
**OMAK CITY COUNCIL
BUDGET WORKSHOP MINUTES
November 8, 2021 – 6:00 PM**

CALL TO ORDER:

Mayor Gagne called the Omak City Council budget workshop for the 2022 Budget to order at 6:00 PM. This workshop is being conducted using a Zoom meeting environment encouraging public participation. She established a quorum and noted there was no one from the public on the Zoom meeting.

COUNCIL AND ADMINISTRATIVE PERSONNEL:

Michael Foth	Tyler Wells, Building Official - absent
Nattalie Cariker	Kevin Bowling, Fire Chief
Dave Womack	Dan Christensen, Chief of Police
Barry Freel	Ken Mears, Public Works Director
Steve Clark	Todd McDaniel, City Administrator
Meyer Louie	Connie Thomas, City Clerk
Michelle Gaines	Wayne Beetchenow, Asst. Public Works Director

MAYOR'S CORRESPONDENCE:

Mayor Gagné asked if there was anyone from the public who would like to address City Council. The record should reflect there was no one from the public in attendance.

Mayor Gagné told Council that she was remiss in not bringing up at the last Council meeting the resignation of Ken Mears. Public Works Director Mears will be retiring at the end of January 2022. They will be looking for someone to take on that role. She apologized to Ken and Council for not sharing this at the last meeting.

RECAP OF THE OCTOBER 25TH BUDGET WORKSHOP:

City Administrator McDaniel screen shared the 2022 Budget document via Zoom. At the October 25th Budget Workshop, Council did not have time to review the Current Expense Council projects so, he plans to begin with that. He told Council the wages and cost allocations were reviewed and, they were accurate. The salary & wages for the Mayor and Legislative Body were corrected as there were no increases. The only significant changes made to this document since the last workshop is \$418,000 for the Skate Park Construction with offsetting grant revenue in the amount of \$350,000 from Recreation and Conservation Office. Building Official Wells will need a new desktop computer in 2022 so the small tools and equipment line in his budget was increased by \$1,800 for a total of \$2,300. He felt at the last Budget Workshop the focus was on wages and the new cost allocations. It's good to hone in on those significant line increases but, it's the grand total of the fund that make up the budget. He explained that the capital projects and purchases drive this budget. Other than the new cost allocations, the Equipment Rental Fund has been set up differently. He will spend time explaining the change when Council gets into that fund. He asked Council if they had any questions about the cost allocation spreadsheet, he sent via email today. Member Gaines wanted to confirm if the wages in the Municipal Court were right. Administrator McDaniel said that .4 of a Full Time Employee (FTE) is what it takes to operate the court. Administrator McDaniel screen shared the Cost Allocation spreadsheet. The spreadsheet shows the FTE's in each fund and he explained the transactions drive the work in each department. The five-year average creates the percentage of work spread into those funds. He explained the Public Works Director and the assistant are overhead and spread according to the crew workload. The labor done by the Public Works crew in each department for a portion of 2021 and 2022 will drive the 2023 salaries in those respective departments. As there were no further questions or comments. Administrator McDaniel brought up the 2022 Budget document.

REVIEW AND DISUCSSION 2022 BUDGET-CONTINUED FROM OCTOBER 25, 2021, WORKSHOP:

001.594 – Current Expense - Capital Expenditures

Administrator McDaniel reviewed the 2022 capital expenditure requests. He asked Chief Christensen to explain his request for the security fencing, camera monitoring for evidence vehicles and covered parking for police vehicles. Chief Christensen told Council that there have been three incidents at the Wastewater Treatment Plant where the fence was cut to gain access and remove evidence out of evidence vehicles. Having the vehicles at the treatment plant is an attraction and there are concerns about the security of the city infrastructure. The request for covered parking is for the patrol vehicles. The covering would keep the weather off the vehicles.

