

LEAVENWORTH CITY COUNCIL ANNUAL RETREAT MINUTES

March 4, 2016

Mayor Farivar called the March 4, 2016 Leavenworth City Council Annual Retreat meeting to order at 8:00 A.M.

ROLL CALL

Council Present: Mayor Cheryl Kelley Farivar, Elmer Larson, Robert Francis, Carolyn Wilson, Gretchen Wearne, Mia Bretz and Margaret Neighbors.

Staff Present: Joel Walinski, Chantell Steiner, Herb Amick and Nathan Pate.

Mayor Farivar noted that Councilmember Michael Molohon is excused.

Financial Status PowerPoint Presentation and Discussion

a) Biennial Budget Process: Finance Director Chantell Steiner updated the Council on the budget process noting that the 2107-2018 Budget Calendar will be prepared in June/July and that the development of the budget begins with staff input through the summer months. She stated that the Council will be starting the review of the actual dollars in each fund by September to ensure all of the goals and priorities are included within the budget document. She stated that the budget process is governed by State regulations and includes many steps prior to adoption. Administrator Walinski added that once the budget is prepared, the Council will then be tasked at looking at any major shortfalls to consider realignment of projects that may be unfunded.

b) Current Revenue Stream: City Administrator Joel Walinski provided a presentation on the City's current status regarding major revenues and income for the City. The presentation included General Fund revenue sources, retail sales tax revenues and the breakdown of industry types within the retail sales tax, Transportation Benefit District sales tax, Public Safety sales tax, Property tax, Real Estate Excise Tax (REET), Lodging tax, interest income, parking revenues, utility revenues and the current status of total revenues versus expenses through the end of 2015. Administrator Walinski noted that the General Fund, which receives the property taxes and 55% of retail sales taxes, covers major expenditures such as the Police and Emergency Services contracts, Parks Department and administration costs.

The Council had a short discussion regarding overnight rental regulations within the residential neighborhoods that are currently under review with the Planning Commission. Staff stated that the Utility Rate Study will be occurring this year and gave a brief history on how water rates have changed over time from flat base rates with high use allowance to conservation rate structures with lower use allowance and the need to continue looking at this in the study. Administrator Walinski outlined the process for requesting qualifications for the study and stated that the Public Works and Finance Committees will be involved in developing the scope of work necessary to complete the study prior to year end. It was noted that as part of the scope of work it will be critical to look at the "fairness" of rate charges across the different rate groups such as residential versus commercial users.

Strategic Planning Principals Review

a) **Mission Statement:** Administrator Walinski reviewed the current Mission Statement of the City and discussed the option for amendment by the Council if needed; Councilmembers stated that there are no necessary changes at this time. Administrator Walinski proceeded to review the five key elements of the Goals of Budgeting by Priority Process as outlined:

- i. Align the Budget with Council and Citizen Priorities.
- ii. Measure of progress toward identified priorities.
- iii. Get the best value for each tax dollar.
- iv. Foster continuous learning with the City.
- v. Build Regional cooperation.

b) **Handout of Goal Setting:** Administrator Walinski provided the Council with a draft goal development worksheet and began reviewing ideas for setting goals and then looking at what objectives and initiatives would be needed to support and implement the goals. The Council proceeded to review the draft goals from previous Council discussions that included goals related to Revenue & Fiscal Health, Infrastructure, Economic Development Growth and Vitality, Transparency and Accountability, and Community Building. Council members discussed various suggestions to each of the areas and due to time constraints postponed further discussion until a future meeting.

Status of the City

a) **Organization Structure:** Administrator Walinski reviewed a short presentation on the structure of the City in relation to the Citizens, Council and Staff. He identified the number of employees within each department and explained the connection between department staff and how the workflow is accomplished across the departments. Director Steiner provided a quick review of the tasks that are administered through the Finance / City Clerk responsibilities; Development Services Manager Nathan Pate reviewed the tasks that are administered through the Development staff; Public Works Director Herb Amick reviewed the tasks that are administered through the Public Works staff.

b) **Expenditures and Current Status:** Administrator Walinski reviewed the current status and expenditures for the 2015/2016 budget. He reviewed the 2015 final revenues and expenditures noting that the City had a slight increase in fund balances coming into 2016. He identified the operations and maintenance section of the budget that compiles a major portion of the entire budget stating that this expenditure area is very stable with slight increases over time. Director Steiner identified an increase in 2013 that was related to the purchase of the Leavenworth Fruit Warehouse property. Administrator Walinski continued to review the proposed expenditures for total debt service, capital, operating and ending fund balance estimates for the 2016 budget; Director Steiner clarified that the 2016 estimated ending fund balances will be modified with the upcoming budget amendment in April. Administrator Walinski reviewed the breakdown of each major expense category noting the percent of each within the total budget; he identified the Public Safety Service Agreement costs for the Sheriff and Fire Departments, and then reviewed the major capital projects/initiatives that were completed in 2015 and those that are ongoing or beginning in 2016.

