

KETTLE FALLS CITY COUNCIL  
BUDGET WORKSHOP  
OCTOBER 25, 2011

CALL TO ORDER

Mayor Dorothy Slagle called the meeting to order at 6:40 p.m.

ROLL CALL

Ray Smith, Dorothy Slagle, Jesse Garrett, Krist Matthews and Debbie Gaskin.

STAFF/GUESTS

Staff - Joel Gassaway, Scott Sterland and Raena Hallam.

Guests - No guests were present.

ANNOUNCEMENTS AND MAIL RECEIVED

As there were no Announcements or Mail Received, City Council moved on to Public Comment.

PUBLIC COMMENT

As there was no Public Comment, City Council moved on to New Business.

NEW BUSINESS

2012 DRAFT BUDGET

Clerk/Treasurer Raena Hallam reviewed with City Council loan obligations, status of various funds and the 2012 draft budget.

Clerk/Treasurer Raena Hallam discussed the economic recession and how it has affected the City of Kettle Falls. Economy was strong and interest rates were at an all time high in 2008. In 2008 the City received \$43,500 in interest for approximately \$1.7 Million invested. In 2011 to date the City has received \$2,400.

Since 2008 the Finance Committees and City Council have recognized the hardship the City was facing. In 2009 money set aside for savings was dramatically decreased. In 2010 no money was set aside for savings and again in 2011 no money was set aside. The only exceptions were the revenue funds which are self supporting - Water/Sewer & Garbage. With dwindling savings and revenues the 2012 budget is in trouble and the Mayor and City Council will need to make some very difficult decisions.

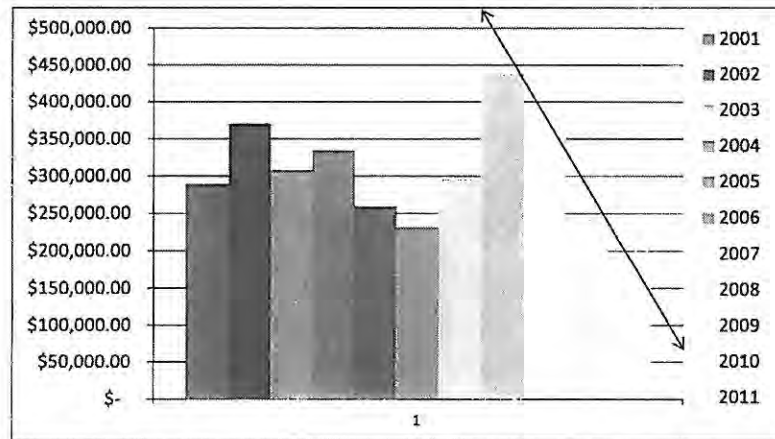
Raena reviewed loan obligations and Beginning Fund Balance history:

Approximates  
**CURRENT LOANS**

	Original Loan Amount	Interest Rate	2012 Amount Owed	2012 Minimum Payment	Principal	Interest	Payoff Year
USDA Loan - Snow Plow Truck	\$ 55,000.00	4.5%	\$ 24,935.19	\$ 6,951.00	\$ 5,577.91	\$ 1,373.09	2015
USDA Loan - Sewer Jetter/Camera	\$ 60,000.00	4.5%	\$ 40,601.62	\$ 5,588.00	\$ 3,760.93	\$ 1,827.07	2020
USDA Loan - Two Police Vehicles	\$ 69,000.00	4.13%	\$ 7,537.94	PAID IN FULL	<i>Paid off 6 Mths Early</i>		2012
DOE Loan - Wastewater Facilities Plan	\$ 90,858.57		\$ -	PAID IN FULL			2011
PWTF Loan - Wastewater Facility	\$ 81,500.00	0.0%	\$ 20,047.20	\$ 10,023.60	\$ 10,023.60	\$ -	2013
PWTF Loan - Wastewater Facility - 20 yrs	\$ 950,000.00	2.0%	\$ 861,805.56	\$ 67,930.56	\$ 50,694.45	\$ 17,236.11	2028
DOE Loan - Wastewater Facility - 20 yrs	\$ 5,249,071.00	1.9%	\$ 5,249,071.00	\$326,654.76	\$ 177,285.78	\$ 149,368.98	2033
DOE Loan - Wastewater Facility	\$ 3,999,027.00	Forgivable Principal			Pmts for loan portion will begin in 2014		
TOTAL DOE Loan - Wastewater Facility	\$ 9,248,098.00						

**CURRENT EXPENSE FUND BEGINNING FUND BALANCE HISTORY**

2001 \$ 289,677.69  
 2002 \$ 371,292.97  
 2003 \$ 308,349.96  
 2004 \$ 335,205.41  
 2005 \$ 259,896.03  
 2006 \$ 232,288.55  
 2007 \$ 296,206.37  
 2008 \$ 438,748.89  
 2009 \$ 376,498.12  
 2010 \$ 242,788.00  
 2011 \$ 158,426.80



Clerk/Treasurer Raena Hallam explained all funds must be balanced using only the revenues received. The City can no longer count on the BFB (carryover) from the previous year) to balance the budget. The City needs to save any amount possible to rebuild savings with minimal impact to City services.