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Administrator McDaniel told Council the American Rescue Plan Act funds (ARPA) are in a capital line and intends on having a discussion in 2022 about the planned expenditure(s). There has been discussion amongst staff about the best use of these funds. The Skate Park construction has been placed in the budget with offsetting grant revenues and the ER TUB Fund is a new line for 2022. This fund is used to cover the purchase costs of equipment if they are above and beyond the contributions made to the 508 Equipment Rental Capital Fund. The ER TUB Fund expenditures will offset the purchase of two police vehicles, weed sprayer, Bobcat, and a public works pickup for a total of \$41,479. Member Gaines asked about the allocation securing evidence vehicles and where the new location would be. Administrator McDaniel explained that staff does not have a concrete idea of where that location would be. He suggested removing that expenditure and bringing the request back to Council when they have more information. Member Gaines agreed that before moving ahead a plan needs to be in place before we spend money. Since we are discussing capital items in the current expense fund, Member Cariker reminded Council about past discussions of a gate system for the Civic League Park Bandshell. She asked that \$60,000 be included in the capital for this purchase. Member Cariker said that the mural done by the community is in disarray and people are tenting in there. She wants the bandshell to be used for its intended purpose. There was further discussion about the type of fencing and what other communities have done in these situations. Administrator McDaniel said that it's worth mentioning the swimming pool. He asked Public Works Director Mears to inform Council. Mr. Mears said that he met with five engineers last week and they spent several hours touring the pool facility. In his opinion, there will be some major repairs and at a minimum to open in 2022 the pool boiler needs to be replaced. The request for the boiler is in the 2022 budget. The bones of the building are in decent shape. Once the engineers finish their analysis the report will be presented to Council. This will provide Council the information they need to make a decision to fund repairs or look at replacing the pool. \$60,000 was added to the current expense capital for the bandshell.

102 – Street Fund

Administrator McDaniel told Council that revenue for the Street Fund comes from half of the property taxes which are estimated at \$440,000. In addition, the city received fuel tax, multimodal and Transportation Improvement Board funds. The increase in wages is related to the crack seal projects that were done. There are a lot of good projects in the capital and a request to replace a roller. The current roller was purchased used and, the budget request was to purchase new. In talking to the department, the roller was struck from the budget along with the unfunded capital. Public Works Director Mears provided Council with a detailed explanation of the capital projects. He explained that T.I.B. application was submitted for the 5th Avenue, Benton, US 97 Sidewalks and should rate high because of the connectivity to the schools and the community center. If the city can find an estimated \$60,000 in funding, the Sandflat Chip Seal project could be done. This project would be in coordination with Okanogan County and the Public Works Crew. This project includes reworking the base and a double shot of chip seal. This would provide local access and, the road classification would change making it eligible for TIB Funding. Mr. Mears reiterated that the \$60,000 is just an estimate and there is nothing in writing with Okanogan County on this project. Assistant Public Works Director said they spent just over \$28,000 to keep the road drivable. Council recommended leaving the project in the budget based on funding ability. Member Freel wondered if \$60,000 would be enough for the project. Mr. Mears again stated that the City doesn't have anything formal from Okanogan County it was just discussion amongst the agencies. Member Freel felt it was an important project as it would help alleviate congestion in that area of Engh Road. Administrator McDaniel told Council the Engh Road project is going out to bid for construction this year. This project began in 2014 and the city has obtained the needed right-of-way. He anticipates the bids coming in higher than projected and the city would be responsible for the difference. If the city chooses not to construct, any funding received for the project would be reimbursed back to the State Federal Highways Administration. Historically a transfer from current expense funded those important projects. There was discussion about the Engh Road project and coordination efforts with the Washington State Department of Transportation (WSDOT). The study completed by Pertteet Engineering, Inc. for WSDOT recommends a roundabout at that intersection. Member Louie asked for specifics of the Engh Road project. Mr. Mears explained that it would add additional lanes. Administrator McDaniel told Council the estimated 2022 ending fund balance for the street fund including operations and capital is \$23,022 which is lower than he would like to see.

103 – Cemetery Fund

The Cemetery Fund operates with the support of Current Expense. The 2022 budget request includes a \$65,000 transfer from Current Expense to the Cemetery Fund. There is \$644.60 in the ER TUB Fund which is a

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pro-rated share of a new weed sprayer to replace the current sprayer. He explained that an unexpected failure of the irrigation pump caused an overrun in the repairs and maintenance line. He will bring a Budget Amendment Ordinance to Council for an additional \$2,000.

104 – Library Fund

The Library Fund like, the Cemetery operates on a \$130,000 transfer from the Current Expense Fund. There are no significant expenditures in this fund.

