

Council Work Session Minutes
Saturday, May 19, 2007, 8:30 a.m.
Walton Building – Community Room

Council members present: Mayor Hindman, Chris Janku, Karl Skala, Jerry Wade, Barbara Hoppe and Laura Nauser (arrived 9:30 a.m.)

Absent: Almata Crayton

City Manager Bill Watkins and other city staff members were present.

Mr. Watkins pointed out that today's work session was being taped by the City Channel. He explained the goals of capital projects being to obtain as much public input and transparency in the process as we can. The Planning and Zoning Commission has already reviewed the CIP and forwarded their comments to the Council. Staff is suggesting Council hold a public hearing at the June 18 Council meeting specifically on the CIP -- prior to the budget.

Mr. Watkins stated that today's presentation is broken into five areas: (1) review of budget process; (2) six months FY07; (3) FY07 estimates; (4) projections for FY08; and (5) CIP.

Lori Fleming, Finance Director, provided an update on the FY07 budget, including a review of the policy/guidelines. Ms. Fleming explained the general fund policy resolution. She also reviewed the budget forecasts for 2007. She indicated that revenues need to pick up in order for us to have carry forward funds. She explained that "carry forward" funds are what we can spend to maintain a 16% general fund balance (does not include enterprise funds). They're like a savings account. She pointed out that the city only used "carry forward" funds three years –2000, 2001, and 2005. A complete copy of Ms. Fleming's power point presentation is attached.

Ms. Fleming explained that in the general fund only, the Council sometime during the 1980's adopted a policy resolution establishing the 16% guideline – which represents approximately two months of operating expenses. She indicated that "carry forward" is a revenue source and is included in every budget.

Ms. Fleming also explained the financial impact of GASB (Governmental Accounting Standards Board). GASB sets the standards for government agencies.

Ms. Fleming also explained the budget impact of OPEB (other post employment benefits). The city is working with a group of individuals (including retirees) and reviewing the structure for retiree health insurance benefit. Mr. Watkins indicated that we're within striking distance of getting this issue resolved. He stated this topic would be reviewed in further detail at the Council's retreat.

Mr. Watkins reviewed the FY08 budget outlook. He pointed out that the city's pay system is compressed and staff is reviewing opportunities to move the entire system up. This subject will also be discussed in greater detail at the Council's retreat.

Mr. Watkins spent some time reviewing recruitment issues and the difficulties the city is experiencing hiring for certain positions – engineers, linemen, etc. He indicated that we're not competitive with our salaries. He described the impact of the total organization/pay scale when one grade shifts.

Mr. Watkins stated that next year city staff will be working on a city-wide career ladder. He indicated we're not ready to do this year. This year's focus has been on making improvements to the merit system.

Mr. Watkins indicated that a 10% increase in health costs reflects a 1% increase in personnel costs.

Mr. Watkins indicated that out of street maintenance comes snow removal costs and staff will be bringing back alternatives for Council consideration at the retreat.

Ms. Hoppe requested a list of street maintenance projects being proposed.

Mr. Watkins reviewed the general fund expenditures. He stated that one possibility was to push the opening of the new fire station back one quarter or 6 months.

Mr. Watkins explained a policy that was established years ago wherein in only a percentage goes toward operations and a percentage goes toward capital. He indicated we're still keeping a percentage of that going into public improvement fund and staff plans to maintain this existing policy.

Mr. Watkins indicated Council will be meeting with the consultant on May 30 to review the philosophy of the electric, water and sewer rates. He indicated that in terms of storm water the system would be put in place first and when we reach a population of 100,000 we'll need to do some additional federal regulations (anticipate reaching 100,000 populations in 2010).

Mr. Watkins reviewed the FY08 budget guidelines for Cultural Affairs and Social Services – planned increase of 2% and use of CA fund balance would allow \$100,000 to be budgeted for new few years. Unless Council has objections to these two approaches, this will be included in the budget.

Ms. Fleming reviewed the capital balance allocations. She indicated that some of these are legally restricted; such as, transportation sales tax. She pointed out that the reserve requirements are recommended by staff and are not formally adopted via policy resolution.

Mr. Janku pointed out that the city receives funding from the County – county rebate.

Mr. Watkins reviewed those items included in the DRAFT CIP plan. He stated this is not a resource constrained plan. He indicated a few corrections that had been made by staff and Council would be receiving the corrected information which has already been placed on the city's web.

Mr. Watkins pointed out two projects that have not been included in the CIP – CYBA facility and Farmer's Market MOU on Monday night's agenda.

Mr. Watkins stated that there are ongoing discussions with the Chamber, REDI, and CVB regarding the major improvements that need to be done to the Walton Building.

Mr. Watkins indicated that none of the Sasaki proposals have been included in the CIP – parking, streetscape, etc. He indicated that what we plan to do in terms of long-term power supply has also not been included in the plan.

Council reviewed the CIP priorities by category – see attached for CIP comments. He asked Council to e-mail any capital project issues that they still want to address that we did not get to today. Ms. Fleming pointed out that staff is obtaining public input from the web and will report that input to Council.

Meeting adjourned at noon.