

MINUTES
City of Newport
Infrastructure Task Force Meeting
City Hall Conference Room "A"
Thursday, November 21, 2013

Task Force Members Present: David Allen, Ralph Busby, Fred Springsteen, Patricia Patrick-Joling, and Mark McConnell, and Mark Saelens (*arrived 3:28 p.m.*).

City Staff Present: Interim City Manager Ted Smith, Interim Finance Director Bob Gazewood, Public Works Director Tim Gross, Community Development Director Derrick Tokos, and Executive Assistant Wanda Haney.

Audience Members: Citizens: Ellen Bristow, Nyla Jebousek, and Carla Perry.

I. Call to Order. Allen called the meeting to order at 3:10 p.m. noting that this was the eighth meeting of this Task Force. Introductions were made around the table and of the audience members.

II. Approval of Minutes from the November 7, 2013, Meeting.

MOTION was made by Springsteen, seconded by McConnell, to approve the meeting minutes of November 7, 2013, as presented. The motion carried unanimously in a voice vote.

III. Options for Restructuring the Approach to Funding. This agenda item had been rescheduled from the November 7th meeting. Gazewood apologized for not getting a summary put together. He said from the options standpoint, Gross has been working with the State over loans like the DEQ Clean Water Act loan; and another is a revenue bond issue. Gazewood said they had been looking at taking a \$9 million bond issue every three years for a total water/sewer funding of \$36 million split 50/50. Within the bonding type structure, an option is as we get the swimming pool GOB out of the way over time an attempt to go back to the voters to approve a \$9 million bond issue for water/sewer could substitute for one of the revenue bond issues. Gazewood said those are the three basic type things on the table. He said that he has some interesting information today. He said we were looking at certain things in terms of substituting debt issuance to construct the infrastructure as opposed to pay-as-you-go type financing. Gazewood handed out a spreadsheet. He noted that these are cash flow statements going from base fiscal year 2012-2013 to the current budget and then what we have to do in terms of an amended budget that has to go to Council to fix the water/sewer funds that have some funding issues in the current fiscal year. He noted that these cash flow funding schedules go out to fiscal year 2045-2046. The first set of the schedules was the analysis of wastewater fund for new debt. Allen asked if the \$9 million every three years will be revenue bonds we will be taking out. Gazewood said except for in wastewater where it appears that for the first set of three years would be a DEQ loan. Gross thought that for the sake of this exercise, it really doesn't matter. Allen said so it will be \$9 million every three years with various funding. Gazewood said this schedule here does assume the DEQ loan because of the debt schedule. Gross said the only difference really is if you have the time to do it, you have better terms on the loan versus bonding. Allen said what he was asking is for the \$36 million with \$9 million every three years; are we talking twelve years out then. Gazewood confirmed twelve years. He explained that the wastewater debt service is based on amortization schedule that the State provided with that contract; and you don't start paying on that loan until he thinks 2023-24.

Gazewood explained that when you go to debt financing, it changes the whole scenario of rate structure as it relates to a pay-as-you-go type financing. So rather than the 10% and 15% increases, this shows a whole different story that the revenue here is based upon an increase of 4% in FY 2014-15, continues to the next step where a 3% increase would be in 2019-20, and a 1.5% increase in 2028-29, and in 2037-38 a 0% increase for the remaining of the term. He said as you go through the schedule you can see that we may have to do some changes on some of the assumptions. Based upon projected cash flow there could be some additional changes in terms of reductions of these rates possibly. McConnell asked for clarification, that's 4% every year until 2019; it increases every year. Gazewood said that is correct, rather than the 10% and 15% increases that are currently projected. He said presently the wastewater is projected in 2014-15 at 15%, FY 2015-16 it is 10%, 2016-17 it's 10%, and after 2017 it's 5%. He said the rates are substantially less. Busby asked if Gazewood picked 3-4% arbitrarily. Gazewood said that he placed the numbers in to see what the ending fund balance would be; and if it didn't appear to be sufficient in terms of having a positive figure, he made a change. If he put it in as a figure that showed an extraordinary amount of ending balance, then he backed it down. He said one thing to keep in mind when you do revenue bonds, the requirement is that you have to have an equivalent of reserves of 25% of revenues. The ending fund balance has to incorporate a reserve to cover that figure. Allen noted that for the longest time we have been doing incremental rate increases of maybe 3-4% just to keep up with the operational cost due to inflation and cost of living adjustment. Gross said we haven't raised rates in almost 8-10 years before we started this last process. He said that is kind of the reason we had this problem. McConnell said there have been rate increases all along. Gazewood said that he knew there were increases in 2007 and 2008. Allen said he recalls that when he first went on the Council from 2001-2004, there were rate increases anywhere from 5-10% each year. He said he can go back to the budget documents that he reviewed recently and can show that. Allen said he is basing that on budget information that was before him and other

