A meeting of the Council Finance Committee was held at the Family Pancake House Restaurant June 14, 2013 7:30 a.m.

PRESENT: Chairman Clauson, members Putaansuu and Childs, Mayor Tim Matthes, Chief Geoff Marti, Planning Director Bond, Clerk Rinearson, and Treasurer Allan Martin, citizens Gil Michael and Kim Punt.

**Video Production Kitsap Economic Development Association**

Councilman Childs spoke in favor of funding a video production of Port Orchard. The digital format would allow for future updates that could be added. $5,000 would be paid to KEDA for producing the video. Chairman Clauson felt that he could support the effort. Mr. Putaansuu noted the potential use of LTAC revenue however he thought that it should be included as part of the annual process of funding applications. Discussion considered general fund funding rather than LTAC with Mr. Putaansuu saying he had some concerns, but could support the spending. Mayor Matthes raised the issue of the right of the city to use the video with Mr. Childs saying he would address his concerns and work to secure the right to use the KEDA video by the city. Mr. Martin was asked to identify funding options and report such to the committee.

**Sales Tax Revenue Report:**

May Sales and Use Tax collection continued the trend of exceeding projected 2013 monthly amounts albeit at a slower pace than previous months. $294,547 was distributed to the city in May. Gasoline prices declined for two months from late February through late April, reaching $3.52 per gallon (regular, all formulations). Since then, prices have headed back up, with per gallon prices reaching $3.65 for the week ending June 3rd. Gasoline price trends tend to influence discretionary spending, impacting sales tax collections negatively. The sequestration, a concern of the committee, is now expected to last through September 30th compared to June. The state expects slower disposable income growth in the second and third quarters of this year. Treasurer Martin briefly touched on audit reports and debt limit issues of peer cities.

**2014 Budget Calendar Report:**

The 2014 Budget Calendar was presented to committee members. Council priorities for the upcoming budget year will be noted at the July council retreat work study session and considered as part of the 2014 budget process. Finance staff has estimated contractual cost of living increases and estimated potential impacts of the Affordable Health Care for America Act. Wage and salary increases reflected in contracts, COLA, and overtime adjustments are potentially $236,000. The CPI-U index is running at 1.5% which is a ½ percentage below the 2% used in portions of the estimation. The actually CPI-U percentage will be available the middle of July. More will be learned regarding the Affordable Health Care for America Act and possible increases. Currently finance estimates an increase in medical of $152,506. The committee will review wages and benefits at its August meeting. Abatement and a new library building use agreement will be addressed as part of the 2014 budget process.
**Law Enforcement Personnel Realignment:**
Chief Marti discussed the Commander position with committee members outlining the position as an exempt position. As Commander Dale Schuster was no longer a member of the police guild and covered under the union agreement regarding annual leave or sick buy-out provisions. Medical leave had been adequately addressed however the leave buy out needed to be brought to a consensus. Member Child spoke of the need to provide a seamless transition within the Department. The Chief outlined the recommendation that Mr. Schuster would earn annual leave at the rate outlined in City policy with “bonus days” beginning at 64 hours a year. Chairman Clauson stated he supports the recommendation of the Police Chief. Committee members iterated the need to be fair, directing the provision be included in the Resolution accepting the appointment of Dale Schuster Commander Port Orchard Police Department. Staff was directed to place the Resolution on the upcoming council meeting as a business item to be acted upon by council.

**Municipal Code Title 2 2.36 Surety Bonds:**
Clerk Rinearson reported a review of the City Code requirement of surety bonds for a majority of city employees. The City has relied on loss coverage with the Association of Washington Cities (AWC) and not purchased individual surety for any employee. The committee heard that a surety is a promise to pay one party (the obligee – such as the city) a certain amount if a second party (the principal – such as an employee) fails to meet some obligation, such as fulfilling the terms of a contract. The surety company is paid a premium (usually annually) in exchange for the bonding company's financial strength to extend surety credit. In the event of a claim, the surety will investigate it. If it turns out to be a valid claim, the surety will pay it and then turn to the principal for reimbursement of the amount paid on the claim and any legal fees incurred. The committee discussed the impact of reimbursement on an employee, the number of employees, the amount of surety, currently $1,000,000, and its cost. The city understands the quoted cost of surety for each employee to be $3,500. The Committee directed the Clerk to prepare a draft of potential changes and updates that adequately protects the City. Consideration should be given to potential risk, and where possible a reliance on coverage provided by AWC.

The meeting concluded at 9 a.m.

Next Meeting: July 19, 2013 7:30 am Family Pancake House