

POULSBO MAYOR/CITY COUNCIL RETREAT OF FEBRUARY 6, 2009

M I N U T E S

PRESENT: Mayor Quade; Councilmembers: Berry-Maraist, Crowder, Erickson, Lord, McGinty, Rudolph, Stern.
Staff: Baker, Berezowsky, Boltz, Booher, Kasiniak, Kingery, Loveless, McCluskey, Michelson, Treacher, Stephens, Swiney.
Facilitator: Stan Finkelstein
Visitors: Mary McClure, Kitsap Regional Coordinating Council

Welcome and Introduction

Mayor Quade called the retreat to order in the Executive Board Room at the Clearwater Casino and Resort, at 9:27 AM. Stan Finkelstein, facilitator, provided an overview of the agenda and purpose of the retreat.

Finkelstein outlined the changes in local government including the impact of initiatives, increased citizen desire for accountability and transparency; rising cost of services/shrinking resource growth; increased citizen demand for new services; and declining quality of infrastructure. Finkelstein presented an overview of Poulsbo's population, growth and financial status; and presented expenditure and revenue comparisons with comparable cities.

Finance Director Booher presented an overview of the core services each City department provides and the departmental goal setting process. Noting the departments set their goals within its core service levels; and should be measurable and feasible. With declining revenues and resources, there will be a reduction in services provided.

Fiscal Concerns

Finkelstein asked the Council for their fiscal concerns, items discussed were:

- Decreased revenues
- Cash flow
- Baseline budget forecast and review
- Capital expenditures
- Debt service
- Discretionary vs. Non-discretionary priorities
- Managing resources

The retreat reconvened at 10:57 AM, after a 10 minute break.

Fiscal Management

Finkelstein presented concepts of fiscal management; how to integrate capital expenditures into a fiscal management process; how to address fluctuations in revenues caused by economic cycles; and to what extent should growth expectations be factored into the City's fiscal management plan.

Finkelstein asked the Council to answer four questions in regards to characteristics of a good fiscal management system:

- Should the Council establish parameters addressing the cyclical nature of revenues? What parameters?
- Should capital expenditures become more integrated into the budgetary process?
- What should be the ongoing role of the Finance Committee?
- What should be the obligation of "growth" to defray the costs of new capital requirements? General fund vs. Proprietary?

Councilmember Lord questioned if the City's policy of having a minimum of 8% in reserves is sufficient. Finkelstein noted the City currently has approximately 20% in reserves now; Booher added the Council can review and make a policy decision to increase the policy minimum if desired. Finkelstein suggested the City receives increased revenues; the money should be banked in reserves opposed to increasing services. Furthermore, the Council should create a policy and guidelines to increase/decrease the level of services.

Finkelstein recommended the Council review the mission statement every 3-5 years; assessing if the statement is still valid, does it address the needs of the City; and does it set the priorities of the City's budget. Finkelstein briefly reviewed the Council's 2008 goals, expressing the City needs to ensure there is an implementation plan in place, progress be monitored by the Council and should be reviewed yearly.

Challenges facing the City

The Council identified the following-

Non-Fiscal challenges:

- Council operating efficiently
- Council discipline to continue processes
- City growth and density
- Environmental constraints
- Communication with City businesses
- Sustaining and growth of the downtown core
- Community relations
- Common understanding between Council and staff

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Fiscal challenges:

- Cleanup of Liberty Bay
- Return on investments
- Fiscal growth

The retreat recessed for lunch 12:14 PM.

At 12:35 PM Mayor Quade announced the Council would adjourn for a 1/2 hour Executive Session for the purposes of discussing property acquisition. The retreat reconvened at 1:05 PM.

Department Director Presentations

Planning Department

Planning Director Berezowsky provided an overview of the departments 2009 goals including adoption of the updated Comprehensive Plan, new zoning code to implement the Comprehensive Plan, work with the Council to set priorities based on the Comprehensive Plan, and provide financial support to achieve the Council goals successfully. Berezowsky stated the Planning and Building Departments level of service measurement is primarily based on customer service; noting both departments have operated at the same staffing level for approximately 10 years.

Public Works

Public Works Director Loveless stated the department is maintaining and in some areas, increasing the level of service to accommodate growth. Loveless explained the level of service measurements in stormwater, roads, parks and cemetery services; noting the level of service for Solid Waste is currently higher than other jurisdictions in the County.

