

FINANCE COMMITTEE MEETING MINUTES

June 11, 2013

Councilmembers Present

Councilmember Yamamoto
Councilmember Fraley-Monillas
Council President Petso

Public Present

Ron Wambolt
Harry Gatjens
Bruce Witenberg

Staff Present

Roger Neumaier, Finance Director
Stephen Clifton, Comm Serv/Econ Dev Dir
Carrie Hite, Parks and Recreation Director
Phil Williams, Public Works Director
Rob English, City Engineer
Mike DeLilla, Senior Utilities Engineer
Jeannie Dines, Recorder

Councilmember Yamamoto called the meeting to order at 6:52 p.m. and moved Items G and H to the beginning of agenda.

G. Edmonds Downtown Business Improvement District Interim Members Advisory Board's Proposed Bylaws and Work Program/Budget for Year 2013.

David Arista introduced the members of the BID Interim Members Advisory Board who were present: Paul Rucker, Saetia; Mary Kay Sneeringer, Edmonds Bookstore; Steve Balas, Waterfront Coffee; Cadence Clyborne, HDR Engineering; and Stephen Clifton, ex-officio member. Per the ordinance, the BID had a 90 day deadline to present a work plan and bylaws to the City Council. The bylaws and a proposed 2013 work plan are contained in the Finance Committee packet. The BID worked with City Attorney Jeff Taraday on the bylaws. The BID has begun collecting assessments; total assessments anticipated for 2013 are \$66,000. As required by the ordinance, the Advisory Board will present a 2014 work plan in the last quarter of 2013.

Mr. Clifton advised he will email Councilmembers requesting they review the bylaws and work plan in the June 11 Finance Committee packet and provide questions prior to the Council meeting. He will inform the BID Board when the presentation to Council is scheduled.

Action: Schedule for full Council, 30 minute presentation by BID Board.

H. Ordinance Amending Edmonds City Code Sections 3.75.060 - 100 Relating to the Edmonds Downtown Business Improvement District Members Advisory Board.

Mr. Clifton reported Interim Finance Director Ron Cone, who was an ex-officio member of the BID, recommended changes to the language regarding delinquency charges. City Attorney Taraday and Finance Director Neumaier agree with the proposed changes. A brief discussion followed regarding delinquency charges on utilities.

Action: Schedule for full Council.

A. Authorization to Contract With James G. Murphy to Sell Surplus City Vehicles.

Mr. Williams advised the two vehicles to be surplus are a utility service truck and a Crown Victoria. He anticipated the sale would generate approximately \$7500 that will be deposited in the B-Fund replacement account.

Action: Schedule on Consent Agenda.

B. Presentation of 2013 Sanitary Sewer Comprehensive Plan Update and Proposed Sewer Utility Rate Increases

Mr. Williams advised an update to the Sanitary Sewer Comprehensive Plan is required every six years. One of the primary focuses in the Plan is the sewer collection system and rehab/replacement

of sewer lines that are structurally insufficient, habitually plugged, impacted by roots, have insufficient capacity, etc. Similar to the Water Comprehensive Plan, the Sewer Comprehensive Plan will contain a list of projects and a recommendation for a \$2 million/year capital program to rehab/replace sewer lines. Generating \$2 million/year for a 6 year capital plan will require borrowing \$4 million every other year; the effect on rates will be approximately a 6.5% rate increase most of those years. He distributed photos of the interior of sewer lines taken via video inspection. He noted the Stormwater Plan, which was updated two years ago, did not have a replacement plan for the stormwater conveyance system. That will need to be addressed in the future as well.

Mr. English advised the Sanitary Sewer Comprehensive Plan update will be presented to the Planning Board on June 26. The goal is to present it to the full Council in mid-July followed by a public hearing.

Mr. Williams reported the City scored very high on a \$4.5 million low interest Public Works Trust Fund loan; however, the most recent House budget zeroed out the trust fund for the next two years. That will increase the amount that needs to be borrowed which will be described in the next agenda item. Mr. Neumaier noted interest rates will continue to increase over time, but not maintaining the City's infrastructure is a very expensive strategy.

Action: Schedule for full Council following review by Planning Board.

