

**FIFE CITY COUNCIL
BUDGET RETREAT
MINUTES**

**Fife City Hall
Council Chambers**

**Date: September 1, 2009
Time: 7:00 p.m.**

**CALL TO ORDER AND
ROLL CALL**

Mayor Pro Tem Brooks called the budget retreat 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 (7:03 p.m.), Nancy de Booy, and Kim Roscoe.

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

**PLEDGE OF
ALLEGIANCE**

Councilmember Roscoe led the pledge of allegiance.

**CHANGES, ADDITIONS,
OR DELETIONS TO
THE AGENDA**

A discussion on the hours of work for the Valley Avenue project was added to the agenda.

NEW BUSINESS

**Presentation on 2010 City
Budget**

Mayor Pro Tem Brooks advised that the City Manager is seeking input on the property tax rate for 2010, verification of the intent to include \$500,000 of the \$850,000 2% Tribal Fund, whether to include \$500,000 for the street overlay program (currently not funded), and retaining the same level of service as in 2009.

City Manager Worthington referred to a calendar on upcoming major dates for the annual budget process. Public hearings are scheduled on October 13 and October 27, 2009, with first reading of the budget scheduled for November 10, 2009, followed by adoption on November 24, 2009. State law requires adoption of the budget before the end of the year.

Councilmember Cerqui arrived at the meeting.

City Manager Worthington referred to a budget comparison between 2009 and proposed 2010 budget requests to provide a more detailed level of review. In 2009, the City changed level of service by reducing expenses and some staff positions. He reviewed the reduction in staffing levels by department that were implemented in 2009.

The 2010 budget reflects expenses for reduced level of staff positions eliminated in 2009. Those positions are related to the level of service the City

provides.

City Manager Worthington referred to the Council's goals and some minor editing issues. The Council was provided with an executive summary from Washington State Economic and Revenue Forecast Council from June 2009, which speaks to the economic recovery of the state.

Director Marcotte reported the Washington State Economic and Revenue Forecast Council concluded that the freefall in revenue seems to be moderating. The state's major tax sources (sales, use, and business and occupation) have leveled off and real estate excise tax (REET) collections have turned up. That appears to be same case for the City. That viewpoint serves as the foundation for preparation of the assumptions on the various sources of revenue for 2010.

Director Marcotte reviewed a series of budget-to-date graphs. Property tax remains on track for the year. Sales tax remained consistently flat for the first seven months with August receipts increasing above \$400,000. To make the current adjusted sales tax estimate of \$5.2 million, collections must be at \$400,000 a month for July through December. The month of July fell short of that goal, but August hit the goal. The August payment reflects June activity, which is prior to the federal cash for clunker program. Permit revenue remains fairly consistent. August collections reflect a little more than \$30,000, which reflects a small increase than in previous months. August collections for Public Safety are approximately \$150,000, which is a consistently high collection. The budget for 2009 has already been exceeded in Public Safety. REET for August increased to \$108,000, which likely related to a multi-million dollar sale of property. Collection of lodging tax is consistent as well as utility tax collections.

Director Marcotte reviewed 2010 assumptions for major revenues sources:

General Fund

- ◆ Property Tax - Assumed at full legal amount for 2009 and a 1% increase in actual dollars collected.
- ◆ Sales Tax - Assumes 2010 sales tax collection will be at projected 2009 actual collections of \$5.2 million (including mitigation payments). As in 2009, all sales taxes will be receipted into the General Fund and no portion will be used for the Street Operating Fund.
- ◆ Building Related Permits - Assumes no significant increase over 2009 permit activity. Plan Review and Check fees are assumed at 65% of Building Related Permit revenues.
- ◆ Tribal ILA and Grants - Assumes amounts owed are paid within the year owed. Amounts owed will include \$850,000 ILA, a minimum of \$150,000 for in lieu sales and lodging taxes, and a minimum of \$176,000 for in lieu property tax. The last installment of \$212,500 for

the pool remodel grant was due in 2009, but has not yet been received.

- ◆ State Shared Revenues - Assumes a population of 7610.

Street Operating Fund

Taxes - Assumes no sales tax revenues in this fund so that State shared gas taxes and liquor excise taxes will be the major revenue sources here. These are insufficient to cover planned expenditures which will result in drawing down fund balance over the year. Fund balance will be nearly depleted at the end of 2010 so that 2011 will require some General Fund support.

