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 Witkowski; and Deputy Clerk Keno.

The purpose of the special session is to review the 2004 preliminary budgets for the Community Development Department, including the Lodging Tax and C.H.I.P. Reserve Funds as well as the Energy Services Department and the I-Net, IT and CATV Funds.

COMMUNITY DEVELOPMENT

Community Development Director Witkowski presented an overview of his Department’s 2004 preliminary budget. The budget is service-based with no capital expenditures proposed. Most of the expense is in people and services support. The proposed budget is almost $40,000 more than the 2003 budget. Over half of the increase comes from two items: 1) Miscellaneous Training ($15,500) for staff training related to the Department’s shift to the International Building Code (IBC) in July, 2004; and 2) Overtime ($11,431) budgeted for Construction Permitting And Inspection. A lot of people in the Department will need to administer the IBC. The Training budget covers about four people who will have to work with the Code on the street and with plans. In answer to Council inquiry, meetings in connection with the changeover are planned for the construction industry. Group presentations will be coordinated as Kittitas County is switching to the IBC as well.

Council reviewed a handout showing the increase in residential building valuations since 2001 to the present. Residential permit activity has more than doubled. Additionally, staff knows of three major institutional projects to come through the door next year. Other changes in the 2004 budget are in Communications and Office Supplies under the Land Use Permitting account group. Communications increases $3,578 for a total of $8,928 due the number of legal ads for public notices the City is required to place. This increase is directly tied to the increase in permitting. Office Supplies increases $712 to $1,712.

Due to the surge in permitting, Director Witkowski is proposing to shift the Senior Planner from comprehensive planning work to project review and counter work. This proposal is not reflected in the 2004 budget. The increase in permitting means staff will not have time to do comprehensive planning. Growth Management Act (GMA) requirements will be met. In 2006 Council will need to discuss how to accomplish Comprehensive Plan review. The City is required by law to respond to permits. General
land use planning is required once a year. At some point, the Department will need another employee to check plans in the field.

Since the IBC does not have a fee schedule staff will propose one for adoption by ordinance prior to conversion. Staff proposes to use the 1997 edition of the UBC fee schedule. A second change the Department wants to implement is use of the UBC table to value construction fees as opposed to the current honor system; the City currently charges one master plan check fee. Most jurisdictions, including Kittitas County, use a table. Staff wants to use the industry-wide standard—the UBC table. Both of these changes would be subject to important public discussion for review and input.

The Lodging Tax Fund projects revenue of $286,000 for 2004. Total expenditures from the Fund are budgeted at $308,487 with an ending Fund balance of $188,000. Major expenditures are two contracts with the Chamber of Commerce for tourism activities and program marketing. With completion of the directional signage, Lodging Tax Committee and staff efforts will focus on installing a permanent downtown restroom facility at 3rd and Main. A capital expenditure of $100,000 is budgeted for this project. One item not appearing in the budget is funding for support of the revised tourism website. Funds were not budgeted for this item in 2003. Staff requests Council budget $6,000 in the Tourism account group under a line item to be titled “Tourism Website Support”. That $6,000 would come out of the Funds ending fund balance of $188,298. Since this support was not budgeted for in 2003, the support came out of the capital budget.

There are no revenues to the C.H.I.P. Reserve Fund in 2004. An expenditure of $50,000 is budgeted to continue with the Historic Building Grants program.

**ENERGY SERVICES**

Energy Services Director Titus distributed an overview of the Funds in the Energy Services Department’s 2004 preliminary budget. The Department’s organization chart was reviewed.

Total light revenues are budgeted at 10.6 million dollars. Total expenditures are 10.7 million dollars. A 2004 expenditures analysis for City Light shows 55% of expenditures are attributable to purchased energy; 22% to operating costs; 12% to capital expenditures; 8% to taxes and 3% to conservation. Capital expenditures increase in 2004 due to the work the Department will be doing to expand the system to accommodate the growth spurt and new housing starts. Conservation is down because Bonneville Power Administration (BPA) programs for the last two years have dried up. The City will be spending some funds to encourage conservation.

