

FINANCE COMMITTEE MEETING MINUTES

August 13, 2013

Committee Members Present

Councilmember Yamamoto
Councilmember Fraley-Monillas

Other Elected Officials Present

Mayor Earling
Council President Petso

Public Present

Ron Wambolt
Bruce Witenberg
Council President Petso

Staff Present

Roger Neumaier, Finance Director
Phil Williams, Public Works Director
Doug Fair, Municipal Court Judge
Jeannie Dines, Recorder

Councilmember Yamamoto called the meeting to order at 6:01 p.m.

A. Salary Increase to Remain Eligible for State Court Improvement Account Funds

Judge Doug Fair explained in 2006, following action by the legislature, the City Council passed enabling legislation making the Municipal Court Judge an elected position and the City began receiving Judicial Improvement Account funds from the State, approximately \$12,000/year. In order for the City to be eligible for the funds, the judge's salary must be based on a pro rata share of 95% of the salary for district courts. The Washington Citizens' Commission on Salaries for Elected Officials approved a 2% increase for district court judges effective September 1, 2013, and a 3% increase effective September 1, 2014. In order for the City to remain eligible for the Judicial Improvement Account funds, his salary must be increased by that amount. The impact in 2013 is approximately \$500, \$1700 in 2014, and \$2200/year thereafter.

Mr. Neumaier agreed if the Council does not approve the increase, the City will lose the Judicial Improvement Account funds.

Action: Schedule for full Council with Finance Committee recommendation for approval.

B. Discussion Regarding Authorization to Recruit for Development Services Director

Councilmember Fraley-Monillas suggested this could be FTE neutral by filling the Development Services Director position and reducing a position in the department. Mr. Neumaier suggested this was a good thing to discuss as part of the 2014 budget. He noted the Mayor will present the preliminary budget to the Council on October 1 including recommendations for staffing of this department.

Mayor Earling referred to the handout he distributed at the August 6 Council meeting regarding his proposal to name Rob Chave as the permanent Development Services Director. He commented on Rob Chave's exemplary work as Acting Development Services Director. Mr. Chave is comfortable continuing with much of his role as Planning Manager along with being the Director. Mayor Earling also proposed Kernen Lien assume a portion of the Planning Manager role. The cost of this proposal is \$23,000 – \$27,000 compared to \$175,000 - \$185,000 for a new Development Services Director position plus \$20,000 to conduct a search. He recommended direct appointment of these positions and preferred to have the positions filled by September 1.

Councilmember Fraley-Monillas recalled the Council's direction was for the Finance Committee to determine the cost and report to Council. Mr. Neumaier offered to provide a memo summarizing the alternative approaches.

Action: Schedule for full Council for further discussion.

C. Discussion and Recommendation on Proposed Utility Rate Adjustments

Phil Williams, Public Works Director, distributed a recommended 3-Year rate package that compared the proposed rate adjustment in water, sewer and stormwater to several other cities' rates. He recommended adjusting utility rates to become bond independent in six years. Mayor Earling expressed support for Mr. Williams' recommendation.

Mr. Neumaier pointed out advantages of not bonding include the City is not dependent on rates and is not as committed to debt service in the event of an economic downturn. Mr. Williams will provide a rate ordinance when this is presented to full Council. A brief discussion followed regarding the cities used in the comparison.

Action: Schedule presentation to full Council.

D. June 2013 Budgetary Financial Report

Mr. Neumaier reviewed the June 2013 Budgetary Financial Report. He summarized the City is in a solid position and the economy in the Puget Sound area is very strong. He highlighted REET revenue and other General Fund revenues that are ahead of budget. He described the new report format, explaining some graphs and fund balance analyses were removed, comparative information for prior years was added, and graphs of key General Fund revenues were added. By October, the report will include utility information. He responded to Council questions.

Action: Schedule on Consent Agenda

E. 2013 August Budget Amendment

Mr. Neumaier explained the Business Improvement District (BID) fund is included in the budget for accounting and auditing purposes. The fund number and type will be changed in the future and it will no longer be included in the budget.

With regard to the salary adjustment for the Mayor, Mr. Neumaier explained the Salary Commission recommended the Mayor receive an increase consistent with other City employees. The Mayor was not interested in the increase and it was not included in the 2014 budget. A question was raised in January whether the Mayor was required to be paid at the level the Salary Commission recommended; the City Attorney's initial direction to Finance was yes and the increase was included beginning January 2013. When the Mayor discovered the increase had been given, he made a contribution to a charity. In February the Council deferred action on a pay increase for the Mayor pending research by the City Attorney. It recently came to the Finance Department's attention that the Council had not approved the salary adjustment.

Mr. Neumaier highlighted several budget amendments including payment for accrued vacation for the former Finance Director, compensation for the contracted Finance Director, \$15,000 to restore the Park's irrigation budget, \$121,000 to fund the Risk Management Fund and additional funding for the 5th Avenue Overlay. Mr. Neumaier was asked to research funding separation payouts from Non-Departmental.

Action: Schedule for full Council.

F. Sharing 2014 Budget Approaches and Recommending Fund Balance Policy

Mr. Neumaier explained the Reserve Policy that the Council approved last fall includes a Contingency Fund target of 16% and a Risk Management Fund target of 2%. He provided an analysis of the City's current General Fund fund balances that equate to 30.5% and recommended targeting a fund balance of 32%. He reviewed a worksheet provided by Moody's of General Fund balance as a percentage of reserves for Aa-rated cities nationally. The City will have 3-4% additional capacity in its 2014 budget for additional appropriations. In addition, assuming the budget is under-expended by 2%, he recommended using those funds for one time projects. If the Council is interested, he will draft an amendment to the Reserve Policy. A brief discussion followed regarding the previously stated reserve target of 18%.

Action: Schedule for full Council.

G. Bond Sale Report

Mr. Neumaier reported the bond sale was successful.

H. Public Comments

Ron Wambolt, Edmonds, thanked Mr. Neumaier for the expanded narrative in the Budgetary Financial Report.

Bruce Witenberg, Edmonds, expressed concern with the Council's lack of transparency in reporting claims paid on lawsuits. He recommended when approving settlements, the Council announce what they are for and the amount.

Adjournment – The meeting adjourned at 7:07 p.m.