information. He said he is assuming we have been doing incremental rate increases over the years to keep up with the cost of living adjustments and inflation. As noted that has been something going on for a while, now we're trying to do over and above that to deal with the infrastructure issue. He asked if those 4% and 3% figures noted at the top of this schedule are inclusive of that or exclusive of those operational increases. Gazewood noted that for the expenditure categories to the far right of the page, the percent increase of those line items is shown. He said if you look at line 10, Personal Services, to the right on that line you see 3%. So, beginning with 2014-15 that figure of \$656,046 is 3% higher than the 2013-14 budget figure. That is spread across and inflated by 3% each year. He said that figure could be higher than 3%. He said it would probably be wise to run these numbers based on 5% factor of personal services. But somewhere along the line there are adjustments because people retire and you hire people at a lower salary; so then that cost has changed. Saying it will increase 3-5% every year may not be a correct assumption. McConnell said you have unions to negotiate with also. Springsteen agreed there are a lot of variables. Allen said what he was saying is that we have been increasing over the years not to the extent of recent years, but we have been increasing over the years to meet up with operational expenses. Gazewood said if you take the salary base as it is right now, including fringe benefits, it's in the FY 2013-14 budget at \$636,938; if you go to the last page you see that in 2045-46 based on 3% it's \$1.6 million (almost three times). McConnell said he sees where the difference might be; which is that Gazewood's talking about taking the rates that are currently set that do include extra dollars for infrastructure and then increasing that by 4%. So, you're starting at a rate that already has extra dollars funded into it now. Gazewood noted that a 4% increase in revenues is based on current year revenue projections; each year it is compounded. Allen said he just wanted to make sure he understood what Gazewood was doing; and it all makes sense.

Gross had a question for Gazewood, noting that in the table beginning in year 2026-27 Gazewood stopped showing that \$1.5 million a year in infrastructure, he wondered if there was a reason for that. Could you carry that on? Gazewood said you could go back and issue another bond and continue then on a building program after that. Gross said then basically what Gazewood is saying is with what he has shown here you can keep this going on forever in this sort of scenario and manage your debt service. Gazewood said absolutely. McConnell asked how you compensate when you receive a grant or some other unexpected windfall. Gazewood thought if you do get other funds, there is no reason that the Council couldn't take action to adjust the rates accordingly. Gross said when you sell that bond, it is shifted back. He said, say you get excellent terms or end up with some large grants or something, what that ends up doing is pushing you back when you have to issue that next bond; and you adjust your rate increase needs. He would think that you would want to probably keep something like this updated on a year-to-year basis and see how you track out over 40 years to make sure you're on course because a decision you make today in borrowing can affect you a ways down the road. He said this is a great tool that you can continue to use year after year that you can adjust as you go. Allen said so for instance if the Council and the voters decided based on their approval to do a GO bond measure for certain projects that could influence rates to go down. Assuming no GOB is done now, this could be the baseline for loans that we can continue with and then adjust based on grants, GO bonds; and then it could go up. This could be a baseline number. Gazewood said he believed so. He said the one thing you would keep in mind is that you may have cost factors in your expenditure categories that might need to be adjusted based upon rate of expenditures. He noted that one of the big things that's in line 19, Other Materials and Services, are the professional services for the design of the capital projects. McConnell said you are making an assumption on interest rates every three years and asked what Gazewood's assumption was on interest rates. Gazewood asked our financial advisor to supply us with the schedules; so he doesn't have the up-to-date information on interest expense. They would normally tie in over a 20-year period. All he has is just a basic schedule. They're assuming that as each year goes by there is an adjustment in the interest rates. McConnell thought if you are going to do this kind of projection you have to assume there is going to be an increase in interest rates. Gazewood said if you are doing four fundings over twelve years, there's going to be adjustment in the rates.

