

CITY COUNCIL BUDGET HEARING

City Council Chambers
Tuesday, December 1, 1970

The meeting was called to order by Mayor Johnston at 9:50 P. M. after the regular Council meeting. He announced this is the first hearing on the budget for 1971.

All members were present.

Mayor Johnston asked Mr. McCormick if he would explain the procedure for the adoption of the 1971 budget.

CITY MANAGER'S COMMENTS:

Mr. McCormick said he would not take item by item as the Council members had all reviewed the budget with the department staff members who were present to answer questions. He explained the staff had started to work on the Preliminary Budget last July and submitted it to the Council in October. He stated the budget is balanced insofar as expenditures and estimated revenues are concerned; however, it does not include any increase in wages, at present, or other items which the Council may wish to include relative to other projects requiring funds.

Mr. McCormick further explained the index to the budget sets out the page numbers and the department figures, as well as a listing of the Federal project programs. Some of the Federal programs are shown to acquaint the Council with the projects, and some will have to be added later by the Council as separate projects. The State law controls the procedure by which the budget is set up and it is bound by the rules of the State Auditor's office as well. Copies of the preliminary budget have been sent to the library and all of the schools. Copies are also available in the office of the City Clerk for any interested persons who wish a copy, he added.

Mr. McCormick continued, the 1969 Act relating to budgets states that immediately following the filing of the preliminary budget the City Clerk is required to publish a notice each week for two consecutive weeks stating that the "preliminary budget for the ensuing fiscal year has been filed with the Clerk and that a copy will be furnished to any taxpayer who may call. The legislative body of the city or town will meet on the first business day next preceding the beginning of the ensuing fiscal year for the purpose of fixing the final budget, designating the time and place for the legislative budget meeting and that any taxpayer may appear thereat to be heard for or against any part of the budget. The publication of such notice shall be made in the official newspaper of the city or town or otherwise in one of general circulation, or if there be no newspaper, then by posting in three public places fixed by ordinance as the official posting of official notices."

He said the law further states that the Council shall meet on the day fixed by Section 8 of this 1969 amendatory act for the purpose of fixing the final budget of the city or town. The hearing may be continued from day to day but not later than the 25th day prior to the commencement of the City's or the town's fiscal year, which will be January 1st, 1971. "Prior to the conclusion

of the hearings, and prior to the beginning of the fiscal year, the legislative body is required to make such adjustments and changes as it deems necessary or proper, and after determining the allowance for each department, shall adopt the budget in its final form and content. Appropriations shall be limited to the total estimated revenues contained therein, including the amount to be raised by ad valorem taxes and unencumbered fund balances estimated to be available at the close of the fiscal year. Such ordinances may adopt the final budget by reference, provided the adopting ordinance shall set forth in summary form the totals of the estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined. A complete copy of the final budget must then be given to the State Auditor."

Mr. McCormick further explained the final budget is the one which has been amended, added to, or deleted by action of the Council. He called the Council's attention to page VII where there is a complete itemized account of all sources from which the estimated revenues are to be derived, entitled Schedule I. The General Fund has an estimated revenue of \$14,700,390. Other funds are also shown, but he said he would not go into detail. The budget indicates where all the funds are derived, particularly insofar as the B & O Taxes, the licenses taxes, so that anyone reading that section can see the complete list of the sources of revenue for the City's General Funds, and from the list of separate funds Mr. Gaisford has listed. He pointed out that Schedule II, which begins on page XIX lists the estimated expenditures and estimated revenues in detail. He added the law has been followed in all respects by setting out the revenues and the estimated expenditures, and that they do balance. He said the Utilities Department staff is present to present its own budget, but stated that the total of Utilities' budget and the General Government's budget total \$80,217,974.

Mr. McCormick continued that most of the department budgets are self-explanatory and readily understandable, but the more detailed budget with more units is that of the Public Works Department, where each section is also set up separately.

He pointed out that one item of special interest was the Non-Departmental budget on page 332, where the total budget is \$2,465,858. He noted that the purpose of this particular fund is for general fixed costs which are not related to any other particular department, and there has been an increase of \$422,092 for 1971. This listing gives items that cannot normally be found in the regular departmental budgets, such as advertising on LID's, auditing and accounting, expert services, insurance, street light energy costs, water service charges, contractual services, publicity and public relations, the transit subsidy, funds for the Park Board and the Humane Society, etc. He also pointed out that in addition to the above items, there is the section on Additional Appropriations, which total \$423,064, which include items not related to any one department, but cover various items.

