

City Council

Special Meeting Minutes

October 12, 2018
City Hall, Council Chambers
749 Main Street
10:00 AM

Call to Order – Mayor Muckle called the meeting to order at 10:05 am.

Roll Call was taken and the following members were present:

City Council: ***Mayor Robert Muckle***
 Mayor Pro Tem Jeff Lipton
 Councilmember Jay Keany
 Councilmember Chris Leh
 Councilmember Susan Loo
 Councilmember Dennis Maloney
 Councilmember Ashley Stolzmann

Staff Present: ***Heather Balsler, City Manager***
 Megan Davis, Deputy City Manager
 Kevin Watson, Finance Director
 Tracy Winfree, Interim Parks & Recreation Director
 Aaron DeJong, Economic Development Director
 Kurt Kowar, Public Works Director
 Rob Zuccaro, Planning & Building Safety Director
 Becky Campbell, Interim Library Director
 Dave Hayes, Police Chief
 Kathleen Hix, Human Resources Director
 Kathy Martin, Recreation Superintendent
 Meredyth Muth, City Clerk

DISCUSSION/DIRECTION – CITY MANAGER’S PROPOSED 2019-2020 OPERATING & CAPITAL BUDGET, 2019 – 2024 CAPITAL IMPROVEMENTS PLAN, AND 2019-2024 LONG-TERM FINANCIAL PLAN

EXPENDITURE TARGETS

Mayor Muckle noted this is a continuation of the budget discussion and the City Manager needs clear direction on a number of items. City Manager Balsler stated staff is looking for direction on the six questions in the packet and following this meeting staff

will bring the final budget to the special meeting on October 23 and the approval resolutions on November 5.

Director Watson reviewed updated revenue projections noting corrections to the audit and auto use tax numbers. He stated there are major one-time impacts from the hail storm. He reviewed the expenditure projections and changes from the direction from the last meeting to lower those. These changes make the out years more in balance.

Director Watson reviewed changes made to the General Fund support transfers and he noted the high levels of reserves left in the General Fund well over the minimum level. He noted some projects moved from the Capital Fund to the General Fund.

Director Watson reviewed the operating Surplus/Deficit formula and the formula for recurring expenditures, specifically the revenue from building permit fees. He noted the formulas can be changed if Council wishes.

Councilmember Maloney asked about the recurring costs. He noted we treat one-time revenue different than expenditures, specifically the building revenue and expenditures. If we remove revenue from the costs we need to then restrict the expenditures that the revenue pays for. If we hold it as a reserve we should dedicate it to the use it is intended for.

Councilmember Stolzmann agreed we need to treat the building revenue and expenditures the same way. She recommended a separate fund for building permit revenue so you can see what the revenue is and how it pays for expenditures over time. Mayor Pro Tem Lipton agreed we need an adjustment to keep it clear.

Director Zuccaro stated there is some flexibility built into the building expenditures to allow the Department to keep staff when revenues are down. City Manager Balser stated a new fund is a possibility, but it could not be created in time for the 2019 budget.

Mayor Pro Tem Lipton stated having higher fund balances is fine. Carrying extra funds is an opportunity for future investment. He stated service levels are fine. We can save that money for future projects in transportation or another area. It allows the Council some time to decide how we want to spend it. Councilmember Stolzmann agreed.

City Manager Balser asked if Council supported the proposed long-term revenue assumptions and expenditure targets and with the additional General Fund increases in staffing and/or service levels. Members agreed with the assumptions as proposed and a plan to hold more in reserves for now and then decide how to spend it with further discussion on projects and services in later years. Council will have a future conversation on how one-time revenue and expenditures are treated.

RECREATION AND SENIOR CENTER 2019 FEES

Director Winfree stated the Rec Board started to look at the fees in June and they are using a group of guiding principles: 1) be true to the original task force to expand the Rec Center and their goals 2) Striking the right balance of fee increases with the sales tax increase 3) the importance of following the Green Play guidance but also keeping that current 4) continuing to demonstrate the value of the facility and programs 5) not waiting too long to increase fees as was done in the past and, 6) be mindful of our market and make sure we are in line with the other facilities in the market.

Director Winfree stated that at the meeting last week staff heard Council wanted more options and perhaps this is our chance to raise fees a bit higher than we initially thought. The Rec Board has not reviewed the proposal included today but the subcommittee did help with the new proposals. She noted a decision is needed to allow staff to finalize work on the marketing materials.