Jebousek said when Gross did his projections there were discreet dollar amounts for base rates for specific years. She asked if Gazewood has figured out what these figures would create in terms of base water rates for customers. Gazewood said no, but they would be substantially less than what you're looking at now; if it were a 4% instead of the 15% it is now. Allen suspects that if this kind of recommendation comes to the Council in January, those numbers will probably be plugged in as part of our recommendation. He said in the next couple of meetings maybe we can refine that a little bit. Gazewood said that was a good question and good thought. Mark Saelens joined the meeting at this point.

Gazewood said if you look at line 7, which should read Bond Proceeds, FY 2014-15 shows the first \$4.5 million taken out of the \$9 million. Busby asked if Gazewood was assuming water and wastewater are 50/50. Gross said yes we are assuming \$1.5 million each year for each of them. Gazewood continued that line 7 in 2017-18, the fourth year, shows you would take out the next \$4.5 million. Line 32 beginning in 2014-15 shows the \$1.5 million spread across the rest of the page. The one thing that he was reminded this morning that he forgot to do was get an inflation on the \$9 million for cost increases that would happen over a period of time. This morning he asked follow-up on our rating prep call and asked the financial advisor to re-do this schedule with that inflation factor in there. So this would change somewhat in terms of the numbers as we show a different figure in there. Gross asked if the change wouldn't be based on the construction cost index change to apply to the \$1.5 million. Gazewood said yes as far as the bond issue. The bond issue is essentially going to be what the payout is. Based on about a 3% average, he asked them to do the 4th year at a 9% factor, then roll up to the 8th year with 9%, and roll up at the 12th year with 9%. McConnell asked if the idea is that we borrow all the \$9 million at once and spend it over a three-year period. He said that you wouldn't necessarily spend this all equally. Gazewood said that as long as they spend out 85% of the proceeds in a three-year

period then it's legal. McConnell asked if the cheapest kinds of bonds to get are revenue bonds. Gazewood said no, the cheapest would be GOB because you are pledging the property tax for it. A property-tax-funded bond will always draw lower interest rates. Tokos noted that we are eligible for low-interest State loans for water and wastewater and that sort of thing. Gross said those loan applications take a year to a year and a half some times. If you start processing, you continually recycle through those State-sponsored loan programs. As long as you're disciplined and go through that process, you can do it that way too.

Allen asked if we are looking at GO bonds as an option, if Gazewood would say from his point of view as we're looking at the infrastructure improvements and facilities that we probably need those discreet projects (for instance the water treatment plant kind of things) not just replacing lines and those kinds of things but something big to put aside and at some point it could be appropriate to take that out to voters and see if they want to include that as part of the GO bond mix. Gazewood said oh, yeah. Allen said that's maybe how we might want to try to spread it across the spectrum. Gazewood said yes. Gross said even your water and wastewater plants every twenty years or so will need a major overhaul because all your equipment is worn out; and that could be several million dollars. Maybe you want to reserve those types of things for that. Allen said that makes sense. Tokos added that this is the same approach we take for Urban Renewal; and he wanted to point out that this schedule is exclusive of Urban Renewal. Where we have Urban Renewal, those are additional projects we have under Urban Renewal. Gross said a lot of those lead to transportation improvements. Tokos said for example in South Beach the 40th and 50th water and sewer would be exclusive of something like this; it would not be part of this. Gross said something that is different in Urban Renewal is that those were new improvements, not existing infrastructure that was being repaired; it was an expansion of the system. Tokos agreed they are different. He said this \$1.5 million that is assumed is needed annually does not include what we are assuming we need in Urban Renewal. Gazewood said since Tokos brought up Urban Renewal, he wanted to clarify something additional here. In terms of any issuance of bonds under the Federal law since we are considered a small issuer, we are limited to in any one calendar year the \$10 million limit on bank-qualified bonds. In terms of Urban Renewal, the Bond Counsel tells us that is all part of the same \$10 million. That is one of the policy issues that has to be kept on the table and considered any time there is an issuance of bonds; what the City is doing and how that affects the funding requirements of that URD. So, if Tokos is going to need \$3 million for Urban Renewal next year, then you can't do \$9 million on this next year. You could do \$6 million, or \$7 million, or whatever the figure is and then the next year go issue the difference. Allen said, so GO bonds, typical revenue bonds, and urban-renewal-based bonds are all going into that \$10 million limit. Gazewood said yes, it doesn't matter in that issue. Allen said that's a point that has never really been clarified up until recently. Tokos said we have to be strategic.