The Library Fund is balanced and Raena stated she will review with Library Manager Teah Chadderdon after she returns from vacation.

Tourism Fund - The Chamber has requested \$2,500 for 2012. There is \$2,000 available and it has been included in the draft budget.

LTGO Bond Fund will have enough money in it in 2012 to pay off the USDA loan for the snow plow truck early instead of waiting until 2015.

Water Funds - The water rates will not be increased and include the following projects:

Water Plan Update	\$25,000
Falls Pump Upgrade:	150,000
Reservoir Maintenance	5,000
Sandy's/CPC hydrant Water Line	20,000

Projects not included are:

Well #6 pumping station	\$120,000
8 inch water line replacement - Lakeview Dr.	\$120,000

The ending Fund Reserve Balance for the Water Funds after completion of these projects is about \$25,000. This low savings amount will need to be addressed in 2013.

Sewer Funds - The Sewer Fund's priority is the Wastewater Facilities Project. The \$12 rate increase was implemented in October, 2011 and another increase will need to be done in June, 2012.

Garbage Funds - The process of saving for a garbage truck is extremely slow. The garbage rate will need increased if the City wishes to purchase a garbage truck in 2012.

Street Funds - Raena explained the Street Funds are not balanced without using carryover funds from 2011. She further explained the draft budget includes \$10,000 going into savings and a \$13,000 ending Fund balance. Raena stated she would like to cut an additional \$16,000 from the Street Fund expenditures, but could not find anywhere that the cuts could be made.

Current Expense (General Fund) - Raena explained the Current Expense Fund is in the worse shape it ever has been. The 2012 draft budget includes very deep cuts, use of savings and elimination of services. Highlights of the 2012 Current Expense draft budget include:

**Revenues:**

1. Transfer from Current Expense Reserve of \$50,000 - This will decrease savings.
2. Transfer \$10,000 from Police Reserve back to Current Expense - This will leave about \$4,000 in their savings. USDA requires matching Funds, so this takes purchasing police cars off the table not only in 2012 but more than likely 2013 also.
3. Forest service needs to pay for their share of rent at the Information Center \$5400 (same as Park Service)
4. 2<sup>nd</sup> Half Property Taxes will not be received until mid November. Those revenues need to make minimum revenue projections.
5. Water Tax 8% - Currently 6% increased to 8% on all water funds.
6. Sewer Tax - 12% - Currently 6% increased to 12% on all sewer funds.

**Expenditures:**

1. Anything possible was cut from the Current Expense budget. If it looked like there was excess, it was eliminated, no matter the department.
2. Swimming Pool closed. The draft budget includes closing the pool. The Mayor would like to review having the pool open for a minimal amount of time (1 - 1/1/2 months) for swimming lessons. Pool Manager Diane Durbin suggested closing Saturdays and hiring 5 life guards to work full time Mon - Friday. This will need to be revisited, but this budget this evening has the pool completely closed. Closing the pool saves about \$45,000.
3. All outside agencies have been cut. Family Support Services and TRICO. Senior Citizens and the Food bank were each cut \$500 for the year. Works out to about 42 per month less.
4. The Bldg Inspector position has been eliminated. The Mayor has sent Planner Dave Keeley to Inspector school and this will now be handled in house. Dave takes his test tomorrow morning.
5. A City Attorney has been hired - Charlie Schuermann - waiting for Council confirmation on November 1<sup>st</sup> - his fee is a little less with a savings of \$1,200 per year.
6. All employees are changing Insurance Policies. The new policy has a \$500 deductible and will save the City about \$5,000 in the Current Expense Fund. However, the Union is currently working on other policies available. The City must decide by Mid November.



7. The 2<sup>nd</sup> Summer Helper position (usually a high school or college position) has been eliminated. The Summer Supervisor position has been cut back to work from May 15th to the end of August.
8. Police Dept has \$2,000 for Capital Outlay for security improvements. No other departments have a Capital Outlay in the Current Expense Fund.
9. The City is due for a 2 yr audit. I have budgeted \$15,000 - the last Audit was \$17,000. Depends on how long they stay.

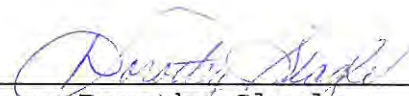
Clerk/Treasurer Raena Hallam stated that even with all of these cuts the Current Expense Fund is spending about \$75,000 more than anticipated revenues. This is a major problem. With all of these cuts in 2012, there will be nothing left to balance the budget in 2013.

Clerk/Treasurer Raena Hallam asked for assistance from City Council and stated any ideas and/or suggestions would be greatly appreciated no matter how big or small.


**ADJOURNMENT**

Mayor Dorothy Slagle adjourned the meeting at 8:04 p.m.

Approved:

  
\_\_\_\_\_  
Mayor Dorothy Slagle

Attest:

  
\_\_\_\_\_  
Raena L. Hallam, Clerk/Treasurer

