5A

FIFE CITY COUNCIL
STUDY SESSION
MINUTES

Fife City Hall
Council Chambers

Date: June 2, 2009
Time: 7:00 p.m.

CALL TO ORDER AND ROLL CALL

Mayor Pro Tem Brooks called the study session of the Fife City Council to order at 7:13 p.m. with the following Councilmembers present: Richard Godwin, Glenn Hull, Butch Brooks, and Barry Johnson.

Excused absence: Councilmembers Rob Cerqui, Nancy de Booy, and Kim Roscoe.

Staff present: City Manager Steve Worthington, Finance Director Steve Marcotte, Assistant City Attorney Greg Amann, Police Chief Brad Blackburn, Public Works Director Russ Blount, Parks, Recreation & Community Services Director Kurt Reuter, Administrative Assistant Andrea Richards, Acting Community Development Director Carl Durham, Municipal Court Judge Kevin Ringus, Court Administrator Sally Dowty, Financial Analyst Dave DeGroot, and Recording Secretary William Gow II.

PLEDGE OF ALLEGIANCE

Councilmember Godwin led the pledge of allegiance.

STUDY SESSION

Sales Tax Report for March and Year-to Date

Director Marcotte reported May sales tax receipts increased slightly from the prior month reporting at $366,069 representing a $30,000 increase from April. Sales tax receipts continue to experience a consistent pattern. The March receipts reflected a higher level because the City received sales tax mitigation from the state of approximately $138,000 for the first quarter. Sales tax figures are delayed by two months. May sales tax receipts reflect sales occurring in March.

Director Marcotte said it's been difficult to forecast the year based on receipts to date. The first five months of actual sales tax receipts reflects approximately $1.8 million along with the first quarter mitigation payment of $138,000. Several assumptions are applied for projecting year-end sales receipts. One is that the June receipts will track closely with May receipts. The second assumption includes receiving a second quarter mitigation payment on June 30, 2009, equal to the first quarter mitigation payment. Based on those assumptions the projection is $2,465,000 for the first six months with end-of-year projection of $4.9 million in sales tax receipts. The current projection for sales tax projections is $5.2 million leaving a difference of $268,000. The issue is what's entailed to maintain the projection. It would entail an average over the next six months of sales tax receipts of $400,000 a month. If that occurs, the City will achieve its projection of $5.2 million in sales tax. Historically, the City had two years of high sales tax in 2006 and 2007, receiving over $600,000 in sales tax. The last time the City received

less than $400,000 in sales tax receipts was in May 2003. Over most of the recent history, Fife has experienced sales tax receipts over $400,000 a month.

City Manager Worthington reported that the budget has not been revised to reflect a different number at this point.

Use of Reserve Funds

City Manager Worthington referred to the memorandum from the Assistant City Attorney regarding the use of the Tribal 2% Fund, why the fund was generated, and the purpose of the fund.

At a prior meeting, Council and staff reviewed three primary categories of reserve funds. The City currently has a projected ending fund balance of $2.4 million in the 17% Reserve Fund account. Approximately $1.5 million is projected in the Tribal 2% Fund and Public Safety has a reserve projected at $1 million. However, use of those funds is restricted. The City's RCW-required contingency fund of approximately 3% has a balance of $429,000. Each of the reserve funds have been reserved and utilized either by the Council or as allowed under state law for different purposes.

The Council discussed and generally concurred to consider utilizing $500,000 from one of the reserve funds to help balance the budget for 2009. The Council asked staff to develop a program identifying $200,000, $300,000, and $400,000 in reduced expenses or adjusted revenues.

City Manager Worthington described the purpose of the reserve funds. The 3% reserve fund is an emergency fund requiring action by a super majority of the Council. The Council must declare an emergency to access the funds. The RCW leaves the decision of what constitutes an emergency to the discretion of the Council. The Council has, in addition, reserved an additional 17% of its general fund as a rainy day fund. The 17% reserve benefits the City when it seeks bonds in terms of the City's rating with bond rating companies. The 2% Tribal Fund was allocated for special projects. If the Council identifies using some of the reserve funds to cover some of the expenses this year, the issue is which fund to utilize. He recommended the Council consider using the Tribal 2% Fund for that source of funds. Essentially, the 2% Tribal Fund was justified by the Puyallup Indian Tribe to offset costs incurred by the City for the impacts in the operation of the Emerald Queen Casino within City limits.