Busby asked if there was a reason Gazewood did the three years. Gazewood said just because they are cumbersome and involve a lot of paperwork normally. So you do it three years and you have three years to spend 85% of it. Gazewood said the other thing is when you have the full amount, you just put it in a special savings account and earn interest on it. McConnell asked at the end of paying the debt back, what's the total cost? Gazewood said the combined debt for water and sewer would be \$54.7 million. McConnell said then it costs \$18 million to borrow \$36 million. Gazewood said that's over 29 years. Springsteen said it's about 1% a year. Gross said that we had said that we could keep doing bond lettings forever. Gazewood said you could continue out after the twelve years. Gross thought that the rate increase projections were driven by paying off bonds within the period we are looking at here; over forty years or whatever. He asked Gazewood, did you take a look and see what that annual rate increase would have to be each year just to keep going on forever? You get to the point where it drops down to zero and he thinks that's because you lost that debt service to some level and you could maintain it. Gazewood said if you look over on the last page at line 131 where the "0" rate is, at the bottom you can see the level of funding in the fund based upon even that projection of "0" increase that it increases from \$1.456 million to \$2.6 million. So, it's growing. Allen said so even though it's a zero increase at 2037, increases up to that point have created a level where it could sustain some additional ability. Gross said if you want to maintain some sort of a consistent fund balance at some level then the difference you would have is for debt service onward. Gazewood said this is also assuming that you are carrying a \$500 thousand contingency all the way through. Patrick-Joling asked, always. Gazewood said that is what this prediction is based on. McConnell asked if you don't have to have a \$500 thousand contingency until 2016. Gazewood said that the debt service drops off in 2042-43. Patrick-Joling said that she thought he said it was required to have a contingency fund at all times. Gazewood said that he thinks the City's policy established a contingency for the water and the wastewater funds. Patrick-Joling said she thought it was tied to when you go out for a bond. Gazewood said there's a reserve; you would have to reserve, but the reserve wouldn't be at this level. There is no designation for reserves on here. McConnell noted that this schedule also reflects a continued contribution to the General Fund, line 13. Gazewood said yes, with just a 1% growth factor; while the others are projected at a 3% growth factor. Gazewood said there are two things; there is a service provided charge, which is the cost allocation formula, and this still assumes the 5% in-lieu-of taxes. Allen said so you are still assuming that we are still collecting the fee-in-lieu-of in addition to the services provided; which is still a policy choice that the Council could consider changing. Gazewood said that's correct; that's in here. Absolutely. He said that is shown on line 13, City Utility Fees to General Fund; and then you find that identical across the board on the other schedules. Allen noted that even though Gross had said this zeros out at 2037, what you said earlier was this is something that will have to be revisited on an ongoing basis so those years will be adjusted anyway. Gross said they will be adjusted because if you look way out there, look at the last page at 2037-38, you see your ending fund balance goes up and then at some point it starts to go back down again. He thinks that is reflective of your increase in costs, but you're not keeping up with your increase in revenues then you sort of drift off and you'll have no ending fund balance; and so we will have to adjust it as we get out there. Allen said so what you are saying is for planning purposes right now this is a very good tool. Gross said it's great. He thinks it is about as far out as you can go. You can adjust these numbers to see what sort of change happens if you decide to take that

bond measure every four years or you have to take a larger bond measure at this point, how does that affect you twenty years down the road. You may have to take a large one if you have a larger project that requires a larger levy. Allen said maybe a GO bond if we want the voters to approve it. Patrick-Joling said to Gazewood that she was just joking saying this is a great Option A, but he has tagged this Option B. Gazewood said he didn't change that. He said that Option A was his template at a 1% increase. The only problem is when you throw the debt into the schedule, you got nothing but negative figures really quickly. So he thought it's not even worth producing and showing to anybody, but he just never changed that label. Patrick-Joling said so this is Option A, and Gazewood confirmed that.

