

CITY COUNCIL WORKSHOP

September 4, 2012
5:30 P.M.

MINUTES



"Where Dreams Can Soar"

The City of Bonney Lake's Mission is to protect the community's livable identity and scenic beauty through responsible growth planning and by providing accountable, accessible and efficient local government services.

Website: www.ci.bonney-lake.wa.us

Location: Bonney Lake Justice Center, 9002 Main Street East, Bonney Lake, Washington.

I. CALL TO ORDER –Deputy Mayor Dan Swatman called the workshop to order at 5:32 p.m.

II. ROLL CALL:

Administrative Services Director/City Clerk Harwood Edvalson called the roll. Elected officials attending were Deputy Mayor Dan Swatman, Councilmember Mark Hamilton, Councilmember Donn Lewis, Councilmember Randy McKibbin, Councilmember Katrina Minton-Davis, Councilmember Jim Rackley, and Councilmember Tom Watson. Mayor Neil Johnson, Jr. arrived at 5:48 p.m.

Staff members in attendance were City Administrator Don Morrison, Public Works Director Dan Grigsby, Community Development Director John Vodopich, Chief Financial Officer Al Juarez, Interim Police Chief Dana Powers, Administrative Services Director/City Clerk Harwood Edvalson, and Administrative Specialist II Renee Cameron.

III. AGENDA ITEMS:

A. Discussion: University Place Regional Center Designation.

City Administrator Morrison presented proposed interlocal agreement for the City of Bonney Lake to support the City of University Place's application for Regional Growth Center Designation under the Pierce County policies. He advised that there are requirements that the City of University Place must meet for the designation. Deputy Mayor Swatman asked Councilmember Hamilton whether he had heard any information on the designation and if he had any input. Councilmember Hamilton stated that the City of Sumner may have concerns with the University Place designation. He feels that the City of University Place may not be qualified for the designation, however if they cannot get the designation then they cannot get the federal funds. Councilmember Rackley said that if Bonney Lake supports University Place, he would want to make sure that University Place likewise supports Bonney Lake when it seeks assistance. Councilmember Hamilton said he thinks the City of Tacoma will vote against the City of University Place's proposal. City Administrator Morrison said other cities may still approach Bonney Lake for support as a Regional Growth Center Designation. Councilmember Hamilton confirmed that the City of Sumner already has this designation. Councilmember Lewis said the City of Bonney Lake may become a Regional Growth Center Designation in 20 years or so, but right now it is not in contention. Councilmember Watson asked if the City should seek a letter from other cities that the City of Bonney Lake supports stating that they would be there when the Bonney Lake needs their support in the future.

The proposed resolution was forwarded to the September 11, 2012 Meeting for action.

B. Review of Draft Council Minutes.

The August 21, 2012 Workshop, and August 28, 2012 Meeting minutes were forwarded to the September 11, 2012 meeting for action with corrections.

C. Discussion: 2013-2014 Biennial Budget and Financial Model Update.

City Administrator Morrison and Chief Financial Officer Juarez provided information regarding the 2013-2014 Biennial Budget and Financial Model Update. City Administrator Morrison said the information provided has been updated but other adjustments need to be made. The model provides a general overview of where the City funds are through August 2012. He advised that Schedule A is the Total Revenues & Expenditures and Schedule B is the General Fund Expenditures. Deputy Mayor Swatman said the City revised the property tax revenues down. Chief Financial Officer Juarez said property taxes are coming in late from the State Treasurer, so though the City will eventually collect it may not necessarily be in the year they are assessed. He said this is happening statewide.

City Administrator Don Morrison discussed the projected sales tax and how it is affected by the Franciscan Medical Pavilion, which will help the sales tax projection. Councilmember Rackley noticed the sales tax from prior years may have skewed previous years' sales tax projections. Chief Financial Officer Juarez asked Council to keep in mind that sales tax is always two months in arrears, so he cannot tell exactly what the large fluctuations are for. He said the City mirrors the State's forecast closely. The projections for the State are fairly moderate and he said there is some excitement for the economy in the near future.

