

**CITY OF FIRCREST  
SPECIAL CITY COUNCIL MEETING MINUTES**

**MONDAY, AUGUST 17, 2009  
6:00 P.M.**

**COUNCIL CHAMBERS  
FIRCREST CITY HALL, 115 RAMSDELL STREET**

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**CALL TO ORDER, PLEDGE OF ALLEGIANCE AND ROLL CALL**

Mayor Kathy L. McVay called the special meeting to order at 6:00 P.M. and led the Pledge of Allegiance. Councilmembers Matthew Jolibois, Chris Gruver, Robert Thaden, Mike Weinman, Hans Hechtman and David M. Viafore were present.

**Budget Discussion**

City Manager Brandon stated his August 14, 2009 memo to Council identified the anticipated shortfall for the 2009 Budget, the projected short fall for the 2010 Budget and his recommendations to address the issues. He explained enough furlough days could not be taken to cover these shortfalls.

**Discussion included:**

- Additional information was necessary for Council to insure that service levels they set would not be impacted
- Furloughs alone had not been intended to balance the entire budget shortfall
- The City Manager's memo to Council indicates the City's financial situation is worse than previously anticipated
- Inquiry how a reduction of slightly over 2.5 Full Time Employees (FTE) would not impact service levels
- Identifying it was the job of staff and Council to deliver government and services to residents for the most affordable price
- Undesignated Ending Fund Balance has been used to balance the budget
- Support for allowing the City Manager to make staffing decisions
- Concern about layoffs being made in 2009 to balance 2010
- If service levels won't be cut why did the City need the 2.5 employees in the past
- Suggestion the most affordable cuts would be management level staff with the larger salaries
- Other options to balance the shortfall include reducing the 15% transfer to Street Fund and funding for ERR
- Concern about lack of information to give support of management decisions
- Most Councilmembers have been serving for some time, they live in Fircrest, they are elected to think problems through, weigh recommendations and provide feedback
- Previously the majority of Council expressed they did not support layoffs
- Identifying there are approximately 20 non-represented employees and laying off 2.5 FTEs would mean a 10% cut in General Fund staffing
- Councilmembers must be consulted and level of service must be discussed
- If Department Heads were trusted to discuss these recommendation then Councilmembers should also be trusted to discuss them
- Financial reports identify expenditures are down and revenues are coming in
- Expenditures related to layoffs incurred in 2009 would not have to be funded in 2010
- 2010 is anticipated to be another financially difficult year
- Nationwide the economy was still doing poorly, while things are starting to stabilize a recovery is not here yet

- The City cannot keep deferring capital for assets
- Deferred maintenance and deferred capital investment created the issues for the Relocation of Backyard Sewer Mains Project
- Identify that City Manager must have realized some efficiencies if he can make these recommendation without affecting levels of service
- Fircrest has made efforts to attract business and increase sales tax revenue
- Reserves were increased to provide interest revenue
- Using Undesignated Ending Fund Balance is not using the Reserves
- Without the recession interest income would be more than \$200,000
- Last year Fircrest gave almost a 5% COLA and was one of the few cities that gave a COLA
- Employee participation in Medical costs have been held at 5%
- Request for a time frame when Council would be informed about the 2.5 FTE positions and the impact on service levels
- Mandatory furloughs could be considered
- Using funding created by layoffs to attract businesses does not “sell” well
- Areas available for business development, Village Square and the Mildred Street property, have been empty for years but even when the economy and interest rates were good they were not developed
- There is \$3.5 million dollars in Reserves
- Reserves are partially set aside as a “rainy day” fund and the current economy was as rainy a day as it gets
- Suggestion that if Council doesn’t change how they function as a body and how they interact with the City Manager the City will be in the same position 5 to 6 years from now
- At a retreat several years ago Council discussed economic development, a City mission and vision statement and identified there was not enough revenue coming in to support the services that were provided to residents
- Layoffs are not to create funding to attract new businesses but to allow for a balanced 2010 Budget
- Attracting business to create new revenue was a separate issue
- Reserves come from General Fund operating revenues that are transferred from Undesignated Ending Fund Balance
- Review of the history when the town changed to a code city, previous plans for Fircrest to expand into unincorporated Pierce County, previous discussion to put the current City of University Place in Fircrest’s urban growth area and the change to a Council/City Manager form of government
- Recommendation that if an overhaul of staffing was going to take place due to a lack of revenues then other options should be considered including: management positions, the form of government, medical insurance costs, raising the levy lid and the way business was conducted along with staffing and service levels
- Layoffs should be the last resort
- Even with layoffs Undesignated Ending Fund Balance would have to be used to balance the 2009 Budget
- Council action on the 2010 Budget could reverse actions taken to balance the 2009 Budget

