

Mayor Helenberg called the November 22, 2016 Special Meeting to order at 4:46 p.m. Location of meeting: Castle Rock Senior Center, 222 Second Avenue SW.

Purpose of the Special Meeting: Review and clarify sections of the proposed budget for fiscal year 2017.

Councilmembers attending: Lee, Kessler, Queen, Simonsen and Rose.

Staff attending: Sergeant Scott Neves, Public Works Director David Vorse and Clerk-Treasurer Ryana Covington

Documents distributed:

- 2017 Estimated expenditure and estimated revenue reports
- List of 2017 projected capital projects for Public Works Department
- Draft Capital Facility Plan Update dated November 2016
- Cash and Investment Activity Report for period October 2016
- Copy of collective bargaining agreements and city policy pertaining to longevity accrual
- Revenue comparison for January through October for fiscal 2015 and 2016 for all funds
- Outline of current 2016 utility rates showing costs by usage amounts and proposed impact of utility rates with a 2% increase for water, sewer and storm water residential customers.

Covington distributed updated copies of the estimated revenue and expenditure for fiscal year 2017 budget. Covington stated proposed budgets distributed to councilmembers last week were not balanced due to issues with the Street Fund and the Building Code Fund. In the Street Fund, staff worked to resolve issues by reducing several cost items. In the Building Code Account Fund, cost estimates for building official were reduced and staff payroll allocations re-assessed to reflect a reduction in building permits issued. Covington also recommended that building code fees be increased to support the city's costs for those services. Those fees have not been increased since 2002. Mayor Helenberg and the council supported an increase in building code fees.

The mayor stated the city is in the process of evaluating two firms who have responded to the city's request for Statement of Proposals. At this time the city is using an interim building inspector.

Covington stated personnel cost increases include 2% for non-bargaining personnel and the increases outlined in the three collective bargaining contracts. Covington stated department supervisors are also requesting an increase in longevity accruals to reflect what is being offered in the bargaining contracts. Councilmembers reviewed the current personnel policy. Covington stated department supervisors are requesting the policy be amended to accrue 8% longevity pay upon commencement of the 12<sup>th</sup> year of service and 10% longevity pay upon commencement of 15 years of service and thereafter. She noted the requested longevity increase has been included in the proposed 2017 budget. Mayor Helenberg stated this option will allow supervisory staff to keep up with benefits provided in bargaining contracts.

Covington noted the 2017 General Fund Ending Fund balance is estimated at \$205,000. In 2014 city council evaluated the reason for establishing ending fund balances as a planning tool to protect the city's needs and future expenses. At that time, city council determined the General Fund ending

balance should be 15% of that fund's operating budget. Covington noted city council deviated from this in 2016 and the 2017 General Fund ending balance also does not reflect 15% of the operating costs. The 2017 budgeted ending fund balance is proposed at \$205,000; which is approximately \$14,000 less than the 15% goal.

Covington stated that \$12,000 will be transferred from the Real Estate Excise Tax Fund (REET) into the General Fund. Of that \$8,000 will be used to purchase replacement MDT units for the patrol vehicles and \$4,000 to complete construction of a server room. Both of those projects are included in the city's Capital Facility Plan. Projects supported by REET funds are required to be included in the city's capital facility plan.

Mayor Helenberg stated the proposed budget includes purchase of a new police vehicle, funding for additional personnel in case Chief Heuer retires from service. If this occurs, the mayor stated that Sergeant Neves will fill in an acting chief until a permanent appointment is made. If another officer needs to be hired, the budget also includes funding for the police academy training. Sergeant Neves stated the police budget factored in the possible retirement of Chief Heuer. Capital expenditures included purchase of portable radios and replacement of three Taser units. Neves noted the budget does not include purchase of body cameras. He added the Federal Department of Justice is considering mandating the use of body cameras within the next five years. Neves stated the camera costs are approximately \$1,000 each. However this cost is minimal compared to costs for secure data storage with the ability to copy and redact data. He stated the police department is looking at an option to lease the equipment and data storage; at a cost of \$9,000 per year; which included Tasers and body cameras.

