

FINANCE COMMITTEE MEETING MINUTES

October 8, 2013

Councilmembers Present

Councilmember Adrienne Fraley-Monillas
Councilmember Diane Buckshnis

Staff Present

Roger Neumaier, Finance Director
Phil Williams, Public Works Director
Jeannie Dines, Recorder

Public Present

Ron Wambolt
Roger Hertrich
Bruce Witenberg

Councilmember Fraley-Monillas called the meeting to order at 8:01 p.m.

A. Discussion regarding the Establishment and Operation of Any Structures or Uses Relating to Collective Gardens, Marijuana Production, Marijuana Processing, or Marijuana Retailing in the City of Edmonds

Councilmember Buckshnis reported Seattle approved allowing collective gardens in industrial areas and limited plants to 45 per garden. Mr. Neumaier advised the only revenue the City will receive is retail sales tax, 0.85% local and 0.10% criminal justice. He did not anticipate sales tax or permitting fees would have a substantial impact on City revenues.

Action: Schedule for full Council.

B. Authorization for Mayor to Sign 2013-2015 Coordinated Prevention Grant Agreement with Department of Ecology

Mr. Williams relayed the \$27,000/year grant supports the work of the City's Recycling Coordinator Steve Fisher who also works for Lynnwood. Lynnwood applies for and obtains a similar grant. The balance of Mr. Fisher salary in Edmonds is supported by Water Utility.

Action: Schedule on Consent Agenda.

C. Presentation and Discussion of Utility Rate Adjustments

Mr. Williams distributed a Summary of Proposed Rate Action and a proposed rate ordinance that would institute a 3-year annual rate increase of 9.5% for sewer; 9% for water and 4.5% for storm on January 1 of 2014, 2015 and 2016 per the Comprehensive Plans for those three utilities. Under this proposal the City will be independent of debt financing for pipe projects within 6 years. This proposal will also save approximately \$7 million in 6 years and an additional \$45 million over the following 13 years, a total of \$52 million in savings that can be used for pipe replacement versus interest payments. He provided a comparison of the City's current total utility bill to 2016.

Discussion followed regarding whether the current strategy of borrowing every three years is possible or wise, all citizens paying for improvements via rates, saving that can be realized by eliminating bonding, and availability of a low income utility discount.

Councilmember Buckshnis supported the proposed increase. Councilmember Fraley-Monillas was not convinced.

Action: Schedule for full Council.

D. Backflow Prevention Compliance Fee Authorization Discussion

Mr. Williams explained water utility customers with sprinkler systems or businesses that require backflow prevention are required to have a certified backflow prevention device in place that prevents contamination flowing back into the system. That device is required to be tested annually and the test results submitted to the City. Current practice is to turn off the customer's water if the test results are not submitted after three reminders. The proposal is a \$125 fee (the same as the fee to turn water on after shutoff) if they do not comply after the third letter. Currently about 5% do not comply; the fee is expected to increase compliance. The fee is not expected to generate a great deal of revenue. A brief discussion followed regarding how the City knows which residences have backflow devices.

Action: Schedule for full Council as part of permit fee proposal. An amendment will be required to add this to the fee ordinance.

E. Bond Counsel Contract for Edmonds Center for the Arts

Mr. Neumaier recalled he relayed a proposal at the September Finance Committee meeting to change the loan structure to a grant. At that time Council President Petso requested it be addressed by the Task Force. The Task Force needs to reach agreement before a recommendation is made to the Council.

Action: Allow the Task Force to pursue.

F. Snohomish County Investment Pool

Mr. Neumaier recalled at the September Finance Committee meeting he recommended utilizing the Snohomish County investment pool. He made a presentation to the Council and his response to follow-up questions was referred to the Finance Committee. He highlighted an outstanding question:

- *King County incurred significant losses several years ago. Could that happen here?* The City's investment policy is nearly identical to Snohomish County's policy. The derivatives that King County invested in are not allowed by the City's and Snohomish County investment policy. The only investments that are allowed are government bonds and bank bonds that are backed by assets that have been committed through state. It is low risk and fairly low return but a higher than the current return.

Discussion followed regarding returns, fees and the investment manager's background. Mr. Neumaier will provide information regarding the fee structure. He will proceed with utilizing the Snohomish County investment pool and provide periodic updates to the committee.

Action: Information only.

G. August 2013 Budgetary Financial Report

Mr. Neumaier relayed next month's report will again include department graphs and change in fund balances. He highlighted the following:

- Property tax revenue is 11.2% over last year, that may be due to penalties and refinancing
- Sales tax revenue is 7.5% above budgeted levels
- Charges for Goods and Services are 15% over last year
- Fines and penalties are 15% over last year
- General Fund revenues are projected to be 3% over budget
- Department expenditures are anticipated to be 3% under budget by yearend
- The 2013 surplus is projected to exceed \$1.2 million
- REET continues to trend \$900,000/year

Mr. Neumaier will research whether Park Impact fees will be collected on hospital construction.

Action: Schedule on Consent Agenda.

Councilmember Buckshnis suggested an update to Ordinance 3789 (financial reporting) as a future agenda item. She also suggested Mr. Neumaier utilize a matrix to track Council suggested changes to the budget.

H. Public Comments

Roger Hertrich, Edmonds, referred to General Fund Expenditures by Department, pointing out 2012 expenditures for Water, Storm and Sewer Utility are not available. Mr. Neumaier explained in 2012 the three utilities were in one fund, in 2013 they were divided into three separate funds. Mr. Hertrich expressed concern with the \$2 million expenditure in professional services.

Bruce Witenberg, Edmonds, expressed his continued concern with the Council not announcing the reason for a settlement after meeting in executive session. He relayed Council President Petso asked the City Attorney whether the Council could indicate what the settlement was for and to whom it was paid and the City Attorney's answer was yes. Mr. Witenberg also suggested the budget separate attorney fees and fees for the City Attorney, Prosecuting Attorney and Public Defender. Councilmember Fraley-Monillas suggested seeking direction from the City Attorney regarding how much information can be released when the Council announces a settlement.

Adjournment – The meeting adjourned at 9:01 p.m.