Police Department

Chief Swiney reported many services the Police Department provides are mandated services. The current level of service in regards to response times to police calls is good, and will continue to be monitored with City growth. The areas where levels of service can be reduced, is limited. The Police Reserves program is being phased out due to the lack of volunteers and training academies no longer being offered. Swiney advised the recruitment for the open Patrol Officer position is continuing, having gone through several applicants that have been disqualified.

Information Technology (IT)

IT Manager Treacher stated the department is a reactive department that needs to operate 24 hours a day. The goal of the department is for staff to attend more training and advance technology in the City. Treacher advised with the upcoming website redesign, each individual department will be maintain their section of the website. Therefore decreasing the time IT staff spends on website updates, at present time is approximately 40% of their workload. Treacher explained there is currently not a system in place to measure to the level of satisfaction of the employees served by IT.

Parks and Recreation Department

Parks and Recreation Director McCluskey reported the Recreation department is having a hard time maintaining at the 24% general fund support, which may need to be increased in the future. Currently, the Parks and Recreation brochure is mailed to all North Kitsap residents two times per year, a decrease from three times per year in past years due to the cost; and approximately six email newsletter a year. McCluskey stated the biggest issue this year is the facility, due to the unknown status of the current building. There are several parks projects in the works for 2009, with several of the projects utilizing volunteers.

The retreat reconvened at 2:39 PM, after a 10 minute.

Finkelstein provided examples of level of services standards and their importance; addressed issues associated with establishing level of service standards; and outlined tasks needed to develop level of services standards. In determining whether to pursue a level of service approach, the Council must decide the scope of level of service effort and the significance of the outcomes. The Council must also decide what involvement they will have in the process; the timeframe for integrating the standards into the budgetary process; frequency of review; and adopting a commitment to abide by the level of service standards.

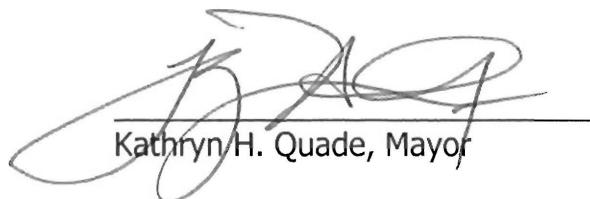
The Council and staff discussed the declining revenues and the impact on the City Hall project; staffing and budget cutbacks; and the need to have a process to determine what modifications may need to made. Mayor Quade stressed the need to continue with the new City Hall, due to the condition of the existing City Hall. Finkelstein suggested the Council meet periodically for a fiscal overview workshop and define the role of the Finance/Administration Committee.

Finkelstein stated he does not believe a level of service policy is appropriate for Poulsbo; due to the character of the city and the impact on the delivery

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and demand for services. The Council needs to have more informal discussion in a workshop structure, and review of the budgetary process.

The retreat adjourned 4:10 PM.



Kathryn H. Quade, Mayor

ATTEST:



Jill A. Boltz, City Clerk

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Strategic Planning for Fiscal Security

“Defining the City’s Long Term Service Responsibilities”

**City of Poulsbo Retreat
February 6, 2009**

**Mayor Kathryn H. Quade
Councilmembers:**

**Linda Berry-Maraist
Kimberlee Crowder
Becky Erickson
Connie Lord
Jeff McGinty
Dale Rudolph
Ed Stern**

Facilitator: Stan Finkelstein

Introduction

On February 6, 2009, the Mayor and Council of Poulsbo met from 9:00 a.m. until 4:00 p.m. for the purposes of beginning the process of establishing a long-term fiscal strategy for the city. In attendance at this retreat were the Mayor, all 7 members of the Council, The directors of the city's Finance, Planning, Public Works, and Parks and Recreation Departments, the Information Services manager, the City Clerk, and several other staff members. Mary McClure of the Kitsap County Council of Governments was also in attendance, as was Stan Finkelstein, facilitator of the retreat.

Poulsbo is a city of 7,840 residents, located in the northeast portion of Kitsap County. The city is organized under the Optional Municipal Code, and operates under the Mayor-Council form of government. The city council has been characterized by substantial stability, with four of the seven council members having in excess of 10 years of council service. Additionally, the city is deemed to be well managed, and the finance function, supervised by the Finance Director, is well respected on both a national and statewide level. The city's budget document has received acclaim for its presentation, its transparency and accountability, and its efforts to relate expenditures to outcomes.