Busby said, when it comes to options, one of the things that would really be nice for everybody he thinks is to look at things in the average rate payer's monthly bill. Instead of saying this year we are going to have \$36,432,000; nobody has a clue what that means. But instead say your water bill is going from \$90 to \$110. Allen said that is what he said earlier. McConnell said that is what Jebousek has been saying. Busby said the other thing that he thinks would be useful to base options on is to say okay you have five ways to get money: you can borrow it, which includes bonds, loans, and whatever else; you can have it given to you, which are grants; the third way is you can charge for it, you can tax for it; you can increase the rates; you can transfer it and that is take it away from somewhere else; and the last one is you can de-scope, which is not really a way to get money but is a way to save money. He said it would be nice to take those variables and have them so we could play around with them a little bit or at least put three, four, or five options on the table. If we transfer "x" amount of money from the other funds into water and wastewater, how much can we afford? If we took one percent of the other fund balances and put them over in water and wastewater, what would that do for us? If we borrowed this much versus that much, what would that look like? Have those kinds of variables; put five options upon the table. Smith said the biggest thing is he wonders if we are going to have time to do that because you can say we are going to take one or two percent away from other funds without knowing how that is going to affect those other funds. He doesn't think you can throw that option out there unless we have time to look at that. Rephrasing that, Busby said he wouldn't say one or two percent because that is probably a bad way to say that; you need to do it in hard dollars and in today's dollars I'm going to take \$100 thousand from other funds. Then you could go and say out of those eighteen funds there are ten we can attack so to speak. Then what level you want to get down to is arguable. We can say okay we are going to take \$100 thousand out of the General Fund, but he doesn't think we have to get down to the level of saying we will take it out of the Library Director's salary. Gazewood said that he thought that if you are seriously looking at something like what Busby wants to look at, first is do you want to continue the 5% in-lieu-of policy. There are some funds to begin with that you can legally transfer over to water and wastewater for any type of construction work. One is Agate Beach that is sitting there with \$1.4 million. There is no money in the Parks and Recreation fund for that because it is living on transfers right now. So what's your other option; is it to rededicate room tax monies? Then you start to tell the organizations that have been used to over so many years getting subsidies from the City that they are not going to get those subsidies anymore because we are going to rededicate that money into our infrastructure. Allen said by State law he thinks we are constrained by that; and we can't do that. We are locked in on the room tax. Gazewood said that's what he's saying. So then we come back to what is the fund we are talking about that we could tap into for water and sewer; it goes back to the General Fund, but General Fund doesn't have the money to support that. Busby said it would require reductions in services or increase in efficiency in some area. Gazewood said that's true; and one of the things you could do is what other cities do and that's shut down Finance Department for a couple of hours a day, and you don't open up that window until 10 o'clock and you cut your staff. Patrick-Joling said like a furlough.

Saelens said in listening to Busby and Gazewood, it sounds like you are getting to the same amount of money just from a different perspective. What Gazewood is saying, is say the Council decides to change the policy of collecting the fee-in-lieu-of into the General Fund, ultimately that means you have to go cut that money from all the other departments that rely on the General Fund. Busby said you could cut where you want. All he is saying is rather than borrowing additional money or taxing an additional amount, you cut services in other areas to make up part of the difference. That's all he is saying; that's one of the options that is out here on the table. Gazewood asked, so you cut staff. Busby said it could be cutting staff, it could be cutting long-term purchases of capital equipment. It's kind of hard to decide; we're not going to decide how many pencils to buy. Gazewood said generally when you're talking about making reductions in material services areas, you are really talking about people that you have to start cutting from the equation because that's the only place you are going to really gain any money.