City Administrator Morrison said the current revenue projection for 2012 is \$12.4 million, with \$12.47 million in expenditures. He said the City is on track not to use any fund balance. He said in looking at the expenditures, Council needs to pay attention to the \$769,000 that needs to be found somewhere in the budget, and noted that this gap could jump up to \$960,000. He advised that vacant staff positions and Labor & Industries reductions have not been taken out of this schedule, but there is still a gap. City Administrator Morrison discussed the City's share of the retirement system (PERS), the Police Guild compensation, and cost of living adjustments for AFSCME and non-represented employees, and said all of it will need to be taken into account. He said the City will lose revenue for liquor taxes, which has been taken into account in this model.

Councilmember Rackley said it looks like law enforcement has taken a \$300,000 reduction and asked if the City was cutting their budget. City Administrator Morrison said it's not really a cut, but could be affected by vacant positions. Deputy Mayor Swatman asked City Administrator Morrison about the \$5.3 million in the Police Department, and wanted to know if the 2012 figures shown in white on the schedule is what is targeted. City Administrator Morrison said that may even be high, and there are a few variables. Deputy Mayor Swatman noted that Administrative Services shows \$10,000 less in the proposed budget and asked if the departments are aware of the proposed budgets. Mayor Johnson said the 2013-2014 budget numbers will be provided to the departments in a few weeks.

Councilmember Watson asked about the Court budget and why it has jumped up. City Administrator Morrison said the budget reflects a significant increase for a possible City probation department, judge and an administrator, the funds for which would come out of a judicial fund, not the general fund. Councilmember McKibbin asked if that would mean more probation than jail time. City Administrator Morrison said that it would assist in relieving jail officers of the need to monitor inmates, and is projected to generate approximately \$186,000 in revenues. Councilmember Hamilton asked about space for a probation department. City Administrator Morrison said the Court already has an extra office that could be utilized for probation staff and a Court Clerk could be appointed as a probation clerk. City Administrator Morrison said a probation officer is not a highly paid position but it does have specific educational requirements.

City Administrator Morrison said another issue is the \$328,000 bill for the 800 MHz public safety communication system which needs to be paid. Councilmember Rackley suggested that the County could contribute its share to use the City's existing 800 MHz system. Chief Financial Officer Juarez provided information regarding the balance on the loan for the system and said he has worked with Jim Nelson to review the City's debt service portfolio to see if some debt issues could be combined. He said that the City financed \$2 million for the 800 MHz system. City Administrator Morrison said when the system was first funded the City had a healthy budget and there was no questions about where the funds would come from. Mayor Johnson said the City still has \$1 million set aside for a YMCA and the City could utilize these funds elsewhere in the budget instead of leaving it there waiting for a future project.

City Administrator Morrison asked if the Council is still working on the assumption that the City will not use its fund balance and wants a balanced budget. Councilmember Rackley said the City could save money by reducing the debt service payments. City Administrator Morrison said another way to reduce the budget gap is to provide court services to Eatonville, which could provide \$50,000-\$58,000 in revenue.

Chief Financial Officer Juarez said the State reports that it is in a moderate comeback. He advised Council to look at the City's sales tax as an example, because it is flat to 8% behind and it is continually going up and down. Councilmember Rackley said it is his opinion that the City needs to keep its belt tight through the end of the year.

City Administrator Morrison said there are two more potential issues that the City needs to consider. First is the indirect cost analysis that is being done now, and how it will affect the general fund in relation to utilities. Secondly, the City is waiting to open bids for the Justice Center Phase II Tenant Improvements Project, and the Council will need to consider how to proceed if the project is short on funds. Councilmember Lewis said if the City can vacate and lease out the Annex building it would be a revenue savings in 2013.

Chief Financial Officer Juarez provided sales tax history from 2005 to the present. He said it has been difficult to project sales tax for the past couple of years. Deputy Mayor Swatman asked what the expectations of the Council are as this budget moves forward. Councilmember McKibbin said as the Council sits today he says he thinks the City should keep cutting expenditures as if this is the new norm. Councilmember Watson said the City should review future projects very carefully before moving forward. Mayor Johnson said sewer and water projects are not general fund projects. He said the key is that if the Council wants a leaner budget, the City would have to look at cutting staff. He said he wants to stay lean without affecting the existing staff. He said the City has been doing more with less. Councilmember Lewis said administration have delegated responsibilities downward and even upward, and he feels that under Mayor Johnson's leadership the City is on the right track without hiring new staff. He said the City has put a lot more pressure on staff and staff has commented about morale. He said he feels staff understand that they have to do more with less. Councilmembers said City the staff are doing a great job.