Councilmember Loo asked what staff's current recommendation is. Director Winfree stated if the Council wants to go higher than the original proposal, staff and the subcommittee of Rec Board would recommend the 30% increase.

Councilmember Loo stated the 30% increase is too high and too hard to sell to the community.

Councilmember Maloney agreed. He stated he likes the October 4 proposal with small changes to the family rate.

Councilmember Stolzmann stated she would like the Council to create a policy that identifies what costs the fees are supposed to cover and fully understand the costs. She stated we don't have enough information to make a decision. She feels the process seems too arbitrary right now.

Mayor Pro Tem Lipton agreed it is frustrating, but we need to move forward. This new information is helpful and the data shows that the first recommendation is aggressive and we see where we are compared to a more closely related group of facilities. We know we may have to adjust these as needed. Also, the Green Play numbers were widely used in the marketing of the bond issue and he stated he doesn't want to overprice in the first year. We need to build volume at the center, then we can see how the demand is but we can't price ourselves out of the market, we want to be in the high end of the municipal market.

Councilmember Keany asked if a daily family rate could be considered. He stated he supports the October 4 proposal with changes to the family rate.

Councilmember Leh agreed with Councilmember Stolzmann that there needs to be further policy discussions on what our goal is with Rec fees. He noted however that we need a decision today. We can gather more data and revisit it. We need to be cognizant of what we told the voters when the bond issue was advertised. He agreed a daily group

rate should be considered. He thinks we need an annual rate. He stated that in the short run this is all about the marketing.

Mayor Pro Tem Lipton stated this is a market-driven enterprise and we should have some ability to give the Manager some discretion on ways to get people in the facility.

City Manager Balser stated work was done so that these rates do include the cost of services and the Green Play estimates, but they will need to be adjusted as we have more data when the facility opens.

Councilmember Stolzmann stated it is inappropriate to say that cost was included in the model as there are no projected number of users and we did not look at the impact on the General Fund of each of these scenarios. We don't have good information on which to base these fees. This is a heavily subsidized enterprise and we have to determine what costs we are trying to cover as this is not 100% cost recovery. This is an arbitrary decision. We should already have the information.

Mayor Pro Tem Lipton stated this in an informed decision with the information we have now. It is not perfect but it is an informed decision.

Councilmember Leh stated if we create a good revenue model we will be able to manage the costs but if we focus too much on costs it will be detrimental to revenue. He thinks based on the information we have, this is reasonable and that is our goal.

Mayor Muckle suggested using the October 4 proposal with a change to the family rate to option B (resident \$74/nonresident \$99) for both resident family and nonresident family and allowing staff to work on group rates and introductory rates.

Councilmember Maloney agreed we don't know the costs and what our subsidization rate is, but for today he supports the Mayor's proposal and will continue to work on these issues.

Councilmember Keany supported the proposal with some work on a family daily rate.

Mayor Muckle stated some combination of the Finance Committee and the Rec Board will work on the cost study as we move forward.

Members agreed to Mayor Muckle's proposal.

CAPITAL AND GENERAL FUND CONTRIBUTIONS/TRANSFERS TO THE RECREATION AND GOLF FUNDS

RENEWAL AND REPLACEMENT CONSIDERATIONS FOR THE RECREATION AND GOLF COURSE FUNDS

City Manager Balser stated staff would like direction on General Fund contributions/transfers to the Recreation and Golf Funds. Staff supports the current practice of having capital for both these areas compete against other capital requests in the Capital Improvements Program, rather than an automatic transfer. This ensures the most competitive projects move forward with the proper consideration.

Councilmember Maloney stated the sources of funds for Recreation includes the General Fund subsidy which makes it balance and for 2019 includes funding to create a fund balance and the 2020 number is less than we transferred in 2017. We need to reestablish some of the principles related to these sources of funds.

Mayor Muckle stated he thought we agreed the transfer to the Rec Center would not fall below 2017 levels.

Councilmember Maloney stated we need to make sure the numbers align with the Green Play report which would allow for renewal and replacement from the capital fund.

Mayor Muckle stated he is comfortable having a transfer from the General Fund to cover the operating deficiency and capital projects should compete with capital projects. He stated as long as the fund isn't growing consistently a small transfer for renewal and replacement is ok.