In recent years the Mayor and Council has been mindful of the need to focus on long term strategic planning. The Council has adopted the following mission statement:

Our city is committed to managing the public resources to promote community health, safety, and welfare and plan for the future to accommodate growth, without burden, while preserving our natural resources and enhancing those qualities that make our community unique and desirable

At its August 22nd and 23rd, 2008 retreat, the Council adopted the following 10 goals:

- 1. Complete city hall**
- 2. Vacate old city hall**
- 3. Complete the city's comprehensive plan and develop accompanying zoning codes and policies**
- 4. Implement functional plans to include a Capital Improvement Plan and establish a maintenance program**
- 5. Review and develop building and zoning code policies to ensure that the city is developed according to the council's vision**
- 6. Establish a community vision for historic downtown that embraces a walkable town center, better transportation, and increased parking to enhance future economic development**
- 7. Add to facilities for recreation that includes a city/regional trail plan and other opportunities for partnerships and incentives for active parks, open space, and facilities**
- 8. Pursue a site and build a public works building including a solid waste transfer station**

- 9. Create a teen program for involvement in government that would include Junior Council and Junior Mayor programs**
- 10. Create an electric trolley transit program that loops around the city to create improved downtown parking, and other transportation enhancements.**

As of March 1, 2009, progress has been made on a number of the aforementioned goals, especially those related to construction of a new city hall and a public works building. Many of the other goals are still in the formative stages. A significant concern of the Mayor and members of the city council is that of the fiscal commitments required for implementation of the goals. Additionally, concerns have been raised regarding the sustainability of the city's fiscal capacity to address both ongoing and capital needs. The focus of this retreat is how the city can best position itself to responsibly address its fiscal needs on a long term basis.

Demographic and Fiscal Overview

During the past decade the city has experienced substantial growth in both population and in fiscal capacity. The city's population has grown by 27 percent since 1998 and the city's assessed valuation has grown by 209 percent since 2000, of which approximately one-fourth was attributable to new construction and improvements. The remainder of the growth has been due to the inflationary escalation in assessed valuations that have characterized the regional economy.

Inter-jurisdictional Fiscal Comparisons

Compared to cities with populations of between 6,500 and 10,000, Poulsbo enjoys a relatively high level of revenues. For 2007, the city per capita General Fund and Special Revenues were \$1,437, compared to \$962 for the comparable cities. The city is especially fortunate in having a "healthy" commercial base generating almost 50 percent more per capita sales tax revenues than similarly sized cities. The city has been aggressive in developing fee for service funding sources sufficient to backstop traditional tax revenues. The city has been annexed to both the Kitsap County Fire District #18 and the Kitsap County Library District, and is less reliant on property taxes than comparable cities. During the past year, the recent downturn in residential construction and the reduced level of automotive and recreational vehicle sales have adversely impacted the city's sales tax and real estate excise tax collections.

In 2007, Poulsbo had per capita expenditures of \$1,045 in 2007, compared to \$843 for cities between 6,500 and 10,000 in population. Poulsbo's Law and Justice and Natural Resources expenditures were significantly higher than comparable cities; albeit the city's Fire and Emergency Services costs were lower due to having been annexed to the district. Of particular note has been the tendency on the part of the city to establish *substantial* Beginning Fund Balances and reserves. This fiscally conservative tendency has positioned the city well to address revenue fluctuations arising from economic dislocations.

Purposes of the Retreat

After interviews with the Mayor and six of the seven members of the city council, there was a consensus that there was a general concern about the city's fiscal well-being and its ability to accommodate growth. Specifically, it was determined that the retreat should focus on the following six purposes:

- 1. The need to establish a strategy to address the city's long-term fiscal future**
- 2. The need for the city to establish a process for assuring that the city's ongoing capital needs are funded**
- 3. The need to engage the Mayor and Council in a process of inter-temporal fiscal planning**
- 4. The need for the city to define a process to address the setting of priorities in the context of the budgetary process**
- 5. The need to provide Council guidance for development of the city's 2010 budget**
- 6. The need to integrate the city's long-term fiscal strategy with an ongoing process for fiscal review and engagement**

In addition to the aforementioned purposes, it was also intended that the retreat would define a process whereby the Council would be increasingly engaged in budget monitoring, and have a proactive role in initiating mid-year budget modifications.

