

CALL TO ORDER

Mayor Paul Helenberg called the October 21, 2013 special meeting of the Castle Rock City Council to order at 6:30 p.m., followed by the Pledge of Allegiance. The following councilmembers were present: Glenn Pingree, Earl Queen, Mike Davis and Ellen Rose. Councilmember Ray Teter was absent.

Department supervisors: Public Works Director David Vorse, Clerk-Treasurer Ryana Covington and Police Chief Bob Heuer.

Members of the public: Lee Kessler, Sergeant Scott Neves and Howard Mason.

Purpose of the meeting: to review estimated revenues and projected expenditures proposed for the fiscal year budget ending December 31, 2014.

Documents provided to attendees:

- Revenue Comparison report for 2011, 2012 and 2013 for period January through September.
- Estimated Expenditure report; spreadsheet which includes 2012, 2013 and expenditure estimates for 2014.
- Public Works Department summary of impacts with 0% budget increase for 2014. Report provided by Public Works Director Dave Vorse.

Mayor Helenberg reviewed revenue comparisons for fiscal years 2011, 2012 and 2013 for the period January through September. The two primary revenue sources for General government operations (General Fund) have not significantly increased from last year. He noted as an example that the total 2013 tax revenues are only \$14,699 over 2012 totals. Helenberg stated the city is fortunate to have annexed in the Four Corners area because this has helped the city to maintain their sales and use tax revenue. Mayor Helenberg stated he feels the city must budget within the operating revenues projected for the coming year and he has instructed the clerk-treasurer to budget the same revenues as in 2013 estimate. In turn he also has directed all department supervisors to submit a 0% increase in their 2014 expenditure requests. The mayor stated Chief Heuer is currently covering a call, so council will begin with a review of public works funds and follow-up with the Chief of Police when he arrives.

Councilmembers reviewed the Estimated Expenditure report. Covington explained that 2014 expenditure estimates were provided by department supervisors and at the bottom of each department/or fund total, the difference between the 2013 and the proposed 2014 expenditure budget is denoted. Based on input from department supervisors, Covington calculated appropriations for wages and liability insurance costs.

Councilmembers reviewed 2014 expenditure estimates for General Fund as follows:

- Covington noted, as an example, the 2014 proposed budget for the Executive Department is \$670 more than appropriated in 2013. The difference reflects increases in personnel costs; two of the council positions will see an increase in payment received for attending meetings and the janitorial wage is projected to increase 2%. She noted reductions will be needed for this department.
- Municipal Court: There are no increases in contracts for the Public Defender attorney or Prosecuting Attorney. Jail costs are still being negotiated and county court charges are budgeted at the 2013 appropriation.
- Finance Office: Reduced the budget by \$772. This was possible due to an adjustment in eligible medical insurance coverage for one employee.
- Law Enforcement: The proposed budget exceeds 2013 appropriations by \$18,270. Covington noted that one patrol position was funded from Criminal Justice funds in 2013 and is included in the General Fund/Law Enforcement Department for 2014.
- Park Department: No increases proposed for 2014.
- Planning Services Department: A \$30 decrease has been proposed. Contract totals for land use and zoning updates has been retained at 2013 levels.
- Non-Departmental General Services: Reductions have been proposed throughout this department. Funding for a State audit (Single Audit) will be required in accordance with federal grant requirements; cost is estimated at \$13,000.

Exhibit Hall Fund:

Covington stated she has a concern over continued funding for the Exhibit Hall. She noted revenues to support the director's position and some operation costs come from lodging tax revenues. Over the past few years, these revenues have continued to decline and the city has struggled over the last two years to find funding to support this facility and the part-time director. In addition, the city has joined all other cities in a joint venture with the county called 'The Big Idea'. Those participants contribute into a joint fund and then take turns in sharing the proceeds. Next year it is Castle Rock's turn to receive up to \$69,000 for from this venture. Covington stated she attended the Chamber of Commerce meeting this month and was informed that these funds are allocated on a reimbursement basis. This would mean the city will need to develop a cash flow system while waiting for expenses to be reimbursed. Councilmember Rose stated the Big Idea funds that the city will receive have not yet been designated for the Exhibit Hall. A proposal must first be submitted to the Big Idea board for review and approval.