105 – Hotel/Motel Fund

Administrator McDaniel reminded Council about the appropriation of \$80,000 for the arena chutes. He explained the expenditure will be in 2022. He reviewed with Council the recommendations made by the Hotel Motel Committee which total \$307,990. There was discussion about the reimbursement of wages to both the police department and public works. The manpower for these tourist events is a real cost and staff is trying to true up the additional demands on city services. Member Freel would like to see expense tracking on events. Administrator McDaniel explained that data can be pulled by Public Works and the Police Department. Member Foth told Council that the Hotel/Motel Fund was lean. There was discussion about the contributions received from Stampede. Administrator McDaniel said the ending fund balance is \$41,375. He believes revenues may surpass 2019 and that, the Hotel/Motel advised to cautiously moved forward.

106 – Affordable Housing

The Affordable Housing fund is a new fund based on the adoption of House Bill 1406. Revenues in this fund are from a credit against the state sales tax rate. The distribution of this revenue expires after twenty years. The use of these funds restricted. Administrator McDaniel explained the fund has a balance of approximately \$40,000. These funds could be used to extend Jonathan Street to Quince. The funds can also help the homelessness issues and the enforcement of.

109 – Block Grant

Administrator McDaniel told Council that revenue for this fund is from a Block Grant program the City did back in the 1980's. The city has liens on these properties and funds come to the city when the property is sold. Currently, the city has a Community Development Block Grant funded project which is the Asotin Storm Drain Improvements. Any revenue received from a CDBG loan, will go toward the project costs.

110 – Stampede Redevelopment Fund

Administrator McDaniel told Council that revenue to pay Arena Debt Serve is from Admission Tax, County Infrastructure funds and, a transfer from the Hotel/Motel fund. Administrator McDaniel explained the revenue from the County will end in 2023. He is building fund balance to cover that shortfall of revenue. Member Freel asked about the refinancing of the arena. Administrator McDaniel explained that it reduced the principal and interest but, the term of the loan did not change. Member Freel said that Council should look at an arena maintenance fund as the city is seeing maintenance costs as the arena ages. Administrator McDaniel said that currently the maintenance is absorbed in the park fund. Member Freel would like to see those costs tracked.

111 – Drug Enforcement Fund

Administrator McDaniel explained that this fund pays for the North Central Washington Task Force contract. There are also revolving funds available to the Police Department to assist in their efforts to reduce drug activity.

301 – Capital Improvement Fund

There is not much activity in this fund. The revenue is from Retail Estate Excise Tax (REET) and some investment interest. The 2021 projects in this fund are the Pool Feasibility Study and the Fire/Police Facility Feasibility Study. Administrator McDaniel has those items fully expended but, there may be some carryover.

Break

Member Womack requested a break before reviewing the remaining funds. Mayor Gagné adjourned the meeting for a break at 7:24pm and called the meeting back to order at 7:30pm.

401 – Water Fund

Administrator McDaniel told Council that the water, sewer, garbage, and storm drain funds include a rate increase of three percent which is well below the Consumer Price Index (CPI). He has been very conscious of the water reserves versus the operations needed to run the department and the project requests. The utility rates drive the water department and there are approximately 1.3 million in revenues coming in to support operations.

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There are not significant changes other than wages. Public Works Director Mears explained that in 2021 he has seen an increase in repairs and maintenance due to vandalism related to fencing. Mr. Mears reviewed the 2022 capital requests. The Dewberry Loop Design is wrapping up with construction anticipated for 2022. The Airport Water Reservoir will be going to bid shortly and, the project timeline is about, 395 working days. The study of the Julia Maley Treatment Facility has been completed and they are working on the design. Member Freel asked if the study revealed ongoing issues and what the annual cost will be to operate. Mr. Mears explained the engineers are putting that information together now and a report will be available. The hospital service line will give the city a bypass so maintenance will not impact flow of water to the hospital. At this point, the project needs design. The requests for soft starts will be for the generator. The soft starts reduce the power demand on the generator which save on the backend in electricity costs. The water valve replacement is for the Riverside Drive Reservoir. The valves on this line are no longer usable and are leaking. This would be a contracted project. The HVAC window and door replacement is for the water departments main shop. Their shop is the old treatment lab building. The improvements are needed to help with the energy costs. Mr. Mears explained to Council that the Hemlock Street Infrastructure project was discovered and discussed while engineers were reviewing the sewer infrastructure project. This project is similar to the Jasmine sewer/water project where upgrades to water and sewer were done at the same time. Mr. Mears told Council that these are ambitious projects but they are critical to the city's infrastructure that is aging. As there were no questions, Administrator McDaniel clarified that the Hemlock Infrastructure project needs to be in the budget to make the project whole. Member Wornack asked about the street repairs. Mr. Mears said the street repair and patching will be included in the project cost. Administrator McDaniel told Council that between the water and sewer reserves, the city has about \$900,000. Member Gaines asked if the water reservoir was fully funded. Administrator McDaniel said that he has not receive a letter or, guidance but he understands that it's one hundred percent funded. Member Gaines asked if the hospital line request includes the design and construction for 2022. Mr. Mears said that is the hope because it's such a small project. Administrator McDaniel said that having a second supply would resolve issues. Administrator McDaniel agreed there are a lot of ambitious projects for the water department.