D. Council Open Discussion.

Sales Tax: Councilmember Watson reminded everyone that the sales tax in Bonney Lake will decrease by six-tenths of one percent effective October 1st. The new rate in the City will be .088%, and he hopes this will help to increase the City's sales. He said only five other cities have a .079% sales tax rate.

Chamber of Commerce Luncheon: Councilmember Watson reminded everyone that the Chamber luncheon is scheduled for Thursday, September 13th.

Beautify Bonney Lake: Councilmember Watson reminded everyone that Beautify Bonney Lake is on Saturday, September 15th, at 9:00 a.m. with several new businesses sponsoring the event. He said there is a public safety meeting tomorrow night for the team leaders of the event.

Red Robin Restaurant: Deputy Mayor Swatman asked about the major restaurant that is considering coming to Bonney Lake. Mayor Johnson asked Community Development Director Vodopich whether there has been any additional contact made with the restaurant's representative and where the City stood compared to other cities/locations. Deputy Mayor Swatman was interested in knowing if there is any type of economic development incentive the City could offer if a business could employ a certain number of employees and certain tax bracket of revenue. Mayor Johnson said City staff is looking into any type of program that the City could offer to waive sewer development charges and traffic impact fees to assist in bringing a development like this into the City. Councilmember Hamilton asked if there is a cap on a reduction of fees or could the City look at setting the cap in a different way so that as a project generated the sales tax, it could build from that. City Administrator Morrison said the first draft of the proposed waiver was for \$300,000 but the current version has it reduced to approximately \$15,000. Councilmember Hamilton said that every sales tax rebate dollar would immediately be used to rebate back. The general fund would not be impacted. Councilmember Rackley said splitting the rebate with the businesses would be beneficial for both the businesses and the City, and would be attractive to all size businesses. Councilmember Hamilton said he was not in favor of splitting the rebate, and would rather give it all back to the business, because in the long term the City would make money on sales tax. The City would want to make sure that the business was substantial and that they would stay around.

Mayor Johnson said Council should keep in mind that some businesses are corporate stores and some are franchises and the City needs to treat all businesses fairly so as to not discriminate. City Administrator Morrison said when a new business comes into the City it generates business and revenue from the outside, but it could also take away from existing local businesses. Mayor Johnson said Community Development Director Vodopich will talk with the Assistant City Attorney and representatives from Red Robin to see what they propose. He said he wants the City to act quickly. Mayor Johnson said he would like the developer to pay the impact fees up front so it doesn't impact businesses when they lease a property.

Deputy Mayor Swatman said the sewer, water, and traffic fees for this project are significant and he doesn't believe the fees recognize the economic impact on this type of project. Councilmember Hamilton said staff needs to look at the City's project list. Councilmember Minton-Davis said bids for City projects are actually coming in much lower and the City should reevaluate its proposed projects. Public Works Director Grigsby noted that projects such as the Sumner Wastewater Facility are paid on a pro rata share. Mayor Johnson asked Public Works Director Grigsby to have the City Engineer look at the projects and see if the project cost estimates should be revised. Public Works Director Grigsby said the City cannot set a rate higher than the last analysis. He said the calculation of the sewer development charges is meant to be at the maximum. He said the Council could set the rate at anything below that maximum, as long as it is applied fairly. He said the City must be able to support future growth. Councilmember Minton-Davis said the Council wants to look at the long-term needs. Deputy Mayor Swatman

said he does not want the City to miss out on significant opportunities as they don't come around very often.

E. Discussion: Eastown Sewer Development Issues.

Deputy Mayor Swatman said some of the Eastown property owners were in attendance at the Workshop. He said property owners have spoken with some of the Council and the Eastown LLC ("LLC") is not currently interested in moving forward with the \$4 million project as they are looking at other options available. He said he believes the Compass Point property is a significant part of this project and the LLC, property owners, developer, and seller are approaching the bank to get easements for sewer across road on the Compass Point property, which would lower the cost of the entire system. He said it is not certain that the sewer has to go through the road, but he is hopeful the bank will realize that providing the easements would be beneficial. Councilmember McKibbin said it is a long shot but it is worth trying.