In the aforementioned interviews, the elected officials were asked to indicate what they saw as the challenges facing the city over the next 10 years; their perceptions regarding the adequacy of city services, including identification of those needing improvement or enhancement; their understanding of the adequacy of capital facilities; and what they expected as an outcome of the retreat. Key department heads were also interviewed and asked to comment on the major issues facing their departments, the adequacy of funding to address their department's responsibilities, and their thoughts regarding the budgetary process. Appendices C and D are copies of the questions discussed during those interviews.

Retreat Format

The retreat was designed to be interactive, with the facilitator leading discussions by both the elected and appointed officials in attendance. Appendix B is a copy of the power-point presentation developed by the facilitator for use during the retreat. The morning portion of the retreat was introductory in nature, exploring the purposes of the retreat, the context, and a fiscal overview of the city. The latter discussion was shared by the facilitator and the city's Finance Director, Debbie Booher. That was followed by a lengthy discussion of the issues relating to setting the city's long-term agenda and

adopting a vision for the future. Key discussion subjects included fiscal concerns of the elected officials, defining the term "fiscal management", characteristics of a desired fiscal management system, challenges facing the city, and the concept of "levels of service".

In the afternoon, key department heads were asked to discuss the challenges and needs of their departments, levels of service, and capital needs. That discussion was followed by a general discussion of "levels of service" and whether adoption of the concept would be appropriate for the city.

The final discussion of the retreat was that of "next steps". That discussion was intended to provide suggestions for modifications as to how the Council could evolve into becoming more engaged in its budgetary and fiscal oversight roles. The discussion was to center around the issue of whether the full Council or the Finance/Administration Committee should be more active in overseeing the fiscal responsibilities of the city.

Retreat Discussion

A. Fiscal Concerns

- 1. Decreased revenues:** Concerns were expressed that while the city has enjoyed substantial economic and tax base growth in the recent past, that growth may not be sustainable in future years. Specifically, it was suggested that with the downturn in residential building and real estate transactions, the city's real estate excise tax revenues might decline, as well as the growth in property taxes arising from new construction and improvements. Offsetting the vulnerability of these revenue sources is the belief that the growth in sales taxes from Poulsbo based regional commercial establishments will continue, and expand as the economy expands.
- 2. Cash flow:** Council members raised the issue as to how they could become more fully informed regarding changes in the city's cash flow so as to be more able to respond to the potential need for budgetary changes.
- 3. Baseline budget forecast and review:** Several of the council members acknowledged that they did not fully understand how the annual budget was developed, and the process for determining how budgetary decisions were made both when the budget was developed as well as when adopted. There appears to be some confusion regarding what constitutes the "baseline" budget and what are the enhancements. This was especially evident regarding annualized equipment and vehicle purchases that are treated as enhancements regardless of the recurring nature of such expenditures.
- 4. Capital expenditures:** The discussion indicated that the council members don't feel that the city has an adequate capital improvement plan; a Council "buy-in" regarding the direction that the city's capital

improvement plan should take; a vision for the types of capital improvements that the Council would like to see funded over the next 10 years; a strategy to implement the capital improvements included in the goals adopted at the August 2008 retreat; nor a capital improvement funding strategy. Furthermore, there was some ambiguity regarding ongoing capital expenditures and those associated with one-time improvements.

It should be noted that the issues raised by members of the Poulsbo Council are very similar to those raised by council members in many other cities. It is reflective of the fact that most councils tend to focus on the operating budget, and often spend less time reviewing and adopting the city's long range capital improvements plan and implementing budgets.

5. **Debt service:** As the city initiates a number of major capital improvements (i.e. new city hall and public works buildings, enhanced park and recreation facilities, and transportation improvements) there is growing Council concern regarding the availability of resources to service the anticipated debt associated with those projects. The inference from the discussion is that as a first step the Finance/Administration Committee needs increased familiarization with the city's capital financing strategy, and that other council members as well wish to be informed on an ongoing basis as to how projects are to be paid for and the time-line for those projects.
6. **Discretionary versus non-discretionary priorities:** The outcome of this discussion was that a number of council members wish to become more engaged in the determination regarding funding priorities. It was indicated that there were diverse points of view amongst the members of the council regarding how to best allocate the city's fiscal resources so as to address diverse needs. The discussion did not raise criticism regarding the existing budgetary process but rather led to an inference that several of the council members felt that the budget was essentially a "done deal" and only marginal changes were possible after it was submitted.
7. **Managing resources:** The final fiscal concern raised in this section was that of how could the city council become more engaged in being active "stewards" of the city's resources. The discussion was abbreviated in recognition that the following major discussion would focus on "fiscal management".

