

UNION GAP CITY COUNCIL SPECIAL MEETING
Council Chambers, City Hall
Union Gap, Washington
January 7, 2008

- Call to Order Mayor Lemon called the Special Meeting of the Union Gap City Council to order at 6:04 p.m.
- Council Members Present Council Members David Butler, Glenn Bateman, Dan Vanover, Roger Wentz, Dave Matson, and James Murr were present.
- Staff Present Robert Noe, City Attorney; Dennis Henne, Public Works Director; William Rathbone, Development Coordinator; Keith Yamane, Fire Chief; Karen Clifton, City Treasurer; and Kathryn Thompson, City Clerk were present.
- Audience Present Debbie Matson, Tony Reise, Michael Murr, Stephanie Korn, Judy Vanover, Ken Mehin, Dave Zable, Micah Cawley, and others were present.
- Funding of the Public Transportation System Mayor Lemon announced this meeting is to discuss funding of the public transportation system because the City will not be able to collect the additional sales tax for the first three months of this year.
- The City Treasurer distributed information and explained the state statute required the ballot information regarding the sales tax increase to be filed with the Department of Revenue at least 75 days prior to the first of January, which would have been mid October. Since the election was not held until November, it was impossible to meet the state's deadline.
- The Public Works Director explained that in November the voters passed the sales tax increase for transit service and when the agreement was negotiated with Yakima Union Gap thought we would receive sales tax for January – March in April and Yakima understood they would not receive compensation until April. Due to the notification process, sales tax will not take affect until April so Union Gap will be collecting the increased sales tax for 9 months instead of 12 months.
- The City Treasurer distributed a handout showing the projected funds for the transit service.
- The Public Works Director explained the projected sales tax for 12 months was \$723,000 minus the total annual operating costs of \$505,704 leaving the City with an excess of \$217,296 for operating costs and reserves for the future. The projected sales tax for 9 months is \$542,000 minus the total annual operating costs of \$505,704 leaving the City with an excess of \$36,296 which is enough to operate the system if the City waits to construct bus shelters, etc.
- Mayor Lemon questioned if the City met the deadline for submitting the ballot information for collection the 2nd quarter of the year.
- The City Treasurer stated yes, the paperwork has all been submitted to Department of Revenue.
- The Public Works Director informed he originally thought the City received it's sales tax from the state four times a year, but the City Treasurer informed him sales tax is received monthly.
- Council Member Vanover commented by the end of the year everything should be square so the question is will Yakima float Union Gap until May.
- Council Member Wentz requested the Public Works Director address his original proposal to cover the shortfall.
- The Public Works Director informed there are times when cities need to do interfund transfers or loans to cover shortfalls and he proposed using the 124

Infrastructure Reserve Fund and then reimbursing the fund when the money is received.

Council Member Vanover stated in the past the Council was told they could not loan the money from a different fund and then reimburse that fund with any of the sales tax money because the sales tax money is only for the transit system.

The City Attorney stated he does not recommend the City use an interfund loan and pay the money back with sales tax money.

Mayor Lemon stated he does not believe the City needs to look at the option of an interfund loan because there is sufficient projected revenue and he understood Mr. Mehin was willing to work with the City.

Dave Zable, Yakima Assistant City Manager, informed an interfund loan is what the City of Yakima would do if they were faced with this issue and recommended Union Gap look into an interfund loan.

Council Member Vanover suggested the City Attorney look into the legalities of an interfund loan and stated the alternative is to cut back the bus service to a skeleton operation.

Mr. Zable stated the City of Union Gap either needs to borrow from itself or borrow from the City of Yakima and there is an interlocal agreement in place. He also informed if the City of Union Gap wishes to stop the transit service they must first conduct a public hearing.

Mayor Lemon informed there is a clause for termination in the agreement if the funding source is not available.

Mr. Zable informed Union Gap has time to figure this out because Yakima was not anticipating payment until April anyway.

Council Member Vanover commented Union Gap still has to have a plan because we are creating a daily bill and the General Fund will not cover the expenses.

Council Member Matson stated the money will be there, the question is whether or not Yakima will carry Union Gap until we can begin making payments.

Mr. Zable informed Yakima does not have huge surpluses either and is not in a position to carry Union Gap for six months.

The City Attorney stated Yakima knew Union Gap would not be able to pay until April. There was no way to notify the Department of Revenue in time to collect in January because the deadline was in October before the election in November. He stated he is not sure why the City needs to look at an interfund loan when Yakima knew they would not be paid until April.

The City Treasurer informed the sales tax money from the state is received monthly, but it is delayed about two months.

Council Member Vanover recommended the City Attorney research the options and prepare a report for the next Council meeting.

The Development Coordinator stated his recollection of the previous Council discussion of using an interfund loan was when the Council was contemplating establishing temporary bus service for 6 months and then placing the issue on the ballot and using sales tax money to repay the General Fund.

Mayor Lemon stated it still looks like June or July before Union Gap will have the sales tax money to pay for this service, and informed he would like to hear from Ken Mehin.

Dave Zable stated Union Gap could consider a line of credit at a bank also.

Council Member Matson questioned if Yakima has to have their money right now.

Mr. Zable stated Yakima does not have any surplus in their Transit funds.

Mayor Lemon questioned if Yakima has received the money from last year's 6-month grant yet.

Mr. Mehin stated Yakima just received that grant money this month.

Council Member Wentz commented that Yakima did float the bus service for 6 months if they just received the grant money.

Mr. Zable stated Yakima did not float the service on purpose; the federal government is slow at paying.

Council Member Wentz pointed out that this is not the fault of any individual, this is a problem with Olympia and cities need to address this with the legislators.

Mr. Zable agreed stating it is hard to meet a 75-day deadline when the election is in November.

Mayor Lemon questioned how Selah met the deadline.

Mr. Mehin stated Selah's service started in July so they had six months extra time to meet the deadline for January 1st.

Council Member Matson requested Mr. Zable see what the least amount of money Yakima will agree to being paid the first six months so Union Gap will know how much they need to finance.

The Public Works Director informed he will work with the City Treasurer to prepare options for the next Council meeting. He informed there is about \$60,000 in the 124 fund, but that would have to be an interfund loan with interest.

Mayor Lemon questioned why our grant did not cover us.

The Public Works Director explained our grant ended in January and Selah's grant was for 2 years and ended in July.

Adjournment

At 6:34 p.m., Mayor Lemon adjourned the Special Council meeting.

These minutes dated January 7, 2008 were approved at the Regular Council Meeting of January 14, 2008.

Jim Lemon, Mayor

ATTEST:

CITY OF UNION GAP REGULAR COUNCIL MEETING MINUTES – January 7, 2008 - CONT.

Kathryn Thompson, CMC, City Clerk