The purpose of the special session is to review the 2005 preliminary budgets for the Energy Services Department, including the IT, I-Net and CATV Funds as well as the Community Development Department and C.H.I.P. Reserve Fund.

ENERGY SERVICES

Energy Services Director Titus distributed an overview of the Funds in the Energy Services Department’s 2005 preliminary budget. The Department’s organization chart, which reflects the reorganization underway with the departure of Debbie Byrd, was reviewed. The Department operates with 26 employees—a 40% increase over budget time last year due to the addition of the apprentice lineman position approved by Council at the September 7, 2004 meeting.

Total light revenues are budgeted at 10.9 million dollars. Total expenditures are 11.2 million dollars. A 2005 expenditures analysis for City Light shows 50% of expenditures are attributable to purchased energy; 17% to operating costs; 18% to capital expenditures; 8% to taxes and 7% to customer service. The Department is anticipating growth and development to continue to increase next year.

Significant budget changes for City Light from 2004 to 2005 were reviewed. These changes include: 1) a $100,000 revenue increase in Jobbing Income; 2) a $241,000 revenue increase in power sales; 3) a $57,000 expense increase in rentals due to an increase in space occupied by the Department at the new City Hall; 4) a $359,000 expense increase in Capital Expenditure; 5) a $95,000 expense increase in Administration Planning & Conservation for a potential solar farm project; 6) a $96,000 expense increase in Contracting of Operational Functions; 7) a $442,000 expense decrease in Purchase Power Cost due to Bonneville Power Administration’s 7.5% decrease in electric rates; and 8) a $28,000 expense increase in Transmission Cost. Total 2005 expenses are increased by $346,000 over 2004.

The City Light Construction Fund was established in 2001 by the issuance of bonds. Proceeds from the bonds were used to meet the capital spending needs of City Light through 2005. Total Capital Outlay from the City Light Construction Fund is budgeted at $1,324,000 and includes the following: 1) $184,000 for Overhead Conductor; 2) $170,000 for Underground Conduits; 3) $40,000 for Meters; 4) $170,000 for Transformers; and 5) $760,000 for Substation Equipment.
These expenditures will fully utilize the bond proceeds and the Fund can be retired at the end of 2005.

Total gas revenues are budgeted at 7.4 million dollars. Total expenditures are 7.5 million dollars. A 2005 expenditures analysis for City Gas shows 62% of expenditures are attributable to purchased energy; 20% to operating costs; 9% to taxes; 6% to capital; and 3% to customer service. Significant budget changes for City Gas from 2004 to 2005 were reviewed. These changes include: 1) a $31,000 revenue increase in Jobbing Income due to additional development scheduled for 2004; 2) a $730,000 revenue increase in anticipated Energy Sales is a combination of 2004 sales and a probable 8% growth in customers which translates into sales in future years; 3) a $66,000 expense increase in Capital Expenditures; 4) a $49,000 expense increase in rentals due to increased office space at the new City Hall; 5) a $69,000 expense increase in taxes; and 6) a $579,000 expense increase in purchased energy based on a probable 10% increase in gas costs. Total 2005 expenses increase by $737,546.

The Gas Department is experiencing even more growth due to the larger geographic area served. The relative cost for extending polyethylene pipe for gas extensions is cheap when compared with the cost of electric extensions.

In response to Council inquiry, the next edition of Town Talk will feature an article about the anticipated rate increases for gas customers. In addition to this article Council indicated a preference for an informational insert in the customer’s utility bill.

Council reviewed statistics for the I-Net Fund. The $645,674 loan will be paid off in 2004. Total 2005 expenditures are budgeted at $140,000. Annual Operations and Maintenance costs of $65,000 are split among the six funding sources with the City’s portion of those costs being $24,789.

The Information Technology (IT) Fund was created in 2003 to ensure adequate long-term planning and funding for the information technology needs of the City. The Fund also provides the debt service on the Cogsdale financial software and maintenance of that software. Council reviewed a 2005 revenues and expenditures analysis for the IT Fund. Total 2005 expenditures are budgeted at $558,516.

Significant budget changes for the IT Fund from 2004 to 2005 were reviewed. These changes include: 1) a $24,000 increase in rent expense due to more office space at the new City Hall; 2) an $83,000 increase in capital expenditures due to potential purchase of permitting software and consultant monies to assist in software selection; and 3) a $17,000 charge for the PC computer replacement pool. Total 2005 expenses increase by $104,000.

**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.

In 2004 $18,000 was budgeted on a one-year trial basis to increase a half time employee position at CWU to a full time equivalent position to devote to production coordination. Funding changes for 2005 include an anticipated proposal from CWU to make this increase permanent. The Cable Commission will be evaluating the success of the trial at its next meeting to determine if the benefits in terms of quality and quantity of productions can justify the added expense. In anticipation of a favorable report to City Council this amount is included in the 2005 budget. Alternative funding sources will be pursued to cover expenses in excess of annual revenues for 2005 and beyond. A total of $6,600 is budgeted in the Cable TV Capital Outlay Fund for 2005. The bulk of the expense for equipping the new City Hall Council Chambers was spent in the 2004 budget.

COMMUNITY DEVELOPMENT

Community Development Director Witkowski presented an overview of his Department’s 2005 preliminary budget. Most of the expense to this budget is in people and services support. Council reviewed a handout showing the increase in total construction valuations from 2002 to 2004. Residential permit activity has more than doubled. The major change in the 2005 budget is in the Construction Permitting and Inspection account group with the addition of a third building inspector. This increase in personnel is driving most of the expense in the budget. The vacant Senior Planner position appears in the 2005 budget as a second Associate Planner position. Total Training and Travel is budgeted at $17,500.

Revenues for 2005 under the Licenses and Permits account group are budgeted at $404,000. This budget item is approximately $154,000 too high because CWU has already paid the plan check fee for the new Student Union/Recreation building.

The Communications line item increases to $3,000 from $2,062 budgeted for 2004 due to public notice costs. The Department will need to look at increasing its fees. Overtime increases to $17,342 from $11,432 in 2004 reflecting the increasing workload in the Department. Before the end of 2004 staff will come before Council to request a professional services contract with a County employee who will do plan checks for the City on his own time. This will help speed up the process by keeping some plan checks local. In 2005 the Department would like to do a cost of service analysis.

A second change the Department wants to implement is use of the Uniform Building Code (UBC) table to value construction fees as opposed to the current honor system; the City currently charges one master plan check fee.

Two capital expenditures are budgeted for 2005. These include $18,000 from the Sales Tax Reserve
Fund for a new vehicle due to the addition of the third building inspector. The second capital expenditure is $175,000 for the Comprehensive Plan update which is funded in the General Fund. In response to Council inquiry, all Department Directors will be involved in the Comprehensive Plan process.

The C.H.I.P. Reserve Fund will sunset in 2005. The remaining Fund balance of $8,509 will be used for the Historic Building Grants program until the funds are depleted.

**ADJOURN** Adjourn at 8:42 p.m. Carlson

Affirmed

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Mayor

ATTEST: ________________________________

City Clerk