



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
Tuesday, January 9, 2018, 6 P.M.  
Monroe City Hall, Council Conference Room

**2018 Committee**  
Councilmembers  
Jason Gamble  
Kevin Hanford  
Kirk Scarboro

# **AGENDA**

**I. Call to Order**

**II. Approval Minutes** (Meeting of Tuesday, December 5, 2017)

**III. Unfinished Business**

**IV. New Business**

- A. 5-6 Year Budget Assumptions
- B. Selection of 2018 Committee Chairperson
- C. Confirmation of 2018 Regular Meeting Date
- D. DRAFT 2018 Work Plan

**V. Other**

**VI. Next Committee Meeting** (February 13, 2018 *(Proposed)*)

**VII. Adjournment**



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
Tuesday, December 5, 2017, 6 P.M.  
Monroe City Hall

**2017 Committee**  
Councilmembers  
Patsy Cudaback  
Jason Gamble  
Kevin Hanford

## **MINUTES**

### **I. Call to Order**

A regular meeting of the City of Monroe Finance & Human Resource Committee was held on December 5, 2017, in the Permit Center Open Space of City Hall. The Meeting was called to order by Councilmember Hanford at 6:08 p.m.

Committee Present: Councilmembers Patsy Cudaback, Jason Gamble<sup>1</sup>, and Kevin Hanford

Staff Present: Elizabeth Adkisson, City Clerk; Becky Hasart, Finance Director; and Deborah Knight, City Administrator

### **II. Approval Minutes (Meeting of Tuesday, April 4, 2017)**

Councilmember Hanford moved to approve the Finance & Human Resources Committee Meeting minutes of Tuesday, April 4, 2017; the motion was seconded by Councilmember Cudaback. Motion carried (2-0).

### **III. Unfinished Business -- NONE**

### **IV. New Business**

#### **A. Utility Delinquency/Shut-Off Processes and Fees**

Ms. Becky Hasart, Finance Director, provided an overview of current utility delinquency/shut-off processes and fees; and proposed changes to the shut off calendar dates, noticing, and processing fees. General discussion ensued regarding current code regulations on delinquency, late notices and fees, water shut-off/turn-on processing, the payment assistance program information included in billing materials, and the customer service levels of processing staff. The committee was supportive of the proposed amendments.

#### **B. 2018 Proposed Utility Rates**

Ms. Hasart reviewed the utility rate study approved by Council, associated utility rate increases for 2018 (water – 7.5% increase; storm – 4% increase; sewer – no increase), and utility billing notices. Discussion ensued regarding the water utility tax, bill format, and the adopted fee study/associated rate increases.

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<sup>1</sup> CLERK'S NOTE: Councilmember Gamble arrived at approximately 6:20 p.m. during New Business A.

## **Other**

Councilmember Gamble noted the Republic Services Customer Service Call Data was up to the 80 percent service level.

### **V. Next Committee Meeting** (January 9, 2018, 6 p.m.)

The Committee discussed preferable meeting dates in 2018; potentially the second or fourth Tuesday of each month; to be determined by the 2018 committee members.

### **VI. Adjournment**

Councilmember Hanford moved to adjourn the December 5, 2017, City Council Finance & Human Resources Committee Meeting; the motion was seconded by Councilmember Cudaback. Motion carried (3-0); and the meeting adjourned at 6:50 p.m.



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**Cover Sheet-Informational Memo**

<b>SUBJECT:</b>	<b>5-6 Year General Fund budget forecasting/assumptions</b>
<b>Presenter/Facilitator:</b>	<b>Becky Hasart, Finance Director</b>

**DESCRIPTION/BACKGROUND**

Prudent fiscal planning, strategic budgeting, and best financial practices suggest that an organization create and maintain a long range budget forecast. These forecasts are useful when making policy decisions in that they can illustrate the potential multi-year impact specific policy/monetary decisions can have on an organization's resources. By identifying the longer term impact of a fiscal decision, an organization gains time to make adjustments, if needed, should the fiscal decision show a potential negative effect beyond what is expected in the out years. Conversely, if current budget decisions show a more than robust fiscal position in out years, an organization might wish to explore the possibility that it is not using its current resources to their full potential.

Long range budget forecasts are most useful when they are developed collaboratively between policy makers and administration as the forecasts are only as good as the agreed upon assumptions which populate the model. Assumptions used to populate a long range budget forecast may include but are not limited to:

- Year over year population increases.
- Salary and benefit increases.
- CPI/IPD considerations.
- Property tax/assessment values/new construction growth/banked capacity availability.
- Defining one-time versus ongoing revenues.
- Defining base service costs (on-going) versus "nice to have" costs (one-time).

Discussion during the committee meeting will focus on the concepts that govern long term budget forecasting, and if time allows, to begin defining the various assumptions that are specific to the City of Monroe.

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**Year over year population increases:**

<b>Year</b>	<b>Population</b>	<b>Percent (%) Increase</b>
2010	17,304	n/a
2011	17,330	0.15%
2012	17,390	0.35%
2013	17,510	0.69%
2014	17,660	0.86%
2015	17,620	-0.23%
2016	18,120	2.84%
2017	18,350	1.26%

Average percent increase since 2010 is 0.85 percent. 1.26 percent was used in the development of the 2018 Budget when considering/projecting sales, utility, and other miscellaneous tax receipts.

