

**CITY OF OLYMPIA  
STUDY SESSION  
MINUTES  
August 4, 2009**

The meeting convened at 5:30 p.m. in the Associates Conference Room, 825 Legion Way.

Members present: Mayor Doug Mah, Mayor Pro Tem Jeff Kingsbury, Councilmembers Joe Hyer, Joan Machlis, Craig Ottavelli, and Karen Messmer. Councilmember Rhenda Iris Strub was excused for the evening.

**Budget Priorities and Revenue Options**

The City Council and City Manager had a budget briefing on the status of the 2010 Operating budget. The goals of the meeting were to provide an update on the current status of the 2009 budget and provide a preview of the 2010 budget. The meeting also discussed how to involve the public in the budget process. The entire meeting was for informational purposes only.

In April, City Manager Steve Hall briefed the Council on a strategy to balance the 2009 budget without additional layoffs or major service disruptions. He told the Council we were on target to end the year in balance. The City has begun to receive permit revenues for the State DIS building and we anticipate the deficit will not be as great as originally estimated. Jane Kirkemo, Administrative Services Director, reviewed the 2009 sales tax. Although June showed some improvement she cautioned the Council not to be too optimistic. In reviewing the percent change chart for the last 18 months, the only consistency is we are still collecting less than the previous year.

Ms. Kirkemo reviewed the 2010 CFP revenues and described the \$1 million decrease. The largest decrease in revenues is in Real Estate Excise Tax (REET). In 2007 the City collected \$2.6 million in REET; however, we are estimating to receive only \$650,000 for 2009. The REET is ½ % on all real estate transactions. The decline in CFP revenues has severely constrained the 2010 CFP. Councilmember Hyer asked if the CFP revenues improved or if projects continue to come in substantially under the estimates, could we add projects to the CFP. Mr. Hall said that could be discussed during the CFP deliberations in October. Ms. Kirkemo also reviewed the councilmanic debt capacity limitations. Councilmember Messmer asked when some of the debt issues would be defeased. Ms. Kirkemo replied the Park bonds would be defeased in 2016 and the Bridge Corridor debt would be defeased in 2021.

Focusing on the 2010 budget, Mr. Hall began with a look at the reductions made for the 2009 budget. He told the Council the budgets, as submitted, are \$4 million more than revenues in the general fund. Many of the choices used to balance the 2009 budget are not available for the 2010 budget—transfer from the capital budget, excess reserves, and use of fund balance. Revenues at best are static. Expenses are up in most areas, but not all. The price of gasoline had decreased over the last year and the City has stopped using bio diesel. The employer share of the State Pension fund contributions has decreased, although staff believes this is a short term solution for the State to balance its budget. When the contribution rates go back up, they will have to increase above the previous rate. Staff will begin working with the Finance Committee next Tuesday to discuss the 2010 revenues and budget. Mr. Hall also discussed a process to involve the public in the 2010 budget. He told the Council staff is working on an on line constrained prioritization. This does have some limitations, but it will give the Council a look at the public's priorities. In addition, staff will host an Open House the week of November

3 to give citizens an opportunity to ask questions about the budget. Councilmember Messmer expressed concern about the on line survey because we would not know the location or other information about who is responding. She suggested the Council review the previous focus groups and provide more education to the public before the public hearing.

Councilmember Messmer asked about the City Manager's reorganization plan. She is concerned about the timing, and how the reorganization fits into the budget balancing process. Councilmember Kingsbury expressed concern regarding employees and asked how this information is being disseminated to employees. He asked that we make sure we are respectful of our employees. He also asked about furloughs and if we have considered them. He said he is aware that other jurisdictions are moving ahead with furloughs.

Mayor Mah asked Ms. Kirkemo to explain the three options available for generating additional revenues. There is an excess levy for capital purposes plus two different types of levy lid lifts. Each of the options has pluses and minuses. Mayor Mah asked staff to consider sharing services with our neighboring jurisdictions. Mayor Mah also asked staff to consider implementing a performance-based management tool such as COMSTAT's Monitor and Track Organizational Performance. Councilmember Ottavelli agreed.

The meeting ended at 6:45 p.m.