



City Council Minutes – December 20, 2010

At 7:30 p.m. Mayor Maxwell called the regularly scheduled Anacortes City Council meeting of December 20, 2010 to order. Roll call found present: Erica Pickett, Brad Adams, Bill Turner, Cynthia Richardson and Brian Geer. Kevin McKeown and Nick Petrish were excused. Roll call was followed by the Pledge of Allegiance.

Minutes of Previous Meeting

Mr. Turner moved, seconded by Mr. Adams, that the minutes of December 6, 2010 and December 13, 2010 be approved as if read. Vote: Ayes – Pickett, Adams, Turner, Richardson and Geer. Motion carried.

Citizen Hearings

No one present wished to speak on any item not already on the agenda.

Mayor/Council Communication

Mayor Maxwell commended the Geoffrey Castle holiday concert at the Port Transit Shed Event Center over the weekend sponsored by Shell, Island Hospital, Kiwanis and Soroptimists. He said the family-oriented event was very well attended. Mrs. Richardson added that the free event collected donations for the food bank and Toys for Tots.

Consent Agenda

Mr. Geer moved, seconded by Mrs. Richardson, to approve the following Consent Agenda items. Vote: Ayes – Adams, Turner, Richardson, Geer and Pickett. Motion carried.

Approval of Vouchers/Cancellation of Warrants

Council voted unanimously that the following vouchers/warrants audited and certified by the City's Auditing Officer (Finance Director) and subsequently reviewed and approved by the Council Finance Committee on December 9, 2010 and December 16, 2010 are approved for payment as of this date December 20, 2010.

Claims Warrants

December 2010: Warrant Numbers 58397 through 58606 in the total amount of \$1,061,533.05

EFT

December 2010: Warrant Numbers 58387 through 58396 in the total amount of \$2,677.14

Pre-written Claims Warrants

December 2010: Warrant Numbers 58385 through 58386 in the total amount of \$438.20

Payroll for December 20, 2010 in the total amount of \$518,900.05

Warrant Numbers 35479 through 35512 in the total amount of \$31,885.64

Direct Deposit Numbers from 37922 through 38096 in the total amount of \$315,141.87

EFT Numbers from 1217 through 1222 in the total amount of \$171,872.54

In the same motion Council accepted as complete the Wastewater Treatment Plant Odor Control project by Ebenal General, Inc. (06-021-SEW-003).

Restatement of Cafeteria Plan

Human Resources Director Emily Schuh recapped that in April 2000 the city began offering employees a cafeteria plan under IRS Code Section 125 to provide certain health and welfare benefits on a pre-tax basis. She said the city is transitioning to offer that plan through the Association of Washington Cities Benefit Trust instead of AFLAC and so is restating the plan. Mrs. Pickett asked how the AWC program compares with AFLAC. Ms. Schuh said it is essentially the same plan but specifically addresses the AWC Benefit Trust health insurance that the city provides. Mrs. Richardson asked if employees have had a

chance to review the changes. Ms. Schuh said this was simply a restatement, that no benefits were changing and that the transition would be invisible from the employee standpoint. Mr. Adams asked Ms. Schuh to clarify the “use it or lose it” provisions of the plan, which she did, adding that employees are informed of those provisions before they sign up. Mrs. Richardson clarified that certain federal regulations governing Section 125 plans have changed and the city has no choice but to adopt them but that the city is not changing the plan unilaterally. Ms. Schuh agreed and said that employees are being informed of those changes. Mr. Adams moved, seconded by Mrs. Pickett, to authorize the restatement of the city’s cafeteria plan. Vote: Ayes – Turner, Richardson, Geer, Pickett and Adams. Motion carried.

Finance Update

Finance Director Steve Hogle provided an update on year-to-date revenues and expenditures through December 15, 2010. Looking first at General Fund revenues, Mr. Hogle said that property tax revenue was right at budget and sales tax revenue was greater than budgeted. He explained that utility tax revenue was below budget because a greater share of revenue from Comcast was coming in as franchise fees rather than utility taxes; he showed that the franchise fees had increased the income in licenses and permits instead. He noted that grant revenue was over budget due to a \$72K grant from Department of Ecology for the Shoreline Master Program and a \$16K PSE grant. Mr. Hogle said liquor revenues were at about 93% of budget and one more payment was due from the state before year end. He said fine and forfeit revenue was more than budgeted and that overall General fund revenues and expenditures were both at 96.5% of budget as of December 15.