C. Adoption of Revenue Bond Ordinance and Resolution

Mr. Williams recalled in 2011 the City closed a bond sale for \$11 million plus costs to install new water lines, do some wastewater system collection work and to fund some stormwater projects. At that time, the expectation was to borrow funds every two years. He anticipated this borrowing would be a total of \$14.45 million, an increased amount due to the unavailability of the State Trust Fund loan. When presented to full Council, the ordinance will authorize the Finance Director to execute the bond sale at the most appropriate time within an interest rate cap and time period. Mr. Neumaier provided a brief summary of the ordinance.

Mr. Williams recalled water rates have been increased 7.5% each year to generate funds for a capital program, the past 3-4 stormwater rate increases have been 8% and there has not been an increase in sewer rates since 2004. He distributed a comparison of 2012 water, sewer, stormwater rate for incorporated cities in King and Snohomish County, pointing out Edmonds' sewer rate is the lowest, Edmonds' water rate is in the lower third and Edmonds' stormwater rate is in the middle. A brief discussion followed regarding the bond term.

Action: Schedule for full Council, include presentation by bond counsel.

D. Discussion Regarding Future City Utility Rate Adjustments

Mr. Williams referred to the Water Comprehensive Plan that anticipates a 7.5% increase every year and borrowing every 2 years to fund the replacement of 1% of the water lines/year. He suggested the Council evaluate that strategy, explaining continued borrowing and annual rate increases of 7.5% plus inflation will result in high rates and a great deal of debt. Another strategy would be a rate structure that generates sufficient funds for the capital program rather than debt. He suggested evaluating the time period and amount that rates would need to be increased to generate an extra \$2 million/year for ongoing water line replacement.

Action: Staff analyze the necessary rate increase and the number of years versus borrowing.

E. Authorization for Mayor to Sign Acceptance of Additional Coordinated Prevention Grant Funding.

Mr. Williams explained Steve Fisher, Recycling Coordinator, is funded in part by a Coordinated Prevention Grant. He also provides services to Lynnwood, funded via another grant. The remainder of

his salary is paid by the City's Water Utility as he also works on water conservation, water quality, etc. The State has offered to add \$7,000 to the grant which will reduce the cost to the Water Utility.

Action: Schedule on the Consent Agenda.

F. April 2013 Monthly Financial Report

Mr. Neumaier reported there are no big financial surprises in the first four months; General Fund expenditures and revenues are on track. Through April the City has collected 28% of revenue compared with 26% in 2012. REET revenue is 50% over budget and 50% over 2012; he anticipated 2013 REET revenues will be \$200,000-\$300,000 over budget.

Mr. Neumaier reported there is opportunity to enhance the monthly and quarterly budget reports. He plans to survey the Council to ask, 1) what information in the current reports is especially useful, 2) what information is extraneous/not useful, 3) what information could be added to the reports to make them more useful, and 4) what formatting improvements would make the reports more useful.

Mr. Neumaier reported his current priority beyond learning about the City's finances is updating the City's strategic financial projection in anticipation of the 2014 budget process. In July he will provide an update to the Council including assumptions.

Action: Schedule on Consent Agenda.

I. Park Impact Fee Study Direction

Ms. Hite recalled when Randy Young made a presentation to the Council last month, the Council was generally in favor of Park Impact Fees but divided on three issues:

1. Residential only versus residential and commercial

Mr. Young described amounts each could generate and pros and cons.

Following discussion, Councilmembers Yamamoto and Fraley-Monillas and Council President Petso supported imposing a Park Impact Fee on residential and commercial.

2. Phasing

Mr. Young reviewed pros and cons and examples of phasing.

Following discussion, Councilmember Yamamoto supported no phasing, Councilmember Fraley-Monillas supported phasing 50% the first year and 50% the second year, and Council President Petso suggested a compromise of 75% the first year and 25% the second year.

3. Exemption for low income housing

Mr. Young explained the City's Transportation Impact Fee does not have an exemption for low income housing. The policies do not have to be the same. If the City exempts low income housing from the Park Impact Fee, the law requires the City fund the impact fee account from the General Fund. There are two ways to exempt, a) non-profits only, or b) low income defined as less than 80% of county's median household income. Following discussion, Councilmember Yamamoto supported no exemption and Councilmember Fraley-Monillas wanted an opportunity to consider the issue further.

Action: Schedule for full Council, draft an ordinance for Council consideration at next Council meeting, discuss options for each.

J. Public Comments

Ron Wambolt, Edmonds, explained he reviewed the monthly financial report; the projections still use an improper methodology.

Bruce Witenberg, Edmonds, welcomed Finance Director Roger Neumaier.

Adjournment – The meeting adjourned at 8:15 p.m.