Stadium and Convention Center Fund

Lodging taxes - Assumed at the same amount as 2009.

Public Safety Fund

Infraction revenues - Assumed to be consistent with 2009 actual collection rate. As of June, actual revenues were \$560,000 for a projected year-end amount of \$1,120,000. Actual collections to date total \$1,033,000.

Growth Management Fund

REET I & II- Assumed at a much lower rate than 2009. Revenues were budgeted for a combined \$700,000 in 2009. Actual collections through June were only about \$60,000 or an expected \$120,000 by year-end. The assumption for 2010 is for 2009 collection level at \$120,000.

Utilities

Rate revenues - Assumed to be consistent with 2009 levels without any rate increases in 2010. The Council will have to consider a rate increase at some point for the Water Utility.

Debt Service Funds

Utility taxes - Assumed to be collected in the 1997 LTGO Bond Fund at the same rate as actual collections in 2009.

Director Marcotte reviewed the budget comparison for expenditures between 2009 and the 2010 budget request. The City Manager has called for preparation of department budgets. Department directors submitted budget requests consistent with budget rules. City Manager Worthington completed a first draft of the department budgets. The 2010 request is for expenditures requested for 2010, which has been compared against the 2009 amended budget.

Director Marcotte reviewed the proposed General Fund 2010 budget by department.

Mayor Pro Tem Brooks asked that the proposed department budgets include an additional level of detail in terms of department expenditures for programs and personnel. It will be helpful for the Council to have a better understanding on how funds are expended as well as ensuring the public is

aware the Council knows the level of detail involved in the budget. City Manager Worthington commented that there are different approaches, such as providing organizational-level detail within each department/division. Mayor Pro Tem Brooks said he'd like information on any department that has programs, such as expenditures of operations and maintenance for parks.

City Manager Worthington referred to the Parks budget and noted the budget is segregated into divisions consisting of the swim center, recreation, and maintenance. Mayor Pro Tem Brooks suggested providing four to six bullets of information on major expense categories for each department.

Council and staff discussed the level of detail desired by the Council as well as the importance of having the information to assist the Council in establishing policies and goals. The Council agreed to have the City Manager and directors provide a program level of detail for both expense and income for departments and divisions within departments, as well as costs associated with the Red Light Photo Enforcement Program. Additional guidance was provided to Director Reuter on the level of detail desired for the Parks Department.

City Manager Worthington summarized the request for each City department to provide a division level budget. For the Parks and Recreation Department, a division level budget will include program expenditures and income. Mayor Pro Tem Brooks requested receiving similar details on the Street Operating Fund as well.

Mayor Johnson asked to receive a breakdown on the budget for the Community Development Department as well as projected expenditures and revenues for the City of Milton planning contract. Director Marcotte reviewed some of the different funding sources for the department, which includes impact mitigation fees and plan check fees.

Councilmember Hull requested directors provide budget information on any programs involving citizens to assist him in answering questions from citizens on the cost of various programs. It's important as well for the Council to know the detail associated with travel costs for the Council and other costs incurred by the Council.

City Manager Worthington commented on the time involved for providing details on Police Department programs. The Police Department has seven divisions and that budget information should provide sufficient detail to assist the Council.

Mayor Pro Tem Brooks asked staff to provide the budget information by September 24, 2009, prior to the next Council budget retreat.

Mayor Brooks asked to receive a recap of the Police Department

caseload/calls from June 2008 to June 2009.

Mayor Pro Tem Brooks reviewed the four questions the Council was asked to address as the request of Councilmember Roscoe:

1. Level of property tax increase.
2. Level of service in 2010 versus 2009.
3. Utilization of Tribal 2% Funds totaling \$500,000 for the General Fund
4. Allocation and funding of \$500,000 for Street Preservation Program.

Director Marcotte reviewed additional information pertaining to the budget comparison:

General Fund

The General Fund budget is not yet balanced to projected revenues. Request budget assumes the use of \$500,000 in reserves during 2010 and some additional resources to fund the Street Preservation Program in the amount of \$500,000.

The Council discussed the request to utilize \$500,000 of Tribal 2% Fund to balance the General Fund in 2010.

Consensus

The Council agreed to authorize the use of \$500,000 from Tribal 2% Fund to balance the 2010 budget.

Street Operating Fund

The budget for this fund assumes no General Fund support, as was the practice in previous years. Rather, planned expenditures will be funded by gas tax revenues and the use of fund balance. The fund balance will be nearly depleted by the end of 2010 so that the 2011 budget will likely require some General Fund support.

