

EDMONDS CITY COUNCIL APPROVED MINUTES

September 30, 2008

The Edmonds City Council meeting was called to order at 7:00 p.m. by Mayor Haakenson in the Council Chambers, 250 5th Avenue North, Edmonds. The meeting was opened with the flag salute.

ELECTED OFFICIALS PRESENT

Gary Haakenson, Mayor
Michael Plunkett, Council President
Peggy Pritchard Olson, Councilmember
Steve Bernheim, Councilmember
D. J. Wilson, Councilmember
Deanna Dawson, Councilmember
Dave Orvis, Councilmember
Ron Wambolt, Councilmember

STAFF PRESENT

Al Compaan, Police Chief
Gerry Gannon, Assistant Police Chief
Noel Miller, Public Works Director
Kathleen Junglov, Finance Director
Sandy Chase, City Clerk
Jana Spellman, Senior Executive Council Asst.
Jeannie Dines, Recorder

ALSO PRESENT

Leif Warren, Student Representative

Approve
Agenda

1. **APPROVAL OF AGENDA**

COUNCILMEMBER WAMBOLT MOVED, SECONDED BY COUNCILMEMBER OLSON, TO APPROVE THE AGENDA IN CONTENT AND ORDER. MOTION CARRIED UNANIMOUSLY.

2. **CONSENT AGENDA ITEMS**

COUNCILMEMBER WAMBOLT MOVED, SECONDED BY COUNCILMEMBER OLSON, TO APPROVE THE CONSENT AGENDA. MOTION CARRIED UNANIMOUSLY. The agenda items approved are as follows:

Roll Call

A. **ROLL CALL**

Approve
09-23-08
Minutes

B. **APPROVAL OF CITY COUNCIL MEETING MINUTES OF SEPTEMBER 23, 2008.**

Approve
Claim Checks

C. **APPROVAL OF CLAIM CHECK #107058 AND CLAIM CHECKS #107061 THROUGH #107171 IN THE AMOUNT OF \$564,776.16 FOR SEPTEMBER 25, 2008.**

Forum on
Climate
Change

3. **PUBLIC SERVICE ANNOUNCEMENT - LEAGUE OF WOMEN VOTERS FORUM ON CLIMATE CHANGE**

Janet Chalupnick, League of Women Voters, invited the public to a free forum, "Climate Change, Do Take It Personally." The League is holding this forum on October 18 in the Black Box Theater located in the Mukilteo Building on the Edmonds Community College campus from 9:00 a.m. to 12:30 p.m. She explained the emphasis of the forum would be on what individual citizens could do regarding climate change, and what they could ask of their leaders. The City of Edmonds is a co-sponsor. She distributed a flyer with details regarding the forum and a list of co-sponsors.

Ms. Chalupnick explained the League of Women Voters was a non-partisan organization dedicated to making democracy work through the informed and active participation of citizens in government.

4. AUDIENCE COMMENTS

There were no members of the audience who wished to address the Council.

2009-2010
Budget

5. PRESENTATION OF THE 2009-2010 PRELIMINARY BUDGET

Mayor Haakenson stated this is the most important budget message he has delivered as well as the most difficult budget process that he has been a part of since his involvement in city government that began in 1996. He recalled when he was first elected mayor in November 1999, his election shared the newspaper headlines with Tim Eyman. Mr. Eyman had burst onto the scene with an anti-tax mentality and he was intending to be the savior to all Washington State taxpayers. His message resonated with taxpayers that evening and from that moment on, taxpayers saved money and cities began a steady loss of revenue that would take almost a decade to come to a head.

The Mayor acknowledged the City has now arrived at that point. The loss of state revenue due to the various initiatives, and the implementation of the 1% limitation on property tax revenues are well documented. The City of Edmonds didn't stand idly by and wait for doomsday; tough decisions were made in the early 2000's which included removing the Sno-Isle library annual payments from the general fund by annexing into their district; the City went line by line in every department and cut millions of dollars from budgets that included layoffs and elimination of most travel and training expenses; and the City began to operate in such a lean manner that in subsequent budget years, there was nothing left to cut. In the following years, the City continued to do things that kept the general fund balanced. The City never recovered the lost supplies, travel or training; expenses have been kept in line and the City worked hard to increase revenues.

Mayor Haakenson stated the City cannot continue to offer the services that historically have been offered to citizens without new revenues. Over the past 7 or 8 years the City has been creative and lucky with revenue streams, allowing the City to reach 2008 in sound financial shape. But now, tough calls have to be made.

