

**UNION GAP CITY COUNCIL STUDY SESSION MEETING**  
***Council Chambers, City Hall***  
***Union Gap, Washington***  
***October 24, 2011***

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| <u>Call to Order</u>                       | Mayor Lemon called the Study Session Meeting of the Union Gap City Council to order at 6:02 p.m.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <u>Council Members Present</u>             | Council Members David Butler, Dan Olson (6:04 p.m.), Dan Vanover, Roger Wentz (6:03 p.m.), Dave Matson, James Murr, and Chad Lenz were present.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <u>Staff Present</u>                       | David Spurlock, Development Coordinator; Dennis Henne, Public Works Director; Chris Jensen, Fire Chief; Robert Noe, City Attorney; Karen Clifton, City Treasurer; and Kathryn Thompson, City Clerk were present.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <u>Audience Present</u>                    | Monte Scacco, Scott Steinloski, Robert Northcott, Greg Lybeck, Nick Schultz, Stephanie Murr, Jo Collier, Brandy Summers, John Cooper, and others were present.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <u>2012 Budget Workshop Revenue Report</u> | <p><u>Revenue Report.</u> Monte Scacco, Financial Consultant, and Karen Clifton, City Treasurer distributed an additional handout of 2012 Projected Revenues &amp; Expenditures.</p> <p>Mr. Scacco stated these reports are revenue projections for the Current Expense Fund because it is the most critical of all the funds.</p> <p>Mayor Lemon stated the Council has had time to look at the revenues and asked if the Council has any questions.</p> <p>The City Treasurer informed the new handout has a little more information than the report that was included in the packet.</p> <p>Mayor Lemon stated this report is what they are projecting for the end of the year, which is \$400,000, \$500,000 or possibly even \$600,000 so it looks like we are going to have a very healthy ending fund balance.</p> <p>Mr. Scacco stated they are projecting about \$400,000 for the ending cash balance, however, if the department heads spend down to 5 percent or less in 2011 the ending fund balance will be \$250,000 to \$300,000. He also explained normally the department heads do not spend their entire budget.</p> <p>Mayor Lemon stated the sales tax revenue could actually be higher than projected also.</p> <p>Mr. Scacco stated sales tax is projected to be \$2.804 million; the recent 16 percent raise utilities were granted will give the City six percent more than projected; and the projected revenue will drop about \$170,000 based on what was budgeted.</p> <p>Mayor Lemon stated that is because development did not come through as projected and the sales tax revenue is not as high as projected.</p> <p>Mr. Scacco pointed out in 2012 they did not include any revenue from the new Valley Mall construction which will be a one time revenue, and they did not include the \$30,000 from Fire District 11.</p> <p>The Fire Chief informed 2012 will be the first year that we receive the full revenue from District 11, in the past we were trading services.</p> <p>Mr. Scacco informed he is proposing the \$30,000 be put in the Fire Reserve fund so it will not be used for everyday operating because there is a six month cancellation notice on that agreement. He informed the Police Department is also proposing collecting a new DUI assessment so the additional costs of processing DUI's can be recovered. They are projecting that to be several</p> |

thousand dollars, but that is not included in the budget because it has not been finalized yet.

Council Member Wentz questioned if there are preliminary figures comparing revenues and expenditures.

Mr. Scacco informed if you take the projected revenue and apply the departments' budget requests, the budget is out of balance by about \$700,000.

Mayor Lemon stated that is pretty common during the budget process.

Mr. Scacco stated he understands the City Council is making priorities and will decide where to make cuts. He commented he had asked department heads to hold the line on the 2012 budgets, but they have asked for increases.

Council Member Wentz questioned if most of the increases were due to longevity increases and salaries.

Mayor Lemon stated not all of the increases, and encouraged the Council to take time and look the requests over.

Council Member Vanover questioned what last year's ending fund balance was.

The City Treasurer stated it was projected to be \$400,000 to \$500,000 and it came in a little over \$500,000.

Mr. Scacco stated last year it came in a little over \$500,000 because money was found that did not get transferred in the software conversion. He stated if the department heads spend everything that is budgeted, we will drop down below \$300,000, but if they do not spend the entire budget, it will be \$400,000 - \$450,000. He stated this is in line with his projections last March when he recommended cutting the budgets 10 percent, but we kind of ignored that. If the building at the Valley Mall goes through that will be a good start for a reserve fund because that will be \$200,000 minimum.

Council Member Wentz questioned why no increase in sales tax revenue is projected for 2012.

Mr. Scacco stated he is holding the line at \$2.8 million dollars, but that will be an increase of approximately \$60,000 because we received amnesty sales tax in 2011 that will not be received in 2012. He also informed he budgeted no increase in property tax revenue, and the City should receive an additional \$20,000 from telephone taxes because he discovered Verizon was not paying and he and the City Attorney got that resolved.

Council Member Vanover stated Yakima County has reported the assessed valuation went down and questioned if that is reflected in the budget.

The City Treasurer stated the figures from Yakima County are about the same as last year with an increase for new construction.

Council Member Matson questioned if the liquor initiative on the ballot will affect the budget.