B. Fiscal Management

A key purpose of the retreat was to explore alternative "fiscal management" strategies that the city could utilize to more fully engage the Council in its role as fiscal stewards. For purposes of the retreat, *fiscal management* was defined as

"the management of revenues and expenditures over time in a manner that assures stability in the provision of ongoing services; meeting the city's priorities; and having the capacity to address capital needs, growth, and the ability to respond to reasonable evolving citizen expectations". It was indicated that concerns regarding fiscal management have been elevated as a result of the current economic downturn, uncertainties regarding the timing and magnitude of the city's future economic and population growth; and the lack of clarity regarding the Council's role in overseeing the fiscal wellbeing of the city.

The following 4 questions were discussed by the attendees regarding the issue of fiscal management:

1. Should the Council establish parameters addressing the cyclical nature of revenues, and what should those parameters be?

While many of the council members expressed concerns regarding cyclical fluctuations in the various revenue components, there appeared to be less than a full understanding of the significance of each of the components to the city's overall revenue structure. Members of the Council expressed an interest in developing a fuller understanding, but suggested that the Committee on Finance/Administration should play a greater role in developing a baseline comprehension.

2. Should capital expenditures become more integrated into the budgetary process?

One of the issues that surfaced throughout the retreat was the manner by which the city budgets for ongoing replacement of equipment, furnishings, and vehicles. The current practice is to treat those expenditures as "enhancements" and not as part of the baseline budget. It was suggested that since such capital expenditures as computer and police vehicle replacements occur on a regular basis that they should be treated differently from such capital expenditures as one-time software upgrades, major improvements, and other nonrecurring expenditures.

3. What should be the ongoing role of the Finance/Administration Committee?

In response to this question there was a somewhat "divided house" regarding the Committee's role as stewards of fiscal oversight. On the one hand, there were several council members who felt that the Committee's role should be "beefed-up", and play a greater role in overseeing the fiscal activities of the city. To that extent it was suggested that the Committee should propose policies to the full council regarding matters of fiscal concern. On the other hand, it was suggested that since fiscal oversight is such a critical issue to the city that the entire Council should be more

fully involved. It was suggested that there be conducted periodic Council work sessions reviewing the city's fiscal conditions.

4. What should be the obligation of "growth" to defray the costs of new capital requirements? General Fund vs. proprietary activities?

While the Council recognized the "costs" of growth, there was a lack of a consensus regarding whether growth should pay its way or be subsidized. On the one hand there were some who felt that the city needed to promote growth in order to maintain a diversified economy, while others felt that the existing residential and business community should not bear additional burdens to absorb the costs of growth. It was suggested that perhaps the Council should have a more comprehensive discussion of the issue and adopt policies providing parameters to the staff in addressing this issue.

In addition to the four questions, two additional concerns were raised during the discussion of fiscal management. The first was that of *what is an appropriate level of reserves for the city?* City policy currently calls for a minimum of 8 percent of its operating budget in the form of reserves. The city currently has a reserve level of more than 20 percent. It was suggested that the Council should establish a policy, with accompanying guidelines, regarding reserve levels versus using excess reserves for ongoing service or capital enhancements.

The second concern raised was that of *the frequency with which the Council reviews/modifies the city's Mission Statement, and Goals whether they should be used to set budget priorities?* It was suggested that the Goals established at the August 2008 retreat along with the Mission Statement should be integrated into the budget priority setting process. It was also recommended that the council should review its Mission Statement and Goals every 3-5 years, and update them, if recommended. Finally, it was suggested that a process be established to monitor progress towards achieving the goals, with defined benchmarks.

C. Challenges Facing the City

One of the elements of the retreat was to identify and discuss significant current and future challenges facing the city, and to discuss strategies to address those challenges. The retreat discuss divided the challenges into two groups; fiscal and non-fiscal challenges.