Councilmember Stolzmann stated the transfer will require some more information once we open. Mayor Pro Tem Lipton stated the Finance Committee and Rec Board will need to review this as we get information.

Councilmember Stolzmann stated we should have the transfer for the first two years to meet the operating deficit and capital requests will compete with other capital requests.

Councilmember Maloney stated he wants a principle around the transfer not just a number. He can agree on this for the short-term but in the long-term we need a discussion on the methodology.

City Manager Balser reiterated there is no automatic transfer for capital in the proposal.

Members agreed to keep the General Fund subsidy to the Rec Fund at the previous 2017 dollar amount plus an inflator (CPI). In 2019, the transfer will include funds to create the 15% fund balance. Capital projects will be funded first from Rec Fund and then complete with other projects from the CIP fund. They noted the policy may change based on new sales tax numbers.

Mayor Muckle stated the FF&E should be funded from the new tax and significant capital projects from the Capital Projects Funds.

Mayor Pro Tem Lipton stated conceptually the sales tax was to provide replacement for the new equipment and new building and be a revolving fund that is self-sufficient. The General Fund transfer is to cover the old equipment and building.

Councilmember Loo stated it will be hard to have a clean split between the new and old equipment for replacement and funding.

Councilmember Leh asked what is the administrative cost of some of these decisions. We can't make it so complicated it can't be done.

Mayor Muckle stated for 2019-2020 we have agreed on the transfer for operations and capital but now need to agree on the renewal and replacement. Some of the capital costs for the rec center will be funded from the new tax, but some will need to be paid from the CIP Fund which will need to be determined.

Councilmember Maloney stated for 2019-20 we need to commit what is in the capital plan as already determined.

Members agreed to the transfer for now and to pay for the planned capital projects and do more analysis next year on a longer term plan.

Director Watson will bring new numbers for Council to review on October 23.

GOLF FUND TRANSFERS

City Manager Balser stated the proposed budget assumes transfers to the golf fund for operations and golf competes with other departments for capital funds but this is still a work in progress. She suggested support for the 2019-2020 proposed transfers knowing work will continue on this and changes could be made for 2020 if needed.

Mayor Muckle stated he does not want to transfer money from the General Fund for golf operations. He would like it to support itself operationally and then capital projects can compete against all city projects. City Manager Balser stated at this point there will be a necessary operational transfer from the General Fund to Golf and that is essentially the cost for water.

Mayor Pro Tem Lipton stated it is not likely the golf course will ever be self-sustaining and we should be transparent about that. If the reality is we have to support it from the General Fund it is what is needed. We need to be transparent on the water costs.

Councilmember Maloney suggested we need to see the amended 2018 budget before making further decisions so we know what we need to address.

Mayor Pro Tem Lipton stated the full cost of delivering the water should be charged rather than a marginal cost and it might have to be subsidized by the General Fund.

City Manager Balser stated the water rate study will be done in 2019 and that information will affect this decision in the long-term.

Councilmember Loo stated there is value to having a golf course even if it is subsidized.

Members will finish this conversation at the October 23 special meeting where they will be able to review the 2018 and 2019 amended budget for golf.

2019-2020 OPERATING BUDGET

Mayor Muckle asked if people support the staff increases in the proposal. There was consensus on supporting it as presented.

Councilmember Stolzmann asked about tree trimming. She would like more funding in this area. Deputy City Manager Davis stated an additional \$20,000 has been added for forestry in 2019. City Manager Balser stated we can add more if Council wants it.

Mayor Pro Tem Lipton supports some one-time money for this to get it to a point it is maintainable. City Manager Balser stated staff will increase this for the final budget.

Councilmember Stolzmann asked if we need additional money to fund code enforcement given the higher numbers of code issues. City Manager Balser stated staff will look at those levels of service and adjust if needed.

Councilmember Stolzmann stated the Library Board of Trustees (LBoT) noted that compared to other libraries we have lower levels of programming. Councilmember Stolzmann proposed more staffing for the Library to support more programming.

Mayor Pro Tem Lipton stated all departments want to be better and go from being great to greater. Open Space wanted to do more programming too and were told that was not a priority. Based on the KPIs we already have a high service level in the Library. This is not a problem that needs to be addressed.

There was no consensus on new staff for the library but staff will continue to monitor it and will bring back information as needed.

