

**CITY OF KALAMA
CITY COUNCIL MEETING
OCTOBER 21, 2015**

1. OPENING

Mayor Pete Poulsen opened the City Council meeting at 7:03 p.m. Mayor Poulsen led those present in the Pledge of Allegiance.

Councilmembers present were Mike Truesdell, Dominic Ciancibelli, Mike Dennis Langham, Don Purvis, and Mary Putka. City staff present were City Administrator Adam Smee, Superintendent of Public Works Kelly Rasmussen, Clerk/Treasurer Coni McMaster, and Police Chief Randy Gibson. Members of the public present are listed on the sign-in sheet.

2. EXECUTIVE SESSION – None

3. CHANGES TO THE AGENDA - None

4. PRESENTATIONS & AWARDS

Life time Kalama resident Joanna Boatman provided the Council an update on the planned museum including a doll that is about a hundred years old from old Moawd Store. She has received a number of new items for the museum which included an interesting photo taken during the or before the freeway construction which showed a lot of the old buildings from the past.

5. PUBLIC HEARINGS

A. Water/Sewer Rate Study Report

Mayor Poulsen opened the hearing at 7:10 pm. Mr. Joe Healy of HDR Engineering presented the final version of the comprehensive rate study. He reviewed the process of how it was done, the three elements of revenue requirements, cost of service, and rate design, and the goals and objectives of the study. The City wants to establish rates based on costs of providing the service while making them affordable, equitable and nondiscriminatory as well as defensible. The costs to operate the utilities are divided into two categories of fixed and variable. Fixed costs are wages, debt service, and others not based on flow and run an average of 80-95%. Variable costs are electricity or chemicals that increase when flow increases and run an average of 5-20%. Based on current expenses, Kalama's costs run about 85% fixed and 15% variable for both water and sewer. The purpose of the study is to help the City design rates for each class of customers so the City meets the revenue needed to cover the costs.

Water. One of the main drivers in costs are capital improvements which are projected at 2.4 million through 2020 and include new or improvements to reservoirs, pump stations and water lines, all large projects. Assumptions for the costs of operations and maintenance (O&M) are projected at 726,000 for 2015 with the costs increasing to \$837,000 by 2020 plus

you need to add amounts for taxes, and transfers. Then there is also debt service of \$234,000 in 2015 increasing to \$250,000 by 2020 based on proposed projects being completed. In an effort to minimize the impacts it is proposed to do annual adjustments which based on the study results would require a 4% rate increase in 2016 and then 2% each year thereafter. Mr. Healy provided a sample bill based on usage of 600 cbf per month which increases a bill \$2.63 over all five years. The study indicated a deficiency of funds over the five year period leading to the recommendations for rate adjustments. The study also looked at reserves and they recommend operating reserves be equal to 3 months of O&M costs and based improvement reserves on depreciation estimated at \$300,000 per year. There is also a small equipment replacement reserve. The rate adjustments will have the City meeting these levels by 2020. The next part of the study is the Cost of Service which is how the revenue requirements are allocated to the class of services to determine if cost differences exist and determine average unit costs. They used 2016 rates with generally accepted methodologies and while the results show some differences. They do not recommend making any changes. This is the first study and as such is not enough to ensure accuracy of study since it is only one point in time, Results will change over time so they recommend future study before making any changes to allow for some comparison before determining if change is needed. The final part of the study is Rate Design and current the City uses a base rate plus uniform consumption rate model which is the common structure for most utilities. The City has Residential/Multi-Family/Commercial/Industrial classes with an additional break out for Inside and Outside users. The exception is one large commercial user which uses a declining block consumption rate which is less used in the industry. The alternatives provided for the City are an across the board increase to both, the fixed and consumption rates or an increase to the fixed rate only. They are recommending the City do away with the declining rate as well. They don't recommend changes to the low income program or the outside factor. Mr. Healy provided an overview of two Alternatives and a sample of the increases to a sample bill. Both will get Kalama to the required revenue levels to meet costs of service. Alternative 2, which is applied to the base rate would work better to get the City rate stability. Noted earlier the fixed costs are 85% and fixed revenues based on current rates for all classes are 27% fixed and 73% variable. Under Alternative 2 this would increase to 34% fixed and 66% variable. It was asked if there is an advantage to either proposal. Mr. Healy explained that it depends. Alternative 1 allows some control to the customers as a portion of the increase is on the consumption rate, while Alternative 2 helps the City to establish a more stable revenue stream not altered by conservation.