Fiscal Challenges

1. Cleanup of Liberty Bay: Several participants raised the issue of the costs of cleaning up Liberty Bay, its impact on the city, and alternative funding

- sources. There was a recognition that the city would have to play a role were the bay to be cleaned up, but that clean-up is of value to the city.
- 2. Return on Investment:** There was some discussion by the members of the Council regarding the ability to quantify returns on various types of capital expenditures. While most recognized that defining such returns is problematic, nonetheless there was the belief that there should be a quantitative assessment to justify major capital improvements. It was also alluded to that the city might wish to look into defining outcomes for various types of operating expenditures, especially when considering enhancements.
- 3. Fiscal Growth:** A number of council members expressed concern as to whether the growth of resources would be sufficient over the long term to address current and future service and capital needs. While the city is presently well funded and has experienced substantial revenue growth in recent years, the sustainability of that growth was of significant concern to many of the participants at the retreat. This concern parallels a generally conservative sense that the city should not overextend itself without having a clearer picture of anticipated future revenue growth.

Non-Fiscal Challenges

- 1. Council Operations:** Two issues were raised regarding current Council operations. The first was whether the Council was operating *efficiently*. While there were few examples given that documented inefficiencies, there was a sense that perhaps the Council as a whole should review its processes to determine whether efficiencies could be implemented. The second issue was that of whether the council has demonstrated a lack of discipline in following its own procedures. There was a sense that there should be increased adherence to adopted Council procedures.
- 2. City Growth and Density:** Concerns were raised regarding the city's ability to easily accommodate a Growth Management Act mandated population in excess of 14,000, and the resultant increased population densities therewith associated. The feeling was that the "chemistry" of the city would change and that it would be important for the city to guide the population growth in such a way so as to mitigate potential adverse outcomes.
- 3. Environmental Constraints:** There was a general discussion of the costs of compliance with both state and federal environmental regulations impacting the city, as well as the potential of new regulations relating to the clean-up of Puget Sound. While there was not evidenced any disagreement with the need for environmental protections, the costs of compliance were the primary subject of the discussion.
- 4. Communications Between the City and Local Businesses:** It was suggested that the city needed to establish a more systematic process relating to communicating with local businesses. There was especially a concern that the downtown businesses were feeling neglected in favor of

- the newer and larger outlying retailers. Several attendees felt that the city needed to cultivate its downtown merchants in order to maintain the tourism attractions of the city.
5. **Sustaining and Growing the Downtown Core:** as expressed in the prior challenge, there were strong feelings that the city needed to sustain and grow its downtown merchant base and the attractiveness of the downtown area. There does not appear to be a current strategy to address this challenge.
6. **Community Relations:** As expressed in a number of the other non-fiscal challenges, there seems to be an increased need for expanded communications with both the business community and the general public. As the city endeavors to accommodate a growing and more heterogeneous population, increased community outreach efforts will be essential to assuage citizen concerns about the changes that the city is undergoing.
7. **Common Understanding Between the Council and City Staff:** Several of the staff members present at the retreat expressed concerns that there has evolved a lack of understanding between council members and key department heads regarding the direction that the council is pursuing and the activities of the departments. The inference was that there is inadequate communication between the Council and key city staff. While the discussion did not infer that this was a major problem for the city, it was one that probably could be easily addressed.

D. Department Director Presentations

During interviews with the elected officials it was suggested that the retreat should include key department heads and allow for a dialogue regarding the services provided by each of the departments and the perceptions of department heads regarding the progress that is being made in addressing issues. In response to that suggestion the directors of the finance, planning & building, public works, police, information services, and the parks and recreation departments were each invited to provide a brief presentation at the retreat. Following is a summary of those presentations:

8. **Finance Department: Deborah Booher**
Director Booher presented a brief overview of the core services provided by the city. She also discussed the goal setting process that is in place in hers and other departments. All goals are intended to be feasible and progress is measurable. She discussed the functions of the finance department, and concluded her presentation by acknowledging that with declining resources there will be a reduction in the services that the city can provide.
9. **Planning and Building Departments: Barry Berezowsky**
Director Berezowsky presented an overview of the department's 2009 goals. Those goals include completion of the updated comprehensive

plan. The department will also work with the council to establish priorities consistent with the updated plan, and to identify the necessary financial support required to successfully achieve the Council's goals. He indicated that his departments measure "level of service" primarily in terms of customer service. He further indicated that activity in both departments is lower due to the economic downturn and reduced building and permitting activity in the city. His indicated that the departments have operated at the same staffing level for at least 10 years.