Mayor Haakenson pointed out the City has set a baseline of yearly ending cash of one million dollars and noted as a reference point the generally accepted financial threshold would be \$3 million for a city the size of Edmonds. Dipping below that line suggests trouble. He also noted the initial draft budget numbers showed millions of dollars in red ink. However, the draft budget being presented this evening shows positive cash flow for both 2009 and 2010 due to the infusion of new revenue streams.

Throughout 2007, he and staff went through an exercise about how to do business in the future, how to streamline operations and how to cut \$500,000 out of the general fund. Since that time, he has chosen not to fill the Economic Development Director position with a full time employee, he has not replaced the Administrative Services Director and there are several vacant staff positions that will not be filled. With 2009 retirements will come additional opportunities for savings by not filling positions.

While saving payroll dollars by not filling positions, the workload of existing employees is increased and burnout rate is increased as well. Historically City employees have been asked to do more than other cities. They are stretched too thin. He reminded Council that there are two different labor forces at work in the City. While total number of employees varies from month to month, typically there are around 270 employees working at any one time. He noted that number is only about 10-12 more than 10 years ago. Of those 270 workers, 227 or 84% are union employees. All labor contracts for these employees are

approved by City Council action. They are not affected by wage freezes. That leaves 16% of the employee base that has no union representation and is the bulk of the management team. The Council also sets their wage scale each year. This employee group has had their merit increases frozen. He noted this is a symbolic action because of the smaller wage base of only 16% of the work force. He commented that the budget will never be balanced on the backs of these 43 employees.

Over the past year and a half, several organizational changes have been made that are logical but involved some cost savings as well. Many were a result of the 2007 staff study. Many reporting relationships have changed with the departure of management staff.

Mayor Haakenson stated earlier this year he asked staff to hold the line on spending the balance of 2008 budget dollars and to not fill any open positions without making the case to him first. Staff has been mindful of the fragile state of City finances.

Looking into the future, he stated it is clear that the City will not be able to operate with the number of employees that exist even today. The City must become dependent on technology to lead it into the future. Computers don't require cost of living increases or ever increasing health benefit packages. The City needs to allow for residents to do business with the city online; receive and pay utility bills online; file building permits and pay for them online; obtain city licenses online; as well as what is currently done online with giving citizens the ability to select and pay for recreation classes online and be able to do all their correspondence with city employees online. The City's website is sorely lacking in customer service capabilities and it needs upgrading to facilitate becoming the interface between citizens and city employees. In order to make that happen in the future, Mayor Haakenson stated he has added 3 positions to the IT department budget. The work that needs to happen to make the City more dependent on the web can be accomplished with these additions.

Mayor Haakenson pointed out salaries and benefits make up 71% of the general fund budget. If anyone is interested in reducing expenses, they clearly have to do it by reducing staffing. He noted any reduction in staffing will have a corresponding loss in services provided to residents.

The amount of property taxes collected by the City from residences falls short of paying for the most basic services, that of police, fire and courts. The current rate of collections totals \$14 million and the budgeted amount for providing public safety services is \$18 million, leaving the City \$4 million short of covering just Public Safety before even attempting to fund other departments.

Mayor Haakenson reminded taxpayers that only about 21% of their property tax bill comes to the City of Edmonds to pay for residents services. While appreciating the significant amount of tax dollars that are assessed on Edmonds residents, he stated the City doesn't receive the amount needed to provide the service levels that citizens expect.

When the reduced revenue streams received by the city are mixed with a bad economy, you get a recipe for disaster (a perfect storm). The already reduced revenues are hit harder with sales tax, the second largest revenue producer in the budget, dropping by a large percentage. The taxpayers are paying higher gas prices, higher food prices, houses are not selling, stocks are dropping and there is no end in sight. These are the toughest economic times to face this Council while any of the members have been in office.

Mayor Haakenson stated there are two choices, increase revenues or cut expenses. He noted this sounds simple until you actually sit down and try to do it. He stressed that there is no way to cut more from the budget unless the Council is willing to cut services. This budget was built with the assumption that Council would like to keep the service levels that are offered today or actually increase those levels. He

added that Council has gone on record as prioritizing Public Safety as its number one priority. If Council is inclined to make budget cuts, he asked for the Council's wisdom as to where they might be made.

Mayor Haakenson stated this budget contains conservative revenue projections and realistic expense estimates.

With regard to revenue decisions, Mayor Haakenson stated he asked the Development Services Department to increase fees for services to not only be comparable to other cities but to also take steps to becoming a self supporting fund. This department should be paid for services rendered. The general fund should not be subsidizing permit fees. He commented that taxpayers who are not applying for permits shouldn't be subsidizing those who do. With the changes that have been made in the provision of services in Building, Planning and Engineering, he believes review times can be decreased. If staff is needed to accomplish this, then the added cost will be reflected in the permit fees. Those who use should pay for the service but should expect reasonable turn around times as well.