Deputy Mayor Swatman said the Council seems to like the proposed \$2 million project, but he is not sure that the Eastown LLC would support the reduced project since it does not bring the sewer backbone to as many property owners. Councilmember McKibbin said having the lift station constructed will help them to market their property to sell it, but not necessarily to develop. He said the Mayor and Council need to hear back from the City Attorney's office for more information on a possible special assessment district. Councilmember Hamilton said a special assessment district allows the property owner to use not only the sewer system development charges ("SDC") but also the rates that are charged in that area which makes it cheaper in the overall capital costs for both the buy in or sell, in and everyone with the property pays. He asked if the City had found out if the bonds could be extended out to make the City's annual debt service less. Chief Financial Officer Juarez said he is waiting to hear back from consultant Jim Nelson on this subject. Councilmember Hamilton said if some of the overall costs can be stretched out over 30 years, it is less expensive for everyone. Councilmember Watson said that makes more sense to him. Councilmember Minton-Davis said she is concerned someone may buy a property and not develop it. Councilmember McKibbin said the City needs to be careful. Councilmember Hamilton said that it is a huge benefit for the property owner because it spreads the capital cost out by the property owner, the purchaser, and whoever leases it. Councilmember Watson said that the development fees associated with the French property would mean all of the development fees, as well as the fees required to put in the traffic signal light. Councilmember Hamilton said a latecomers agreement has a 20 year window and said he shares the concern that some property owners may not develop their property and pay nothing toward the system. Councilmember Hamilton said he had never heard of a special assessment district, but if the sewer development charges protect the area, there is no 20 year window to worry about.

Councilmember Watson said the Council should discuss the two proposed sewer expansion projects, also known as the '\$4 million project' and the reduced size '\$2 million project'. Councilmember Hamilton said Chief Financial Officer Juarez and City Administrator Morrison have provided a financial schedule that allows the City to build a system where the utility wouldn't have to go back to the rate payers for at least five years. City Administrator Morrison said one of the Public Works Trust Fund projects actually came in under bid and since there are no other projects to spend that money, the City will have to pay \$500,000 back to the Public Works Trust Fund.

Deputy Mayor Swatman asked what Council wants to do about the sewer extension. Councilmember Hamilton said he supports the \$4 million sewer system extension.

Deputy Mayor Swatman said he thinks it is premature to do the whole system as designed, and now is focused on the \$2 million project. Councilmember Rackley said he wants some sort of sewer system in Eastown. Councilmember Watson said he thinks the City should at least get the system started. Councilmember McKibbin said he has heard from those interested in development in Eastown asking whether the City is on board and shows a commitment to the area. Deputy Mayor Swatman said the Council needs answers regarding the special assessment district. Mayor Johnson said he and Council need to get more information from the Attorney’s office before moving forward. He said he feels the \$2 million project is the best way to go, starting in stages and getting something going. Councilmember Minton-Davis said she is in favor of putting sewers in Eastown, but does not want the system built for no reason. She said to make development happen, Council needs to look at permit fees and making development affordable, otherwise there will not be development in Eastown. Councilmember Hamilton said if the City has cash on hand then the City should put it back into sewer development charge costs to encourage development.

City Administrator Morrison said the sewer system expense could get pushed out 2-3 years, and said he is concerned about the high site development costs for the Public Works Center at the peaking storage tank site in Eastown. He said if the City can reduce site development costs by \$1-2 million then the City may only have to pay \$500,000 to build the main structure right across the street, which could save the City a substantial amount of money. The City could use the peaking storage tank site for bulk storage, storm pond, etc. City Administrator Morrison said in looking at the feasibility, however, the City may then need to look at annexing the new property for municipal purposes, which may take time.

Mayor Johnson asked Council to think about what they want to do about other developments in Bonney Lake. Councilmember Hamilton said he is not against the Eastown sewer development, he opposed the amount the Eastown LLC partners were being asked to pay. Mayor Johnson said the Council must give the same attention to development throughout the City. Mayor Johnson said once the City Attorney speaks with Council about the special assessment district, then Council can proceed accordingly.

This item was continued for further discussion at a future meeting/workshop.

IV. ADJOURNMENT:

At 7:24 p.m., Councilmember Rackley moved to adjourn the Council Workshop. Councilmember Lewis seconded the motion.

Motion to adjourn approved 7 – 0.


 Harwood Edvalson, CMC
 City Clerk


 Neil Johnson, Jr.
 Mayor

Items presented to Council at the September 4th Workshop:

- Chief Financial Officer Al Juarez – *Schedule A and Schedule B General Fund Revenues and Expenditures* – City of Bonney Lake.