

**LEAVENWORTH CITY COUNCIL SPECIAL STUDY SESSION MINUTES
October 25, 2011**

Mayor Elmer Larsen called the October 25, 2011 Special Study Session to order at 9:00 a.m.

Council Present: Mayor Elmer Larsen, Tibor Lak, Peter DeVries, Michael Molohon, Robert Francis and Cheri Kelley Farivar.

Staff Present: Joel Walinski, David Schettler and Chantell Steiner.

1. Utility Rate Study Review

City Administrator Joel Walinski reviewed with Council, a PowerPoint presentation put together by HDR which included a review of the impacts of reducing the outside city surcharges from 25% to 15% and different options for base charges and various new consumption blocks. Council discussed the need to flatten base rates and charge based more on consumption use to be fair to those who use the water and encourage conservation. They discussed the need for revenue to support operations and maintenance, debt payments, upcoming capital needs and maintaining a healthy fund balance to meet cash flow needs.

The Council questioned the difference in property tax rates for someone within the city limits versus outside the city limits. It was stated that Council would like to see further information and possible justification as to why we charge outside city residents an additional 25% surcharge.

Administrator Walinski briefly reviewed the suggested sewer rates for 2012 which no increase, however, the Council later discussed the need possibly do a small increase in 2012 to reduce the larger increase that would occur in 2013.

Administrator Walinski reviewed garbage and recycling rates and discussed with Council the costs involved in supporting this type of service. Finance Director Chantell Steiner noted the low-income rate structure for water, sewer and garbage and that the overall rate for seniors is nearly 50% less than the average rate for non-seniors meeting the income thresholds.

Council questioned what other cities are doing with regards to senior rates. Comments were noted to review the current limits to qualify for low-income designation.

Administrator Walinski reviewed stormwater related state requirements that could and will require future regulations and mitigation. He stated that at this time the City is not required to comply; however, looking at this now is a proactive approach to prepare for the future regulations. There was discussion of starting the process and it was suggested to start with a low rate of \$1.00 to \$2.00 and to build over time in order to get to the required amount to meet the expenses of the regulations. The Council directed staff to consult with HDR on what rate is actually needed to have the funds available in mid 2013 in order to implement and pay for a stormwater master plan at a cost of \$30,000. Council reiterated the need to adjust the sewer rate, however, with the unknown amount needed for stormwater it was suggested to make the overall increase of all the utilities combined in 2012 to be about three percent.

Administrator Walinski reviewed the need for system development charges that include initial development, maintenance, and future growth. He explained that the suggested fees were determined based on a three to five year period. Public Works Director Dave Schettler reviewed the difference of the System Development Charge (SDC) versus a latecomer fee that is paid back to a developer via collection through the City. Discussion ensued on the unknown cost of getting a line extension to the main water and sewer lines. Further discussions included combining certain fees into a single fee buy-in, patching and administrative fees. Administrator Walinski stated that we would also remove the inside and outside city charges and charges by zones. He added that assumptions have changed since 2007 when the rates were implemented whereas exponential growth was previously anticipated. A brief discussion on the MEND project ensued.

Administrator Walinski noted that the next public presentation will be on November 8, 2011. Director Steiner noted the need to start plugging numbers into the budget now in order to get estimates for the preliminary budget available to the public.

2. 2012 Budget Review

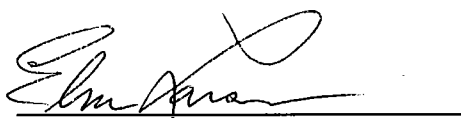
Administrator Walinski opened the discussion and identified the various revenue assumptions for property taxes, retail sales and lodging taxes. He reported inclusion of the retail and lodging taxes at a 2% tax growth and the option for 1% up to 2.49% using banked capacity for property taxes. Director Steiner proceeded to review property tax savings that would occur for the taxpayers from the bond refunding and new construction in the future from the Posthotel. Administrator Walinski reviewed the need to include the utility rates and the affect that would have on the General Fund to develop the preliminary 2012 Budget. He then reviewed the payback of the Equipment Rental and Revolving Loan Funds (ER&R) by the General Fund and Street Fund. He noted that it was a Street Fund expenditure and was supported at that time by the General Fund. He added that now that the Street Fund is stabilized, we can readjust the General Fund portion of the payment to include more from the Street Fund.

Administrator Walinski proceeded to talk about a General Fund Balance Policy and having various types of reserves for maintenance, bonding and capital. He reviewed different types of scenarios for determining what a cash flow balance should be due to timing of the General Fund revenue streams.

Administrator Walinski and Director Steiner reviewed current debt and how debt is incorporated, paid and used in assessment for future debt consideration. Discussion continued on reinvesting into the community and the rewards of higher visitation. Discussions also included the current use of Lodging Tax dollars and the potential for the legislature to take back the expanded use of the funds in 2013. It was noted, the need to continue to support cleanliness of the downtown area.

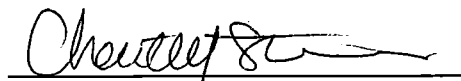
Special Study Session adjourned at 1:15 p.m.

APPROVED



Elmer Larsen
Mayor

ATTEST



Chantell Steiner
Finance Director/City Clerk