Mayor Pro Tem Brooks referred to the Street Operating Fund and the zero ending fund balance at the end of the year. Director Marcotte reported the balance at the end of 2010 is estimated to be \$13,642, which will not be sufficient for 2011. Historically, 10% of sales tax revenue was diverted from the General Fund to the Street Operating Fund. Director Marcotte confirmed the practice and added that the amount was also too much. Mayor Pro Tem Brooks asked to receive more details on how the funds are spent within the Street Operating Fund.

Public Safety Fund

The budget includes a transfer to the Street Construction Fund in the amount of \$1,250,000. An additional \$750,000 is expected to be transferred in 2011 for a total of \$2,000,000.

Mayor Pro Tem Brooks said the fund is somewhat in limbo. After the City

opens bids for Valley Avenue the City will have a better idea of whether the fund is sufficient or is too much. At the next budget meeting, the Council will have a better idea. The fund can only be used for specific types of expenses. However, the Council can also consider different uses of the funds and the funds could help fund street operations if the bids on Valley Avenue are lower than anticipated. City Manager Worthington advised that a funding gap still exists for the second phase of Valley Avenue.

Councilmember Godwin commented on the ongoing court case involving public safety funds. At this point, the City doesn't know the outcome or whether the City can retain the funds. He cautioned against spending money the City may not have.

Stadium and Convention Center Fund

The budget does not include any amounts for debt service based upon an expectation that the Gathering Place property will be sold to Washington State Department of Transportation (WSDOT). If the property is not sold, the budget will have to include debt service payments in the amount of \$439,606.

Contingency Fund

The budget does not include any planned expenditures from this fund. Fund balance is projected to be \$432,423 at the end of 2010.

Growth Management Fund

The only expenditures planned for this fund are debt service payments on property purchases.

D.A.R.E. Fund

The budget plans to utilize all remaining monies in this fund.

Impact and Mitigation Fund

This fund continues to carry a planned expenditure in the amount of \$500,000 for the 54th Street Underpass Project.

Drug Intervention Fund

Budget reflects an increased use of the fund for Police salaries and benefits.

Park Acquisition and Development Fund

No 2010 expenditures are yet planned for this fund. The 2009 budget had included \$950,000 for Brookville Gardens Phase 1.

1997 L TGO Bond Fund

Budget includes a transfer of \$653,805 of utility taxes out to the Street Construction Fund for the Valley Avenue Project.

Street Construction Fund

Budget includes funding for only the following projects:

▪ 70 th and Valley Phase I	\$11,474,248
▪ Street Preservation	\$500,000
▪ 34/12 Improvements	\$660,150
▪ Pedestrian Crossing Over UPRR	\$100,000
▪ Sidewalk E. Side of 62 nd Ave.	\$550,000

City Manager Worthington reported the 34/12 improvements is the Port of Tacoma overpass, which is federally funded. The pedestrian crossing over UPRR is the at-grade pedestrian crossing assuming it will be ready to move forward with permitting. Sidewalks on the east side of 62nd Avenue are a speculative project because it depends on what's remaining in the Public Safety Fund after the Valley Avenue project. He said it could be a project that is removed from the list.

Mayor Pro Tem Brooks asked whether the sidewalk project includes undergrounding. Director Blount affirmed it does include utility undergrounding. Mayor Pro Tem Brooks suggested it could be a worthwhile project if the City had extra sales tax funds or was able to secure a grant. He agreed he wouldn't be overly concerned if the project was removed from the list.

Mayor Johnson said his concern is the amount of traffic volume that is increasing in the area. The City could look at traffic studies to determine volume levels. There are many children who use the street with school buses dropping them at that location. He said he doesn't favor dropping the project. Councilmember Roscoe agreed, as she is familiar with the area. The area is used regularly by students and other pedestrians.

Director Blount responded to questions about the amount associated with the UPRR crossing and explained that because of the conditions imposed by the Utilities and Transportation Commission, the amount is speculative as a percentage of construction because of unknown project requirements that haven't been identified. Currently, there is \$300,000 in escrow for the project. It may be that the \$100,000 may not be necessary dependent upon final requirements. Currently, the crossing is only accessible to emergency vehicles and is closed to pedestrian traffic.

