

**CITY OF KALAMA
CITY COUNCIL
OCTOBER 19, 2011**

WATER/SEWER RATE INCREASE WORKSHOP

Mayor Pete Poulsen opened the workshop of the Kalama City Council at 6:00 pm. Councilmembers present were Adam Smee, Chuck Hutchinson, Don Purvis and Bud Gish. Councilmember Dominic Ciancibelli was absent. City staff present were Director of Public Works Carl McCrary, Clerk/Treasurer Coni McMaster and Police Chief Randy Gibson. Members in the audience are listed on the sign in sheet.

At the workshop on October 5, 2011, Clerk/Treasurer Coni McMaster provided information to the Council based upon the previous discussions which detailed the condition of the sewer and water funds, their debt obligations and their ability to fund improvements. All of these are driving the need for rate increases. She provided updated information tonight including answers to the following questions.

Would DOE consider extending the sewer loan 5 to 10 years? She had contacted Department of Ecology. The funding is under an agreement with the feds – EPA – which restricts them to 20 years on loaning of the funds. They are checking with EPA to see if any consideration could be given or if there are any loopholes where they might be able to consider this. I have not heard back and my contact is at a conference this week. There was discussion that if the loan was extended, this could delay the need for the large rate increase, or it could be slowly implemented over a longer time period. This would be less burdensome on the consumers. Getting an extension does not look promising, but it will be pursued as much as possible. It is suggested that the City proceed now as if the extension cannot be granted, as the rates could be reduced if later the extension request is successful.

What will it cost the City to go to monthly billing? Monthly billing would increase the current expense for billing by approximately \$350 -400 per month. Current costs are at \$500 plus per month which is either the inside or outside residential plus commercial/industrial bills. So it would be all the residential going out every month creating instead of 800-900 bills going out, it would be about 1500 plus.

Ms. McMaster reviewed the proposals previously presented and explained the additions to the water information. Director of Public Works Carl McCrary has suggested repealing the second tier of rates provided to the large industrial water users rather than the third rate. This would increase the revenues by \$33,000. It is the recommendation of the Department of Ecology to help to encourage conservation by using a rising block rate instead of a declining block rate which Kalama has. The change would affect the two large industries north of town and a few of the others that occasionally qualify. Also added was information regarding the current connection fees and a concern that outside residents are paying a much higher amount than any new industries outside the city. This had been adopted several years ago and a few years ago it had been updated to make the industrial rates equal to the inside rates. This seems inequitable since the outside customers pay 150% of the inside rates for water. The Council was in agreement that the rates for connection fees should be consistent based on location and not on type of user.

Ms. McMaster also informed the Council that 38 years ago their predecessors had approved an agreement with the Port to provide water the then new Marina Park at no charge in

exchange for sand for the City. This has continued, but the City is not using the amount of sand that is equivalent to the amount of water used at the park. Water usage at the park was amounting to \$6000 per year before the Port redeveloped the park. The sprinklers weren't used in 2009 or 2010, but in the summer this year they used the equivalent of about \$3000. Our need for sand is probably at about \$1000 a year. If repealed each entity would then pay for their actual usage.

Councilmember Chuck Hutchinson suggested looking at helping the small businesses downtown that only provide restrooms for their employees by allowing them to only pay for the water usage instead of the base fee as well. Their water usage is minimal. Ms. McMaster noted the question of it being equal treatment since all users are charged that base fee. It was asked that information on what the effect on the revenues would be if this was considered be calculated and provided.

The amount of the sewer rate increase was discussed at length. The proposed increase would be \$7.50 per month in 2012 and an additional \$7.50 in 2013 or \$15 per two month billing in each year. Mayor Poulsen explained that when the loans were requested the revenues to repay them included calculations based on growth. When the economy slowed, and growth slowed, much of that revenue did not appear. Over the years the Council has listened to the public and put off rate increases in hopes that the economy would improve. Now the City has to do what is necessary to meet the debt obligations, which is to raise the rates. If we don't, the City could default on the loans.

There was discussion regarding how the I&I problems effect the plant. Fixing the I&I would not reduce the operating costs, but would help to extend the life of the plant. This is also the effect of less growth in the community.

Mr. Jim Dickey stated that his "wish list" would be that only the cubic footage charge be increased as this is something he can control, rather than the base fee. He added that he appreciates all the efforts that are being made to reduce the amount of the increase as well.

Ms. Diana Leigh asked how the City had been meeting the payments until now. It was explained that reserves had been used, but are now at a minimum and won't be sustained for future payments. She asked if there was a senior citizen discount for those on fixed incomes. Ms. McMaster explained that the City does have a low-income discount that is available to those that qualify based on income level. It is not limited to just seniors. Ms. Leigh asked if the City was to have one less cop, could those funds be used to offset the increase. It was explained that water and sewer are self-supporting funds, while the police are funded from the general revenues of the City and not water/sewer revenues.

There was some discussion regarding the effects of conservation. This is a mixed blessing in that it reduces waste of water and reduces bills for the consumers, but then reduces the revenues to support the system creating a need for additional rate hikes.

Mayor Poulsen adjourned the meeting at 6:58 pm. These minutes are not verbatim but an overview of what took place. There was no recording of this workshop. The notes and documents presented can be made available.

Pete Poulsen - Mayor

Coni McMaster - Clerk/Treasurer