There is also the potential that the Council could take a portion of the funds, move them into a capital account, such as a Park development fund or some other special capital account, take the balance, and add it to the general fund. That option would provide for future benefits to the community and its capital programming as well as providing funds for operating costs because of shortfalls in revenues.

Councilmember Godwin said he's concerned with using the Tribal 2% Fund

to build projects. After some research in terms of the beginning of the casino and gambling, the funds were supposed to offset the costs incurred by a community in providing services generated by tribal activities. He expressed hesitation in allocating any of the funds towards a project at this time and prefers using it as a reserve to support shortfalls in the general fund to support expenses incurred as a result of activities created by the Emerald Queen Casino.

Assistant City Attorney Amann affirmed the concern and indicated that there is a provision within the agreement to revisit every six months the amount and the impacts. If the City isn't using the funds to address services then there is a presumption that the City doesn't need the funds because the funds are not used in the general fund for services, but rather for capital projects.

Councilmember Godwin favored utilizing the funds as they were intended to be used.

Councilmember Hull said the memorandum includes information on the City and Tribe's agreement in terms of how the City will expend the funds. They include maintaining police services, developing and improving parks, and maintaining the transportation system. Assistant City Attorney Amann responded that the agreement doesn't specify how the City will utilize the funds. However, the City agreed that it would maintain the level of service for those three purposes. The funds are restricted to those services. The intent is to mitigate the impacts to services that the City provides.

City Manager Worthington added that the largest impact is police services as well as traffic impacts.

2009 Budget Expense Adjustments

City Manager Worthington referred to the Council's request earlier to identify $200,000, $300,000, and $400,000 in savings. Rather than specific amounts, three different categories have been developed by shifting expenses and enhancing revenues. The third option involves program reductions.

The City has certain restricted funds that have specific purposes. Staff considered those funds and in some cases there are some changes in legislation that lessens some of the requirements for utilizing the funds or in other cases there has been additional revenue received. The idea of shifting funds involves the general fund not incurring the expenses by moving the funds to the restricted funds. One example is Red Light Photo Enforcement where some of the costs associated with some court clerk time and a portion of an officer's time to process red light photo infractions while not expensing all the time that has been incurred. The program has grown as the number of intersections has increased which is also increasing the amount of time for staff to review intersections. The dollar amount associated with the red light photo enforcement for police is approximately $43,000. More court costs have also been added while the costs of the City using judge pro tems have

not been charged against the program for appeals of infractions. That cost is estimated to be $10,000 annually. The number of hearings is increasing as the number of tickets has been increasing. City Manager Worthington described why the City utilizes judge pro tems in addition to the Municipal Court Judge.

Mayor Johnson said from the beginning, the City's intent was to ensure all expenses would be covered by the program's revenue. The City looked at the Public Safety Fund to supplement a road project. He asked whether the City is doubling the use of the funds. City Manager Worthington indicated the ending fund is projected at the end of 2010 to be $2 million. Currently, the projected budget for 2009 is approximately $1 million. Actual revenues are tracking higher.

City Manager Worthington reported that currently, the School Resource Officer's (SRO) wages are from the general fund, although the City receives a portion of the wages from a contract with the school district of approximately $44,000. The proposal is to take some of the balance within the DARE fund. DARE funds are specific in how they can be expended, such as drug education. However, the SRO meets the test and the funds from DARE could be applied to the SRO's wage of approximately $30,000. DARE is funded from fees assessed to defendants involved in drug and alcohol cases.

City Manager Worthington reported in terms of Lodging Tax, the legislature changed the legislation several years ago allowing for some flexibility in the use of the funds.

Director Marcotte provided additional information on allowed uses, such as restrooms that might serve tourists. The definition of tourist is broad and includes anybody who visits the community for the purposes of culture, heritage, recreation, or business, etc. Tourist facilities are also broadly defined in that the facility can be anything that supports the tourist activity. Several of Fife's facilities serve tourists, such as the pool and Dacca Park. In that respect, the use of Lodging Tax funds would be allowed.