Brandon's responses included:

- Department heads were consulted
- The reduction in force would be structured with no service level cuts to the residents foreseen
- Consensus was being sought
- Whichever way Council chooses to go will give staff direction
- Council can decide to use Undesignated Ending Fund Balance to balance operating budgets
- Even if the economy turns around the City's 5-year forecast shows revenues flat or declining and expenditures going up
- Another revenue increasing option would be to attract businesses to the City which would require putting things in place for when the economy turns around
- Washington is a sales tax state and that is the revenue cities survive with

Brandon stated, as City Manager, he needed to come before Council and explain the financial situation as he sees it. His recommendations were to try to correct that situation. The time frame for implementing the recommendations would be in the 4<sup>th</sup> quarter.

McVay asked for a consensus of Council regarding the recommendations of the City Manager. There was a 4/3 consensus to support the City Manager's recommendations. McVay clarified the City Manager had direction to come back with a plan that identifies the impact of layoffs on service levels, balances the 2009 Budget and prepares for a balanced 2010 Budget.

Continued discussion included:

- Request to inform affected employees this week of the intent to make layoffs as of October 1
- Request to inform Council at the August 25, 2009 regular meeting of managements plans
- Even with layoffs some Undesignated Ending Fund Balance would need to be used to balance the 2009 Budget
- 2009 savings from 2.5 layoffs equals all non-represented employees taking five furlough days
- Unemployment expenses could run into 2010
- Request for the financial details and rational for the recommendation to layoff 2.5 FTEs
- If absolutely necessary consider deferring the layoffs until 2010
- Staff rejected taking furloughs, only three furlough days were offered

Brandon stated he would inform Council by Friday when he would provide additional information on his recommendations.

### **19<sup>th</sup> & Mildred Sewer Franchise**

Interim Public Works Director Larkin stated staff was discussing with Pierce County taking over the sewer system servicing the 19<sup>th</sup>/Mildred area. Information on the number of accounts and monthly service charges had been provided to Council.

Discussion included:

- Suggestion for the City Manager and Public Works Director to meet with former Public Works Director Burlingame to discuss previous reports and the issues that were identified
- Fircrest fees would be approximately five times higher than Pierce County fees

**Bonding for Sewer System**

Larkin stated Council had received the information staff has on bonding the Relocation of Backyard Sewer Mains project.

**Relocation of Backyard Sewer Mains Project**

**State Revolving Fund Loan**

Larkin stated there were a variety of methods to fund the project. The preferred method would be a Public Works Trust Fund (PWTF) loan but it was unknown when that funding would be available again. The next preference would be a State Revolving Fund (SRF) loan. Bonding could also be considered.

Interest rates for the different funding option were:

- SRF loan - 60% of the average non-taxable municipal bond rate for a maximum 20 year term
- Rural Development loan - 3.75% for a 20, 30 or 40 year term
- Revenue Bond - 4.2% for a 20 year term, 4.5% for 30 year term, term plus bond issuance costs and a bond reserve that must be maintained

Discussion included:

- Inquiry about the interest rate on a 40 year bond
- Total loan costs would be significantly higher for a 40-year bond
- The life span for sewers was 80 years and it was not a benefit to pay a bond off in 10 or 20 years
- The sewer system was not an asset to any customer, it was a service
- A 20-year term was discussed because of the very low (.05%) interest rate for a PWTF loan
- Some portions of the project would probably require bond funding and 30 to 40 year options would be considered for those
- An infrastructure replacement component needed to be considered when setting rates
- Other major sewer replacement projects will be necessary within 40 years that could create a double debt service if 40-year term financing was used now

Viafore inquired about the issues in negotiations with BHC Consultants and if previous design plans for a sewer segment that was brought across the golf course were still available. He voiced strong concern about negotiation delays considering the potential hazard of a backyard sewer failure in the Alameda/Buena Vista segment. He noted Council was informed that if that line failed property owners would have to be relocated at City expense while sewer lines were constructed in the street on an emergency basis. He inquired about having Morrissette do the final design for that segment. Viafore explained this segment was identified as a top priority and was now being delayed with the rainy season approaching and the water table raising.

