

Regular Meeting – Finance Standing Committee
Wednesday, October 13, 2010, 3:30 p.m.
City Hall Conference Room

CALL TO ORDER

Councilmember Palmer called the meeting to order at 3:30 p.m.

IN ATTENDANCE

Councilmember Jim Palmer, Chair
Councilmember Beth Munns
Councilmember Bob Severns

Mayor Jim Slowik
Paul Schmidt, City Administrator
Doug Merriman, Finance Director

PUBLIC COMMENTS

No public attendance, no comments.

FOLLOW UP FROM SEPTEMBER 8, 2010 MEETING

Councilmember Palmer asked if the new billing system's \$20,000 savings was one-time only and Mr. Merriman responded that this will be a savings each year. Mr. Palmer also asked Mr. Merriman to talk about the Washington Finance Officer's Conference. This conference is geared more toward accounting and regulatory issues rather than investments and cash flow. The State Auditor's Office picked twenty cities this year for indirect cost allocation discussion (Oak Harbor was not picked). Arun Raha, Washington State's Chief Economist, felt the economy is not dropping as rapidly now, but the bottom has not yet been reached. The last four quarters of the country's GDP have been positive. Even though it is an economic gauge, the recession is not necessarily over. Finance officers are looking toward balancing their budgets. Mayor Slowik asked about CAPRON funding (\$650,000 per year). Oak Harbor receives CAPRON funds but this funding is not received by all cities. Mr. Merriman also talked about investment strategies; do not chase rates right now, and how other cities are fairing in this economy. Oak Harbor's utility tax (a tax on utility companies, not to be confused with utility rates) at 6.25% is lower than other cities. Ferndale is at 10% and Spokane is at 17%. Cities are looking toward raising these taxes since they are a revenue stream. Public comments during City Council meetings are confusing utility rates with utility tax. Mayor Slowik noted that Mr. Merriman had reviewed a recent multi-family's rate and found that the new rate was significantly lower. Water conservation, livability, and the past rate which put multi-families at the same rate as single families and is now at 85% of the single family rate, contributed to their reduced billing. Discussion followed about solid waste savings through Oak Harbor's recycling program and the recycling stations around town.

PENDING ORDINANCES

Real Estate Tax Increase

Mr. Merriman talked about Oak Harbor's 1% property tax increase ordinance which will be brought before Council as a public hearing on October 19, 2010. This tax only affects property within the City and would increase the amount to be raised by ad

valorem taxes to \$37,459.84. As also discussed during the last standing committee meeting, the PowerPoint presentation could illustrate the layering effect of property taxes. Mr. Merriman would like to have a certified copy of an approved property tax ordinance to Island County by mid-November. Mayor Slowik noted that the City has traditionally raised property taxes by 1% per year and mentioned that bonds are expiring and citizens will be paying less money out-of-pocket.

FINANCE ACTIVITIES

Annual Audit

Mr. Merriman talked about the audit, which is going well, and the different levels of audit responses (from least to most extreme): 1. exit items for response; 2. management letter; and 3. audit findings. A management letter must be addressed by the next audit or it escalates to an audit finding. The City has not had an audit finding in four or five years. This year's audit is looking at cash controls such as guest moorage at the Marina. Discussion followed about how cash is collected from the RV Park, how to improve the Marina's pay station and collection process, and checks and balances for pay station collection. The auditors are also looking for the establishment of a City-wide policy book. Mr. Merriman suggested a shared network drive that would be read-only.

Sales Tax Tracking

Last month, the City was down 11.9% and we are now down about 12.2%. Since our network was down, Mr. Merriman was unable to print a financial report for this meeting. The City is probably down 4% or 5% below what was budgeted. Dollar-wise, that would amount to approximately \$120,000.

I.T. Contract

City Administrator Schmidt talked about the request for comments from employees since network problems have occurred over the last couple of months. The network seems to have been down about 40% of the time which affects everyone's ability to work, email, phones, and the City's website. We have asked I.T. to let the City know if the network is being taken down for maintenance so the City's departments can close out of their work. So far, the network outages have not occurred during a financial process, but it would be disastrous if that occurred during an Edens run or daily accounting closeout. Discussion continued about network upgrades occurring during the City's off hours, having a District I.T. employee dedicated to the City, providing an extension of the existing agreement (which expires 12/2010), length of time for the agreement, and the benefit of partnering with the School District which also allows discounts available through the District to be extended to the City.

Discussion returned to **Sales Tax.**

The percentages mentioned above were repeated and Mr. Merriman added that the prediction had been a negative 7% for this fiscal/calendar year. We will take current information as our benchmark, holding flat and not showing an increase, and budget from that point - flat at negative 12.2%, not an additional decline. A number of variables have been factored into this percentage (the School District project, loss of automobile dealerships as examples). The School District's project factored out earlier this year

and it had given the City a 4% to 5% bump. Discussion continued about the effect of foreclosures and the housing market (which has been factored in). Custom home construction and sales tax reductions in that industry along with housing in general are early economic indicators.

ICOM Rental Agreement

The current agreement reflects a ten-year lease with a five-year extension. Their costs are invoiced by their square footage, currently 48 cents per square foot, using the CPI or a 3% increase per year. As comparison, retail square footage costs on Pioneer Way are 50 cents per square foot. There is no reason to raise the lease amount at this time; this is a straightforward agreement.

OTHER BUSINESS

Discussion followed regarding use of the vacant Whidbey News Times building, remodeling Council chambers, checks and balances for purchases, the equipment rental fund as mandated by State law which has been run well by Oak Harbor, the liquor initiatives and their effect if passed, and a request to have AWC's website announced as a resource for the public: www.awcnet.org

ADJOURN

With no other discussion coming before the committee, the meeting adjourned at 4:55 p.m.

Notes were taken by
Connie Wheeler
City Clerk