Mayor Helenberg recommended the city only fund the telephone system, liability insurance for the building and not fund the part-time director's position. He noted every year is a struggle to find money to support this position. Currently this fund still owes \$3000 to the General Fund for payment of liability insurance costs in 2013. The mayor estimates there should be enough funds to sustain operations until the end of this year. As of January 1st, he recommends the position be terminated due to lack of available funds. Lodging tax revenues will need to increase, or an alternative means of funding established to continue

existing operations. Councilmember Pingree asked how many visitors come to the Exhibit Hall. Mayor Helenberg stated the director has reported 300 - 400 visitors; however it is difficult to assess if these are solely tourists, or people coming to see exhibits such as the quilt show. Covington noted, before the current director was hired, visitors to our city would come to City Hall to inquire about local activities, places to eat, lodging or activities on the mountain. She noted it is helpful for the city to have this information readily accessible for those tourists.

Library Fund:

Covington noted the proposed budget was provided by the librarian. Expenses are estimated to exceed 2013 appropriations by \$5,267. This increase is due to restoration of personnel hours and added staffing as requested by the Library Board and approved by city council at the September 9, 2013 council meeting. A voter-approved excess levy is the revenue source for library services.

Criminal Justice Fund:

Covington stated revenue and expenditure estimates for this fund was provided by Sgt. Neves. No new revenues are anticipated from the State for this fund. However residual funds will be available to fund three existing programs; bike patrol (\$570), Emergency Support Shelter (\$570) and at risk children (\$527).

Local Criminal Justice Fund:

Revenue and expenditure estimates for this fund were provided by Sgt. Neves. Funding is through a voter approved 1/10th of 1% sales tax to support law enforcement functions. Proposed expenditures are \$3400 for computer equipment and revenues are estimated to be \$24,000.

Drug Enforcement Fund:

Revenues come from proceeds of drug arrests, of which a portion is paid to the State.

DOT Spoil Site Fund:

Reduction in expenses of \$36,389 over 2013. A grant funded capital project was completed and no further projects are anticipated.

Real Estate Excise Tax Fund (REET):

Funded from the city's portion from real estate excise tax payments. These funds can only be used for projects listed on the city's adopted Capital Facility Plan. In 2014, a \$12,000 interfund transfer to the Street Fund has been proposed.

Water Fund:

Covington noted the 2014 expenditure estimates are \$66,848 less than appropriated for 2013. This is due to completion of the Front Avenue water main replacement project. She

noted the Sewer Fund expenditure difference also reflects completion of that project. Covington stated the 2014 expenditure proposal does not include repayment of the Public Works Trust Fund loan which funded the Front Avenue utility project. The first loan payment will be due in 2014; estimated principle amount due is \$23,050, with interest estimated at \$9,220. This payment will impact the following funds: Sewer Fund (43% of payment due), Water Fund (15% of payment due) and Regional Water Fund (42% of payment due).

Covington requested council direction regarding utility rates for 2014. She noted that the Water System Plan adopted by the city council at their July 22, 2013 meeting recommended an annual rate increase of 3.5% to maintain operations at current levels; and a 5% increase if planning for capital projects outlined in the plan. This plan did not include the 20-year Public Works Trust Fund loan approved by city council for the Front Avenue project, described above.

Vorse stated council's goal was to retain a \$70,000 ending fund balance for both the Water Fund and Sewer Fund. He suggested the following decreases:

Water Fund:

- * Professional services; reduce by 40%;
- * Maintenance; reduce by 16%
- * Operations (excluding cost for purchase of water from Regional Water Fund); reduce by 16%
- * Maintain the \$3000 transfer to the Public Works Vehicle Replacement Fund to continue to build capital for equipment and vehicle purchases.
- * Retain \$50,000 from Municipal Water Capital Reserve Fund for utility main replacement.

Sewer Fund:

Vorse outlined the following reductions:

- * Professional services; reduce by 50%
- * Maintenance; reduce by 17%
- * Operations (not including cost for sewage treatment paid to Regional Sewer Fund); 12% reduction
- * Interfund transfers; eliminate transfers to Sewer Capital Reserve Fund and Public Works Vehicle Replacement Fund
- * Eliminate funding for the grease abatement program, sewer replacement/repair and sewer mapping program. Vorse stated there are approximately six to eight sewer lines that should be replaced when residential street projects occur next year.

Even with these reductions, he estimates an additional \$23,000 (cumulative) will need to be decreased from the Sewer and Water Funds to maintain the operating budget at 2013 expenditure levels. Vorse voiced concern that he has reduced operation expenses as much

as possible and other reductions may need to come from staffing levels.

Regional Water: Vorse estimates a \$12,000 reduction is required to meet the mayor's directive. He suggests the following reductions:

- * Professional services; 33% reduction
- * Training; reduce by 25%
- * Maintenance; 7% reduction
- * Retain \$3,000 transfer to Public Works Vehicle Replacement Fund

Regional Sewer: reductions submitted by Vorse include:

- * Professional services; 27% reduction
- * Operations; reduce by 5%
- * Maintenance; 7% reduction
- * Compost pilot program: reduce from \$10,000 to \$6,500
- * Retain \$3,000 transfer to Public Works Vehicle Replacement Fund
- * Interfund transfers; eliminate transfer to Sewer Capital Reserve Fund
- * Eliminate funding for the grease abatement program and sewer mapping program.