Significant budget changes for City Light from 2003 to 2004 were reviewed. These changes include: 1) a $139,000 revenue decrease in Fuel Switching Loan Principal from loan payoffs due to refinancing; 2) a $224,000 revenue decrease in BPA Conservation Programs; 3) a $40,000 decrease in Structure and Improvements expense; 4) a $59,000 expense decrease in Outside Services from consultants; 5) a $44,000 expense increase in Maintenance of Overhead Lines for pole changeouts;
and 6) revenue and expense changes due to the accounting conversion from FERC to the BARS State-prescribed form of accounting. Total 2004 expenses are increased by $67,550 over 2003 after the removal of power costs, taxes and conservation. Wages and benefits increase by $105,606 due to employee costs shifted from the Gas Fund.

An analysis of time spent by staff on light and gas issues determined that more staff time is spent on Light Division issues. The 2004 budget allocates the actual staff time spent between the two Divisions, resulting in a $105,606 increase in expenditures to the Light Division. Total Capital Outlay from the City Light Construction Fund is budgeted at 1.3 million dollars. A consequence of new customer growth and the concurrent load increase is the need to increase system capacity by installing a larger transformer ($79,000) and beefing up the lines at the Dolarway substation to maintain system reliability. An alternative and more likely plan is that the City may decide to build a third substation at the north end of town where the growth is occurring. There is a nine to ten month lag time between the order and receipt of the transformer. Construction of the third substation or improvements at the Dolarway substation would occur in 2005. The primary increase in capital spending would occur in 2005.

Total gas revenues are budgeted at 6.7 million dollars. Total expenditures are 6.6 million dollars. A 2004 expenditures analysis for City Gas shows 62% of expenditures are attributable to purchased energy; 23% to operating costs; 9% to taxes; 6% to capital; and 0% to conservation. Significant budget changes for City Gas from 2003 to 2004 were reviewed. These changes include: 1) an $85,000 revenue decrease in Loans – Principal; 2) a $33,000 revenue increase in Jobbing Income; 3) a $79,000 expense decrease in Meters due to a volume purchase in 2003; 4) a $23,000 increase in expense for Maintenance of Mains in connection with state and federal safety issues; and 4) revenue and expense changes due to the FERC to BARS conversion. Total 2004 expenses decrease by $184,712 over 2003 after the removal of gas supply costs, taxes and conservation. Wages and benefits decrease by $58,650 due to employee costs shifted to the Light Fund.

Council reviewed statistics for the I-Net Fund. There are no basic changes in the 2004 budget. Total 2004 expenditures are budgeted at $252,178. Primary cost to the Fund is the debt service on the initial purchase of building the facility. Two areas that could result in expansion and further expenditures to the Fund are an expansion to Upper Kittitas County to incorporate the Washington State Patrol and the City of Cle Elum. Sufficient funds exist in reserves for this expansion. Charter Communications has expressed interest in a franchise agreement with Upper Kittitas County. The second area of potential expansion is a wireless or WIFI agreement with Charter for Upper Kittitas County to allow location of an antenna on the water tank. Wireless internet access would be available to the other parties which include potential technology such as portable computers in squad cars.

The Information Technology (IT) Fund was created by ordinance in 2003 to ensure adequate long-term planning and funding for the information technology needs of the City. Salaries and benefits for the City’s two computer techs are contained in this Fund. The Fund also provides the debt service on
the Cogsdale financial software and maintenance of that software. Total 2004 expenditures are budgeted at $409,747. Council reviewed a handout of funding sources for the IT Fund. A significant expenditure in 2003 was the replacement of personal computers (PC’s) through the purchase of additional new computers and upgrades to existing computers to accommodate the new software. In 2004 all City Departments will contribute to a rental program for PC’s so that funds are available to replace PC’s on a four year cycle.

**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 Communication 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.

Funding charges for 2004 include a proposal from CWU to increase staffing for a current half time employee to full time equivalent position to devote to production coordination on a trial basis at an additional cost of $18,000. This trial is supported by the Cable Commission to determine if the benefits in terms of quality and quantity of productions can justify the added expense. If so, alternative funding sources will be pursued to cover expenses in excess of annual revenues for 2005 and beyond. Additionally, a total of $65,000 is budgeted in the Cable TV Capital Outlay Fund for new cameras and editing equipment ($40,000) and equipping the new City Hall Council Chambers ($25,000).

**ADJOURN** Adjourn at 8:55 p.m. Sowards

Affirmed

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Mayor

ATTEST: ____________________________________

City Clerk