Mr. McCormick said he has proposed two changes: one in the City Attorney's office and one in the City Manager's office. He commented while he was in the City Attorney's office for 15 years as City Attorney there had always been two chief assistants so that there would never be any one person responsible in the absence of the City Attorney. He felt they should not go back to the same method, therefore, he is proposing that one of the Chief Assistants be deleted and that a Deputy City Attorney with the same powers as the City Attorney be included. The only cost to the City would be a one or two-step raise, to adjust the City Attorney and the Chief Deputy differential. He also pointed out that the City,

as a one and one-half billion dollar corporation, cannot be operated through the City Manager's office with only one man in charge. This has been the circumstance until he had employed Mr. Erling Mork to assist him. He remarked there are innumerable projects at a standstill to be processed, and with 22 departments there is too much for one person to handle; therefore, he is requesting another person to be appointed to assist the City Manager.

Mr. McCormick said at a later date he will also be requesting that the Council approve a Property Management Coordinator. Over the years there has been accumulated 50 or 60 small pieces of property as a result of LID actions and should be sold by the City. The City is continually buying, selling and leasing property with no absolute control. He proposes assigning such administrative action to the jurisdiction of the Public Works Dept., where most of this type of action takes place.

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UTILITIES DEPARTMENT:

Mr. McCormick remarked that now he would ask the Utilities Department to make its own presentation. Mr. Clif Erdahl, Director of Utilities, then introduced his staff members to the City Council. Mr. Erdahl explained that the Utilities budget is balanced and had been submitted to the Council for approval. He then asked his Assistant Director, Mr. A.J. Benedetti, to review the Utilities budget for the Council.

Mr. Benedetti explained the Utilities Dept. budget for 1971 totalled \$35,418,652, as compared to the 1970 budget of \$33,000,000. In their letter to the Utility Board and to the Council, this year's budget had included approximately 19 less positions than were budgeted for 1970. However, a few positions had been added in the Belt Line Division in the last few days due to the anticipated increased log haul operations in the Port area shortly after the first of the year.

Mr. Benedetti pointed out that in the listing of general costs on page 2 of the budget there is a general information tabulation which might be of interest to the Council. There is a listing of general costs which are allocated to the Utilities Dept. on a percentage basis. These include services by the City Council, City Clerk, Accounting & Auditing, Purchasing, Property Records & LID's, Legal and Personnel. These services are allocated and paid by each of the Utility Divisions on the basis of their proportionate share of expenses. The percentage is reviewed periodically by the Utilities Dept. and the time has arrived to do that in the near future. However, as can be seen in the budget, the Utilities pays approximately \$370,000 for the ordinary services that are required out of the General Fund.

Mr. Benedetti pointed out that the estimated 8% gross earnings tax payments by Utilities to the General Fund are estimated to be \$2,289,050 for the Light Division and \$316,900 for the Water Division. In the Belt Line Division, because of the increased revenue from the anticipated log hauling, the tax payments would be increased from \$61,600 to \$76,600, thereby changing the total of all three divisions from \$35,231,652 to \$35,418,652.

The position requirements for the Utilities are shown on pages 4 thru 8, along with the maintenance and operation expenses and the capital outlay requirements, he added. Each of these services are allocated within the Division on a percentage basis according to their requirements. On page 10 the General Services budget outlines the responsibilities and activities of the Utilities' General Service Department, where they are again distributed according to the

percentage of use by each division. The expenses for each operation have been included as memorandum budgets only, but are listed in the budget in order that they can be controlled.

Pages 11 through 14 show the various employee positions and it should be noted that there are two less employees allocated for 1971 than in 1970. This is in harmony with the cutting down in all areas, he explained. Pages 15 and 16 show the maintenance and operations in each department area and page 18 shows the capital outlay requirements which will be authorized for 1971 if the funds are available during the year.

Page 20, the Controller's Division, allocations are shown for refuse collection, the sewer utility and the transit system, each of which pay for a portion of the Customer Accounting expense. Here again these are proportionate to the requirements of each division for the services involved. Having all of these services combined into one billing to the customer results in a lower-cost billing for the City. The total number of employees in the Controller's Division appears to be an increase of one employee; however, two employees who were formerly in the Belt Line Division were transferred to the Controller's Division for 1971 and this results in a reduction of one employee.

