CITY OF ELLENSBURG, WASHINGTON

Minutes of Council Meeting, Special Session

Date of Meeting October 16, 2002
Time of Meeting 7:00 p.m.
Place of Meeting Council Chambers, 102 North Pearl Street

Councilmembers Present: Barry, Collins, Lillquist, Perrie, Savidge, Sowards and Mayor Bassett

Others present were City Manager Barkley; Finance Director Carpenter; Budget and Accounting Supervisor Snider; Energy Services Director Titus; Community Development Director Witkowsi; Rate Analyst Byrd; Deputy Clerk Keno and one member of the audience.

The purpose of the special session is to review the 2003 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 2003 preliminary budget. The Department’s organization chart was reviewed. One vacancy currently exists in the Gas Division which staff hopes to fill by the end of October.

Total budget expenditures in the Light Fund are a little over 10.6 million dollars and total budget expenditures in the Gas Fund are just under 6.9 million dollars. Actual expenditures in the Light Fund are down a little over 14% and expenditures in the Gas Fund are down almost 4% compared to the 2002 budget. Conservation spending in the Light Fund is down considerably due to agreements signed with BPA that provided several million dollars in revenues for conservation programs. Most of these monies have been spent. Major capital expenditures in 2003 are in the Light Construction Fund as opposed to being in the Light Fund in 2002. Gas Fund commodity costs are down. A reallocation of accounting and finance costs between the various utilities provided a fairly significant reduction in the Gas expenditures.

Issues in 2003 for the Light Department include regional transmission organization (RTO), BPA issues, and planning for a new substation to accommodate growth.

Significant budget changes from 2002 to 2003 were reviewed. These changes include: 1) Transmission cost increase ($102,000) due to rate adjustments made after the 2002 budget; 2) Accounting and collection cost increase ($48,000) due to the formula used to allocate costs to funds; 3) Conservation program cost increase ($102,000) due to anticipated increase in activity; 4) Employee benefit cost increase ($32,000) due to increased benefit costs; 5) Fuel switching decrease ($1,800,000); and 6) Interest income revenue decrease due to lower interest rates and lower reserve level ($47,000).
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, which are used to fund future capital projects. Expenditures in 2003 are identical to those items previously included in the Light Fund account with the exception of $120,000 for underground cable replacements and $100,000 for Information Technology (IT) projects. The expense for underground cable replacements is likely to continue into the foreseeable future and continue to increase as cabling installed in the mid to late 70's begins to fail. Total capital outlay for this Fund in 2003 is $720,000.

Issues in 2003 for the Gas Department include rate stability, gas markets and fuel switching and gas marketing. The threat of war with Iraq causes oil prices to rise and gas prices have a tendency to follow.

Gas expenditures increase to 2 million dollars to convert the electrical load to gas primarily at CWU as well as converting additional residential customers. Staff projects approximately 250 new gas accounts in 2003. In the last five years the number of gas customers has increased 40%.

Significant budget changes from 2002 to 2003 were reviewed. These changes include: 1) a $235,000 increase in total energy sales due to new customers and fuel switching programs; 2) a $195,000 increase in capital outlay due to the Water Street extension project and IT upgrade project; 3) a $66,000 decrease in customer accounting and billing due to the allocation formula; and 4) a $21,000 increase in employee benefit due to increased benefit costs.

The City Gas Construction Fund will be closed out by the end of 2002. The balance of the monies remaining in the Fund will be used on the Water Street extension project.

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. Users are slowly migrating applications to the I-Net. The City’s migration is hampered by its lack of information technology resources; City utility sites will not be online until 2003. The 2003 I-Net Fund includes an annual operating and maintenance budget of $65,000 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. Total expenditures for 2003 total $260,614.

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, KCWU Channel 2. 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 2003 budgets of both Funds contain sizable reserve balances. Within the next two to three years, a fairly expensive item will be replacement of the CWU van. These Funds could also be a source of funding for community access television equipment for the new City Hall. In answer to Council inquiry, Council imposed the requirement that dictates how these funds are spent.

