

0245 Mayor Barbara Larsen called the workshop meeting to order at 7:41 p.m. The following were present: Councilmembers Bean, Skeie and Smith, Public Works Director David Vorse, Police Chief Bob Heuer and Clerk-Treasurer Ryana Covington. Members of the public include: Mike Mask and Earl Queen.

0401 Executive Department (Fund #010 000 010)-
Personnel costs include increase of the mayor's wage from \$150/month to \$300/month as requested by the council at a previous meeting.

Legal Services – City Attorney expenses – increased 10% over 2007 budget.

Personnel negotiations – deleted any appropriation for this line item per council decision at an earlier meeting. Public Works bargaining contract will need to be negotiated in 2008 and councilmembers will decide at a later date who will be representing the city during this process.

In answer to Bean's question, Covington stated the only personnel included in this department are councilmembers, the mayor and custodial.

0556 Finance Department (Fund #010 000 030) -
Covington distributed a list of project goals for 2008. Many of those include file management, creating a more efficient working environment and funding for continued training for certified municipal clerk designation.

Increases to the proposed budget include personnel costs and liability insurance. A request for \$500 for capital outlay is included in case one of the tractor-feed printers needs to be replaced. Otherwise the proposed budget is the same as requested for this current fiscal year.

In answer to Mayor Larsen's question, Covington stated she did not include a funding request to replace the drinking fountain in the main foyer. If the council wants to include this expense, it would be included in the Non-Departmental budget. Chief Heuer stated he might be able to obtain a used unit from State surplus.

1046 Park Department (Fund # 010 000 060)-
Vorse stated he is attempting to develop a reward program to reduce vandalism in the city's parks. He stated that Covington will be checking with the State Auditor to see if it is allowable to create a monetary reward system for reporting vandalism. The budget includes \$1500 for signage and reward funds, if allowable. If not allowable, Vorse will research if the city qualifies for the county's Crime Stopper program.

Also included in the budget is \$7,000 to complete the survey on the west side of the Cowlitz River. The city owns 35 acres on the east side of the river and 30 acres within the river channel and 32 acres on the west side of the river. The survey will allow the city to enter into negotiations with Department of Natural Resources (DNR) to trade the city-owned river channel for DNR land on the west side of the river. If the city is successful in trading the property, the Park Plan outlines marketing the west side property to a private developer as a recreational vehicle park development. Funding for this survey is from interest income of Cowlitz County Rural Development funds, in the form of an interlocal agreement. Covington stated the city will not receive any of the county funds, until the project is completed.

Vorse outlined that the Park Department includes funding for the play area behind City Hall building, the area of 'The Rock' and the small point at the corner of Front Avenue/Huntington Avenue North intersection.

1502 Public Works Vehicle Replacement Fund (Fund #180) -

Vorse noted that the proposed budget was submitted prior to finding the Skidster equipment. He stated that the city still has not purchased this equipment because of problems that need to be resolved.

When the proposals were submitted, Vorse stated he had included a proposal to budget a loader for the Sewer Treatment Plant, at a cost of \$25,000. This request may be amended if the city can find alternative equipment to meet the need.

Vorse advised that the city's 1985 lift truck, originally purchased used from the City of Kelso is in need of repair. During the annual certification, it was noted that the metal and fiberglass inside the boom had become delaminated. At this time, no vendor has been found to do the repairs and due to the age of the boom, a replacement cannot be found. Vorse stated if limitations of use are the only factor, the city could still use the truck for limited projects. He will need to ascertain if there is any danger to personnel. The city may need to use some of these funds to purchase another lift truck.

In answer to Mask's question, Vorse stated there will be approximately \$31,000 in the fund balance.

In response to Queen's question, Vorse stated the city could contract out for tree trimming and other uses, however that is not the most efficient use of funds and time.

2537 Covington distributed a list of funds that have had council consensus for the 2008 proposed budgets and asked if there are any amendments to the list.