The Light Division budget on page 32 shows the actual amount expended in 1969, the estimated amount for 1970, and the estimate for 1971. The total for 1971 is \$30,296,300 as compared to \$59,252,824 for 1969. Mr. Benedetti explained this difference was due to a refunding bond issue which had added over \$2 million to that year's expense budget, and it had been planned to refund that amount inasmuch as it has allowed the department to save over \$2½ million by refunding these bonds which were carrying a higher interest than those the City was able to float at a lower interest rate.

Mr. Benedetti continued, in the Light Division and also in the Water Division, there are operating revenues which anticipate the need for some adjustments to be made in rates charged during the coming year. He explained this had been previously mentioned in a memorandum from the Utilities Board to the Council and outlined changes recommended by consultants Ford, Bacon & Davis. Page 32 shows these expenditures broken down into categories and pages 33 through 45 show the position requirements for the Light Division. In 1971, there are 518 employees listed; whereas in 1970 there were 526, a reduction of 8 employees.

Pages 46, 47 and 48 show the maintenance and operation expenses and page 49 shows an outline of tax payments by the Light Division. He remarked that it is oftentimes thought the Utilities Department does not pay taxes; whereas the estimated taxes for 1971 will be \$3,699,250 paid to the City and it is the same type of operation in the Water Division.

Pages 50 and 51 show the service requirements on debts incurred on bonds by the Light Division. In 1971 a service fee of \$10,037,461 will have to be paid for this obligation. Page 64 outlines the capital outlay budget, which will require further attention during 1971, and shows a total of \$4,600,000 in that area.

The summary for the Water Division on page 66, shows a total of \$4,155,352 for operating expenditures in 1971. The difference between that figure and the previous years is due to the increased timber sales which resulted in surplus revenues which have been applied to the budget, as detailed on page 68. In the Water Division there is also an anticipated rate increase, which will be discussed with the Utility Board and the City Council at a later date.

The Water Division shows four fewer employees for 1971 than in 1970, as shown on page 77 and the tax payment to be made to the City, the State and the County will amount to \$520,000. The debt service requirements will amount to approximately \$400,000 for the year.

Pages 91 and 92 show the functional capital outlay for this division, and it has been suggested that the property acquisition and construction of Pipeline No. 5, which will come into the tide flats area, be commenced during 1971.

A total budget of \$588,874 has been listed for preliminary work on this project. Mr. Benedetti added this is one of the most urgent projects in the City and involves acquisition of right-of-way, which is as yet unencumbered by buildings or other improvements, and it should commence in the near future in order to construct it economically.

The Belt Line budget on page 94 shows \$780,000 as the total expense for 1971; however, this has been changed to \$967,000, which was adjusted to include the hiring of additional employees if the anticipated log haul business develops as the department has been advised, in order to hire two extra crews.

Mr. Jarstad noted that \$865,000 had been budgeted for the handling of fish at the Cowlitz Hatchery in 1971, and the department has spent only \$714,000 leaving a balance of \$150,000 in that fund. He asked what had been done with the unused portion, as indicated on page 54.

Mr. Benedetti replied that no scheduled project had been left undone. One of the major items had been relative to the fish food for the hatchery and explained that any variation in the use of the food could cause a considerable variation in the expenses and revenue to the City.

Mr. Cockrell, Assistant Director of Utilities, explained that the expenditures for the hatchery had been considerably lower and the full amount budgeted had not been spent. He explained it was the first full year of experience with the hatchery but with additional experience, the Department could more accurately estimate the necessary expenses.

Mr. Jarstad asked if that indicated the hatcheries were up to full capacity.


Mr. Cockrell replied they were operating up to full capacity and the department had met all of their reasonable requirements. The year 1970 had been a very successful year as far as returns to the department were concerned and it has been said this is one of the most outstanding hydro-electric projects. The State Fisheries had availed itself of the opportunity of the large run of salmon on the Cowlitz and procured 1 million more eggs than needed in the hatchery for use in other hatcheries and thereby more water was used.

Mr. McCormick asked if the Council wished to have all the smaller department heads present at the remaining budget meetings.

Mayor Johnston said he thought it would be wise to have them present for the meeting on the following evening, December 2nd.

Moved by Mr. Pinnigan that the meeting be recessed until December 2nd at 7:00 P.M. Seconded by Dr. Herrmann.

The meeting was then recessed at 11:10 P.M.


Gordon N. Johnston - Mayor

Attest:


Josephine Melton - City Clerk