411 – Water Reserve Fund

There was no discussion about the water reserve fund.

402 – Sewer Fund

Revenue in this fund is a result of utility receipts. In 2022, a transfer of \$650,000 is requested from the sewer reserve fund. He reminded Council that several years ago, City Council approved a substantial sewer rate increase to replace the failing sewer infrastructure. Since then, the city has been scheduling a sewer line replacement project every three years or so and, have been able to draw from reserves. Administrator McDaniel told Council the sewer fund still has some debt service. Smaller debt should be paid off within three years while the larger debt drops off in approximately sixteen years. Public Works Director Mears told Council that the gutter project at the Wastewater Treatment Plant came in at approximately, \$3,000 under budget. Public Works Director Mears explained in detail the proposed 2022 capital projects that are requested in the fund. Administrator McDaniel said the bulk of the expenditure is the Sewer System Improvement Project and the Clarifier upgrades. Council did not have any questions or comments for staff.

412 – Sewer Reserve Fund

The Sewer Reserve Fund is healthy, and the City has been able to draw on this fund to replace sewer infrastructure.

403 – Garbage Fund

Administrator McDaniel explained to Council that revenues from this fund are generated by the utility rates. Sunrise Disposal, Inc. our contracted disposal company has requested an increase of 2.5% in their costs. The garbage fund is doing good and, he doesn't think the city needs to retain a high ending fund balance. A reduction in the sanitation rates is an option. He said the big expense for Sunrise Disposal is fuel. With fuel prices increasing, he told Council the disposal contract has a clause related to fuel prices. Sunrise Disposal could ask for this rate increase. Administrator McDaniel told Council that Sunrise Disposal has built a recycling facility. There has been discussion about a future recycling program for Omak residents. Administrator McDaniel explained that the largest expenditure from this fund is the disposal contract, some business and occupation tax and administrative services.

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405 – Storm Drain Fund

Administrator McDaniel reminded Council that a few years ago, Council approved a ten percent increase to the storm drain utility rates. This fund balance is building and, the city has been able to get some projects done. Public Works Director Mears expanded on the capital project in this fund. In 2022 funding is requested to design improvements to the storm lift station located near the Log Cabin Trailer Park on Okoma Drive. Administrator McDaniel explained to Council that the cost for improvements would be like the Benton Street storm drain project. After the design, staff will look for funding and loan opportunities for construction.

406 – Airport Fund

The airport receives funding from Current Expense. Because fuel sales were so good, Administrator McDaniel will not need to transfer funds to the airport. This doesn't happen every year and it's a shame to see things burn and the city to see a benefit in sales. He did want to call out public works crewmember, Tracy Oestreich. Tracy spent a lot of time at the airport making sure fuel deliveries were made and the fuel was there. A lot of work is needed when there are fires. Mr. Mears explained the capital requests to Council. The Airport Layout Plan needs to be updated. This plan is used to obtain funding and is also a guide to staff for future projects. The request to purchase a fuel tank is to ensure the city is not scrambling for fuel and can keep the Engine Boss Planes flying. This past season, the fuel delivery was impacted by trucking issues and the fuel supply. The city is always trying to balance fuel loads and he feels another fifteen thousand gallon tank would ensure the city does not run out of fuel. He explained this past season, the fuel was out for a half day but fortunately the planes were grounded during that time for visibility. He also added the airport layout plan is funded at one hundred percent by the Federal Aviation Administration.

501 – Equipment Rental Fund

Administrator McDaniel explained that the 501 is supported by revenue from the other departments. The equipment rental fees are based on fleet and those operating costs. The expenditures are increases compared to 2021 and he asked Public Works Director Mears to explain the increase. The requests for this department include a hydraulic oil pump, increase in travel and training, cell phones, two laptops and an HVAC System for the public works building. There is no capital in this fund. Administrator McDaniel wanted to make Council aware that the 508 operates on a transfer from the 501. The requested transfer in 2022 will be \$324,288 which is an additional \$66,711 over 2021.