Vorse stated another capital expense not included in the budget are video cameras that can be placed at various locations. Next year staff will submit a loss control grant application to Association of Washington Cities to fund that equipment. If successful, the budget will need to be amended. Mayor Helenberg stated those cameras would be used to curb issues of vandalism and theft.

Public Works Director Dave Vorse reviewed capital expenditure requests for 2017:

Park Department – Vorse noted there are two funding sources for parks; General Fund and the DOT Spoil Site Fund. General Fund only supports Gateway Park, Coldwater Park and Lois Dye park area. In the General Fund, \$2000 has been allocated for replacement of park signs; which should replace two of the signs. The other expense is \$1400 for an irrigation system at Gateway Park.

Projects funding in the DOT Spoil Site Fund include \$1600 for signage to direct visitors to recreational areas such as the boat launch, bike park and sports complex. In answer to Councilmember Simonsen's question, Vorse stated the city has been using Cowlitz County to produce signs for the city. The cost represents only the signs; public works will install the signs. Mayor Helenberg stated the greatest demand from the public is for signage to the bike park. This fund also includes \$2000 to improve the lawn sprinkler system at Lion's Pride Park.

Public Works Vehicle Replacement Fund; funded by annual contributions from Public Works funds

\$25,000 for purchase of a loader, tractor or skidster for use to apply biosolids from the Wastewater Treatment Plant facility. Vorse stated the city applies biosolids every four to six weeks through the months of April to October. Vorse stated that he has located a tractor; however that model is not listed on any federal or state bid. Mayor Helenberg suggested if the city leases the equipment through a Public Works lease program; the city would not be required to meet bid requirements. The mayor said this does not require the city to meet bid laws because the lease is only for a one-year term, with an option to renew. Vorse stated he would research this further. Vorse described how this equipment would be used. Councilmembers suggested various options for Vorse to consider that may allow the city to forego State bid requirements.

\$10,000 to purchase a tilt deck trailer. Vorse stated he would be looking at purchasing a used trailer. The trailer would need to be large enough to move the city's 10-ton lift. Simonsen suggested looking at equipment auctions.

Street Construction Capital Fund

\$30,000; for Section E of the Street Construction Maintenance Plan. Vorse stated he was just notified that the city was awarded two grants to redo Dougherty Drive. This would be full reconstruction, with a sidewalk on the west side of the roadway. Both are State grants and do not include any federal funding. The city's match requirement for the grants is \$133,000. Vorse stated he will be submitting an application to Cowlitz County for Rural Development funds to cover the match. He stated another option would be to forego doing Section E and using those funds for a portion of the match. Vorse stated the design and engineering for the project should begin July, 2017 and the city could consider other options at that time. In answer to Covington's question, Vorse stated the city would not begin the engineering work until after the county makes a decision on the Rural Development grant funding; which is usually awarded in February. Covington stated this project is not included in the proposed budget. If the city moves forward with that project; a budgetary amendment would be required. Vorse stated Dougherty Drive has a very heavy traffic load and this is the city's largest low income residential area. Mayor Helenberg felt it is important for this project to move forward. Councilmember Lee stated he does not want to be placed in a position to have to pay back grant funds if the match cannot be met. Vorse stated he has an option to submit for federal funds to be used as a match; however Washington State Transportation Improvement Board does not like entities to combine federal and state funding because of the added requirements linked to federal funds.

Simonsen asked who completed the work on Huntington Avenue South at the bridge abutment. Vorse stated Cowlitz County did the work, which included grinding and smoothing the approach. He stated the cost for the mix was approximately \$100/ton; however the city has not yet received an invoice from the county. That work will be paid from Transportation Benefit Funds. In answer to Simonsen's question, Vorse stated city crews flagged and assisted with traffic control. The mayor stated the city was trying to eliminate the lip that had formed by the bridge. Vorse said he intends to apply for a grant to fund paving of Huntington Avenue South, from the Rock to the bridge in 2019.