Vorse explained the importance of the proposed mapping program. Currently public works refers to the 1954 maps for as-built information on location of station locations, sewer stubs, manholes, elevations and lines. As upgrades were done to the system, other as-built maps were developed and must also be researched when data is needed. The mapping program would take all as-built mapping documents and consolidate into one updated system map, which staff would be able to update, as changes are made.

Chief Heuer and Sgt Neves arrived at the meeting.

Stormwater: proposed reductions outlined by Vorse include -

- * Professional services; 25% reduction
- * Interfund transfer to Stormwater Capital; reduce by \$3,000
- * Create new interfund transfer to Public Works Vehicle Replacement Fund; \$3,000
- * Rain barrel program; reduce by 40%
- * Include the following projects: Jackson Pond work, South storm culvert work and work on Green Acres outfall.

Cost of living increases as outlined in the public works collective bargaining agreement equate to a 2% increase for 2014. The budget changes he proposes for his departments are intended to maintain services and operations; but do not include new capital projects. As noted, his proposed budgets do not reflect a 0% increase, as directed by the mayor, however he will continue to review for further reductions.

Lee Kessler, resident, noted that Vorse proposed to decrease funding for street and alley

work by 50%. He asked if the \$504,000 that the city will receive as a state grant and the tax revenue approved for the Transportation Benefit District (TBD) could be used for this work.

Vorse explained the differences between arterial and residential street designations. TBD funds could be used for residential street sections, however those funds are designated as match for the State grant to allow complete 28 street sections to be completed in 2014. Covington stated she has recommended the city develop a street capital fund to allow separate financial management of capital projects.

In answer to a question from Howard Mason, resident, Covington stated the TBD has received \$27,315 in revenue this year. Revenues for this began April of this year.

Mr. Mason asked if the \$504,000 grant from the State will be used for residential streets. Vorse answered that Representative Orcutt supported this grant award because the legislators cut funding for the Public Works Trust Fund money promised to the city to allow for completion of the 28 residential street sections. Vorse stated the intent is to use the State grant, the TBD funds and possibly \$12,000 from the REET Fund to complete those 28 residential street sections in 2014. The estimated cost of that project is \$550,000.

Mr. Mason asked if the city council will guarantee that the 2/10th of 1% added sales tax revenue for the TBD be deeded for residential streets only and not for any other use. Mayor Helenberg stated that was what voters approved. Councilmembers Queen, Rose and Davis agreed that was the intent for those funds. Mr. Mason thanked the city council for their work to create a funding source for residential streets.

Mayor Helenberg advised Vorse that additional decreases in his budget are still needed, even if it requires a reduction in workforce. The mayor added that even with those reductions, a 3% increase in utility rates are needed to cover the loan repayment and increases in utility costs. In answer to Covington's question, the mayor stated increases should be applied to both water and sewer utility rates. Covington stated it has been a tough economic year. Her office now sends out approximately one-third more delinquency notices and customers processed for non-payment shut off has increased. In the past, customers shut off for non-payment each month averaged six to eight. One recent month staff processed 17 disconnects. She noted there also has been an increase in utility delinquencies for business accounts. Covington stated policy requires two notices to be sent to customers notifying them of past due balances and impending disconnection of their service. For those businesses who are still delinquent after those notifications and are scheduled for non-payment disconnect, staff calls the business owner to allow one more opportunity to pay their past due balance. Last month staff noted an increase in the number of businesses that needed to be contacted. Covington felt it was important for city council to be aware of these indicators.

In answer to Mr. Kessler's question, Covington stated most customers are able to resolve their delinquencies within a day or two. The city also notifies land owners if their tenants are to be disconnected for non-payment. Agencies such as FISH and local churches have helped customers with past due utility bills.

Vorse stated he has also seen people filling up barrels at Lions Pride Park. The water source at that location is not intended to be used for potable water and there is signage denoting this. In answer to councilmember's comment Vorse noted there has been discussion regarding developing a system to charge for the water at the park, but in the past council has not supported installing such a separate meter for the system. Currently there is a donation box at the RV Dump site to defray cost of the available water.