City Manager Worthington said staff reviewed the user base for a number of areas. The parks maintenance amount of $86,500 reflects the estimated cost of maintaining Dacca Park sport fields, which includes funds the City pays the school district along with the costs of materials and grounds crew. User groups for the pool have been developed demonstrating that the pool is used by visitors to the City reflecting another $13,500 in maintenance costs to cover visitor usage. The total of $100,000 represents less than one-third of the projected ending fund in the Lodging Tax fund for 2009.

Director Reuter addressed questions regarding pool usage. Research from the last calendar year indicates that 29% of persons enrolled in the swim lesson program are residents and 70% are non-residents. Only 15% of the users who

purchase passes are citizens of Fife. Approximately 22% of the pool rentals are by residents with the remaining by non-residents. Currently, the City has an interlocal agreement with the City of Puyallup providing Puyallup residents a "resident rate" for pool usage and programs. Based on the research and records, those figures shared previously include Puyallup residents within the resident figures. Of the 29% enrolled in swim lessons, 65% of the 29% are Fife residents and 35% of the 29% are Puyallup residents.

Councilmember Godwin asked how the figures compare in terms of use and capacity. Director Reuter said the pool's swim lesson program has a waitlist for each session. Swim lessons are the primary revenue generator for the pool facility, which are programmed as much as possible. For each session programmed, the program is at capacity. There is a high demand for swim lessons. For swim lessons last calendar year, there were 1,350 residents and 3,300 non-residents enrolled.

City Manager Worthington said for the category of revenue shifting, the total represents $200,000 in reducing funds from the general fund to those specific restricted funds. It does not affect the current level of service provided.

Another category examined is enhancing revenues. Staff considered different ways to add new revenue. The figures are presented as net dollars without additional costs associated with each category. One item is the 2% Tribal Police Dispatch award from the Tribe for $189,000 for dispatch services. It appears that it would be net revenue with no new services provided based on the expense of police services provided to the Emerald Queen. There was also interest in the City providing dispatch services. However, it's unclear whether that interest is still valid. At the end of next week, the City will have a better understanding after Tribal elections occur.

Another category is contracted services to the City of Milton pertaining to Milton's stormwater permit inspections and program. Staff is developing costs and level of service. To proceed, the City will use existing inspection personnel. At this point, the projected net revenue for the service is $40,000. Currently, the City has two inspectors who can perform the work with a third staff member undergoing cross training.

City Manager Worthington said the category for police equitable sharing of proceeds represents $35,000 in net proceeds from a variety of different materials the City is able to sell or recapture in costs associated with the operation of a police agency.

The Gang Task Force Grant is a new grant opportunity. The grant is available to the City to replace funds for gang task force time that has already been incurred by the department. Police Chief Blackburn described the costs associated with the department assisting external agencies and how those costs can be recouped through the grant, as well as costs incurred by

participation on the countywide gang task force.

City Manager Worthington reported enhanced revenue totals $329,000. The total of the two categories (shifting expenses and enhancing revenue) represents $529,000.

RECESS TO EXECUTIVE SESSION

Mayor Pro Tem Brooks recessed the meeting at 8:05 p.m. for approximately 15 minutes for an executive session to discuss program reductions.

RECONVENE

Mayor Pro Tem Brooks reconvened the meeting at 8:45 p.m.

BUDGET DISCUSSION

Mayor Pro Tem Brooks referred to the revenue projection. Based on projected revenue of $5.2 million in sales tax and other revenue, the City is facing a $1.6 million shortfall. In terms of expenses, the City has retained open positions, subsidized the detention fund, and is reducing other miscellaneous expenses for an estimated saving of $900,000. The projected deficit of $700,000 is based on those assumptions. At the last Council meeting, there was consensus for the City Manager to use $500,000 from a designated reserve fund. A menu has been presented to the Council comprised of shifting expenses to enhancing revenue to program reductions. The Council needs to determine from the menu of options, the next steps to ensure the budget is balanced, as well as designating the specific reserve fund to cover the shortfall.

Councilmember Hull expressed willingness to allocate $500,000 from the Tribal 2% Fund to help offset revenue reductions, pursue recommended actions through increased revenue options and shifting expenses, as well as taking advantage of program reductions of 1 through 4, which would equate to $1,111,000.