Stormwater Capital Fund

\$7,000 to complete the Cherry Street pump station. Vorse explained this will be a permanent resolution to the runoff issue on Cherry Street. Vorse explained how the city is currently addressing the drainage issue.

\$25,000; continuation of Phase 2 of the system wide comprehensive plan to identify and map the city's stormwater system. Vorse stated the engineers are still formulating data and there are areas where the line size cannot be determined. Phase 2 is a multi-year project and will include mapping.

#### Regional Water Capital Fund

\$10,000 – computer upgrade at the Regional Water Plant. This expenditure is now included as an operating expense in the Regional Water Fund 2017 budget.

\$70,000 – State Route 504 reservoir – painting the outside of the 500,000 gallon tank. It was last painted in 1996. Vorse stated he still has the specs and will be evaluating if the work can be completed by public works, instead of contracted. The tanks are 20' tall and 40' in diameter. Vorse stated \$70,000 would be the cost for a contractor to complete the project.

Vorse stated that projects not budgeted include \$5,000 for voltage monitoring equipment and \$12,000 to upgrade the 'Pizza Well'.

#### Water Capital Fund

\$39,000 – water main replacement on Buland Drive (north end). This cost would be for city forces to complete the work. The project would replace the main to Powell Rd.

\$125,000 – repainting the Bond Road water reservoir. This is a million gallon reservoir; approximately 16' tall and 70' in diameter. This project is paid from the Water Fund and is not considered part of the regional system.

#### Water/Sewer Fund – personnel changes

Part-time clerical; \$20 per hour, not to exceed 69 hours per month. This position will assist needs in both the finance office and at the Public Works office. The part-time position will include grant management, work with utility customers, cash management for utilities, invoicing retail users, PowerPoint, development of Excel spreadsheets and file management. Vorse described possible alternatives for this position to assist in the Finance office, pending the anticipated retirement of the person serving as Deputy Clerk II. Covington stated she has hired a person to fill the Deputy Clerk I vacant position. This new hire will be expected to learn and cross train on all of the financial systems.

#### Sewer Capital Fund

\$5,000 – voltage monitoring equipment. Vorse stated this will monitor spikes in voltage. It is not a surge protector; but provides proof to the PUD of any damages due to power spikes. This will allow the city to seek damages reimbursement from the PUD.

\$10,000 - this project has been considered for several years. The project would allow the community to bring grass trimmings and other vegetation to be used as bulk to be incorporated into the city's biosolids. Vorse stated his goal is to find a means to get the city's biosolids classified as Class A. This will allow the city to use the biosolids on city property and also to sell back for the community's use. Mayor

Helenberg stated the city's biosolids are currently a Class B. The city needs to be proactive in upgrading the biosolids to Class A because it is difficult to find a disposal site for Class B biosolids. The city is currently handling it on their own by incorporating the biosolids into the dredge spoils. Helenberg noted North County Recreation and the school district are also working on a compost program.

Vorse noted that \$72,000 in sewer system repairs is not included in the 2017 budget. Vorse referred to Table 7 (pages 13 - 15) of the Capital Facility Plan which identifies sewer system needs and estimated project costs. No significant system improvements have been included in the proposed budget. In answer to Councilmember Queen's question, Vorse stated additional TV'ing of the line is scheduled next year; and then complete the repairs. Vorse noted that sewer repairs in the Sundial Subdivision are significant and the city needs to build capital funding to do the work. Vorse stated in regional legislative meetings, he has identified issues that smaller entities have to fund system improvement projects. Vorse stated he will be meeting next week with Representative Orcutt and the mayor; and this will be one concern that will be discussed. The mayor stated by the time the city is able to pay off loans, technology has changed and the city is mandated to do additional costly system upgrades. The only option for most small cities is to take on additional debt to fund those upgrades.

#### Boat Launch Fund

\$20,000 repair piling. Vorse stated this project is intended to be completed this fiscal year. Cost for this repair will be paid by the city's insurance pool; since the cause was due to storm damage incurred earlier this year.