As the result of an increase in customer complaints, the City has hired a cable consultant to review Charter’s books to ensure compliance with the franchise agreement and to survey other communities to compare service. The consultant’s draft report will come before Council shortly and preliminarily indicates Charter is middle of the road in its pricing and availability of services.

COMMUNITY DEVELOPMENT

Community Development Director Witkowski presented an overview of his Department’s 2003 preliminary budget. Total 2003 expenditures are $501,069 with $427,808 of that amount earmarked for salaries and wages. Licenses and Permits for 2002 development activity have pulled in well over half of the Department’s 2002 budget. Staff is doing more and more long range and strategic planning for City residents as well as residents of the County’s urban growth area (UGA). As the regulatory environment continues to change and become more complicated and contradictory, larger communities have hired consultants. Department staff continues to deliver a higher level of customer service. It is conceivable that the County may turn over more UGA work to the City resulting in more development review questions, interpretations, options, etc.

The expenditures increase in 2003 is basically attributable to increases in personnel and benefits costs as the result of a new personnel contract negotiated with the clerical workers union (approximately $17,000 increase). Some savings in Personnel expenditures are realized in 2003 due to the reclassification of the building inspector and building plans examiner positions in 2002. The 2003 budget for the Hearings Examiner is set at $2,000. In the next few months staff will present some options on the development review and appeals process that may result in elimination of this budget item. Most of the Department’s expenditures are reduced or held to the 2002 budget amount. Construction Permitting And Inspection increased from $4,000 budgeted in 2002 to an estimated budget of $33,000 by the end of year due to plan checks on large projects that needed to be referred to qualified consultants in order to handle the timelines required by the projects. It is not economically feasible for the City to staff up to handle the timelines required by these projects. The plan check for the City Hall project will probably be sent out as well and these funds are not budgeted.

The fact that revenue from licenses and permit fees does not recoup the City’s costs was discussed. In answer to Council inquiry, there is no revenue from the Business Incubator other than a $1.00 per year. The City still owns the Incubator building and budgets for insurance and major repair items.
Because the Incubator was built with federal monies it cannot be sold for 20 years. If the City were to sell the Incubator sooner it would have to pay back the Federal government for the cost of the building ($611,000).

The 2003 C.H.I.P. Reserve Fund budget includes $80,000 in a separate account titled “Historic Building Grants” for development grants for interior and exterior rehabilitation upgrades for buildings in the City’s historic downtown.

Rate Analyst Byrd outlined the 2003 budget for the Lodging Tax Fund. Revenues to the Fund are down 5% in 2002; the 2003 budget anticipates improved receipts in response to increased tourism as well as the addition of new/remodeled lodging. The Lodging Tax Advisory Committee is trying to get the County to adopt the additional 2% lodging tax for an additional $20,000 in revenue to this Fund.

In 2002 the Event Seed Money account was over spent by $5,700. Expenditures were up due to the final year of eligibility for the Gust Fest and Kittitas Environmental Education Network (KEEN) events and the first year for Valley Musical Theatre and Whiskey Dick Triathlon. The “What a Doll” project was a one time only event. The 2003 budget is $12,000— the same as 2002. Capital expenditures in 2003 total $200,000 and include: 1) entry signage ($120,000), and 2) a permanent restroom/parking facility in the downtown (carry over of $80,000 from the 2002 budget). 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 2003 is $120,000. Debt Service for 2003 totals $40,687 and is disbursed as: 1) Stadium Seating Debt Service ($15,687) and 2) Grand Stand/Fair Renovations ($25,000). Alan Walker, Chamber of Commerce Manager, distributed the Chamber’s preliminary 2003 Tourism Budget Proposal and outlined its marketing plan.

**ADJOURN** Adjourn at 8:50 p.m. Collins Affirmed

Mayor

ATTEST:

City Clerk