

City Council Meeting Minutes

**July 16, 2019
Library Meeting Room
951 Spruce Street
5:00 PM**

Call to Order – Mayor Muckle called the meeting to order at 5:18 pm.

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
Nathan Mosely, Parks, Recreation, & Open Space Director
Kurt Kowar, Public Works Director
Rob Zuccaro, Planning & Building Safety Director
Chris Neves, Information Technology Director
Sharon Nemechek, Library Director
Dave Hayes, Police Chief
Kathleen Hix, Human Resources Director
Emily Hogan, Assistant City Manager for Communications
& Special Projects
Nat Ahrens, Business Data Analyst
Meredyth Muth, City Clerk***

Mayor Muckle stated this is a first look at the 2020 budget. It is the second year of the biennial budget so it should be much less time consuming than last year.

2018 YEAR-IN-REVIEW

Director Watson stated the first step for the 2020 budget is to determine how 2018 projections align with actual audited amounts for the year. He reviewed the projections and final fund balances for each fund for 2018. He stated he will propose a different turn-

back methodology. The turn-backs left a higher than anticipated balance in the General Fund.

Mayor Pro Tem Lipton asked about major items contributing to the high turn-back. Director Watson stated the earlier biennial budget for the first time along with going to program budgeting contributed to departments not being completely aware of where all the money was because it was split into different places. Staff vacancy savings also contributed. Budgeting was just not as tight.

Director Watson reviewed the projections and 2018 final audited numbers of the various funds.

FINANCIAL POLICIES – PROPOSED AMENDMENTS

Director Watson reviewed the purpose of the policies noting one is to define certain boundaries and limits on actions staff may make. Staff is proposing some changes. He reviewed the various policies the City has including:

1. General Policies
2. Reserve Policies
3. Debt Policies
4. Revenue Policies
5. Operating Budget Policies
6. Investment Policies
7. Capital Asset Management Policies
8. Accounting, Auditing and Financial Reporting Policies

The changes being recommended are:

Reserve policies

- Eliminates the Open Space & Parks Fund targeted fund balance requirement.
- Defines the formula for the recurring annual transfer from the General Fund to the Open Space & Parks Fund.
- Establishes a minimum unrestricted fund balance and a capital asset renewal and replacement reserve for the Recreation Fund.
- Defines the formulas for the maximum recurring annual transfers from the General Fund to the Recreation Fund and from the Capital Projects Fund to the Recreation Fund.
- Establishes a minimum unrestricted fund balance and a capital asset renewal and replacement reserve for the Golf Course Fund.

Mayor Muckle wanted a note included concerning calculations going back prior to the recession, so it doesn't appear random. A footnote would be fine.

Councilmember Loo would like a definition of “Reserve” included. She wanted to clarify the changes do not require a transfer to Open Space & Parks Fund and Rec Fund unless the Council can afford it and want to spend it that way, it is not a requirement to make a transfer. Mayor Muckle stated that is the intent of the language. Councilmember Maloney stated it is meant to be a consideration of a transfer only if the Council can afford it in any given year.

Councilmember Stolzmann stated this may not be strict enough to satisfy some residents who want more money dedicated for opens space acquisition.

Members discussed how reserves may be addressed if they fall below the designated minimum.

Councilmember Loo wanted to know if the Council can commit funds in the Open Space & Parks Fund for property acquisition. Council members clarified the policy stating there would be transfers for acquisition.

Council members clarified some language in the various policies.

2019-2024 CAPITAL IMPROVEMENTS PLAN (CIP)

Director Watson said the changes discussed tonight are updates to the 2020 plan already approved. He noted a preliminary list of possible CIP additions for 2019 but added this is not a final list. Council members asked some questions about specific projects.

Mayor Pro Tem Lipton requested the budget estimates for the CIP projects be more accurate and include a better contingency number. Members agreed. Mayor Pro Tem Lipton felt we are continually being surprised on projects when the costs come in so much higher than the budget. City Manager Balser stated much more detail will be presented with the budget in September.

Director Watson reviewed the current CIP list and the additions and changes. He noted the final estimates of the six-year plan.

REVENUE ASSUMPTIONS & EXPENDITURE TARGETS

Director Watson noted there are very few operational additions in 2020. Most of the anticipated adjustments for 2020 are small.

Director Watson reviewed the assumptions and expenditure targets for various funds. He noted the transfers to Open Space & Parks Fund and Rec is based on the consumer price index so it will go up and down with that.

Sales Tax Revenue

Director Watson stated right now without all the audit revenue we are trending at minus 1 percent. He stated with audits coming in he expects to end the year with a positive number. We are seeing a softening of the sales tax number and it affects all major funds. He asked if the assumption is too aggressive or too low.

Councilmember Maloney felt the assumption was accurate and stated we might see higher collections of outside city sales tax and should be prepared for that. We know expenditures aren't declining so this is concerning. Mayor Pro Tem Lipton stated the softening has been coming and we need to accept this trend.

Members discussed various anticipated changes to the economy and what other options there might be for tax revenue.

Property Tax

Director Watson stated the model assumes a flat mill levy.

Consumer Use Tax

Director Watson stated this is very elastic so really looking for the medium ground. It will be interesting how this goes in a bad year.

Auto Use Tax

Saw a huge increase from the hail storm. But it should trend back to normal.

Building/Construction Generated Revenue

This is only for projects we know about in the future. The fees fund the costs of the Building Department.

Recreation Center Charges for Services Revenue

This does not include sales tax, seeing a big increase this year with the opening of the new center.

Golf Course Revenue

Minimal expected growth but reasonable. Members discussed if this is a conservative enough approach. Needs to be realistic.

Expenditure Targets

Director Watson reviewed the employee wage targets and new positions. There will be savings in vacancies that will show up on the turnback or the changes from the June 4 budget amendment. The targets and turnbacks in the various funds were discussed.

2019-2024 FINANCIAL PLAN

Director Watson reviewed the Long-Term financial plan. He noted the new turnback methodology that is used in this plan.

Councilmember Stolzmann suggested rather than planning for turnback just cut projects you aren't going to do and use that for something else.

Director Watson stated with the reduction in sales tax this will be a key conversation.

He reviewed the long term plans and targets for each fund noting some funds are heavily impacted by the sales tax decline.

BUDGET CALENDAR

Director Watson reviewed the budget calendar.

Councilmember Stolzmann stated she would like a robust discussion in 2020 about staffing and what can be sustained including if we have the right staff to meet our needs. Councilmember Maloney agreed; this track may not be sustainable.

Mayor Pro Tem Lipton stated we may have to have a process to realign our community's expectations with what we can provide. We need to figure out how to manage expectations; know what we need to change to be sustainable. In the future, perhaps increase some fees and be more creative in revenue and control expenses better. We have to better optimize what we have and spend the money more optimally and incentivize staff to do so. We need a long-term sustainable financial plan.

Members agreed having a large turnback every year is not optimal and needs to be addressed.

Mayor Muckle noted the BNSF underpass will need to be discussed again so Council can decide what to do for future budgets.

Mayor Pro Tem Lipton noted the results of the Transportation Master Plan are not included and that is one place we need to manage the community's expectations.

Councilmember Leh stated one objective might be to determine what incentives can there be to foster collaboration so departments are not siloed. Mayor Pro Tem Lipton stated we need more reward systems for staff to work smarter.

ADJOURN

Members adjourned at 7:28 pm.

Robert P. Muckle, Mayor

Meredyth Muth, City Clerk