Mr. Hogle then reviewed General Fund expenditures by department. He said legislative expenditures were slightly over budget due to more legal advertising and higher voter registration costs than anticipated. He said court expenses were at 108% of budget due to much higher activity in the municipal court this year and an increase in the public defender contract. Mr. Hogle advised that the slight overage in Planning Department expenses was due to Shoreline Master Program costs and was largely offset by a DOE grant as mentioned previously. He said police and fire expenditures were right where they should be as were expenditures by Parks and the Museum. He noted that Public Works expenditures were significantly under budget due to engineering staff billing time directly to projects. He said that the overrun in non-departmental General Fund expenditures was largely due to employee insurance costs and would be addressed in the budget amendment.

Mr. Hogle then reviewed revenues and expenditures in the other funds. He said Park & Recreation Fund 101 would finish the year strongly as would Cemetery Fund 102. He advised that Library Fund 103 was very closely managed by the Library Director and would be part of the year end budget amendment only to provide a cash flow buffer. Mr. Hogle said Street Maintenance Fund 104 would also be part of the budget amendment due to a higher level of activity than anticipated including Q Avenue medians and sidewalk projects. He explained that Arterial Street Fund 105 showed both revenues and expenditures far below budget but that revenue for three REET-funded projects (6th Street, Pennsylvania Avenue and Guemes Channel Trail) would be transferred from Fund 335 once final project costs were known. He reminded councilmembers that Washington Park Fund 107 expenses were over budget due to the retirement of a long-time employee during 2010. He said Parks Capital Fund 108 was over budget due to funds spent on the H Avenue park.

Mr. Hogle addressed Ambulance Service Fund 110 at some length. He said expenditures were at 101% of budget and revenues only at 98%. He said that fund was established in 2004 when paramedics and EMTs charged 60% of their time to it. In 2006 they started charging 90% of their time to that fund and the city moved a lump sum of \$400K from the General Fund to Fund 110 to offset that change. In 2008 after a timesheet audit the city decided 80% of paramedic and EMT time should be billed to Fund 110. At this point Fund 110 revenues aren’t meeting those expenses and the \$400K has been used up leaving insufficient cash in that fund. Mr. Hogle said he would ask Council to approve a resolution allowing Fund 110 to use its emergency reserve cash. He said he predicted the fund would be \$90K short at year end and had \$108K in reserve cash. He added that if Council did not authorize the resolution the city would have to make an operating transfer from the General Fund to maintain a positive fund balance. Mrs. Richardson clarified that Council had the choice to use emergency cash reserves or a General Fund transfer but that Mr. Hogle was recommending the former. Mr. Hogle agreed and said these

situations are precisely why cash reserves in each fund were established by ordinance in 1994. Mrs. Richardson asked how the cash reserves would be rebuilt. Mr. Hogle said that would be addressed in 2011. Mayor Maxwell emphasized that the allocation formula is important and recognizes the use of Anacortes paramedics and firefighters. The mayor said the city has been working with the EMS Commission and will get a larger allocation of EMS levy funds next year. He said Fidalgo and Guemes islands pay more into the tax levy than Anacortes gets back. He said it costs nearly \$1M to fund an ambulance unit for a year but Anacortes only receives only about \$700K of EMS levy funds to run three such units. He assured that the city would be making the case that Anacortes needs to be funded at a higher level.