3. Public Works Department: Barry Loveless

The director indicated that in recent years the department has maintained, and in some areas has had to increase service levels to accommodate growth. He discussed the levels of service measurements in storm water, roadways, parks and cemetery services. He reiterated that the level of solid waste services in Poulsbo is higher then in other Kitsap County communities. It was also acknowledged that a number of the enterprise activities are receiving increased revenues due to recently approved rate increases.

4. Police Department: Chief Dennis Swiney

Chief Swiney indicated that many of the services provided by the Police Department are either mandated or expected by the citizenry. In terms of service levels, the Chief indicated that response times are good and continues to be monitored. There are very few areas where the Police Department could reduce levels of service. He mentioned that the Police Reserves program is being phased out due to a lack of volunteers and the fact that training academies are no longer being offered. Chief Swiney indicated that he is still recruiting for the open Patrol Officer position, and has had to reject several applicants who were disqualified. He mentioned that many jurisdictions are having difficulty recruiting qualified police officers.

5. Information Services: Tim Treacher

IS Manager Treacher described the nature of services provided by his department. As distinct from most other departments, the Information Services Department primarily serves the city's other departments. He feels that his department is basically a "24/7" agency that needs to respond to problems whenever they arise. The current goal for the IS Department is for the staff to attend more training and become more adroit at addressing advanced technology responsibilities. Manager Treacher indicated that one change that is underway is that with redesign of the website, each of the city's departments will be responsible to for maintaining their section of the website. At present that responsibility consumes 40 percent of the IS Department's workload. He indicated that the IS Department has a number of unfunded needs, but that currently there is no system in place to measure the level of satisfaction regarding the services provided by the IS Department.

6. Parks and Recreation Department: Mary McCluskey

Director McCluskey indicated that a major concern for the Department is the fact that only 24 percent of its budget is derived from the city's general fund, with the remainder being provided from fees and charges. She feels that the level of city support may need to be increased. Basically, the department serves the entire North Kitsap County residential base. She mentioned that currently the Parks and Recreation brochure is mailed to all North Kitsap County residents twice a year, a decrease from three times a year due to costs. Additionally, approximately six email newsletters a year are sent to the same residents. Director McCluskey indicated that the biggest issue this year is that of their facility. The uncertainty relates to the uncertain status of the current building. She closed by mentioning that there are several parks projects scheduled for 2009, with some relying on volunteers.

E. Levels of Service

Facilitator Finkelstein discussed the issue of *levels of service*, and its applicability to the City of Poulsbo. This is an issue that was raised by a number of council members during pre-retreat interviews. Level of service is defined as:

“A measure of the amount/and or quality of a service or public facility that must be provided to meet the community’s basic needs and expectations.”

Examples would include commissioned officers per 1,000 residents, acres of parkland per 10,000 residents, or frequency of trash pick-up.

It was indicated that level of service standards are important in satisfying the Growth Management Act requirements, in responding to citizen concerns regarding adequacy of services, in evaluating budgetary options, in determining capital improvement needs, in establishing budgetary priorities, and for other reasons. However, there are a number of issues associated with establishing level of service standards for a community such as Poulsbo. Amongst those issues are the need of the Council to focus on *outcomes* and not simply *inputs*; the difficulty of adapting national level of service standards to a community the size of Poulsbo; as well as the budgetary implications of adopting level of service standards that may have substantial fiscal implications. The presentation on levels of services was concluded with a discussion of the tasks associated with developing appropriate standards for a city.

F. Next Steps/Recommendations

Following is a series of recommendations by the facilitator that are reflective of the discussion at the retreat, and are consistent with the majority point of view of the Council. It should be noted at the onset that every indication is a high degree of satisfaction with the quality of work of the Finance Department, and while several of the recommendations relate to fiscal issues, it should not be inferred that they are reflective of concerns that the city is not being well served at the administrative level regarding the oversight of the city's fiscal responsibilities. It should be noted that the following recommendations have been crafted by the facilitator and were not individually subject to discussion by the elected officials at the retreat.

Recommendation 1: Role of the Finance/Administration Committee

There appears to be some confusion as to the ongoing role of this committee. It is suggested that inasmuch as there appears to be concerns about the long-term fiscal conditions of the city, that the committee develop a proposal defining its ongoing role and responsibilities and submit that proposal for full Council approval. Areas that the committee might wish to pursue include that of more direct ongoing monitoring of revenues and expenditures; increased involvement in capital improvement financing; and development of overall fiscal policies to guide future city operating and capital expenditures.