508 – Equipment Rental – Capital Purchase

Administrator McDaniel told Council that he has struggled with this fund since taking the Administrator position. The spreadsheet for the equipment rental was set up by former administration and he went into detail on how the replacement costs were calculated as a past practice. This fund will always have revenue as it works off the other funds based on the need. He told Council for the 2022 Budget the department making the purchase will pay the offsetting costs. He told Council the Police Department has done this for several years. The vehicle is purchased out of the 508 and the upfit costs are paid out of the police budget. He has set into the spreadsheet the original purchase price of each piece of equipment. He added three percent inflation over the life of the vehicle and this end dollar amount is available for the replacement. If the purchase price is above what the department paid in, the True Up Balance Fund or, TUB Fund in that department will offset the costs. He believes that any additional funds over what the department has contributed to ER should be the decision of Council. He has spent a lot of time on comparisons, calculations and has also given it the "sniff test". He wanted to ensure his methodology works. In using this method, the Equipment Rental Fund will eventually have over two million dollars available at any given time. Chief Christensen told Council that Administrator McDaniel reviewed the spreadsheet with him and, they looked at both the fire and police equipment and the average between purchase and buying price was about three percent. Chief Christensen feels this is a more accurate accounting of how much money is spent to purchase and equip a vehicle. Administrator McDaniel cautioned Council that when this fund is sitting on more than two million dollars and there is a need, it may be difficult not to transfer money to other projects. Member Freel said this is more transparent and would like to see more accuracy. Administrator McDaniel told Council the fleet is in good shape and, the fund is working and, the city can make those replacement purchases. Administrator McDaniel would like to use this method going forward. He did tell Council he and Mr. Mears chose to strike the request to replace the snow blower and the roller. Both pieces of equipment were bought used and, the 2022 request for new equipment. The Street Fund and Airport Funds would be responsible for offsetting the purchase as this is where the equipment is used. Because the street fund and airport fund rely on current expense to operate and, the limited use of the equipment, they could not justify

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spending \$223,000. Member Clark said they could look elsewhere for a better, used snowblower or roller. Mr. Mears doesn't debate that new equipment would be less maintenance. The City just didn't save to purchase new equipment. The weed sprayer was not scheduled for replacement until 2032 but it broke down. Mr. Mears will have his department work to find a solution for replacement at a reduced price. Administrator McDaniel told Council that the backhoe, Bobcat, and truck are offset with the TUB Fund. The Dodge Avenger police vehicle is due for replacement and Chief Christensen is looking to replace that with a larger vehicle. Administrator McDaniel told Council that the TUB Fund is short for True Up Balance. He reiterated that a lot of thought has gone into this process. His method is taken from the City of Bellevue, Washington. He would like to obtain the plan and review the budget to see if the numbers are holding true.

631 – State Building Permit Fees

This is a pass-through fund. The city collects fees for permits issued by the City of Omak. Those state fees are then distributed to the Washington State Treasurer.

632 – State Agency Deposit Funds

This fund is strictly pass through. The City of Omak collects funds on behalf of other agencies and then it's remitted out monthly.

633 – Travel Account


Administrator McDaniel explained that the Travel Fund in the amount of \$2,000 recognizes the funds that are sitting in the travel checking account.

700 – Investment Trust Fund

Administrator McDaniel told Council that Cemetery Endowment funds in this account are invested into the Local Government Investment Pool (LGIP). As soon as interest rates begin to increase, he would like to purchase a bond.

Mayor Gagné asked how much the estimated 2022 Ending Fund Balance is. Administrator McDaniel explained with the changes made this evening the Ending Fund Balance is \$998,817.33. He expects savings in the 2021 budget which will put the estimated 2022 ending fund balance over one million. He told Council that the ending fund balance in the street fund makes him nervous. The projects within the budget are very ambitious. He explained that the projects not only affect the public works crew but the management of grants, contracts and purchasing funnel through staff.

Mayor Gagné asked if there were any further questions. Hearing none, the budget workshop was adjourned at 9:08 PM.



Connie Thomas, City Clerk



Cindy Gagné, Mayor