2749 Covington summarized revenue and expenditure projections for the Street Fund.

If expenses are fully allocated, a General Fund transfer of \$103,975 would be required. This also includes a revenue allocation of \$13,000 from the REET Fund. The only other revenue source is from State motor vehicle excise taxes, estimated to be \$28,000 in 2008.

Covington noted that this fund also includes allocation for one public works employee. The city is mandated to allocate a certain amount of the Street funds toward personnel costs.

Vorse stated the capital outlay in the Street Fund includes \$32,000 for the annual street project and \$8,000 for chip sealing certain gravel streets. Vorse explained that he submitted his 2008 estimates for the street projects based on the cost of the street projects in 2007.

In answer to Smith's question, Covington stated that the increase in General Fund transfer request for 2008 is required because of the reduced beginning fund balance. Vorse also reviewed the projects completed in 2006 and 2007. Vorse stated that the 2007 increase pertained to street fund projects allocations. Some of which were funded by Small City Preservation Grants. Smith complimented staff for their diligence in submitting for grant funding to reduce the cost of street maintenance.

In answer to Covington's question, Smith stated he is not opposed to using the REET funds for the 2008 street project. Mask disagreed, citing this should be used to repair the damage at Lion's Pride Park. Queen disagreed with Mask.

Mask asked if it is important to the city to request federal funds to repair the damage at Lion's Pride Park, why is it not important to allocate REET funds to fix the problem.

Bean questioned if supervisory salaries have been agreed to. Covington stated 4% has been included in the budget, at direction of the City Council.

4350 Councilmember Skeie arrived at the meeting.

4545 Covington asked the councilmembers to agree to an allocation of \$25,000 for purchase of equipment from the Public Works Vehicle Replacement Fund and to the COLA wage increase for library personnel.

In answer to Smith's question, Covington stated that the librarian did not include any COLA increase for staff. Smith stated if the 'bottom line' General Fund revenues support a 4% wage increase for employees, then councilmembers request that amount be included.

Smith stated the council is in consensus for the Public Works Vehicle Replacement Fund proposed allocations.

Smith also stated that council is expecting to allocate the REET revenues toward the Street Fund project.

- 4803 Covington stated that preliminary estimates for General Fund indicate a revenue deficit of approximately \$356,000. She will continue to review revenue estimates over the next couple of weeks.

Side - B

- 4910 Local Criminal Justice Fund (Fund #145) -
Heuer outlined the basis of revenues for this fund. He stated revenues are received by the State on a monthly basis.

In answer to Mask's question, Covington stated the beginning fund balance is estimated to be \$20,709. The 2008 revenue is estimated to be \$28,000.

- 5142 Heuer stated he will need to make sure adequate revenues exist to provide funding for the final police vehicle lease payment. Covington stated that Heuer has included another new police vehicle in his 2008 budget request, however the Chief included this purchase in the 2008 Police Department allocation.

Heuer stated proposed projects in Fund #145 will be completed, if adequate revenues exist.

- 5320 DOT Spoil Site (Fund #170) -
Vorse stated funding for the boat launch construction is funded entirely by grants and donations.

The repair of the RV disposal site could be completed in 2007. Vorse included in 2008 requests in case the work cannot be done this fiscal year.

Covington stated she continues to monitor the revenues in this fund. She stated the city has applied to the county for their \$50,000 contribution for the boat launch construction and also has continued to submit reimbursement requests to the State for boat launch construction costs expended this year.

In answer to Mask's question, Vorse stated that Cowlitz Game and Anglers has already contributed \$3,000 toward the boat launch engineering and Friends of the Cowlitz still needs to submit their \$3000 contribution when construction begins. Vorse also stated that the city must complete construction by next year. If construction is not completed, the city will need to request an extension of time from the grant agency. The city currently is working to conclude the permitting requirements for the project. The agencies involved in permitting include Emergency Management, Department of Natural Resources and State of Washington Fisheries. Vorse explained the concerns that are being addressed

between these agencies and the project timeline needs.

- 6029 Councilmembers discussed the problem with vandalism of the street lights. In answer to Heuer's question, Vorse stated he has not submitted a claim for damages to the city's insurance carrier.

