

**CITY OF KALAMA
CITY COUNCIL WORKSHOP
NOVEMBER 7, 2007**

2008 PROPOSED BUDGET

Mayor Pete Poulsen opened the meeting at 6:03 pm. Councilmembers present were Adam Smee, Dominic Ciancibelli, Chuck Hutchinson, Don Purvis and Bud Gish. City staff present were Director of Public Works Carl McCrary, Police Chief Bruce Hall and Clerk/Treasurer Coni McMaster. Members in the audience are listed on the sign in sheet.

Clerk/Treasurer Coni McMaster briefly reviewed the information provided to the Council. Mayor Poulsen addressed the water fund budget and the reasons for it being out of balance. Ms. McMaster explained that the water revenues are reduced by \$27,000 as a result of the rate change due to the annexation of the Meeker Drive area. Costs, including wages and fuel have risen significantly over the last couple of years. The City has not increased the water rates since 2004. The proposed rate increase will bring the water fund into balance. The only projects being budgeted from the operating fund are necessary and included on the Capital Facilities Plan (CFP).

Mayor Poulsen stated the City will be very conservative with the Budget for 2008. The proposed rate increases are being implemented only to meet the needs of the debt the City owes. The City does have some funds in reserve which will allow the City to spread the rate hike out over 3 to 4 years, instead of having to raise the rates in one large amount. Mr. Jim Dickey asked about the proportionality of the increases for residential customers versus the industrial. This had been brought up at the workshop on October 30th and Ms. McMaster had revised the larger meter rates to reflect the same or close to the same percentage of increase as the residential. As many of the larger meter sizes are not actually used by any customers, this did not create a substantial difference that would allow for a break on the proposed rate increase. The large industrial users are seeing the tiered usage rates increase where the residential usage rates are not being increased in 2008.

There was some discussion regarding the Community Building Fund which is currently not in balance for 2008. The expenditures simply are more than the projected revenues, and the fund will need to be supplemented by the General Fund. This led to a discussion of the possibility of the Library moving into a portion of the building. Mayor Poulsen informed all present, that while the City is continuing developing a facilities plan, there is nothing going to happen immediately. It is a plan for future use.

Councilmember Don Purvis stated in order to look at tapping all sources for revenues, the City should look at implementing a B&O tax again. It was pointed out by the Mayor and several Councilmembers that this has always met with great opposition from the local business community and industries. If the City develops a tax with limitations that exempt most of the small businesses, it would appear that they are targeting the one large industry within the City limits. This is an issue that can alienate businesses, so the City has to be careful. Councilmember Bud Gish agreed with all the concerns, but added that it is an option that should be considered. The community cannot support itself with its limited commercial district and property taxes. It is a viable option to raise revenues that should be a consideration. Councilmember Adam Smee clarified that this was not presented as an option to supplement

the water/sewer to avoid the rate increases. This would be for general fund purposes if it was to be considered.

Councilmember Dominic Ciancibelli asked about the inequity between the educated library staff and the part-time summer help wages. The librarian is paid \$2 less than the summer help and webmaster. The summer help and webmaster are paid from the water and sewer funds which are able to cover the costs. The Library has a very limited budget so is not able to cover higher wages.

The water/sewer rate increases were discussed again, and the Council is in agreement that it is a necessary to meet the needs. It is not for any extras. Implementing the rate increases over time due to the reserve will be easier on the citizens. The effects of growth will be considered, and the proposed future rate increases will be reevaluated each year. The City is increasing water and sewer connection fees in order to pass some of the costs on to new residents as well.

It was noted that the City Council Meeting was due to start and there were items that the Council had not had time to address. It was suggested that another workshop be held.

ADJOURNMENT

Mayor Poulsen adjourned the meeting at 7:00 p.m. These minutes are not verbatim. A copy of the tape can be made available for listening.

Pete Poulsen - Mayor

Coni McMaster - Clerk/Treasurer