Director Blount referred to the sidewalk project on 62nd and indicated it would connect to developer-completed sidewalks on the east side of 62nd to 20th Street. He addressed questions on the status of sidewalks on the west side of 62nd Avenue.

Recreation and Pedestrian Capital Facilities Fund

Budget only includes a transfer to the 2001 LTGO bond fund for debt service.

Water Utility Fund

Budget will need further adjustments to eliminate projected negative ending fund balance. The City is waiting for more current revenue numbers.

Sewer Utility Fund

Budget is lower than 2009 mainly due to Tacoma back charges, which occurred in 2009.

Storm Sewer Utility Fund

Budget includes full services to Drainage District #21 with offsetting revenues. This may need to be changed if Drainage District #21 continues with current plans to only fund minimal services with their remaining cash balances.

Director Marcotte reviewed projected 2010 ending fund balances, which are based on factors tied to projections in both revenue and expenditures. The information was presented for each fund. Several funds have no balance, which is not reflective of a problem because the fund is only to pay for debt service for the year. The Water Utility Fund will experience a negative balance.

Mayor Pro Tem Brooks suggested it's obvious that a water rate increase will need to be considered. He expressed concerns about the existing systems and the location of the City if an earthquake occurs. Some of the City's infrastructure is very old. He asked if those factors will be included within the rate study. City Manager Worthington said the rate study will focus primarily on operating expenses and long-range capital.

Director Marcotte referred to the Utility Construction Fund with over \$4 million. Director Blount said the Utility Construction Fund is comprised of General Facility Charges (GFC). The funds are spent on utility capital projects for improvements to the general system.

Mayor Pro Tem Brooks referred to the City's agreement with Drainage District #21 for the City to assume maintenance of ditches within the City. Director Blount said the district was paying the City \$100,000 for maintenance. However, some of that work was completed outside of the City, which the City will no longer perform equating to a loss of \$50,000 in the budget. Mayor Pro Tem Brooks said it's assumed that if the City was to remain revenue neutral, the City would need to look at the current rate.

Councilmember Godwin said he understood the City wasn't obligated to perform work outside the City. City Manager Worthington said if requested the City will prepare a proposal to do the work for areas outside of the City within District #21. Councilmember Godwin suggested not involving the City until the district resolves its tax issue. City Manager Worthington acknowledged the comment and added that there is an obligation to discuss

with the district the provision of services, because the district wanted that option. Mayor Pro Tem Brooks added that the City has not agreed to do anything other than discussing an amendment.

Mayor Johnson asked staff to provide ending funding balances from previous years for each major fund for the next budget retreat.

Councilmember Hull inquired about the fund containing the Council's 17% reserve fund. Director Marcotte said the fund is included within the General Fund.

Staff responded to questions from Councilmember Cerqui about the 1997 LTGO Bond Fund of \$419,328. Councilmember Cerqui suggested it could be used as a source of fund to cover a substantial amount of the \$500,000 for the Street Preservation Program. Councilmember Godwin spoke in support of maintaining the program. City Manager Worthington said another funding option for the program is the Tribal 2% Fund balance of \$350,000.

Director Marcotte addressed questions on the assumptions used for establishing the Public Safety Fund budget 2010 projection.

Consensus

The Council agreed the 2010 budget should be based on an equivalent level of service as in 2009.

Council and staff discussed the proposed property tax increase. Director Marcotte said the City is permitted to consider last year's actual levy plus one percent and any new construction. Currently, the City does not have current assessed valuation, but it doesn't affect the allowable levy amount. The final assessed valuations will not be available until November.

The Council discussed potential tax impacts to citizens and how the rate is established by the county.

Consensus

The Council agreed at this point, to assume that the City will not assess the one percent, which would total approximately \$26,000. However, during future budget discussions, the Council has the option of changing course and contending with the issue at that time. The budget packet will contain options with the Council making a decision at that time.

Mayor Johnson noted the City has only so many revenue sources with the sales tax decimated because of the economy. It's a huge impact on the City. The Council has previously worked on maintaining property tax rates for citizens for many years. At some point, reality must be considered in terms of increases in salary and benefits and operating costs. Historically, in the last several years, the Council hasn't passed on those costs and it's come to the point now that the City will have to look at the property tax and use the one percent allowed by law to keep pace with increased costs.

Director Marcotte responded to questions on the maximum tax rate for utilities. Currently, state law allows 6% with Fife currently collecting 4.5% in utility tax. Electrical utility tax in the City is 3.5%.

