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**Joint Work Session Minutes
(Budget Committee – Levy Discussion)**

**Monday, January 9, 2017
5:30 p.m., Community Auditorium**

***Minutes are unofficial until approved by Council.
Council approved minutes as presented February 13, 2017.***

1. ROLL CALL:

Mayor Peter Truax called the Joint Work Session with Council and Budget Committee on to order at 5:31 p.m.

ROLL CALL: COUNCIL PRESENT: Thomas Johnston, Council President; Timothy Rippe; Ronald Thompson; Elena Uhing; Matthew Vandehey; Malynda Wenzl; and Mayor Peter Truax.

BUDGET COMMITTEE PRESENT: Dave Andersen; Rod Fuiten; David Maisel; Debby Roth; Chère Sandusky; Dale Smith; and Bud Bliss, Chair

STAFF PRESENT: Jesse VanderZanden, City Manager; Paul Downey, Administrative Services Director; Bryce Baker, Senior Management Analyst; Beverly Maughan, Executive Assistant to City Manager; Tom Gamble, Parks and Recreation Director (in the audience); Michael Kinkade, Fire Chief (in the audience); J. F. Schutz, Police Chief (in the audience); and Anna Ruggles, City Recorder.

2. JOINT WORK SESSION (BUDGET COMMITTEE – LEVY DISCUSSION):

Downey and VanderZanden facilitated the work session, noting the purpose of the work session was to begin discussion for determining the process to ask the voters to renew the Local Option Levy in November 2017, noting the levy of \$1.60 per \$1,000 of assessed value expires on June 30, 2018. Downey reported in Fiscal Year 2016-17, the Local Option Levy would provide approximately \$2.3 million of the General Fund's total budgeted operating revenue of \$16.9 million in FY 2016-17, noting this is 13.7 percent of the General Fund's operating budget. Downey reported the Local Option Levy represents 22.4 percent of the General Fund's Discretionary Revenue of \$10.3 million, noting Police and Fire expenditures account for 79 percent of total General Fund Discretionary Revenue. Downey presented a PowerPoint presentation overview of the General Fund financial forecast through Fiscal Year 2022-23, which would be the final fiscal year of a new five-year Local Option Levy. Downey advised the City has contacted consultant Martha DeLong, Campbell DeLong Resources, to help discuss timing and process for preparing for the election, noting DeLong assisted the City with the last levy renewal effort. Downey referenced slides showing services funded in the General Fund; chart showing FY 2016-17 General Fund Discretionary Uses; and Financial Forecast Assumptions, Next Local Option Levy Cycle showing a deficit in 2022-23 of \$917,290

and Financial Forecast Assumptions, \$0.30 Local Option Levy increase showing a deficit in 2022-23 of \$372,152, noting the major expenditure assumptions do not add any new services or staff during the next levy cycle or address increasing demands for current services provided by some departments. Downey added to maintain the Target Fund Balance at 20 percent of annual regular operating expenses, the City would need approximately \$470k in additional revenue each year, noting even with the additional \$470k in revenue, the City is forecasting to continue using reserves throughout the next five-year Local Option Levy. In addition, Downey referenced a slide showing Potential Revenue Options, instead of increasing the levy, noting the City could consider:

- Adding a fee for services to the utility bill of \$4.00 per month per residential electric meter, which would need to be increased about four percent per year to generate sufficient revenue over the five years.
- Adding a five percent franchise fee for Clean Water Services' portion of the sewer similar to other city utilities and either a \$2.00 per per month per residential electric meter public safety fee or a \$0.15 per \$1,000 assessed value increase in the Local Option Levy.

Downey advised franchise and/or utility fees do not require voter approval. In conclusion of the above-noted staff presentation, Downey and VanderZanden advised staff is recommending the City target the November 2017, General Election, which leaves May 2018, available if the levy is not renewed in November, noting the levy must be renewed no later than May 2018, for taxes to be collected in FY 2018-19.

Council Discussion:

Mayor Truax opened the floor and roundtable discussion ensued as Council and appointed officials discussed the process of asking the voters to renew the Local Option Levy in November 2017. Downey and VanderZanden responded to various concerns, inquiries and scenarios Council and appointed officials presented pertaining to the Parks Master Plan maintenance; needing another fire station; adding more police officers; utility fees; timing of the elections; levy strategies; goals of the survey; percentage of reserves needed in case of natural disasters; and the importance of maintaining at least a targeted 20 percent of annual regular operating expenditures. In conclusion of the above-noted discussion, VanderZanden advised staff will continue working with the consultant on the public opinion survey and potential revenue targeted options for consideration in a follow-up work session.

Council took no formal action nor made any formal decisions during the work session.

3. **ADJOURNMENT**

Mayor Truax adjourned the work session at 6:04 p.m.

Respectfully submitted,



Anna D. Ruggles, CMC, City Recorder