In answer to a comment by Bean, Heuer stated the vandalism is a park problem and he would like to see security cameras along the route. Vorse stated he is working with a company to provide a quote for surveillance cameras.

Councilmembers agreed that their priority for projects is the same as in 2007:

#1 correct the structural problem at the RV Disposal site.

#2 replace the lights along the Riverfront Trail

#3 continue the match funding for improvements to the skate park equipment

- 6407 Stormwater Management Fund (Fund #420)

Based on earlier discussion with councilmembers, Vorse stated he has retained funding requests for the levee certification and tree removal and has deleted funding requests for proposed projects to repair Lion's Pride Park storm damage and the North Street Phase IV improvements.

Vorse stated that an annual expense of \$32,000 is the basic annual cost for maintaining the stormwater facilities. If the city just budgets for those two projects, the additional cost would be \$30,000. Therefore, the budget would need to have revenues of at least \$62,000. The current revenue proceeds provide only \$40,000 annually. Vorse stated this would require an increase of 50% in the stormwater fee.

Vorse stated that he recently attended a meeting pertaining to levee certifications. He stated that FEMA is not requiring the city to certify their levees. However, as a result of Hurricane Katrina (in the Gulf Coast), FEMA is redoing all of their flood plain maps. If cities do not certify their levees, FEMA will reduce the levee designation on their maps. This would mean that Castle Rock residents currently living within areas designated Zone X on the flood maps (protected from a 500 year flood by dikes or levee) would be now be designated Zone A on the flood maps. Lending agencies would then require all affected residents to obtain flood insurance for their properties. In addition, any new construction would be required to determine a base flood level for their property and then be required to construct their projects one-foot above that base flood level.

Vorse stated that he spoke with local insurance agent, Wayne Lunday and he provided a summary of annual insurance premium rates. Costs could exceed \$1000/year for a residence valued at \$200,000.

Mask stated he does not have a problem increasing tax rates if he can justify the costs. Vorse cautioned that business owners and those with large areas of

impervious surfaces would be impacted the largest with any proposed rate increase.

7236 Mask recommended allocating the REET Fund revenue toward the levee certification and tree removal project costs. This way rates would not need to be increased as much. Skeie stated he is more inclined to retain allocations in the Street Fund.

7422 In answer to Queen's question, Vorse stated agencies would like to retain the Corps of Engineer to certify the levee. This agency originally designed the Castle Rock levee and currently inspects it annually. FEMA has not yet provided information as to how often the certifications must be done, however preliminary indications are once every ten years.

Vorse stated the Corps of Engineer has recently adopted a new vegetation policy, which will require the city to remove all of the trees down to the lower shelf. He stated that the Corps and State of Washington Fish and Wildlife have had a continual disagreement over this issue, because the State would like to retain and promote natural habitat near the water line for fish.

7851 In answer to Bean's question, Vorse stated he estimated a cost of \$25,000 to repair the damage at Lions Pride Park. This would require an additional increase in rates, but it could be a one-time increase and the following year rates could be reduced. Mask stated that he still feels REET funds should be used for funding the repair.

In answer to Skeie's question, Vorse stated the area will probably remain stable until the next high water crisis. He added that the city has now taken measures to include this project in their hazard mitigation plan. In addition, the city could apply to the Cowlitz Indian Tribe for a grant to pay for a more permanent solution to the problem, which would include installation of barbs to divert the river flow from the weakened bank. In answer to Mask's question, Vorse stated FEMA will not reimburse for costs unless it includes repair of damage to a structure.

Skeie noted that unless a more permanent repair is done at the park, the river could again damage the site and wash out a more temporary fix. This would not be a good use of city resources. He added that the city does not have the revenue source to complete the more permanent repair, as recommended by the city engineer in a previous meeting. Vorse suggested various means for using material to fill the hole. Mask agreed with Skeie.

In answer to Mask's question, Vorse stated an increase of approximately 90% would be required to increase revenues an additional \$25,000 for the damage repair at Lion's Pride Park.