\$49,950 – hydrology study. This project is funded by the Port of Longview and will extend into 2017. Covington stated \$19,000 has been included in the 2017 budget.

#### Transportation Benefit District

Funding includes repayment of debt for street improvement projects (\$66,963) and \$30,000 for 2017 fiscal year transportation projects.

#### Utility Rates For Water, Sewer and Stormwater Systems

Covington stated a 2% increase in utility rates for water, sewer and stormwater has been proposed and included in the revenue estimates for 2017. Councilmembers reviewed comparisons of impacts on customers. Vorse noted the average monthly usage by customers is between 400 to 500 cubic feet range. For those customers, the increase would amount to a total monthly increase of \$2.65 (400 cubic feet usage) to \$2.92 (500 cubic feet usage). Mayor Helenberg acknowledged there have been complaints from customers about the city's rates. He noted the cities of Longview and Kelso have also increased their rates significantly. Covington stated customers often question the why the sewer rate is so much higher than the water rate. She noted this is a direct result of the amount of outstanding debt against the city's sewer system. Vorse said he would like to see smaller cities have the option to refinance existing loans to a lower interest rate. Vorse added the City of Kalama will be increasing their sewer rate by 9% in 2017. Mayor Helenberg noted when the Water System Plan was last updated; the engineer recommended rates needed to increase by 5% to 7% annually to meet the needs for capital improvements to the system. Helenberg said he would rather have smaller rate increases each year;

because larger increases dramatically affect those living on fixed incomes and the elderly community. Covington stated the proposed 2% increase will not build capacity for capital projects; but only allows the city to keep up with inflation and personnel cost increases. Vorse added that he also is trying to control project costs by using city personnel instead of contracting the work. Mayor Helenberg estimated the city has saved \$1 million dollars over the past several years by using city work forces.

Covington asked councilmembers if they had any questions, or changes they would like incorporated into the proposed budget. She noted on November 28<sup>th</sup>, there will be the first of two public hearings to take testimony on the proposed 2017 fiscal year budget. At that meeting, city council also will be asked to consider taking action on several ordinances and resolutions to adopt the budget and increase rates as discussed at this meeting. A second public hearing will be held on December 12<sup>th</sup> and city council will consider final adoption of the budget. Per RCW, cities are required to adopt budgets prior to December 31<sup>st</sup>.

Councilmember Simonsen asked how the city arrives at a budget total of \$7,644,935 for 2017. Mayor Helenberg stated that total is for all funds and explained that several funds within the budget are restricted in their use. General Fund is not restricted. Covington stated that estimated revenues must equal proposed expenditures. In answer to Simonsen's question, Covington stated any residual balance for each fund will go back into that fund for the next fiscal year. City Council allocates expenses for each fund by adopting the annual budget for the new fiscal year. Covington noted that General Fund allocation is adopted at the department level.

In answer to Simonsen's question; Covington stated department supervisors are responsible for monitoring their own budgets to make sure allocated expenditures are not exceeded. However there may be circumstances when budgetary costs will be exceeded; and city council will need to approve a budgetary amendment to allocate additional funds. Covington noted as an example, that city attorney costs have exceeded appropriated amounts in this fiscal year due to unanticipated issues. City Council will be asked to approve a budgetary amendment to reallocate funds to cover those additional costs in 2016. Covington stated department supervisors can request copies of their budgets at any time; however the intent is to provide monthly budget reports.

Councilmember Art Lee asked if the server room will be completed by next year. Mayor Helenberg answered that this project was delayed. The city was considering the purchase of a vacant building to relocate the finance office; however this was contingent on the sale of the old Exhibit Hall building. This is no longer an option for the city; and funding for completion of the server room has been included in the 2017 fiscal year budget.

Councilmember Kessler stated any questions he has; he will discuss directly with the department supervisor.

Vorse discussed with Councilmember Kessler options for funding the required public works equipment. Kessler stated he would research and follow-up on options.

There being no further business, Mayor Helenberg adjourned the Special Meeting at 6:25 p.m.

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Mayor Paul Helenberg

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Clerk-Treasurer Ryana Covington