Sewer. As with water, one of the main drivers for costs includes capital improvements which are estimated for sewer at 6.3 million through 2020 which includes new or replacing old of sewer lines, and pump stations. Mr. Berry of 5400 Meeker Drive, asked why residents should have to pay for new sewer mains on Hendrickson Drive which is in the industrial area. City Administrator Adam Smee explained that this would not serve only industrial, but help the area south along Old Pacific Highway to develop which is zoned for some commercial and also multi-family residential. Going on the west side of the freeway, Hendrickson Drive, to the Wastewater Treatment Plant rather than along Old Pacific Highway which is mainly rock, would make the installation much easier and includes less elevation so it may also be less costly. This extension would help to promote more growth on the south end of town. There was a question regarding the Meeker Dr. lift station which led to a discussion of the new lines and facilities that are being installed north of town. The Port of Kalama is making the improvements which relate to their development plans of the Spencer Creek Business Park.

Mr. Berry also asked how much of the water/sewer rates are going to the purchase of City Hall. It was explained that while the City did take a loan of water and sewer funds for the purchase, that loan has been repaid, as water and sewer funds are to be spent on water/sewer only. Mrs. Berry stated the City need to be concerned with how the rates are going to affect those on fixed incomes, as not all are wealthy. There was an Increase early this year and now there will be more. Retired folks don't get increases to their fixed incomes.

Mayor Poulsen pointed out that the Council have not followed previous consultant recommendations for rate increases because of the economy and concerns for the citizens, but that has led us to this point. It was noted that there has not been a lot of expansion in Kalama and what happens when people start moving because they can't afford to live here. Mayor Poulsen responded that the City has a large debt load because they were mandated to build the water and sewer plants. He did everything he could to get grant funding, but couldn't get a response from state or federal sources. This council is trying to manage the City the best way possible in trying to expand and grow. Much of current sewer system is old and needs improvements to maintain operations. Councilmember Dominic Ciancibelli noted there are three senior citizens on the Council so they do understand. They are not rich either and pay the same rates. The Council isn't going wild with funding improvements but certain projects need to get done to keep the system operating effectively. Mr. Tyson Ruff of 128 Silverdust Dr. asked why hookup fees were not part to the increases. City staff explained that the current level of those fees seem adequate if the City wants to encourage development. Water is \$3000 inside and \$9000 outside and sewer is \$8000. There was some discussion about the vacant buildings in the industrial park and it was explained that the Port is separate from the City and this is their property. The Port has been working to bring the business park to reality which being in the City will give Kalama some commercial growth. The Master Plan application is before the Planning Commission in November and hopefully the project will have permits by the end of the year. The Port has been a good partner with the City. It was noted that over the years the City has received many grants and made many improvements mostly road work, but these were not funded by rate increases.

Mr. Healy continued his presentation noting the need to make improvements that will be expensive. The assumptions for the sewer O&M is \$560,500 for 2015 increasing to 648,000 by 2020 plus additions for taxes and transfers. The debt service is \$407,000 and will increase to \$529,000 by 2020 based on proposed projects using low interest/20 year loans. There is an assumption of a 1% growth rate. The study indicates that meeting the needed revenues will require rate adjustments of 9.5% in the first 3 years, 8.5% in 2019 and then 2% in 2020. The City needs to be able to pay the debt and build reserves. A sample bill of 600cft of usage shows a cumulative increase of \$34 per bill. The study indicates there will be a deficiency of funds, the same as for water, so increases are necessary to meet needs. For sewer the target for operating reserves is 60 days of O&M which the City doesn't currently meet, but it could meet the needs by 2020 with the proposed increases. For improvement reserves the study didn't establish a target for I&I reserves and will spend some in the five year period. Capital reserves are set to target depreciation of \$320,000 per year. Even by 2020 there will still be some shortfall but the City will start to get to the target level. The Cost of Service portion of the study is based on 2016 with the increases and follows generally accepted methodology, same as for water. There are no recommendations for making changes to how the costs are allocated to the classes. The Rate Design element shows that the current design is the same as for water with a base charge plus uniform consumption charges. Sewer addresses the same classes of customers, but doesn't have the

Inside/Outside as there is no sewer outside the city limits. Mr. Healy presented the same alternatives as for water with Alternative 1 to raise both the base and consumption rates and Alternative 2 raises only the fixed base rates. Both will collect the same revenues. As noted the City currently has fixed costs of 85%. The distribution of revenues is 52% fixed and 48% variable. The proposed rate increases under alternative 2 would change that to 67% fixed and 33% variable. In closing Mr. Healy noted that this is a comprehensive review focused on the need for the City to meet revenue requirements and it provides alternatives to reach the goals for providing and maintaining services. Ms. Joanna Boatman asked if there is an advantage to monthly billing as it would seem more costly to bill monthly. There is some increase in the cost, but there are also some efficiencies and customer service that help to offset that. Monthly bills makes it easier and/or more affordable for some customers to pay the bills and reduces staff time in dealing with past due accounts. The new radio reads more efficient and more accurate. With data log feature the City can easily track leaks, so there is a benefit to city and customers.

Clerk Treasurer Coni McMaster noted that were some handouts available for the public which gave an overview of what a 2016 bill might be based on different levels of service and provided comparisons to surrounding cities rates for water and sewer. She also noted that she would be recommending a combination of the two alternatives presented for the Council to consider at the 2016 Revenue hearing on November 4th. The hearing was closed at 8:45.