Councilmember Stolzmann asked if a dark skies ordinance would require a study or just ordinance implementation. Director Zuccaro stated staff is already doing outreach. If Council wants to include this in the 2019 work plan it doesn't require any funding.

Councilmember Stolzmann stated she often hears we need more retail recruitment. She would like more funding for that. City Manager Balser stated in 2020 we have added funds for this. Our vacancy rate is pretty low, we have conversations with retailers but our spaces are not really what people are looking for. Director DeJong stated he works

with the broker community and retailers to see what they are looking for but the spaces that are vacant are challenging to fill.

Councilmember Keany agreed we would like to see more results, but funding may not be the key to that. Members generally agreed. The Council can discuss other options for retail recruitment next year.

Councilmember Stolzmann asked about the large increases in Cultural Arts, do we want to have such large increases. Deputy City Manager Davis stated \$25K is for public art, \$5000 for grants and \$10,000 for programming for the Arts Center.

Councilmember Stolzmann was concerned the increases were for larger events; she prefers the lower key, smaller events than the larger ones for which she gets complaints. Mayor Pro Tem Lipton confirmed the increases are for smaller events.

2019-2024 CAPITAL IMPROVEMENTS PLAN

Councilmember Loo asked about the funding for Museum design in 2020. She does not support keeping it in until we have a citizen survey where that museum ranks on a larger list of what citizens want. Leaving it in creates an expectation we will fund it.

City Manager Balsler stated polling on this will be done in 2019. Councilmember Keany would leave it in for 2020; it can be changed based on the polling results. Mayor Muckle agreed. Councilmember Leh feels leaving it in does not cost us anything at this point and the Museum has inherent benefit to the community.

Mayor Pro Tem Lipton stated one reason for leaving it in might be if there is a citizen's initiative. It might be in our interest to do some design so we know how much it will cost and what numbers to use. Councilmember Maloney stated if we do that it will need to include an understanding of the operating costs as well.

Members agreed to leave it in for now knowing it might be changed.

Members reviewed the CIP projects.

Councilmember Stolzmann stated the 2020-2024 DRCOG TIP subregional funding process is still not determined. One theme has been that people need to come to the table with a 50% match for projects. If we want to be competitive for funding we need to have at least 50% of the project funds budgeted.

She stated citizens are clear they want an underpass at South Boulder Road. That project is different from the other projects in the Transportation Master Plan (TMP). She would like to put at least \$3.5M in our budget and ask for \$3.5 from subregional funding. She would like to split the City's \$3.5 with the LRC.

Councilmember Stolzmann would like to see increased funding for the TMP projects.

Mayor Pro Tem Lipton stated he generally agrees in that direction but would like to pay for some of this from the General Fund revenues. He wants to make it a general list until we have the results of the TMP. He would like the City to dedicate money for design to get projects shovel ready. He feels the money dedicated to this should be much higher.

Mayor Muckle stated it might be easier to fund the underpass in 2021.

Councilmember Maloney stated the at-grade improvements on South Boulder Road should be done first before the major financial commitment and there are other priorities that should be considered as well.

Members discussed if an underpass could be funded from a mix of General and Capital Fund moneys and a variety of options for funding transportation projects.

Councilmember Loo asked if the excess revenue from the General Fund could go to the Capital Fund. She would put it in a line for TMP projects generally.

Members discussed adding additional funds in the range of \$6-8M to the TMP line across multiple years and also have a transfer from the General Fund for these projects. Staff will bring back some scenarios for consideration. City Manager Balser noted this type of funding for transportation projects will require a lot of reorganization or cutting funding for other projects.

Councilmember Maloney asked for money also to be put in for middle mile broadband projects. Members agreed to \$2M spread over four years starting in 2021. City Manager Balser will see what capital fund changes would be needed for this. City Manager Balser reiterated she feels this may impact the capital projects list.

Members agreed that on October 23 the discussion will focus on the Rec and Golf transfers and scenarios for capital funding and final adoption moved to November 27.

Members discussed the 228 bus route changes. Councilmember Stolzmann stated we should do more outreach on what the route offers to residents. Councilmember Loo stated we need to communicate with residents that if residents want better transit service, buses on collector streets will be necessary.

ADJOURN

Members adjourned at 3:28 pm.

Robert P. Muckle, Mayor

Meredyth Muth, City Clerk