The purpose of the special session is to review the 2002 preliminary budgets for the Energy Services Department and the I-Net and CATV Funds as well as the Community Development Department.

ENERGY SERVICES

Energy Services Director Titus distributed an overview of the Funds in the Energy Services Department’s 2002 preliminary budget. The Department’s organization chart was reviewed. Light Fund expenditures are up 25% over 2001. Gas Fund expenditures are up 6% over 2001. Light Conservation expenditures have increased as well.

Issues in 2002 for the Light Department include regional transmission organization (RTO), BPA issues, and planning for a new substation to accommodate growth.

Significant budget changes from 2001 to 2002 were reviewed. These changes include: 1) Capital outlay increase ($183,300) due to automated meter reading pilot program, GIS inventory and inflation; 2) Purchased power cost increase ($1,813,000) due to BPA rate increase and the expiration of the LG&E contract; 3) Maintenance of Underground Lines increase ($36,500) due to aging cables that are starting to fail; 4) New conservation and fuel switching programs ($2,553,500); 5) Training increase ($13,000) due to number of new employees and mandated training needs; 6) Power Transmission Costs decrease ($215,500) due to revised BPA rate; and 7) Maintenance of Overhead Lines decrease ($59,000) due to emphasis on underground cable. In 2002 capital outlay for the Light Fund totals $82,400 and is moved into the Light Construction Fund. Fuel switching and conservation is moved to the Light Fund as well.

The City Light Construction Fund was created in 2001 to meet capital spending needs of City Light through 2004. This Fund receives proceeds from the bond issue; future capital projects will be funded with proceeds from the Fund. Total capital outlay in 2002 is $655,000 and includes $50,000 for an
automated meter reading project. The Gas and Water Fund budgets include similar levels of funding for this project.

Issues in 2002 for the Gas Department include rate stability, gas markets and fuel switching and gas marketing.

Significant budget changes from 2001 to 2002 were reviewed. Total revenue from Energy Sales is decreased by $475,000 due to a reduction in wholesale gas costs. Expenditure changes include: 1) Inventory Gas Purchases decrease ($310,000) due to the City’s agreement with Avista; 2) Purchased Gas decrease ($257,000) due to lower wholesale gas prices; 3) Customer Accounting & Billing increase ($48,500) due to allocation formula; 4) Fuel Switching/Conservation Programs decrease ($247,500) due to program transfer to Light Fund; 5) Outside Services decrease ($20,500) due to reduced use of consultants; and 5) Training increase ($4,500) due to new employees and new national proficiency standards. Total capital outlay in 2002 is $347,900.

The City Gas Construction Fund was created in 1997 to receive proceeds from the bond issue and meet construction needs of the natural gas system expansion as well as improvements to existing facilities. Monies remaining in the Fund after fiscal year 2001 will be used on the second phase of the Water Street project. Total expenditure for 2002 is $50,211. The Fund will be closed out in 2002.

**I-NET FUND**

The I-Net Fund was established to collect and distribute funds associated with the operations, maintenance, and debt service of the electronics used to interconnect the initial users of the I-Net system with each other and to the outside world using high-speed, broadband communications. Initial users are slowly migrating applications to the I-Net. The City hopes to have all City buildings interconnected by the First Quarter of 2002. Some City utility sites will not be online until late in the Second Quarter of 2002. The 2001 I-Net Fund includes an annual operating and maintenance budget of $85,000 which is allocated to parties using the same formula as used to allocate capital costs. A KITTCOM employee will function as a half-time support person to the parties. Future upgrades may include telephone service over the Internet as well as an I-Net extension to Upper Kittitas County. Staff will be coming to Council in November to close out the I-Net project, and anticipates total capital costs will be less than the budgeted amount of $645,674. Total cost to the City is projected at $246,342. Council requested staff consider budgeting funds for training individuals operating the I-Net.

**CATV FUNDS**

The CATV Operating and Maintenance Fund receives 2% of the total gross revenues from the Charter Communications operation. Under an existing contract with CWU, the money in this fund supports the University’s operation of the Ellensburg Community Television station, Channel 2 KCWU. The CATV Capital Outlay Fund receives 50 cents a month per customer from the Charter Communications operation. This money is directed by the City franchise agreement to be used for capital equipment
purchases such as cameras, microphones, editing equipment and eventual replacement of the KCWU van.

The 2002 budgets of both Funds contain sizable reserve balances.

Current developments in filling gas journeyman vacancies in the Gas Department were discussed.

**COMMUNITY DEVELOPMENT**

Community Development Director Witkowski presented an overview of his Department’s 2002 preliminary budget. The Personal Services budget increases due to the proposed filling of the Community Development Secretary position for nine months. This position went unfilled for budgeting reasons in 2001 after the employee holding the position previously transferred to another position within the City.

Projects planned for 2002 include a comprehensive review of the Comprehensive Plan as well as a required update to the Plan. The Department will be developing a process for dealing with environmental and regulatory issues mandated by the Endangered Species Act and the Shoreline Management Act. Staff will be involved in the West Ellensburg Park and City Hall projects. Other projects occurring next year include the renovation of Kamola Hall on the CWU campus as well as the siting of the new Student Union Building. The first phase of the new Hertz Music Hall is on hold at this time. This budget is heavily weighted to salaries and does not include many large capital items as most of the mechanical equipment is shared with the Public Works Department.

Expenditures include increases for utilities and rentals of the annex building and vehicles. The 2002 budget for the Hearings Examiner is set at $2,000 and covers the out of pocket costs of the Examiner. In 2002 staff may propose raising the filing fee on appeals to a level commensurate with the commitment entailed by the appeal process. The current filing fee is $10. Appeal costs to the City are approximately $1,000 per appeal. A reclassification of the non-union building inspector position to more accurately reflect the position's duties and responsibilities may occur in 2002.

Business Incubator Maintenance is increased $500 over the 2001 budget of $1,500. Staff will be monitoring this account in preparation for discussions with the Phoenix Corporation about sharing maintenance costs for the facility. The City's Agreement with the Phoenix Corporation includes a provision to begin sharing major costs such as repairs to the heating system, etc. Currently, there are no revenues to support Business Incubator Maintenance.

Revenues to the Lodging Tax Fund are projected to increase slightly over 2001 due to an increase in Motel/Hotel Tax revenues. Expenditures for Event Seed Money is increased $200 for a total expenditure of $1,200. Capital expenditures in 2002 total $140,000 and include: 1) directional signage ($40,000), and 2) a permanent restroom/parking facility in the downtown ($100,000). The additional 2% of the Motel/Hotel Tax collected is committed to be spent on marketing services provided under contract with the Chamber of Commerce. The total Marketing budget for 2002 is $120,000. Debt
Service for 2002 totals $40,687 and is disbursed as 1) Stadium Seating Debt Service ($15,687) and 2) Grand Stand/Fair Renovations ($25,000).

The process used for calculating non-union salaries was reviewed. Council discussed the proposed automated meter reading system (AMRS).

**ADJOURN** Adjourn at 8:49 p.m. Sowards

Affirmed

Mayor

ATTEST:

City Clerk