Mayor Pro Tem Brooks referred to the issue of funding the Street Preservation Program. City Manager Worthington advised that the City can consider using the projected fund balance in utility taxes, which is approximately \$400,000, possibility using \$350,000 from undesignated funds in the Tribal 2% Fund, or the Council could direct the City Manager to reduce services to achieve some savings.

Councilmember Hull inquired about the potential impact of reducing the Council's reserve from 17% to 15% on the City's bond rating. Director Marcotte advised that he doesn't believe there would be any impact as long as the Council is consistent in policy. The bond market wants to see anywhere between 5% and 15% in reserve and consistency in following policy. Councilmember Hull said if the rate was reduced by 2% it would generate approximately \$300,000. Mayor Pro Tem Brooks said the only drawback is that the funds are not sustainable. Councilmember Godwin supported using some utility tax funds and some from the Tribal 2% Fund equating to a \$400,000 Street Preservation Program. Mayor Johnson suggested delaying a decision because of other potential funding needs, such as potential options for flood control that may require extensive funding. The City is planning to repave a significant section of the worst road in the City this year and next year costing \$15 million, which will have a significant impact on the road system. It may mean the City delays the overlay program as it works through the current economic situation. Mayor Pro Tem Brooks said he prefers that the funding source for the program is from a sustainable source to ensure funding availability every year. Not maintaining an overlay program will lead to a worse situation for roadways within the City.

Council and staff discussed potential ramifications associated with reducing the reserve from 17% to 15%. Director Marcotte pointed out that as the City's budgets are reduced, the reserve amount also decreases.

Mayor Pro Tem Brooks said it appears there may be other projects with potential funding needs. He recommended deferring the discussion at this time.

Valley Avenue Hours of Work

City Manager Worthington reported the City has administrative authority to waive or declare itself exempt from the Noise Code for public works projects. Several years ago, the City experienced some questions and concerns over the practice of waiving that provision. Rather than an automatic exemption, staff is seeking the Council's feedback.

Director Blount said the Valley Avenue project is not under construction at this point because of some right-of-way issues and other delays. The City has

finally received certification of right-of-way and issued bids in August. To enable utility company conversion of overhead lines to undergrounding during winter months, the best option is to enable work on utility conduits in the fall. With a start time of 6:00 a.m. seven days a week, it may enable completion of the work prior to the rainy season. The Noise Ordinance specifies a 7:00 a.m. to 10:00 p.m. timeframe and 9:00 a.m. on weekends. The request is allowing work time from 6:00 a.m. to 10:00 p.m. seven days a week. The proposal would be in effect until November 25, 2009. An incentive would be offered for completion of the work for each 24-hour period prior to November 25, 2009.

City Manager Worthington advised that to proceed appropriately, the City would need to issue an addendum to provide adequate notice to affected parties.

Mayor Pro Tem Brooks expressed concerns about beginning work prior to 7:00 a.m. as well as offering an incentive to complete the work early. In this construction environment, the City shouldn't provide incentives but should dictate a date for conversion of conduit. There will be limitations on hours of work on 70th limiting contractors to the hours of 9:00 a.m. to 3:00 p.m. for lane closures. He suggested the option of shortening the duration of the project by enabling contractors to work full days. The traveling public should be impacted for a shorter duration rather than limiting impacts over a longer period of time.

Discussion followed on typical work hours of contractors. Director Blount pointed out that it's unrealistic to assume there are 50 days of good weather to complete the work this calendar year. Several years ago, the City repaved 20th during the night, which was approved by the Council. Staff is providing notice that citizens may call and complain.

Mayor Pro Tem Brooks suggested allowing work from 7:00 a.m. to 10:00 p.m. seven days a week for that portion of the contract for the utility work. For the incentive for early completion of underground conversion, he suggested a different approach of implementing an incentive by penalizing for not completing the work in a reasonable timeframe. Additionally, for the lane closure hour restriction, expand the hours of the restriction to enable more time for contractors to complete the work.

Director Blount reviewed potential impacts to the local area if lane closure hours were extended.

Consensus

The Council agreed with the direction offered by Mayor Pro Tem Brooks.

ADJOURNMENT

With there being no further business, Mayor Pro Tem Brooks adjourned the meeting at 9:14 p.m.

Butch Brooks, Mayor Pro Tem

Steve Marcotte, City Clerk/Finance Director

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