8617 Skeie stated he is concerned about the proposed increase of Stormwater

Management fees which would be paid by businesses. However he stated those projects are necessary and an increase is needed.

Vorse also noted that city residents do not pay a diking district fee. In response to Mask's concern, Vorse stated that Kelso residents pay both a diking district fee as well as a stormwater fee.

Smith agreed that he does not like to increase rates for city residents, however the city council does not authorize increases lightly. The city is working on bare essentials to cover expenses for projects.

9208 Councilmembers discussed the impacts of utility rates on customers. Vorse stated that the city's unaccounted water is creating a large burden on the city customers. The city pays approximately \$23,000/month to the Regional Utility Board for purchase of water and due to impacts attributed to the city's unaccountable water loss, the Water Fund expense will be exceeding the amount appropriated for this cost.

Vorse explained how water use is billed to both the city and county for purchase of water. He also outlined how the city is tracking the unaccountable water loss.

In answer to Skeie's question, Vorse stated it would cost approximately \$500/meter to meter each fire hydrant.

Vorse stated the two main reasons for the unaccountable water are either there are leaks in the system or the meters are going bad and are not registering all water use. Vorse stated the engineer has run numerous tests on the system and cannot locate any source for the problem.

In answer to Mask's question, Vorse stated as meters are replaced, the city will install upgrade electric-read meters. Smith stated that is the direction that council would like to go, however this is only a preliminary plan at this time.

Tape 2 of 2

Side - A

0005 Water Fund (Fund 4000 000 010)

Vorse stated he has deleted the Carpenter Road water project from the budget.

He has retained funding requests for the water main replacement project (100 block of 1st Avenue) and the water main replacement for the 500 block of Hibbard. Also remaining in the budget is upgrading the water utility billing system and purchase of a hand-held reader.

Also deleted from the budget are the meter replacement funding and the 2nd Avenue water main replacement project.

0125 In answer to Mask's question, Vorse stated he is currently surveying other cities to ascertain types of meters being used.

0323 Vorse stated that no decreases in the Sewer Fund have been recommended by staff. Preliminary utility rate increases were originally estimated at 7% just to account for the impacts of the \$1.8 million dollar loan for the Water Treatment Plant upgrades. In answer to Mask's question, Covington stated this would equate to a monthly increase of \$3.50 for 1000 cubic feet of use.

Mask voiced concern that Social Security increases are only 2.5%. He stated that many of our residents are on a fixed income.

0704 Covington stated with the 7% increase included in the budget, utility revenues are still is still approximately \$92,000 below the requested expenses for 2008. She noted that currently one-third of the city's water use is unaccountable each month.

1118 Those present held a lengthy discussion regarding the statutory requirements for funding utility (water and sewer) budgets and the impacts on users. Bean noted that user fees are the only source of income to meet these demands.

1746 Regional Water Fund (Fund #410)

Vorse stated he has deleted the Woodard water main project from the budget because the main is not leaking at this time.

Lowering the water main at Buland/Powell intersection can be eliminated from the budget until the county chooses to do their road project.

The two remaining expenses include the Water Treatment Plant upgrade, which is funded by a low interest DWSRF loan and the addition of a new treatment plant operator position. The cost impact of the new position would be shared between the two regional funds.

Vorse stated the Regional Utility Board also will be considering paying off one the Department of Ecology loan, in the amount of \$115,000, plus interest. Covington had recommended using the Regional Sewer Capital Improvement Fund reserves and the mandated reserve accounts to complete this transaction.

2549 Vorse explained the need for an additional treatment plant operator, which includes meeting additional testing requirements for each plant. Councilmembers also discussed viability for scheduling options for the treatment plant operators.

3232 Covington summarized that more work needs to be done to determine what reductions are required to address the revenue deficits in the Water/Sewer Fund and the General Fund. The next budget workshop meeting is scheduled for October 29, 2007.

3435 Meeting adjourned at 9:45 p.m.

Barbara Larsen

Clerk-Treasurer