CITY OF SHELTON, WASHINGTON - CITY COMMISSION
Study Session Minutes – December 8, 2014
Shelton Civic Center – 2:00 p.m.

Presiding: Mayor Cronce, Commissioner Olsen and Commissioner Moore
Staff Present: Dave O’Leary, Vicki Look, Cathy Beierle, Steve Goins, Darrin Moody, Greg Clark, Mark Ziegler, Mike Michael and Lesleann Kangas

Mayor Cronce called the meeting to order at 2:00 p.m.

Commission Reports
- Wastewater Treatment Plant Outstanding Performance Award – Public Works Director Clark introduced Ms. Pat Bailey from Department of Ecology who presented two “Wastewater Treatment Plant Outstanding Performance Awards” to City of Shelton Sewer Department Lead Mr. John Ozga and staff. Mr. Ozga introduced the staff from the Wastewater Treatment Plant. Ms. Bailey said out of 300 wastewater treatment plants statewide, the City of Shelton is one of the 125 that achieved full compliance with its National Pollutant Discharge Elimination System permit in 2013.

One or more Commissioners will attend the following activities this week:
- Community Services Meeting
- Mason County Housing Coalition Meeting
- City of Shelton Employee Appreciation Luncheon
- Law Enforcement Officers and Fire Fighter (LEOFF) Board Meeting
- Mason Transit Meeting
- Lawsuit Decision
- MACECOM Board Meeting
- Zeppelin Shipping & Technology Center Ribbon Cutting
- Economic Development Council Luncheon
- “Night of 1000 Stars” Police Ride Along

Public Comment - None

Old Business - None

New Business
1. Resolution #1074-1214 – A Resolution of the City of Shelton, Washington, Amending the Framework for Financial Recovery and Sustainability – City Administrator O’Leary reported that in 2008, the City Commission approved Resolution 953-0408. This policy established a framework for fiscal sustainability affecting the annual General Fund budget. These policies included a variety of reforms, including a requirement that the city maintain - year by year - at least 15% of General Fund expenses in reserve, including 6.5% in Operating (Cash Flow) Reserves and 8.5% in Strategic Reserves. In 2012 these rules were updated, but the basic framework remained the same, including the reserve requirements. Currently, the city’s financial condition is challenged. However, minimum reserves have been maintained, the budget is balanced, and the city continues to provide services, albeit at lower levels than before the recession. This proposal is intended to work in conjunction with a reformed budgeting system, which is planned for implementation administratively. Currently, city practices include accumulation of reserves in the General Fund Balance (a common pool). Essentially, at the end of the budget year, all unspent dollars are returned to the pool. The reforms provide that ½ of any budgeted but unspent program dollars will remain in the program for use by the program in the next year. It is typical for program managers to leave about $200,000 of their appropriated dollars unspent. Regardless of whether this is returned as Strategic Reserves or retained in the program, the total reserves should remain about the same. The benefits of this reform include encouraging program managers to make plans spanning multiple budget years. It also avoids wasteful spending during the “use it or lose it” period that some managers engage in at the end of the year. In order to implement this reform, the plan is to reduce the amount of reserves that are to be retained in the General Fund Balance. Effectively, this will result in a transfer of reserves from the common pool into individual program reserves. Program reserve amounts will be determined when the city completes its accounting for the year. Adjustments may be necessary for items such as grants administration, multiple year projects, and projects
or programs that received an appropriation but were not started or fully implemented completely. Although not technically a part of the unspent funds calculations, program revenues could also play a role in the program reserves calculation. If program managers over-estimate their program revenue, and spend the income, they will have to manage around the result. Also, if they receive more than projected, they will be able to retain 1/2 the extra amount. This is envisioned to be a first step. The longer term plan is to actually shift about half the Strategic Reserves into program accounts. CA O’Leary said he believes it is prudent to work through one year, and evaluate the result. Assuming the total program reserves are approximately the same as the reduction in Strategic Reserves. The goal behind this proposal is to provide incentives for greater efficiencies at the service delivery level. CA O’Leary requested the Commission place Resolution #1074-1214 on the consent agenda for December 15, 2014.

**The Commission concurred to place Resolution #1074-1214 on the consent agenda for December 15, 2014, for approval.**

2. **2015 Work Plan** – City Administrator O’Leary said the City produces a Work Plan each year. The Work Plan is a set of projects that each department proposes to accomplish during that year. Projects are frequently an implementation of our Strategic Plan. The Work Plan serves to consolidate approval process. Unless further decisions are driven by city policy, departments will proceed toward accomplishment of their Work Plan goals without further Commission action. All Work Plan items must be defined in a way that will allow us to know that they have been accomplished. All Work Plan projects are included in the draft 2015 City Budget. Some are dependent on financing becoming available. To the extent our policies require additional decisions such as contract approvals; these projects will need additional approvals from the City Commission. CA O’Leary recommends that the City Commission approve the 2015 Work Plan by placing it on the consent agenda for December 15, 2014.

