

Oak Harbor City Council  
Special Workshop Meeting Minutes  
November 5, 2014

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**CALL TO ORDER**

Mayor Dudley called the meeting to order at 2:00 p.m. and asked the staff and councilmembers to introduce themselves.

**ROLL CALL**

Present:

Mayor Scott Dudley  
Mayor Pro Tem Danny Paggao  
Councilmember Jim Campbell  
Councilmember Bob Severns  
Councilmember Joel Servatius  
Councilmember Tara Hizon  
Councilmember Rick Almberg

Staff Present:

City Administrator Larry Cort  
Finance Director Doug Merriman  
City Attorney Nikki Esparza  
Chief of Police Ed Green  
Chief of Fire Ray Merrill  
Public Works Director Cathy Rosen  
Dev. Services Director Steve Powers  
City Engineer Joe Stowell  
Human Resources Director Sara Piccone  
Exec. Assist. to the Mayor Kellye Mazzoli  
City Accountant Tallie Boyer  
Police Exec. Assistant Meg Massey  
Senior Services Admin. Mike McIntyre  
City Clerk Anna Thompson

Councilmember Munns was absent.

**AGENDA**

2015-2016 Budget and 2015-2020 Capital Improvement Program Discussion

Doug Merriman, Finance Director reported on the 2015-2016 Biennial Budget.

Mr. Merriman explained that the increase in the 2015-16 budget compared the last biennial budget is largely due to the cost of the Waste Water Plant Project. Mr. Merriman discussed some of the necessary figures listed in the biennial budget, which are due to governmental accounting requirements.

Dr. Cort inserted discussion regarding union-represented employee salaries. The next issue is what to do with non-union employee salaries relating to the 2015-16 budget. The City policy is to pay salaries based on the market - what other nearby cities pay the same positions. The market adjustment for unrepresented employees is not yet reflected in the proposed budget.

Health Insurance benefits, including the health savings account funding, for the next two years must also be decided. Staff recommendation is to fund the health savings accounts to the maximum amount allowed by the IRS. The Council will need to make a decision on funding the health savings accounts during open enrollment period, before the end of November 2014.

Councilmember Servatius asked to which employees the fully funded health savings plan applies.

Councilmember Almborg spoke on specific department budget differences from the amended 2014 budget and the proposed 2015-16 budget. Mr. Merriman explained why the projected 2015-16 budget expenses are higher than last years'.

Councilmember Severns spoke on the differences in the upcoming biennial budget, which is largely contributable to the expenses for the waste water treatment plant project.

Mr. Merriman discussed the projected budgets for each department for the next two years. He provided a breakdown of the department budgets into salaries and benefits and then discretionary expenses. It has been proposed to eliminate Medical benefits for the Mayor and Councilmembers for the 2015-16 biennial budget.

#### Councilmember's Budget

Councilmember Severns asked for clarification of tier 1 expenses.

Councilmember Servatius asked what tier the funds will be pulled from to purchase iPads for the City Council.

Councilmember Severns asked who proposed to eliminate the Council's medical coverage and then asked about the internal review process of the budget. Dr. Cort added that there are four tiers of review for the budget.

#### Mayor's Budget

Mr. Merriman briefly explained proposed changes for the Mayor's budget.

#### Legal Budget

The Finance Director pointed out that another increase in expenses is for the Public Defense Contract, based on recent negative findings against the City of Mount Vernon by the U.S. District Court in Seattle.

The municipal court expenses will actually be reduced from 22% to 17% based on the average caseload projected for the next two years.

Councilmember Hizon inquired about the labor expenses allotted in the Mayor's budget, which does include the executive assistant's salary.

#### Administration

Dr. Cort discussed additional fulltime positions proposed to be funded in 2015, including the Executive Assistant to the City Administrator and Economic Development Director. The decision will ultimately be up to the Council to fund these positions.

Councilmember Hizon asked whether there is a replacement to the part-time Development Director position. The position was recently vacated by Ethan Spoo. Dr. Cort responded that the City staff has contracted Lodging Tax Advisory Committee duties to Mr. Spoo's new employer, a private planning firm.

### Human Resources Budget

The Finance Director is proposing a new system for employee accounts – where actual accounts will be set up by Human Resources (HR) and Finance will simply code the bills. This system will add checks and balances to help prevent fraud.

Human Resources Director Sara Piccone discussed the need to purchase software that more accurately tracks hourly employees' hours in order to comply with the Affordable Care Act, which requires that employees who work over 30 hours must receive health benefits from their employer. Ms. Piccone explained that overall, the tracking software will lower costs in staff time by moving from paper to electronic tracking means.

Councilmember Hizon spoke in support of software to track employee hours.

### Finance Department Budget

Dr. Merriman explained necessary upgrades in the finance office for safety. He plans to propose re-funding the finance associate's position, which has been vacant for some time.

### Development Services Budget

Discussion of proposed changes in the Development Services Department.

### General Government

This fund covers our overhead costs. Liability insurance with WCIA has increased based on recent number of claims filed.

Councilmember Almberg is interested in how WCIA calculates annual liability premiums.

Mayor Pro Tem Paggao asked about production expenses and budgeted security upgrades.

### Police Department Budget

Police Chief Green stated that there is a need for additional staffing in multiple divisions of the Police Department.

### Animal Control Budget

There is a need to update our facilities at the Animal Shelter. Dr. Cort and Mr. Merriman discussed possible financial resources as well as alternative facilities.

### Fire Department

The fire department has requested additional staffing for fulltime positions as well as Paid on Calls.

Councilmember Hizon asked about Oak Harbor's Fire Department staffing as compared to other cities on a per capita basis. Chief Merrill responded that Oak Harbor's staffing per capita is significantly lower than the average.

Councilmember Almberg and Mayor Pro Tem Paggao discussed ratios of Fire department staffing to citizens, which is below the market average.

### Emergency Services Budget

Brief discussion of emergency services budget, which comes from the Fire Department's budget.

### Parks Department Budget

There are some project repairs needed in two City parks.

### Library Budget

We have an arrangement in place where the City pays a pro-rated share of the Library's maintenance fees, and then we pass that expense on to Skagit Valley College.

Councilmember Severns and Almberg asked follow-up questions regarding the proposed budget. Mr. Merriman explained the in-house budget approval process.

### Reserve Policies

Finance Director Doug Merriman discussed minimum fund balance requirements for City reserves and conflicting reserve policies.

### **2015-2020 Comprehensive Improvement Plan (CIP) Discussion**

Development Director Steve Powers explained that this item was scheduled on the Agenda in order to answer any of the Councilmember's questions on the 2015-2020 CIP before the public hearing set for November 18, 2014.

No questions.

### **ADJOURNMENT**

Mayor Scott Dudley adjourned the meeting at 4:34 p.m.

Anna M. Thompson, City Clerk