Some of the Parks and Recreation Department's programs are also self supporting but unlike Development Services, they are in competition with other providers. Their customers can swim or take classes at other cities' facilities so they have to be mindful of their prices. Although, he requested that their fees be reviewed to be sure they are up to current rates.

Mayor Haakenson stated he has proposed an increase in business license fees. They have not been adjusted in many years and the current cost doesn't even cover the expense of staff time to process them.

City Utility taxes have been increased to 10% which will impact the average residential bill by \$26 annually. Cable TV utility tax has been increased to 6% and the annual impact of that increase would be \$60 a year.

With an approval of a Transportation Benefit District (TBD) to accomplish many of the City's transportation projects, it would be possible to eliminate the transfer of general fund dollars to those projects freeing up that money for general fund purposes. This could be put into place immediately for \$20 or Council could go to the voters with a plan in place to ask for a larger amount.

At both City Council retreats earlier this year, one of the items that he said would be brought back to Council for consideration this year is the matter of insurance reimbursement for aid car transports to the hospital. Mayor Haakenson commented that it costs the taxpayers nothing and benefits them by adding hundreds of thousands of dollars to the City's general fund.

He stated that he previously asked the Council to revisit the issue of gambling in the city. The revenues associated with gambling are a minimum of \$500,000 and that would go a long way to balancing a budget. There are no known detrimental effects to the community from a policing standpoint and realistically many Edmonds residents are crossing Highway 99 to spend their money in Mountlake Terrace casinos. Once again, Council said no to gambling in the city so he will say no more about it.

Mayor Haakenson stated he has not included revenue options such as a B&O Tax, a voter approved increase in electric, gas, phone or solid waste taxes, a general property tax levy lid lift or the additional dollars that would be collected from a voter approved TBD.

He stated that what has been suggested for revenue options so far are necessary to keep the City afloat through 2009. For 2010 he suggests, and included in the budget, the creation of a Regional Fire Authority (RFA). The ability to create such an organization has come recently from the State Legislature and a couple have been created in the State already. In its most simplistic form a RFA creates one large fire

department for south Snohomish County. That combination allows for many economies of scale. There will not be a need for five ladder trucks, or seven fire chiefs, or 7 to 14 administrative staff members. In Edmonds, citizens would still be served by the City's current firefighters in the same fire trucks, aid and Medic 7 vans. The cost to provide Fire service will never go down but a RFA could slow the growth in those costs.

If a RFA is created, it still has to be approved by a vote of the people. There are two pros and cons to this idea. The pro is that, if approved by the voters, the City would no longer be in the business of providing fire service to the city. The costs and revenues associated with the Fire Department would transfer to the RFA. That would free up several million dollars in the city's general fund to help pay for services that will likely be cut if we don't find another solution. The con is that the RFA will be paid for by the taxpayers from their property tax bills much like the Sno-Isle Library is now. So citizens' tax bills will go up but citizens will also keep the services that are on the chopping block.

Mayor Haakenson commented the reverse holds true as well. If the RFA is rejected and no new revenues appear then the City is facing millions of dollars in program cuts. Or, the voters will be asked to approve a levy lid lift which will have the same effect as the RFA - increased taxes. One way or another, in order to keep today's service levels, taxpayers will have to pay more.

He stressed that the revenue streams that have been outlined will only balance the budget if implemented in 2009. If the City waits another year or longer, severe budget cuts will be needed to survive. There are only two choices, increase revenues or cut services.

In looking at surrounding cities' property tax burden, Mayor Haakenson noted that King County residents pay far more than their counterparts in Snohomish County. And within the County, the City of Edmonds pays \$222 per capita in tax levies. Woodway, Everett, Mill Creek and Marysville pay more than Edmonds. Mukilteo, Lynnwood and Brier pay less.

In addition to Edmonds' lower level of property tax collections as previously compared with other cities, Edmonds' sales tax revenues have not kept pace with other cities over the years either. Edmonds is a city that has not annexed available commercial land when the opportunity may have presented itself in the 70's and 80's. It is a city that hasn't embraced commercial and economic development for a variety of reasons.

Mayor Haakenson next stated that he has been an outspoken supporter of keeping the Senior Center at its present location. He also noted that the Senior Center building is in need of replacement, and the City does not have the money to replace it. He reported that over the past few months he has been negotiating with a developer to solve the problem. The developer has indicated that he will demolish the old center and build a new one at the same site for free. The catch is that the City would need to grant air rights to the developer to build one floor of condos on top of the two story senior center. The proposed new building would not be as tall as the existing condominiums next door. The builder is willing to covenant that only seniors will be eligible to buy the condos and that Senior Center members will have the first opportunity to buy the new units. He urged Council to give the proposal serious consideration.