Councilmember Godwin recommended allocating $500,000 from the Tribal 2% Fund. He questioned whether it's the appropriate time to enact any further program reductions. He suggested monitoring the situation continuously, as there is approximately $480,000 plus in shifts or additional revenue options to cover the shortfall. He favored utilizing $500,000 from the reserve fund with no action at this time in reducing programs.

Mayor Pro Tem Brooks commented on the importance of the message the Council sends when it directs staff to provide information. Staff provided information on a potential of $529,000 in revenue prior to any program reductions. He said he favors some program reductions. The current budget includes $43,000 in the police department budget for red light photo enforcement with another $60,000 that likely represents the costs associated with another officer. He said he has no problem with reimbursing the Police Department for the costs incurred. He questioned whether that is the actual cost of doing business. Police Chief Blackburn said the amount is a

conservative estimate for budgeting purposes. It takes approximately three minutes for an officer to review each violation. The department is utilizing an average of 45 to 52 hours a week in processing. The estimate is on the low end and is easily justifiable.

Mayor Johnson agreed with utilizing $500,000 from the Tribal 2% Fund. He said he has some concerns involving program reductions and would like to look at programs 1 and 4, with the City exploring program 2 with other cities or the school district to help fund. He indicated he is not comfortable with the projected tribal grant of $189,000.

Mayor Pro Tem Brooks agreed the City shouldn't count on the $189,000 even though there is a high probability the City will receive the funds. He agreed with shifting $200,000 in expenses and with enhancing revenues with the exception of the $189,000 from the tribal grant, which represents a total of $340,000. He suggested splitting the difference of where the City may be headed in the second half of the year and consider $60,000 in program reductions at the City Manager's discretion to total $400,000. He indicated no preference in terms of designating which reserve fund to use for the $500,000.

Councilmember Godwin expressed agreement with Mayor Pro Tem Brooks' proposal but preferred allocating $500,000 from the Tribal 2% Fund. Councilmember Hull supported the proposal as well as long as the Tribal 2% reserve is utilized. He questioned the remaining Tribal 2% balance and how it would be allocated. Previously, the City Manager suggested moving the balance to a capital fund. City Manager Worthington said it's an option so that the funds can be identified for a specific purpose.

The Council discussed Mayor Pro Tem Brooks' proposal and the specific amounts. The Council concurred with the proposal. City Manager Worthington verified that he will implement the actions by July 1, 2009. Mayor Johnson said he'd like to ensure that there is continuing discussion pertaining to program 2.

Mayor Pro Tem Brooks expressed appreciation to staff for their efforts.

The Council agreed to utilize $500,000 from the Tribal 2% Fund.

City Manager Worthington commented on the need to begin discussions on the 2010 budget. He is calling for department budgets by mid-June based on the Council's goals, trends, economic factors, and population growth, etc. There hasn't been much opportunity for the Council and staff to discuss 2010 goals. He suggested an abbreviated process with the Council to work on the goals. There is the likelihood that 2010 will replicate 2009 in terms of no new programs.

Mayor Pro Tem Brooks commented on the need to consider better ways of utilizing Lodging Tax considering the restrictions in using the funds. The City needs to look at where it is allocating those funds in terms of property acquisition, allocation of funds to several organizations annually, Fife Historic Museum, and the train and caboose. He said he's concerned about the process. Councilmember Cerqui chairs the committee that will develop the funding recommendation. It's important to address any issues before the committee works on developing its recommendation in terms of ways to better utilize the funds.

Mayor Johnson agreed with the comments and noted the fund will receive funds of approximately $1.5 million when the City sells the gathering place property.

Councilmember Hull asked for the preparation of minutes of Lodging Tax Advisory Committee meetings to assist the Council. City Manager Worthington suggested meeting with interested Councilmembers after the meeting to review the process and explain some of the details associated with the committee.

ADJOURNMENT

With there being no further business, Mayor Pro Tem Brooks adjourned the meeting at 9:10 p.m.

Butch Brooks, Mayor Pro Tem

Steve Marcotte, City Clerk/Finance Director

Prepared by Valerie Gow, Recording Secretary/President
Puget Sound Meeting Services