

CALL TO ORDER:

Mayor Jeannie L. Sanders called the workshop to order at 7:00 p.m.

Present: Mayor Jeannie Sanders, Councilmembers Larry Bray, Eleanor Brodahl, Everett Cole, Kenneth Johnson, Shannon McKay, Marc Spohr, and Tim Wilson.

Also Present: Department Heads: Curt Andrews, Police Chief Ron Axtman, Debbie Kudrna, Dick Lee, Rhonda Miller; and City Administrator, Ehman Sheldon.

COST ALLOCATION PLAN PRESENTATION

Mayor Sanders noted that this cost allocation plan is similar to the employee time allocation plan that was performed in 2002-2003, except it further researched capturing the full cost for providing services to the utilities. She noted that when the employee time allocation plan was implemented, it had impacted the General Fund approximately \$82,000.

Jeanette Hahn, representative of FCS Group Inc., presented the Indirect Cost Allocation Plan. She stated that how the City is charging the utility funds is not incorrect, and the research that they performed captured some of the costs that the General Fund incurs to provide services by the utilities. She reviewed the terminology that is used throughout the plan and explained that an Indirect Cost Allocation Plan is a method to calculate the cost for indirect programs to run the business of government. Ms. Hahn reviewed the General and Enterprise Funds perspectives and further discussed whether the City was truly capturing the full costs of the utilities and whether some costs could be reimbursed back to the General Fund. She then reviewed the purpose of developing an Indirect Cost Plan, accuracy expectations and substantiation of the results of the plan, and whether the results make sense to the Council who will be responsible for its implementation and upkeep. She further explained that the purpose of the plan is to reimburse the General Fund for services provided to other funds, specifically water, sewer, solid waste, and streets. Ms. Hahn reviewed the six basic analytical steps that were taken to develop the plan: examined the organization; utilized budget and financial data; determined workload measures; make adjustments for non-allocable costs; allocate indirect costs; and calculation of each direct service's full share of indirect costs. There was some discussion about allocation of utility tax and other revenues that are appropriated into the street fund.

Ms. Hahn then reviewed the results of the indirect cost allocation plan, which identified \$236,386 of costs in the General Fund that could be allocated into the street, water, sewer, and solid waste funds. She concluded by reviewing the accomplishments of the plan. There was a discussion regarding budget issues that the Council will consider (whether to implement the plan results, which could be done in a progressive manner).

Mayor Sanders explained that the 2003 ending balance in the General Fund had a \$325,000 deficit and the Council had used reserve funds to balance it. This year's ending balance has a projected \$64,000 deficit, and all Department Heads have worked diligently to cut costs to offset that deficit. She mentioned that next year's budget has a potential \$400,000 deficit. Mayor Sanders also reported on potential changes in dispatch due to reduced funding for secondary PCAP's. She explained that she would like to have a budget that showed revenues and expenditures that balance. She noted that there are existing reserve funds that do not have maximum limits established and these will be reviewed during the budget process.

Finance Officer Rhonda Miller provided worksheets that indicated proposed revisions to the 2004 budget based upon the results of the indirect cost allocation plan.

Mayor Sanders noted that the City received significant savings having FCS Group Inc. perform the analysis, as we had agreed to be a model city plan, which will be presented during the WFOA conference in September.

City of Othello
Council Workshop
August 2, 2004

EXECUTIVE SESSION – PERSONNEL – RCW 42.30.110 (g)

Mayor Sanders adjourned the City Council meeting into an Executive Session at 8:25 p.m. to discuss a personnel issue, as requested by Councilmember McKay, and as provided by RCW 42.30.110(g), for approximately 15 minutes. The Council meeting was reconvened at 8:45 p.m.

ADJOURNMENT

With no further items to discuss, Mayor Jeannie L. Sanders adjourned the workshop at 8:46 p.m.

By: _____
JEANNIE L. SANDERS, Mayor

ATTEST:

By: _____
DEBBIE L. KUDRNA, City Clerk