Police Chief Bob Heuer noted his proposed budget includes both decreases and increases in various budget line items for 2014. Heuer noted the overtime allocations related to grant funded projects. Other increases such as for dispatch services are contracted obligations. Mayor Helenberg asked Heuer if he felt comfortable with the \$17,000 allocated for fuel costs for next year. Heuer answered this should be adequate unless there is a need for a second bulk purchase. He voiced concern that a second purchase would be needed this year.

Chief Heuer informed councilmembers that one patrol vehicle has over 125,000 miles and is having issues with the struts and timing chain. In previous years, the Chief has used funding from the 1/10th of 1% sales tax revenue slated for law enforcement to purchase new patrol vehicles. The estimated cost for repairs is around \$2500 and he hopes he can defer replacement for one more year. Heuer stated he wants to avoid the need to double up officers in cars because that accelerates the wear on that vehicle.

Mayor Helenberg asked the chief if he had any ideas on how to reduce this budget an additional \$18,270 to bring expenses to the current 2013 appropriated level. Chief Heuer stated he does not have any ideas, and he does not have the option of using Criminal Justice funds next year because of depleted resources in those funds. Heuer stated the majority of his expenses are for personnel costs.

Councilmember Pingree asked why the city does not consolidate cell phones into one contract. The chief stated his officers carry their own cell phone contracts and the city provides a stipend toward the cost. Quite a few years ago, the city did issue cell phones to police officers. However he has found the stipend is less costly for the city, provides a cleaner process for it's use and when an officer answers the phone, it is not a compensated expense to the city. The chief stated if the officer loses or damages their phone they are not compensated for the stipend. Each month the officer completes a form notifying the chief that they have available cell phone service. Councilmember Pingree

thanked the chief for his explanation.

Mayor Helenberg suggested the chief consider reducing his allocation for overtime to reduce this operating allocation. Chief Heuer stated he still needs to cover for officers who are absent due to sick or vacation.

Mayor Helenberg noted the sales and use tax revenues are slightly higher than last year. He also added it is important to retain the General Fund beginning fund balance; which was a past issue noted by State Auditors. In answer to a question from Mr. Kessler, the recommended amount of fund balance should cover at least three months of operating expenses. City Council has been working toward attaining a fund balance of \$300,000.

Covington stated in 2013, the city council budgeted for a General Fund beginning balance of \$196,000; with the actual total being \$227,210 at the end of 2012. The difference between the adopted estimate and the actual amount was due to expenses for the months of November and December 2012 being less than anticipated when the 2013 budget was adopted. Covington noted at the current fund balance, the General Fund experiences a cash flow issue at the beginning of the year when large expenditures (such as liability insurance) is due. For the last two years, invoices such as the liability insurance are paid late and incur interest fee charges.

Mr. Kessler asked what would happen if the city did not continue to build a fund balance as recommended by the State Auditor. The mayor stated if the cash balance begins to decrease, the State Auditor can issue a written finding. Notice of the written finding is sent to all of the city's granting agencies and would impact the city's ability to secure future grant funding for projects. In addition, if the city council still does not resolve the issue, the State Auditor could forward their finding to the Washington State Attorney General's office for review of further action. The State Auditor conducts an accountability audit every two years and the city's fund balances and budgeting trends are evaluated at that time.

Vorse added that approximately twelve years ago, the General Fund balance was around \$500,000 and city council chose to continue to use this balance to offset increases in operating expenses.

Councilmember Davis stated if any potential reduction in workforce is to be considered for 2014, city council also should take into consideration the cost to rehire a person if revenues improve in upcoming years. The mayor noted it is also important and prudent to retain sufficient operating capital and to retain the ability to obtain grants. Many of the improvements within the community over the past few years were made possible through grant funding. Mayor Helenberg stated he met with aides from Congresswoman Herrera Beutler's office today and they advised there is no additional federal money available to cities, with the exception of grants. He added if city council decides to use the General

Fund beginning balance to pay for 2014 current year expenses, instead of reducing expenses, once spent- that money would be gone and cannot readily be replaced. Helenberg acknowledged the expense of replacing lost employees; but noted the county is in the same financial situation – Castle Rock is not the only entity struggling with budget issues.

Councilmember Davis noted that reducing the workforce only shifts duties to the remaining employees. In the case of the Public Works Department, projects slated to be completed by city personnel will be impacted if staffing is reduced. Vorse added that in his budget reviews, he must consider at what point does deferring maintenance, or replacement of equipment, become a greater concern than reduction of staff. In relation to utility rates, Vorse also noted that he is well aware of utility customer concerns and the balancing of expenditure requirements for those services. Vorse stated he would like to see the federal government provide a means to reduce impacts to cities needing to procure loans to meet federal water quality standards. It appears to him there are no provisions to reduce interest or provide grant funding unless the city is already violating the law. He refuses to put the city customers, water system or streams in danger just to qualify for grants.