Recommendation 2: Quarterly Workshops of the Council – Fiscal Review

Evidence at the retreat indicated that all of the elected officials were concerned about the fiscal conditions of the city, including matters relating to future capital financing strategies, ongoing revenue collections, baseline budget forecasts, the costs of growth, and the city's long-term ability to sustain services and respond to evolving needs. In order to keep the full Council continually engaged in an understanding of the fiscal conditions of the city, it is suggested that a quarterly workshop be conducted for the purpose of reviewing the city's finances with the full Council.

Recommendation 3: Budgeting for Ongoing Capital Expenditures

Currently, ongoing capital expenditures for such items as scheduled computer replacements, police cars, roadway paving, and similar recurring items are included in the budget as enhancements. Inasmuch as these expenditures occur on an ongoing basis, it is suggested that they be budgeted as current service level, and not as enhancement expenditures. It is further suggested that the city budget include a revolving fund element to provide for replacement of all other vehicles. By so doing, the city would avoid discrete expenditures when such vehicles need replacement.

Recommendation 4: Funding for Technology

During both the department director interviews and at the retreat it was suggested that the city may be underfunding necessary software upgrades and enhancements. Those under-expenditures impact the ability of other departments to optimally deliver services. It is recommended that there be an analysis prepared to determine the technology needs of the city, the costs of addressing them, and the potential benefits.

Recommendation 5: Capital Improvement Prioritization & Debt Financing

Several council members mentioned during the interviews, and it was reiterated at the retreat that a number of the elected officials were uneasy about how capital improvements are prioritized, the capital financing strategies of the city; the sources of debt financing; and issues related to the funding of general government and enterprise related capital improvements related to growth. While there does not appear to be any specific problems associated with the means by which the city has funded past and current capital improvements, it is suggested that there be a Council workshop reviewing the capital improvement needs of the city and the alternative funding sources to address those needs. Such a workshop should also review the capital improvement needs associated with the August 2007 goals adopted by the Council and the scheduling of those improvements.

Recommendation 6: Council Operations

During the retreat, the Council identified amongst the “challenges facing the city” issues relating to whether the Council operates efficiently, Council adherence to adopted procedures, and the issue rose regarding possible misunderstandings between the Council and staff. While the discussion did not suggest that these problems were significantly hampering the ability of the Council to discharge its responsibilities, it does allude to the potential of frictions arising amongst council members. It is recommended that these and a number of related issues might be best addressed at a 2-4 hour facilitated workshop designed to explore the means by which the Council could improve its practices and better communicate with staff.

(Note: While this subject and the accompanying recommendation is beyond the subject of ‘the retreat, it is included due to it having been mentioned several times during the discussions.)

Recommendation 7: Communications

The final recommendation, also beyond the scope of the retreat, is that the city address a number of communications issues that arose during the discussions. It was suggested that the city should establish a more formalized mechanism to establish ongoing communications with the business community, as well as address general community relations. While the discussions failed to specifically identify deficiencies, given concerns that have arisen regarding growth, the new city hall, the impact of peripheral commercial development on downtown businesses, and other issues, that the city might wish to consider establishing a periodic newsletter or enhancing such current communications mechanisms that could be included as inserts with utility bills. This recommendation is for implementation by the Administration and intended as a means to expand contact with the various elements of the community.

G. Concluding Comments

Poulsbo is a well managed city, with substantial fiscal capacity, a stable Council, and a highly professional staff. In recent years the city has experienced significant population and economic growth, and such growth is likely to continue in the future. This retreat was designed to assist the Council to define its fiscal oversight roles; to address concerns regarding the city's long-term fiscal future; and to better define the Council's opportunities for the ongoing monitoring of the city's revenues and expenditures. It was also intended to encourage a more formalized process for prioritization of future capital expenditures, including those associated with the Council adopted Mission statement and Goals.

The seven recommendations included in this report are intended to provide guidance to the Council as to how to address a number of issues raised during both the pre-retreat interviews and during the retreat itself. While implementation of those recommendations may not significantly impact the delivery of city services, they will more fully engage the Council in an understanding of the city's fiscal condition -- both current and future.

Respectfully Submitted

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Facilitator