Resuming his review of revenues and expenditures by fund, Mr. Hogle explained that Development Fees Fund 112 contains impact fees that must be spent within six years of collection. Nothing has been spent from the fund for the past few years but projects are budgeted for that fund in 2011. He said ACFL Management Fund 113 shows very low expenditures year to date but will soon pay \$54K to the Sewer Fund under terms of the land transfer effected in 2009. Tourism Fund 135 revenues came in above budget. Community Development Fund 180 had more CDBG activity than budgeted and will be part of the year end budget amendment. Growth Management Capital Improvement Fund 335 which collects REET funds has slightly higher revenues than budgeted. Expenditures in that fund will increase to budget at the end of the year when funds are transferred Arterial Street Fund 105. In Sewer Fund 440 and Sanitation Fund 450 revenues are exceeding expenditures. Storm Drain Fund 445 shows high expenditures because that fund is paying for the Skyline dredging project. Mr. Hogle explained that Sanitation Fund 450 loaned money to Storm Drain Fund 445 for the dredging project until the revenues from the dredging project are received. He said the Fund 445 balance presented does not include that loan nor money collected for private dredging contracts and that the total revenue will be about \$2.3M with those adjustments. Equipment Rental Fund 501 shows expenditures ahead of revenues and includes the purchase of the new fire truck. Mr. Adams thanked Mr. Hogle for his presentation and said the city was fortunate to have a finance team able to present complicated financial information clearly so Council and the public know where each fund stands.

Ordinance: 2010 Year End Budget Amendment

Mr. Hogle reviewed the proposed budget amendment. He said most of the line items in the amendment were "housekeeping" but he did highlight several items. He said employee insurance premiums are paid out of the General Fund but other funds, e.g. Water, transfer money to the General Fund to pay for the employee portion of the insurance cost for their employees; the amendment cleans up the paperwork on those transactions. Mr. Hogle said the line item titled Historic Preservation Supplies was actually Professional Services paid to The Watershed Company for the Shoreline Master Program which was offset by the DOE grant. He said the Repairs line item was actually for a lighting retrofit to energy efficient lighting that was funded by the PSE grant. He said the Operating Fund Transfer to Fund 110 line item was included in the amendment only in case the proposed resolution approving the use of emergency reserve cash in Fund 110 was not approved; Mr. Hogle noted that the resolution requires an affirmative vote by five councilmembers so the operating transfer was included as a backup plan. In Library Fund 103 Mr. Hogle explained that the \$7K amendment to the Library was to pay for software support for the RFID. The adjustments to Street Maintenance Fund 104 reflect a higher overall level of activity than budgeted. Parks Capital Improvement Fund 108 spent more on H Avenue park than anticipated. Ambulance Service Fund 110 was addressed previously. Mr. Turner asked when the EMS Commission would realize that Anacortes is paying more than it receives. Mayor Maxwell said the city now has a good analysis to support its case. He said the next 6-year levy will request an increase to support the three Anacortes ambulance units. Mr. Turner said emergency medical is an essential service. Mayor Maxwell said if voters support the levy, as they usually do, the city will be in great shape. He added that the city is also working on getting a higher reimbursement rate from the hospital. Mr. Hogle continued that ACFL Management Fund 113 got an RTP grant and hired more summer help which the budget amendment would recognize. Finally, in Community Development Fund 180 the higher than anticipated level of CDBG activity was recognized. Mr. Hogle then asked Council to approve the budget amendment ordinance and also to approve the resolution authorizing use of emergency reserve cash in Ambulance Service Fund 110. Mr. Geer moved, seconded by Mr. Turner, to approve **Ordinance 2844** amending Ordinance 2813 which adopted the 2010 budget and **Resolution 1816** authorizing the use of emergency reserve

funds in the Ambulance Service Fund. Mr. Turner reminded that the City Council Finance Committee does review this material with Mr. Hoglund prior to Council review. Mayor Maxwell thanked Mr. Hoglund for his presentation and for keeping everyone informed. Vote: Ayes – Richardson, Geer, Pickett, Adams and Turner. Motion carried.

At approximately 8:15 p.m. Mayor Maxwell announced that he and City Council would be convening in executive session for approximately 15 minutes to discuss pending litigation and would reconvene with no further action. At approximately 8:30 p.m., the Council reconvened and without taking any further action, the regularly scheduled Anacortes City Council meeting of December 20, 2010 was adjourned.