

**CITY OF KALAMA  
CITY COUNCIL  
FEBRUARY 4, 2015**

**CITY COUNCIL – RATE SETTING 101**

Mayor Pete Poulsen opened the workshop of the Kalama City Council at 5:35 pm. Councilmembers present were Mike Truesdell, Dominic Ciancibelli, Mike Langham, Don Purvis and Mary Putka. City staff present were City Administrator Adam Smee, Superintendent of Public Works Kelly Rasmussen, and Clerk/Treasurer Coni McMaster. Members in the audience are listed on the sign in sheet.

Joe Healy, Financial Planner for HDR Engineering provided the presentation for the Council. The purpose is to provide an overview of why a rate study is needed, how it is done (methodology), and the goals and objectives the City wants to achieve. The purpose of the study is to provide the City with the information that justifies the rates it needs to set and that those rates are equitable to all classes of customers and adequate to support and maintain a healthy utility system. During the presentation the process the consultants will use was reviewed which will be in three phases – Revenue Requirements, Cost of Service, and Rate Design. The study will be conducted for the two utilities, water and sewer, separately and will cover a period from 2015 through 2024. Some information on growth rates and industry standards for reserve balances will be included in the study as well.

Revenue Requirements will be determining what all the expenses including infrastructure improvements, are and what revenue the City needs to meet those expenses over an 10 year period. Cost of Service will determine how the costs of providing services are related to each class of customer so that one class does not subsidize another. Rate Design will be how to actually divide the rates based on the revenues requirements and cost of service calculations so that they are distributed equitably.

There was much discussion on the needs of the City’s aging system and how the City struggles to meet those needs and keep reasonable rates. The biggest desire of the Council and City staff is to have a report that will be understandable to the public, justifying the level of the rates necessary for operating the utilities, and that they can easily explain to the public.

Mayor Poulsen adjourned the meeting at 6:40 pm. These minutes are not verbatim. A copy of the tape can be made available for listening.

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**Pete Poulsen - Mayor**

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**Coni McMaster - Clerk/Treasurer**