Larkin explained BHC's cost proposal was considered too high but negotiations are ongoing. He did not recall that the golf course sewer segment tied into the Alameda Avenue segment. Larkin stated J. W. Morrissette & Associates may do the final design for this segment but the earliest the segment could be built was next summer. The segment may not be able to be included in the request for a State Revolving Fund loan.

Viafore stated it had been his understanding that this segment was a priority and once it was designed it would be constructed in the street on Alameda so property owners could connect if their sewers failed. Hechtman inquired if the final design for the segment could be completed for the November application deadline. Larkin stated he could provide that answer in this week's General Update.

Viafore supported completing the final design and constructing the Alameda segment as soon as possible. He suggested property owners would not be forced to connect because low interest funding would not be available for hook ups. Thaden stated placing a deadline on negotiations puts staff in an unfavorable position and he was confident in Larkin's experience negotiating contracts. Larkin stated Morrissette was already preparing final designs for a large sewer segment and he was not certain they could take on and complete additional work.

Larkin reviewed State Revolving Fund (SRF) loans:

- There were two types of SRF loans for the City's project:
  - A Normal construction loan that would require final plans, specifications, and estimates by November 1, 2009 for the Department of Ecology to review prior to the December 1<sup>st</sup> deadline for submittal of the loan application.
  - A Step 4 loan that can be for both design and construction. The deadline for that loan application was also December 1, 2009 but no previous design effort was required.
- Staff intends to apply for both types of loan
- The \$500,000 remaining from the pre-construction loan would be used to fund final design work
- An application for the Normal Construction loan would be for 5.4 million dollars for the portion of the project J. W. Morrissette & Associates did the preliminary reports on and was preparing the final design on
- An agreement would be brought forward for Hammond, Collier and Wade-Livingstone to design the relining element of the project
- Negotiations were not completed with BHC Consultants
- Staff proposes to submit a Step 4 application for approximately 5.0 to 6.0 million dollars for the design and construction of the new sewer mains in Alameda and Buena Vista Avenues and new sewer mains in Summit and Farallone Avenues north of Princeton Street
- Regarding the five-year debt service for the PWTF preconstruction loan, if 30% of construction funds are committed in time (possibly through a SRF loan) that debt service may be rolled over to a 20 year term
- Department of Ecology (DOE) usually funds new sewer systems but not sewer replacement projects
- DOE staff has indicated the Fircrest project had a good chance of obtaining funding due to the health threat and that the sewer systems was located over a sole-source aquifer
- Discussions should continue with Legislators to extend the term of the PWTF pre-construction loan to 20 years

#### Sewer System Plan Update

Larkin stated the City's Sewer System Plan had to be updated. The current plan was developed in 2001 and formally adopted in early 2002. The PWTF loan program requires that the last update be within six years. To apply for a PWTF loan in May 2010 the Sewer System Plan update had to be completed by then. Responding to Viafore, Larkin stated Morrissette did the previous plan and would probably do the

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update. Responding to Hechtman, Larkin explained the update would start by re-televising about 25% of the Condition 3 and 4 pipes. The system update would use that information and information from the preliminary design studies.

Side Sewer Service Relocations

Larkin explained that SRF loan funds could be used for loans to private property owners to relocate their side sewer services. Using SRF loan funds to provide loans to private property owners would require the City to obtain easements and to agree to own and maintain those side sewers. Larkin has inquired with DOE if the City's ownership would end when the term of those loans end. He felt that the way the side sewers would be constructed they would be virtually maintenance free during the 20-year loan term. Another option would be to use bonding for the side sewer costs.

19<sup>th</sup> and Mildred Sewer Franchise (Continued)

Viafore requested revisiting Item 6 – 19<sup>th</sup> and Mildred Sewer Franchise. No objections were noted.

Viafore referred to information on the sewer franchise provided to Council identifying 180 units currently generating \$49,000 per year. Using the Fircrest sewer rate schedule those 180 units would generate approximately \$123,000. Viafore inquired if Fircrest and Pierce County paid similar treatment costs to Tacoma. Larkin stated he would have to verify treatment costs but noted much of that area was commercial/office space with very little sewer usage.

**ADJOURNMENT**

**Moved by Viafore, Seconded by Gruver, to adjourn the meeting at 7:28 P.M. Ayes: Jolibois, Gruver, Thaden, McVay, Weinman, Hechtman and Viafore. Noes: None. Motion Carried.**