c) **Planning Documents:**

- i. **Financial Policy:** Director Steiner briefly provided the Council with the Finance Policy and reviewed the balance remaining on the Non Voted General Obligation Debt limitations set by State statute noting the City currently has \$2.5 Million in remaining capacity of which approximately \$1 Million is to remain in reserve per the policy and

the remaining \$1.5 Million is available as planned to proceed with the Meadowlark Local Improvement District / Chumstick Trail Water and Sewer Line Project. She noted that the Council needs to consider future projects that may also need Non Voted Debt as the City has used this frequently to do small capital projects and equipment replacements for public works. She then reviewed the current status of the goals within the policy regarding fund balance reserves. She noted estimates at this time for the General Fund at 29% of the 25% goal, the Lodging Tax Fund at the \$200,000 goal, the Water Fund at 8% of the 25% goal, the Sewer Fund at 51% of the 35% goal (this additional reserve will assist in the major Treatment Plant upgrade by 2020), the Garbage Fund at 38% of the 25% goal (this additional reserve will be necessary to address concerns in cost allocations going into 2017 and increases in recycling costs), the Stormwater Fund at 130% of the 25% goal (this additional reserve, although high in percentage, is not high in actual dollars as this is a new fund that will need additional expenditures incorporated once the Master Stormwater Plan is completed), and the Parking Fund at 145% of the 100% goal (this additional reserve is critical in proceeding with the P1/P2/P3 improvements and future acquisitions of additional space for parking). She noted that Bond Reserve Funds for Water and Sewer are currently adequate but the City will need to consider adding a Bond Reserve for Stormwater once capital projects start creating debt related projects. In closing she noted the City's goal to create a vacation/sick leave accrual reserve that has not yet been implemented as retirement and separation by employees can be costly if not accounted for during the budget process.

- ii. Comprehensive Plan: Due to a lack of time this item was not discussed.
- iii. Six-Year Transportation Improvement Plan (STIP): Due to a lack of time this item was not discussed but the Resolution was provided for future discussion.
- iv. Facility Plan: Due to a lack of time this item was not discussed but the Resolution was provided for future discussion.

Lodging Tax – Handouts and Slides

2016 Estimates, Allocations and Projects: Administrator Walinski provided a handout on the current status of the 2016 Lodging Tax Fund budget and previously discussed uses that will need final Council authorization. He then reviewed the Lodging Tax Fund revenue trends and the breakdown of expenditures noting that a majority of the revenues are expended directly on Advertising/Promotion. He specified the areas of other expenditures which includes tourism related operations, such as public restrooms, debt service payments, capital projects, and fund reserves for emergency purposes. He identified the commitment by the previous Council to fund the Stevens Pass Partnership with \$20,000 each year for three years with 2016 being the 2nd year of that commitment and the need for the Council to consider the annual \$20,000 commitment of the funding for the Leavenworth Winter Sport Club in support of the Ski Hill. Finance Director Steiner noted the various highlighted cells on the Lodging Tax Fund spreadsheet that have been amended from the original budget and identified whether those have been committed to or just previously discussed by the Council in November 2015. Administrator Walinski questioned whether the Council is still committed to refurbishing the old Highway 2 Snowflakes; no one requested removal of the project funding for this item. The Council requested amending the Bike Pump Park to be \$15,000 as previously discussed and to add the remaining \$10,000 of that project to be included in the General Fund. In closing, Finance Director Steiner stated that the current Lodging Tax Fund balance, after including the reserve of \$200,000 and each of the amendments, is estimated at about \$82,000 for future initiatives.

Councilmember Neighbors stated that she would like to commit some of the remaining funding if possible to the recycle program for the downtown. Administrator Walinski suggested that the Downtown Steering Committee be tasked with looking at the costs for the new cans and then make a recommendation to the Council for allocations from the Fund. Director Steiner reminded the Council to also consider increasing the utility related costs for removing the recycled items as well as the personnel costs related to this activity.

Future Initiatives and Discussion Items

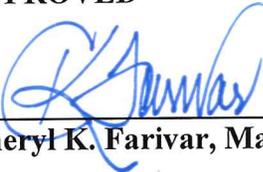
Councilmember Bretz stated that she looks forward to delving further into the parking discussions as they develop through the various meetings and committees. She stated that she would like to explore whether the current City owned parking lots along the highway are utilizing those properties for the highest and best use, whether the current locations are the right locations and whether the lots should or should not be City run.

Councilmember Wilson stated that she wants to ensure that the Council continues discussions on the goal of exploring/creating a circulation / alternate route through town. It was noted that this is currently underway with the Planning Commission at this time and will be a part of the update to the Transportation Element with the Comprehensive Plan this year. Councilmember Larsen and staff added that it will be critical to look at utility infrastructure improvements in conjunction with the transportation planning update process as well as consideration for the new PUD substation and potential annexations.

Administrator Walinski reconfirmed with the Council that he will be continuing discussions regarding recycling with the Downtown Steering Committee, that parking discussions will be starting with the Economic Development Committee and that the Planning Commission is currently underway regarding the circulation / alternate route review within the Transportation Element.

Seeing no other business, Mayor Farivar adjourned the March 4, 2016 annual retreat meeting of the Leavenworth City Council. The meeting adjourned at 2:00 p.m.

APPROVED



Cheryl K. Farivar, Mayor

ATTEST



**Chantell Steiner
Finance Director/City Clerk**