6. PUBLIC COMMENTS/CONCERNS

Mr. Tyson Ruff asked if the City does any street sweeping as he never sees it done. City Administrator Adam Smee and Superintendent of Public Works Kelly Rasmussen explained that with limited funds available for streets there are choices that have to be made. In 2014 they did some sweeping which cost about \$1500 per month on only the major arterials two times a week. The same funds have to be available for snow removal and storm drains and it is difficult to know when these will be needed. They would like to do more sweeping. There was some discussion about the Transportation Benefit District and that these funds have been set aside to be used as matching funds for major projects or to do streets that are not eligible for grant funds.

7. UNFINISHED BUSINESS

8. NEW BUSINESS

A. Helping Hand – Request for Utility Adjustment – Vandalism

Mayor Poulsen explained that the Helping Hand organization has made a request that the City adjust the large water bill they received since the increase in water was due to vandalism at their office. The amount is \$33.20 which is the overage from a normal bill. City Councilmember Dominic Ciambelli made a motion the City adjust the Helping Hand utility bill. City Councilmember Mike Langham seconded. The motion carried with a vote of 4 in favor and one opposed with Councilmember Don Purvis the no vote.

9. ORDINANCES & RESOLUTIONS

A. Ordinance 1364 - Fire Inspections Code Amendment

Ordinance N. 1364 was read by Title: An Ordinance of the City of Kalama, Washington establishing Kalama Municipal Code Chapter 14.05 Fire Safety Inspections as allowed under the International Fire Code and establishing fees for such inspections. It was explained that the City is required to do these under the rules for the fire marshal. The City has had issues with getting a fire marshal in place in recent years so they have not been done as required. The costs will be paid by the business or property owners. Councilmember Dominic Ciancibelli made a motion the Council adopt Ordinance 1364 as read. Councilmember Don Purvis seconded, and the motion carried.

10. CORRESPONDENCE - None

11. MAYOR'S REPORT & COUNCILMEMBERS' REPORTS

A. Mayor Pete Poulsen reminded everyone that on Saturday the City and the Amalak are having a Salmon feed at the Community Building. He noted that they are also doing orders to go. There will be a silent auction also. The proceeds will benefit the Community Building. Smoked salmon will also be available and there may be some fresh left over to be sold. The event is from 5pm to 7pm.

B. Councilmember Mike Truesdel had no report.

C. Councilmember Dominic Ciancibelli had no report.

D. Councilmember Mike Langham had no report.

E. Councilmember Donald Purvis reported that members of the Parks and Recreation Committee took a tour of the City parks just so they could become familiar with the locations.

F. Councilmember Mary Putka reported the Chamber Halloween event will be on October 30th from 3 to 6pm. The Chamber is doing a candy collection and drop off sites are at Double Ds & Kalama Shopping Center.

12. DEPARTMENT REPORTS

A. City Administrator Adam Smee took a vacation and while gone the staff and consultants got out two grant/loan applications for sewer and stormwater reviews. Another grant application will be sent to the Department of Commerce for economic development funding. The plumbing contractor is to begin work on the new City Hall building and we should be getting the electrician in the building soon.

B. Superintendent of Public Works Kelly Rasmussen presented a written report. He was asked when they might be resurfacing Meeker Drive. Superintendent Rasmussen explained the City is doing a feasibility study on the old slide area and what can be done. The City wants to do it right if possible but need good information on what the land is doing before deciding how to address.

C. Police Chief Randy Gibson presented his statistical report noting only 8

investigated report resulted from the 61 calls for service during this period. That is a very slow period, but he considers it good news. The Department is preparing for the Halloween event and will have extra officers on the street. The most dangerous area is usually at the post office parking lot entrance due to vehicle traffic and pedestrians.

D. Clerk/Treasurer Coni McMaster reported the Council will be setting the two required budget hearings are on consent agenda to be set for November 18 and December 2nd. The City's Blazer surplused a couple of months ago sold for \$1475. She added that the City's Facebook page is up. She hopes to get the word out soon.

E. City Attorney Paul Brachvogel was absent.

13. CONSENT AGENDA

Councilmember Mary Putka made a motion the City Council approve the Consent Agenda including:

A. Claim & Payroll Warrants 35345 – 35394 and all Electronic transactions for a total of \$131,793.06

B. Minutes of the October 7, 2015 City Council Meeting

C. Set 2016 Budget and Capital Facilities Plan Public Hearings for November 18 and December 2, 2015 @ 7pm.

Councilmember Don Purvis seconded, and the motion carried.

14. EXECUTIVE SESSION - None

15. ADJOURNMENT

Mayor Poulsen adjourned the meeting at 9:12 p.m. These minutes are not verbatim. A copy of the recording for this meeting is available for review upon request.

Pete Poulsen - Mayor

Coni McMaster - Clerk/Treasurer