Mr. Scacco stated he does not believe it will have an impact on the City's budget because the City will still receive revenue. He commented the Emergency Medical Services (EMS) is on the ballot also, and if that does not pass, that would take \$100,000 out of the General Fund.

Council Member Vanover informed the EMS vote is being taken early, so if the vote does not pass, the impact would not be seen until 2014.

Municipal Court

Robert Northcott, Municipal Court Judge, informed his budget summary was distributed to the Council, and he is available to answer questions.

The Council had no questions of the Judge.

Building/Planning/Code Enforcement

Mayor Lemon requested the Development Coordinator talk about the building department revenue shortfall.

The Development Coordinator informed half of the revenue from the Washington Plaza was projected to be received in 2011, but that revenue has not come in and is now projected to be received in 2012. He stated there are quite a few other projects that are pending this year also. He then presented an overview of the department and informed there is a reduction in supplies and services of \$19,460, which is mostly due to the reduction in professional services. He stated the most notable difference in the 2012 budget is the reinstatement of the full time Administrative Secretary. He then reviewed where we were, where we are, and where we are going, and covered some of the highlights for 2011. He informed 2011 was a year of stability for this department and in 2012 the department will be moving to the white house behind City Hall and implementing electronic permits and a one stop permit center. He informed they are also going to expand on community education and awareness.

Tourism

Council Member Wentz questioned if the fund estimate to have \$70,000 by the end of 2011 should be 2012.

Scott Steinloski, Tourism Promoter, stated it is not a typographical error, it should be 2011. He then explained the revised budget distributed tonight estimates the fund balance to be \$60,000 at the end of next year. He stated he estimates ending the year with approximately \$125,000 in revenue, which is down about \$15,000 over 2010.

Council Member Wentz commented each year the ending fund balance is going down and questioned at what point the budget will reflect what is coming in instead of eating away at the fund balance.

The Tourism Promoter stated this year it actually does because we have the Tourism Promotion Area (TPA), which is new, and is estimated to bring in about \$100,000 next year and the committee is proposing to spend \$88,400 of it. He informed the budget now reflects two different funds, the TPA and the Lodging Tax budget. He then introduced the Lodging Tax committee members present: Brandy Summers, Nick Schultz, and Greg Lybeck.

Brandy Summers stated the Lodging Tax Budget revenue is from a 2 percent hotel/motel tax and the TPA revenue is from an assessment fee of \$2.00 per night per hotel room.

The Tourism Promoter informed the committee moved items that are allowed to be paid for by the TPA to the TPA budget.

Council Member Wentz commented the committee expects to use \$88,400 of the new \$100,000 of TPA money and we will still be spending about \$40,000 more than we collect in Lodging Tax revenue. He questioned at what point the Lodging Tax budget expenditures will reflect what is coming in.

The Tourism Promoter stated the committee would like to see \$50,000 kept in reserves.

Council Member Wentz stated, so after this year, we can expect that your budget is going to reflect a stabilization of the ending fund balance.

The Tourism Promoter stated yes, and it should stay at \$50,000 unless there is a major reason the committee and the Council would like to spend it.

Council Member Butler commented he had discussions with a couple of Council members last week about the proposed budget, and the committee had a special meeting tonight and made more cuts to the budget, so the committee feels very good about this budget.

Council Member Wentz requested a comparison between years be provided next year.

Council Member Vanover questioned the sales person for state fair park.

The Tourism Promoter stated that is a position that is being added to sell the SunDome events. The \$15,000 will help pay for that person, who will help promote Union Gap's hotels.

Brandy Summers stated state fair park is not offering this position to Yakima, they are only offering participation in this position to Union Gap, and this position will be helping to fill Union Gap hotels. She stated if they book an event, our hotels will get top billing.

Greg Lybeck stated he appreciates the help Union Gap has given to state fair park over the years, and stated this position will generate hotel rooms for Union Gap. He informed a recent concert at the SunDome gave 60 rooms to Super 8. He stated they generate a lot for Union Gap hotels already, but they don't have a lot of time to do this. This position will concentrate on providing this service.

Council Member Vanover questioned if this position will be an employee of state fair park.

Mr. Lybeck stated yes, they will be an employee of state fair park.

The Tourism Promoter informed the City Treasurer recently contacted the State Auditor about the Lodging Tax funds and the Auditor said the Lodging Tax money needs to be kept within its own fund. He stated in the past they have been giving \$20,000 over to parks, so the Lodging Tax Committee is suggesting giving the Ag Museum \$20,000 and having the parks department bill the museum for the maintenance and utilities.

Mayor Lemon requested the City Attorney put that in writing and confirm it with the MRSC attorneys to make sure that is okay to do.

Council Member Olson questioned the Public Facilities District (PFD) and stated that is where the big money will come from.

Council Member Butler stated the Lodging Tax Committee is going to discuss the PFD after the budget is completed, but the committee kept some money in reserve for the PFD.

Adjournment

At 6:40 p.m. Mayor Lemon adjourned the Study Session meeting.

*These minutes dated October 24, 2011 were approved at the Regular Council Meeting of November 14, 2011.*

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Jim Lemon, Mayor

ATTEST:

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Kathryn Thompson, CMC, City Clerk