plan, but favors retaining funds for the project and looks forward to meeting with the design team. It's reasonable to consider a redesign based on the economy.

**STREET  
CONSTRUCTION  
FUND**

City Manger Worthington reported the Street Construction Budget for 2009 is projecting expenses at \$18 million. Total beginning revenue is \$7.9 million, leaving an undetermined fund balance of \$7.1 million.

Councilmember Godwin said since his time on the Council, the Valley Avenue reconstruction project was included in the budget as well as delayed by staff each year. Funds of \$7 million were borrowed to proceed with the reconstruction. He said he's disappointed that over the last five years the City is still \$7 million short. Those funds should have been set aside. City Manager Worthington advised that when the project was first anticipated, funding included debt funds for that phase of the project as well as funds from accumulated reserves. The amount of accumulated reserves isn't as high as originally projected. At the end of the proposed funding forecast, the shortfall goes from \$7 million to \$2.3 million.

City Manger Worthington said one element of the Valley Avenue project is the addition of an LID project at a cost of \$1.3 million. Additionally, in the Utility Tax Fund, there are reserves in the amount of \$1.5 million of which \$1.3 million is intended for the Valley Avenue project. The Valley Avenue project includes a segment of Freeman Road and that a segment of the project should be assigned to the Freeman Road project with an estimate of \$250,000 coming from the Freeman LID project. Within the Utility Construction Fund there is a proposal to use \$1.5 million because of the connection between the projects.

City Manager Worthington described possible funding options:

- Property Tax Bank Capacity \*\$209,000
- Public Safety Fund up to \*\$1,000,000
- Proceeds from Real Estate sale \*\$2,300,000
- REET revenue up to \*\$1,000,000
- Council Tribe Reserves \*\$1,500,000
- Utility Tax Reserves \$200,000
- Internal Debt Financial up to \*\$2,300,000
- Council 17% contingency reduced to 10% \*\$1,022,000

City Manager Worthington commented that it's possible to take extreme measures for reducing costs by eliminating the undergrounding of utilities.

Councilmember Brooks said he'd like to discuss proceeds from REET during an executive session.

Mayor Johnson indicated a desire to consider tribal funds for parks and other projects. He asked whether the Public Safety Fund is reserved for streetlights and sidewalks. City Manager Worthington replied that Public Works has looked at the project with those qualifiers in mind and foresees approximately \$1 million in expenses where that revenue could be used.

Councilmember Godwin said he's doesn't support using property taxes for street construction projects and is not supportive of increasing taxes at this time. Councilmember Cerqui agreed.

Councilmember Brooks asked about the amount of increase in property taxes to generate an additional \$209,000 in property tax revenue. Director Marcotte replied it would equal approximately 10 cents for each \$1,000 of assessed property valuation. Councilmember Brooks said he favors using the Public Safety fund.

Discussion ensued on intersections and which ones are approved for state funding.

City Manager Worthington suggested the City Council could use a portion of the Public Safety Fund in the amount of \$500,000, a portion of the REET Fund in the amount of \$500,000, and an interfund loan of approximately \$1.3 million for two years. At that time, the City Council will have a better understanding of the economy and the future of the City.

Mayor Johnson asked about the source of the interfund loan. City Manager Worthington replied the interfund loan is from the Sewer Construction Fund, which has a \$6 million balance.

City Manger Worthington asked the Council to provide direction on the issues discussed. Currently, a formal adoption process is scheduled in October. There will be a public hearing to receive input on a possible property tax increase.

Discussion ensued on a potential property tax increase and the implications it will have on the community.

Councilmember Brooks said he foresees the downturn in the economy continuing more than 18 months and that the revenue projections are too high, especially for sales tax. A large majority of Fife's sales tax comes from RVs and higher priced cars. Lending is tight and foreclosures are at an all time high. People do not have the expendable income to make those purchases. At some point, the City Council should take a look at the General Fund. He expressed appreciation to Director Marcotte for his efforts in developing the budget, but doesn't believe budget revenues will be in excess of approximately \$600,000. Mayor Johnson agreed. Councilmember Cerqui also agreed and added his concerns about the budget and the decisions that need to be made to move forward.

Councilmember Godwin commented that Tacoma's street program is 20 years behind. He said he doesn't want Fife's roadways to be neglected because of the lack of funding.

Councilmember Hull said he believes the economy will continue to decline and prefers not basing assumptions on an improving economy at this time. It's logical for the City to reduce expenditures.

Councilmember Brooks asked whether the Preservation Program is funded from the Construction Fund rather than the Street Fund. City Manager Worthington replied that it's budgeted in the Street Construction Fund and that the funds are from a variety of sources.

City Manger Worthington reported the City does not have funding for the overlay program. There is \$300,000 in right-of-way acquisition that could be used. He asked for feedback on the possible of use of right-of-way funds as another source of funding. Councilmember Roscoe suggested utilizing right-of-way funds prior to eliminating the overlay program.

City Manger Worthington asked the Council to examine the list of projects for next year and consider any projects on the list that could be eliminated.

Discussion ensued on \$750,000 in trails funding and the Brookville Gardens Park construction.

Councilmember Godwin asked about the Wapato Creek Salmon Recovery Plan. City Manger Worthington replied the Council could downscale the project.

City Manager Worthington suggested scheduling a special study session on October 7, 2008 to review a revised draft of the budget.

**ADJOURNMENT**      **With there being no further business, Mayor Johnson adjourned meeting at 9:30 p.m.**

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Barry Johnson, Mayor

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Steve Marcotte, City Clerk/Finance Director

Prepared by Danielle Gardea, Recording Secretary  
Puget Sound Meeting Services