

City of Othello
Council Workshop
December 1, 2003

CALL TO ORDER:

Mayor Jeannie L. Sanders called the workshop to order at 7:00 p.m.

Present: Councilmembers Everett Cole, Eleanor Brodahl, Larry Bray, Donald Derifield, Tim Wilson, and Kenneth Johnson

Also Present: Interim City Administrator Bob Noland, Department Heads: Curt Andrews, Debbie Kudrna, Rhonda Miller, Dick Lee, Police Chief Ron Axtman; Council elect Marc Spohr, and Water Rate Consultant Rick Gagnier.

Absent: Councilmember Leonard Lyon.

PARK CAMERA SYSTEM

Police Chief Ron Axtman asked that this demonstration be rescheduled.

PROPOSED WATER RATES

Mayor Sanders explained that Mr. Gagnier would present three water rate increase options for Council's consideration. She explained that staff recommends putting a cap on the capital projects of \$250,000 and consider funding options for projects above that amount. She also reported that based upon the formula within the water rate contract with Simplot, their 2004 water volume rate increased 8.28%. Mayor Sanders mentioned that one of the three options that will be presented is a three-year incremental increase of 8.28%. There was a short discussion regarding Simplot's 2004 water rate increase and how the annual rates are calculated.

Mr. Rick Gagnier explained that since his initial report to Council regarding the necessity of water rate increases, he and staff have met to discuss options. The discussions have included the reduction of water production costs; delaying the request for a GIS employee; reducing the capital projects, and obtaining funding for capital projects. Mr. Gagnier explained that he has provided the City staff with his rate analysis program and encouraged an annual review of the water rates to assure that adequate revenues are met. He provided three rate projections for annual water rate increases as follows:

Option #1 – 2004 8.28%, 2005 8.28%, 2006 8.28%
Option #2 – 2004 10%, 2005 8%, 2006 6.5%
Option #3 – 2004 15%, 2005 5%, 2006 5%

His report also showed the additional revenues generated from the three rate options. Then, Mr. Gagnier provided two options of water rate proposals for each of the three rate projections recommending Option #1 for a three-year program. Mr. Noland reported on Kennewick's water rates to the Council. He explained that a rate increase is necessary, not only based upon an annual cost of operation increase, but due to the loss of McCain water usage. He explained that with the water/sewer refunding bond paid off in 2007, and Simplot's water contract expiring in 2008, these would create a totally different scenario for the City in revenues and expenditures. There was further discussion regarding the water capital projects, and the Finance Officer reported that water revenue and reserve funding would fund the water capital projects for 2004.

Mr. Gagnier then provided a three-year revenue summary, which indicated that, the three rate projections all produce approximately the same revenue at the end of three years; the decision to be made is how the rates should be set for the customers to get the necessary revenue. Council's consensus was to impose the rate projection Option #1 and apply them to the minimum monthly service charge and volume rate. Mr. Andrews explained that some outstanding issues to be resolved include how to revise the Capital Facility projects in the water comprehensive plan to mirror the CFP; to review and amend the current fire connections monthly fees; and review and amend the monthly rates for the larger meters based upon their impact to the City's system. Councilmember Cole suggested that the large meter multiplication factor not be changed.

BUDGET REVIEW

Finance Officer, Rhonda Miller provided a spread sheet that indicated budget increases/decreases in the General Fund. There was discussion regarding the Capital Facility Plan and the

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proposed budget. Ms. Miller explained that the budget indicates \$75,000 as an expenditure for the Mobile Data System (MDS) although grant funding will be applied for which will then be posted as a revenue source. There was further review of the Reserve Funds allocations and balances, Capital Facility projects, and completion of Well #8.

The Finance Officer reported that an ordinance to adopt the FY 2004 budget and one to adopt the Capital Facility plan would be prepared for Council consideration at the next meeting.

ADJOURNMENT

With no further items to discuss, Mayor Jeannie L. Sanders adjourned the workshop at 8:40 p.m.

By: _____
JEANNIE L. SANDERS, Mayor

ATTEST:

By: _____
DEBBIE L. KUDRNA, City Clerk