### Salary and Benefit Increases:

Salary increases are dictated by our collective bargaining agreements and usually tied to the CPI-U June over June for Seattle. For the 2018 salaries, the CPI was 3 percent, which was used in the development of the 2018 budget. For long term projections, see discussion regarding CPI below.

Benefit increases over the last few years have been very volatile and should remain so due to the uncertainty surrounding the Affordable Care Act on the federal level. Specifically for Monroe, each bargaining unit can have different health plans, which have experienced different increases. In addition, medical premiums have experienced different increases from dental premiums, etc. The City has been fortunate in that medical premiums for the majority of our employees have not increased in either 2017 or for 2018. However, prior to 2017, premiums typically increased between 5 to 6 percent. 2018 premiums for the Police Guild will see an over 14 percent increase in 2018 due to the change in plans. This premium increase should become more reasonable and steady as we move into the future. *(During the recession, medical premium increases were typically between 13 to 18 percent with dental and vision not far behind.)* When developing the 2018 budget, we used a conservative 10 percent increase across the board for benefit costs. Because a long term budget forecast is for planning only, it is recommended that whatever assumption we use for benefits be consistent over the years. Staff recommends continuing with 10 percent as an average across the board.

### CPI and IPD:

CPI (Consumer Price Index) is calculated by the US Bureau of Labor and is based on the change in prices paid over time for a fixed market basket of goods and services. CPI is traditionally what is used as an index in collective bargaining agreements and is used when projecting supplies and services costs in budgeting.

IPD (Implicit Price Deflator) is calculated by the federal Bureau of Economic Analysis and is based on the inflation rate increase for personal consumption expenditures. In other words, IPD is calculated by a different federal agency and uses different goods each year. IPD tends to increase at a slower rate than CPI and is traditionally not used when projecting for budget purposes. However, for cities over 10,000 in population in Washington, any property tax increase year over year is capped at either 1 percent or IPD, whichever is lower.

Year	CPI-U Seattle (June to June)	IPD
2017	3.00%	1.553%
2016	1.80%	0.953%
2015	1.60%	0.251%
2014	2.00%	1.591%
2013	1.40%	1.314%
2012	2.70%	1.295%
2011	3.20%	2.755%
2010	-0.50%	1.539%
Average increase	1.90%	1.406%

3 percent was used when appropriate for supplies, services, and salaries during the development of the 2018 budget (CPI). IPD was not a factor as we did not increase our property tax receipts, choosing to instead bank the capacity for potential future use. As with benefits, it is recommended that 3% be used in the long term forecast to remain conservative and consistent.

**Property tax/assessment values/new construction growth/banked capacity availability:**

To be discussed at a future meeting.

**Defining one-time versus ongoing revenues;  
Defining base service costs (on-going) versus “nice to have” costs (one-time):**

The City's reserve policy requires that, to the best of our ability, we utilize ongoing revenues to pay for ongoing expenditures. While this concept is simple in execution, the challenge lies in identifying your one-time revenues and one-time expenditures. Many finance professionals would define sales taxes on new construction, along with new housing permitting revenue over a base amount, as new revenue, even if it is sustainable over a number of years. (*Once the underlying land stock is built out, the housing related revenue would diminish substantially.*) In addition, there are many expenditures that a city may incur which improves quality of life for our citizens, but may not necessarily be considered a base service a city would provide. For example, public safety and protection (police, code enforcement, animal control, etc.) would be considered base services along with the administration to support these services. The development and maintenance of parks and streets are also traditionally considered base services provided by cities, which is part of the implied justification for being able to collect impact fees and for being able to use REET money for these items. Conversely, support for non-profit organizations, one-time outside professional services assistance for various projects, artwork, etc. would normally be considered the “nice to have” items. These items are the types of programs that helps to build community and improve quality of life but during times of recession, these are the items that would require policy discussion as to priority.

It is staff's recommendation that as we begin to build the long term budget forecast, the distinct programs included as part of the 2018 budget should be identified and categorized between base services and “nice to have.” These items can still be included in the forecast; the only difference would be how they are presented. This in turn would allow the city to better understand the impacts that these programs would have on our long term fiscal planning.



**2018**  
**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee**

Councilmembers  
 Jason Gamble  
 Kevin Hanford  
 Kirk Scarborough

## 2018 WORK PLAN

January	Finance	5-6 year Budget Assumptions
February	Finance	Non-Profit Partnerships Program
February	HR	Annual Performance Review Update
February	HR	Sick Leave Policies
March	Finance	Amend Purchasing Policies Start on Debt Policy
April or May	Finance	Review 2017 Annual Report
May	Finance	Begin Investment Policy review Begin Surplus Prop Policy review
June		
July		
August	HR	Mid-Year Performance Review Update
September	Finance	2019 Budget
October	Finance	2019 Budget
November	Finance	2019 Budget
December		