Mayor Helenberg stated he has met with department supervisors and each year it is more difficult to reduce costs.

In answer to Mr. Kessler's question, Covington stated the mayor had directed to budget for the same revenues as the current year. Therefore the General Fund target number for preserving the fund balance is a minimum of \$227,210.

Mr. Kessler asked why the city's cash balance at the end of 2012 not the same as the budgeted amount on January 2013. Covington explained that revenues are a projected amount and may vary. State law requires the budget to be adopted prior to the end of the year, and the amounts actually expended or received impacts those projections. Covington noted that she prepares a final summary analysis for city council after closeout of the previous year's budget to show impacts that affected variances for the General Fund year-end balance. She offered to provide that report to Mr. Kessler, upon request.

Councilmember Queen asked how much needed to be cut from the budget. Mayor Helenberg stated the Estimated Expenditure report presented tonight outlines the amount needed to be reduced for each fund/department. Councilmembers reviewed 2014 General Fund projections as compared with current appropriated amounts. In answer to a question from Mr. Vorse, Covington stated there are some expenditures resulting from citations written by the police that must be paid to the State. These are considered 'non-revenues' when received, and 'non-expenditures' when paid. For budgeting purposes, the amount estimated for non-revenues in 2014 is the same amount budgeted for 2014 expenses.

Councilmember Pingree asked why an amount was budgeted for election costs. Covington stated the city usually received their billing for November election costs in the following fiscal year.

Covington asked for council direction on utility rates. Mayor Helenberg suggested a 3% increase for each utility; water, sewer and stormwater. Councilmember Davis stated he is not in favor of this, but acknowledges these utilities must pay for themselves. Helenberg noted the utilities have obligations from loans to capital improvements that are needed for the systems. The stormwater fund needs to maintain a fund balance in order to be able to respond to emergencies such as a storm pump failure. Covington stated in the past, councilmembers only increased the stormwater rate for those assessed the base rate. This eliminated any increase for many of the businesses. Councilmember Pingree stated if any rate increase is approved, he felt it fair to assess for everyone. Vorse suggested the stormwater increase could be 2% instead of 3%. Councilmember Rose and Davis agree there needs to be an increase in the utilities.

In answer to a question, Vorse stated the \$4500 expenditure proposed for the DOT Spoil Site Fund was for replacement of a riding lawnmower. The current mower is eleven years old. He felt this probably would be removed from the budget due to concerns over revenue flows for that fund.

Councilmember Davis stated he felt comfortable with a \$2,000 reduction the amount allocated for county court charges in the Municipal Court Department budget. Chief Heuer stated the city contracts for these services and costs are based on the number of court cases during the year. He does concur that the caseload trend seems to be downward.

Mayor Helenberg stated he hopes to be able to attain a balanced budget for 2014 without having to do any layoffs. He noted the opening of the new Chevron/McDonalds fuel stop should held to provide additional sales/use tax revenue for the city.

Councilmember Davis added that possibly a \$4,000 reduction in the jail cost allocation for 2014 could be made. Chief Heuer stated entities are currently in negotiations for the jail service contract with the county. Mayor Helenberg also suggested trimming some of the overtime allocations from the police budget to curb expenses. If an emergency situation arises that requires more overtime for the officers, city council could consider a budget amendment for that line item.

In answer to a question from Mr. Kessler, Covington stated the \$3,300 allocated for 2013 and for 2014 are for the computer software upgrades. City Council purchased the software on a five-year payment schedule. Next year would be the third year of that payment plan. Covington outlined the proposed install timelines for the cash management and utility

billing systems.

In answer to Mayor Helenberg's question, Covington stated proposed preliminary budgets must be presented to the public by November 19th. A public hearing on General Fund revenues and setting of 2014 property tax rates will be on October 28th. She estimated the first reading of the budget will be at the end of November.

Mayor Helenberg noted the next regular council meeting will be Tuesday, November 12th because of the Veterans Day holiday.

Councilmember Davis asked Vorse if a 3% in utility rates would be enough to support system needs in 2014. Vorse noted he was directed to submit a 0% budget increase, regardless of any rate increase. Most of the rate increase would be used to pay the new loan obligation.

Mayor Helenberg scheduled another budget workshop meeting for Monday, November 4th at 6:30 p.m. to allow time for additional reviews of expenditure reductions.

ADJOURNMENT

There being no further business, Mayor Helenberg adjourned the meeting at 8:30 p.m.

Mayor Paul Helenberg

Clerk-Treasurer Ryana Covington