Mayor Haakenson summarized that the proposed budget will retain City services at their present levels. In order to accomplish this, the Council will need to approve the proposed new revenue streams in order to balance this budget. Should Council decide that a particular revenue source isn't "your cup of tea," then Council should propose a suitable revenue replacement or a suitable budget cut.

He thanked Councilmembers Wambolt and Wilson who served on the budget review team as Council representatives this year.

In order to give the Council more time to deliberate on the budget, Mayor Haakenson stated he chose to give the budget message a month earlier than in the past. He and staff members will be available at next Tuesday's budget workshop to answer questions. He invited Council to email him or staff with any questions.

City Clerk Sandy Chase distributed budget books to the Council.

6. MAYOR'S COMMENTS

Mayor Haakenson had no report.

7. COUNCIL COMMENTS

2009-2010
Budget
Process

Council President Plunkett explained the Council typically did not ask questions regarding the budget the same night that it is presented. A budget workshop is scheduled during next Tuesday's Council meeting when all staff members will be present and a public hearing is scheduled on October 21. Additional meetings, workshops and/or public hearing may be scheduled in November. He assured this was the beginning of the budget process and the Council looked forward to hearing from the public and staff.

Councilmember Bernheim expressed his appreciation for the additional time to review the budget in these belt-tightening times. He encouraged the public to provide constructive ideas for increasing revenues to the extent necessary and decreasing expenses to the extent reasonably possible while continuing to provide City services. He encouraged the public to email him at Council@SteveBernheim.com.

Councilmember Bernheim noted the objective of I-695 was to reduce the tax burden on the public which was accomplished. The corollary is either services are cut eventually or the taxes must be restored to some extent. The degree to which the public was taxed was a factor in determining whether taxes were reasonably low or unreasonably high. He offered to provide information during upcoming budget discussions regarding per capita tax burdens via staff and or other experts in an effort to explain taxes in the context of real data.

With regard to personnel, he observed the message was that the City needed to maintain adequate staffing and to consider those costs which admittedly are high because nearly all local government is staff-related. He noted the percentage of the total budget represented by salaries and benefits was increasing.

With regard to economic development, Councilmember Bernheim noted Mayor Haakenson's budget message included an idea for waterfront development, agreeing it was important to consider what could be done with public property. He noted the concept of condominiums on top of a new senior center was an interesting possibility and he looked forward to discussing that at an appropriate time, noting it may not be a budget issue. He commented that same approach could be a possibility in the Antique Mall area if the owners elected to sell to the City at a reasonable price, particularly condominiums on the east side of the tracks and restoration of the beach and park area or otherwise enhancing the senior center. He supported connecting the Senior Center to the Antique Mall area.

Next, Councilmember Bernheim referred to Mayor Haakenson's comments regarding a Regional Fire Authority (RFA), pointing out citizens would pay for a RFA via their tax statement and the funds in the City's budget that were currently allocated to fire and EMS services could be used to fund other City services. He summarized the formation of a RFA and taking the Fire Department out of the City's budget would not save taxpayers any money.

Councilmember Bernheim next referred to a statement in a book he borrowed from the Senior Center Lending Library, "Put Out More Flags," regarding a family in the early days of WWII, "No petrol now for gadding about." He observed the City was not at that point but in the nine months he had been on the City Council, he regretted that he had not addressed the main reason he sought office which was to help the public understand there was "no petrol now for gadding about" and it was becoming an emergency situation.

Sales Tax
Sourcing

Councilmember Dawson reported the numbers from Sales Tax Sourcing (STS) were different than anticipated; they were abysmal. Based on current numbers, STS funds collected by Snohomish County are anticipated to be \$4 million less than projected. She noted the actual numbers would not be in until November but it appeared collections would be half of the amount projected. She complimented City staff for being very conservative in their projections. She noted communities that anticipated they would lose a great deal may be pleasantly surprised that STS has not made much difference. She noted some of the less-than-anticipated collections were related to the economy; it also may be that some improper assumptions were made. She looked forward to further productive discussions regarding the budget in the coming weeks.

Senior Center

Student Representative Warren expressed support for the proposal to rebuild the Senior Center. He asked where senior activities would be held in the interim. Mayor Haakenson assured a suitable interim location would be identified if it reached that point.

Excused
Absence

COUNCILMEMBER BERNHEIM MOVED, SECONDED BY COUNCILMEMBER WILSON, TO EXCUSE COUNCILMEMBER DAWSON FROM THE SEPTEMBER 23 MEETING. MOTION CARRIED (6-0-1), COUNCILMEMBER DAWSON ABSTAINED.

8. ADJOURN

With no further business, the Council meeting was adjourned at 7:37 p.m.