City of Port Orchard
Council Finance Committee

A meeting of the Council Finance Committee was held at the Family Pancake House Restaurant March 27, 2014 at 7:30 a.m. The meeting was noticed by the City Clerk that four or more council members may be in attendance.

PRESENT: Chairman John Clauson, members Rob Putaansuu and Jerry Childs, Mayor Tim Matthes, Councilmember Bek Ashby, Community Development Director Nick Bond and Treasurer Allan Martin.

Sales Tax Revenue Report:

Sales tax collection distribution for March totaled $262,115 and is within the range of projected revenue. Collection for the month was $1,160 above projection. The Committee considered both February and March year-over-year 2013 amounts at nearly the same level. Collections for the year are within a 1% variance. Collection for the first quarter of 2014 total $946,928. Chairman Clauson asked for clarifications regarding the January real estate excise tax zero collection. Mr. Martin responded that the auditor had stated that January 10th collections should be recognized in the prior period for accounting purposes. Such collections are reflected in December’s total. Member Childs inquired on building volume and home sales as it relates to REET collection. Mr. Bond suggested that volumes vary regarding property sales including the number of foreclosures, development activity, and existing home sales. Chairman Clauson pointed out the lack of housing stock available in the area and the Committee discussed the impact on economic activity. Several residential developments in various stages of completion were discussed.

2013 Festival of Chimes and Lights Expense Accounting:

Committee members were provided a 2013 Festival of Chimes and Lights expense accounting that was meant to capture all of the festival expenses. Using Springbrook™ software expenses were coded directly to the festival capturing a true picture of the amount paid over the year.

The City incurred expenses of $51,989, which $5,000 was paid from the Community Events Fund No. 107. Private donations totaled $2,500. The single largest expenses were wages and benefits for public works employees and police. 564 work-hours were recorded for public works, and 44 hours for police. Police time was split between the Jingle Bell run and Festival activities. 17 police hours were recorded for the run, the remaining 27 hours for the Festival.

Time spent by Department Directors and Police Chief working on Festival issues was not recorded and are not represented in the accounting. Delivery of Festival brochures to local schools, coordinating meetings with staff and community, and Committee assignments are some of the various tasks accomplished but not recorded.
Members discussed whether or not the City would decorate Main Street absent a festival and if so the City would pay those expenses. Discussion centered around the economic benefits of bringing people downtown and the sense of community the Festival inspires. The Committee asked that finance capture expenses incurred for other festivals held in the City. Mr. Martin said that the effort to provide greater expense detail continues with the ultimate goal of real-time reporting. Department directors are now provided the ability to view budget expense reports daily and additional coding details are being added daily. Member Childs thanked staff for providing the detailed information stating that it is very helpful in considering financial support of the festival. Committee members asked that the information be made available to the full Council, with Mr. Martin replying that the information was provided to Chairperson Cindy Lucarelli who he believed may be planning a presentation of the information.

**Discussion Technology Fee / COLA adjustment Permit Fee**

Development Director Nick Bond gave the Committee an update of the hearing held at the March 11 meeting that members Clauson and Putaansuu were absent. The Home Builders Association provided testimony regarding their concerns focused on 2 main areas: The implementation of the $10 Technology Fee and the magnitude of some of the fee increases and for Council to be careful that they are not simply adjusting fees to match other jurisdictions. Member Childs recalled that the HBA was concerned about the legality of adding a technology fee to city permits under RCW 35.91.020. Mr. Bond reported that the city attorney reported that there was nothing that prohibited the city from collecting reasonable fees.

The HBA was concerned that the city is setting its fees based on what other jurisdictions charge instead of looking at its actual costs. City staff conducted a process that reviewed the code and the steps involved for each permit type to come up with an estimate for the average number of hours required for permit processing. The city determining a specific cost for Port Orchard of at least $85 per hour. Finally, the city polled neighboring jurisdictions were charging for permits for the sole purpose of ensuring that we were not charging too much for any permit type. In some cases the permit costs were lowered to ensure that the City remains competitive with surrounding jurisdictions.

Mr. Childs explained that it was his understanding that the HBA was concerned that a new technology fee would serve as a gateway for additional jurisdictions to impose a technology fee and that it would grow over time. Also that the technology fee could be used for something other than benefiting the permit process. Mr. Martin assured the Committee that the fee was restricted by state statute to the purposes described by Mr. Bond.

The Committee directed Mr. Bond to contact the HBA in order to ascertain the likely position pro or con for the new fee structure technology fee. Staff is to determine an implementation date of the new fees in context of fee collection administration and notification of stakeholders. Mr. Childs stated that he would likely not support the proposed resolution unless it received HBA
endorsement. The majority of the Committee supported moving the resolution forward for Council consideration.

Meeting was adjourned at 8:31 AM.

**Next Meeting:** May 1, 2014 at 7:30 am Family Pancake House