**The Commission concurred to place the 2015 Work Plan on the consent agenda for December 15, 2014.**

3. **2013-2018 Strategic Plan** – City Administrator O’Leary said the City’s draft 6-year Strategic Plan covers the years 2013 through 2018. This plan was worked out in Commission Retreats during 2012, and replaced the prior 6-year Strategic Plan covering 2007 through 2012. The City has a robust planning process. We manage a variety of separate but achievable plans, each with its own goals. This Strategic Plan is the place where many of these separate planning goals find a home. It provides us a way to evaluate them strategically, and manage their accomplishment. Our traditional Strategic Planning process includes an annual review in a retreat type meeting, where the plan elements are re-evaluated. The plan was reviewed in the November 25, 2014 retreat. Many of the Strategic Planning projects are not matched up with funding sources at this time. In these cases, accomplishment of the goal will hinge on our ability to find the money. CA O’Leary recommended that the Commission place the 2013-2018 Strategic Plan on the consent agenda for December 15, 2014.

**The Commission concurred to place the 2013-2018 Strategic Plan on the consent agenda for December 15, 2014.**

**Administration Reports**

- **Solid Waste Finances/Rates** – Public Works Director Clark and City Engineer Michael presented a Power Point and handout detailing an overview of the financial status of the Solid Waste Utility. The item in the Ordinance that changed are to include Roll-Off Containers, Service Charge for an Additional Recycle Container Pickup and Monthly Service Charge Modifications. DH Clark said the three elements establishing the baseline for the Solid Waste Utility’s Fund Balance Status are:
  - the Solid Waste Service Fees/Rates have remained the same for the last three years. The last rate increase was in 2011
  - the Fund’s “Working Cash” balance will be in the “Red” by year-end 2016
  - utility has increasing operational costs.

  Staff said the utility funding needs beyond baseline to update to the Solid Waste Comprehensive Plan for Growth Management Act (GMA), the C Street Landfill Study, Fleet Replacement, Transfer Station and Facility needs. CE Michael said that some of the things we can do for potential revenue sources are:
  - rates
  - franchise Fee
additional services, such as greater recycle services and roll-off truck services. The utility has many needs moving into the future and to keep financially stable and compliant with the GMA, four items are needed:

- maintain sufficient cash reserves to meet cash-flow needs
- update the utility’s comprehensive plan
- replace aging refuse trucks
- expand business to better the utility’s revenue sources.

Staff’s recommendation is at least a five percent increase in three increments totaling $1.83 effective January 2016 for the 35 gallon every other week, which is the most common pickup in the City.

Mayor Cronce said the reality of this is that citizen wages have not gone up five percent to match raising rates.

Commissioner Olsen said we need a rate structure in place and should look at working on Franchise Fees.

Commissioner Moore suggested a 7.2 rate increase to enable the cleanup of the “C” Street dump.

The Commission was not prepared to vote but concurred to at least a 5-5-5 rate increase allowing staff to prepare for the Public Hearing next week.

- Skateboard Park – Parks and Recreation Director Ziegler reported on the status of the Skateboard Park. He met last week with Mason County Commissioner Jeffreys and Shelton School District staff negotiating the possibility of the City taking over the facility. DH Ziegler said negotiations are going well and he will be bringing back a Memorandum of Understanding in the next couple weeks that will include the needed repairs to the structure.

- Frontage Improvements – City Administrator O’Leary said he will need budget direction on frontage improvements and the Skate Park. He said there is a proposed $60,000 in the budget to do the City’s portion of the frontage improvement costs which includes a survey and design placement of sidewalks when doing an infill lot, which we do not have. The contractor’s responsibility would be to put in the cement costing the contractor significantly less. The options are:
  - Take the money out of strategic reserves and put it in the budget
  - Charge the developers
  - Declare a Moratorium on its enforcement

The City is involved in a variety of projects that have frontage improvement requirements that need to be addressed such as:

- Angleside Water Pressure Station
- Front Street Sewer Pump Station
- Lake Blvd/Pioneer Way Project
- PUD Substation Requirements

There are some outstanding permits where frontage improvements are required; a discussion is if you change the standards today it does not change the standards as they were at the time of the permit. A retroactive would need to be done in the ordinance to correct this.

At 4:00 p.m. Commissioner Olsen moved to extend the regular meeting time of two hours for 30 minutes; Commissioner Moore seconded the motion. A vote was taken and the motion passed.

Mayor Cronce recognized the following who spoke in favor of suspending frontage improvements and other fees that they feel are deterring building in the City: Ms. Kristy Buck, Mr. Richard Beckman, Mr. Andy Conklin, Mr. Andrew Spear and Ms. Marilyn Vogler.

Mayor Cronce recognized Mr. Tom Davis who said suspending the fees would be taking a step backwards. He said all have worked hard for the frontage improvements. Economic growth requires desirability and now, when we have taken the first step for a desirable community, you are going to roll it back.

Discussion was held on behalf of all Commissioners and staff. The consensus was that the City cannot afford the $60,000. The Mayor said if the City can’t afford it the citizens/developers should not have to pay either.
Commissioner Olsen and Commissioner Moore are not willing to completely give up on some sort of frontage improvements. Continued discussion will be held at an upcoming meeting.

**General Public Comment** - None

**Administrative Final Touches** – None

**Announcement of Next Meeting**
Mayor Cronce announced the next regular meeting of Monday, December 15, 2014, at 6:00 p.m.

**Adjournment**
Mayor Cronce adjourned the meeting at 4:17 p.m.

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Mayor Cronce                      City Clerk Look