Councilmembers Present: Bassett, Carlson, Collins, Lillquist, Perrie, and Mayor Barry

Others present were City Manager Barkley; City Clerk Reno; Finance Director Carpenter; Budget and Accounting Supervisor Snider; Energy Services Director Titus; and Community Development Director Witkowski.

Councilmember O’Brien arrived at the meeting at 7:12 p.m.

Council and staff reviewed the 2006 preliminary budgets for the Community Development Department and Energy Services Department.

COMMUNITY DEVELOPMENT

Community Development Director Witkowski presented an overview of the department’s 2006 Preliminary Budget. Most of the expenses for this budget are for personnel and benefits. The Department is now fully staffed. Department staff members are involved in permit processing, regulatory reviews, long range land use planning, strategic planning and providing staff support to six separate boards and commissions and City Council.

The revenues show a decrease under licenses and permits as there are no major projects planned for Central Washington University next year. The department will see mostly single family permits and projects and Comprehensive Plan review and decisions.

Mr. Witkowski handed out a new Page 44A and discussed construction permitting and inspection. The professional services line item involving consultants for plan reviews is less in 2006 due to less commercial construction.

Staff will be bringing forward proposed changes in the building permit fees for Council’s consideration.

ENERGY SERVICES

Energy Services Director Titus presented an overview of the department’s 2006 Preliminary Budget. Total light revenues are budgeted at $12,133,215. Total expenditures are $12,271,878. A 2006 expenditures analysis for City Light shows 57% of expenditures are attributable to purchased energy; 23% to operating costs; 8% to capital expenditures; 5% to taxes; 6% to customer service and 1% for debt service.

Significant budget changes for City Light from 2005 to 2006 were reviewed. These changes include:
1) a $78,000 revenue decrease in Jobbing Income; 2) a $183,000 revenue increase in BPA conservation programs; 3) a $120,000 increase in miscellaneous revenues; 4) an $84,000 expense increase in tools; 5) a $50,000 increase in warehouse expenses; 6) a $337,000 expense increase in bond principal payments; 7) a $546,000 expense increase in admin. planning, conservation and R&D; 8) a $124,000 expense decrease in contracting of operational functions; 9) a $498,000 expense increase in purchase of power; 10) and a $108,000 increase in transmission cost.

The City Light additional budget issues are as follows:

1) In order to keep up with construction activity and plan for future retirements, the department requests to add the following staff: groundman/apprentice lineman at a cost of $50,000, meterman helper at a cost of $40,000, and field engineer at a cost of $60,000;

2) Rates need to be increased to cover anticipated increased expenses and to increase revenues;

3) Costs allocated between the four utilities for general government support need to be adjusted to include the number of customers as well as the size of budget.

The Light Construction Fund expenditures total $1,906,424.

The Light Construction additional budget issues are as follows:

1) All electric utility construction funding has been shifted to fund 479 in 2006 and amounts to 1.9 million.

2) The revenues, consisting of developer contributions, are only $528,000 for 2006.

3) The proceeds from the 2001 bond issue have provided $750,000 to $1 million a year in previous years towards capital construction costs, but bond funds were exhausted in 2005.

4) In order to support the high level of construction activity the city is experiencing, the city will need to consider a new bond issue; increasing utility rates by double digits; and requiring developers/homebuilders to pay more for electric infrastructure.

The Gas Fund revenues total 9,848,256. The gas expenditures total 9,571,017. Significant budget changes from 2005 to 2006 are as follows: 1) a $43,000 revenue decrease in jobbing income; 2) a $2,433,000 revenue increase in energy sales; 3) an $837,000 expense increase in inventory gas purchases; 4) a $118,000 expense increase in taxes; 5) a $12,000 expense increase in meter reading; and 6) a $1,086,000 expense increase in purchased energy.

Additional budget issues are as follows:

1) In order to keep up with construction activity, the department requests authority to add a gas technician/apprentice for 50,000/yr.
2) Rates need to be increased to cover anticipated increased expenses and the need to increase reserves.

3) Costs allocated between the four utilities for general government support need to be adjusted to include the number of customers as well as size of budget.

4) Additional funding for a new gas truck is necessary in the amount of 70,000.

The IT Total revenues are $480,526 and total expenditures are $516,920. The significant budget changes are: a network capital expenditure decrease of 27,000; an expense increase of $13,000 for PC replacements; and an enterprise capital expenditure increase of $50,000.

The IT additional budget issues are as follows:

• In order to provide expertise and support to the users, the department requests authority to add a database specialist at $46,000/year.

• Many departments support the implementation of a GIS database system as soon as possible. This is a project comparable to the finance/utility billing software implementation in complexity and cost. Some funding is contained in the 2006 IT budget, but not enough to complete such a project.

• The IT Fund shows a $16,000 deficit for 2006 because revenues (fund transfers) were estimated at the beginning of the budget process and need to be adjusted after expenses are known.

The I-Net statistics are: 48 sites are to be connected to I-Net; City, County, CWU, School District, KITTCOM, and PUD are initial users; annual O&M costs are $65,000; and the $645,674 loan will be paid off in 2005.

CATV Operating & Maintenance and Capital Outlay Funds:

2% of Charter Cable TV gross revenues provide funding; and CWU receives funds to operate KCWU under contract with the City.

$0.50 per customer per month from Charter Cable TV provides funding; uses include cameras, microphones, and editing equipment.

Electric Utility Rural Economic Development Revolving Fund:

This program was put into law by the State Legislature in 1998 to support rural economic development. The Electric Utilities can contribute funds to support economic development and in exchange claim up to a $25,000 credit against State Utility Taxes with a credit of $1 for every $2 contribution. City Light contributes $50,000 to Ellensburg Business Development Authority.

**CHANGE ORDER #1 TO CONTRACT #2005-30 WITH ASPLUNDH TREE EXPERT CO. INC.**
Authorize change to contract to add an additional 80 crew hours to contract. O'Brien

Affirmed

Council and staff further discussed the budget process and upcoming schedule. Council requested that the community support programs be budgeted at the 2005 levels.

Adjourn at 9:32 p.m. Carlson

Affirmed

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Mayor

ATTEST: __________________________ City Clerk