Jebousek asked if Patrick-Joling was going to do a presentation. Patrick-Joling said she does have the information but it's in her computer, which is in the computer repair shop. Jebousek said she was desperate to hear it. Allen said we will get it next meeting or it will get posted. Patrick-Joling said all it is, is just showing what other coastal communities are paying for rates. That's all it is. It shows you what the water and sewer rates are, and then she asked each individual city how they were financing their water and wastewater. A lot of it is what we are talking about. Allen suggested that between now and the next meeting, Patrick-Joling can send that as a word document to Haney and she can get it posted on the City's website as part of the informational items that are already posted so everyone can take a look at it. Allen told Jebousek that we will get it on the website. Gross noted that some cities charge on a different basis; some charge by a hundred cubic feet, some by gallons. So he said if Patrick-Joling can just make sure it is consistent. She said some cities only charge every three months. Again, Allen said we will get that posted.

Allen said listening to Busby and Gazewood, he had a suggestion. The option about whether we can be more efficient in General Fund or wherever to help pay for infrastructure is something Busby brought up and has been on the table for a while. He thinks

it's an option worth considering. But he thinks, just as one Task Force member, something he doesn't want to get into before making a recommendation is parsing it out in any more detail other than it's something that the Council and City staff have to think about as we move forward. He said this is not the budget committee; this is not trying to determine what the budgetary aspects are of the current budget. This is really just a general recommendation. So what Allen would say with respect to Busby's discussion with Gazewood is if the group feels in making a recommendation over the next two meetings that the option of looking at more efficiencies in the budget is important to note as a recommendation to consider that's about as far as we can go. It's going to be up to City Staff and the Council to determine whether that's a viable recommendation in moving forward. But we can't get into detail right now because otherwise we are going to be talking about budget stuff and getting into budgetary line items; and he doesn't feel we want to waste our time doing that. Busby said that as he had mentioned he didn't want to get into the pencils argument, he was just using that as an example. The idea was that we only have so many places to get money from; and transfers from other areas is one of those places. Allen said we can note that as one recommendation.

Saelens said that he expects that if we do that exercise, we are going to find out quickly that you're not going to be able to really find enough money to significantly impact the much larger cost of Public Works. But he thinks it would be worth doing the exercise as an option just so people can actually see that. Patrick-Joling said you never know. After you have so many options before you, you may have a compromise. Busby said in the end you may say we are going to need \$3 million a year; we may get \$100 thousand one place and \$2 million somewhere else, and \$55 somewhere else. It's a combination; it doesn't have to be one or the other. Saelens is saying people would be able to see that magnitude. Allen said since this is issue to important to Busby and to others around the table, he would suggest that at next meeting perhaps have a brief summary of the things you would like to at least talk about generally along the lines of that option; so at least we can talk about things. Now he's not talking about details; but if you feel like for fee-in-lieu-of perhaps removing 50% of that out of the General Fund, throw that on the table as an option to consider. Busby said but that gets into the budget. Allen said talking about general things is not the same as getting into the budget line items. He is talking about general. If you want to speak generally to the kind of transfers that you think we should look at more closely, just throw those out as general transfers. Like a transfer into the General Fund, something we should consider. Maybe come up with a list of things; not detailed stuff, but more general concepts that we can focus on. That is the kinds of things we can recommend to the Council to take a closer look at moving forward. He asked Gazewood if that looked doable. Gazewood said sure because it comes down to a policy decision. That has to be addressed, and that's the Council's responsibility. Busby said that one thing that would be good to hear from Gazewood in particular is that the General Fund is a given, but which of the other funds have the potential to be tapped if any. Some of them are illegal. The Airport and the Rec Department are already in the hole, and you don't take money from those; you take it all from the General Fund, and then the General Fund doesn't transfer as much money to them. Allen agrees with Patrick-Joling and what McConnell said, we should at least talk about it, and if we decide as a group that it's either worth pursuing or not pursuing, make that as part of our recommendation. Saelens said the only other clarification he wanted from Busby, was his item number five. Busby said de-scoping means just don't do as much work. That's not the same as getting money. Saelens said that when he hears that as a citizen and an individual it reminds him that we're not in an era where we can think about being smaller, we can think about being more efficient, we can think about being smarter, and how we use our money smarter. But Newport is really all about growth at this point; stable growth, economic development, and economy. If we were one of the other counties or cities that were much worse off and you were facing de-scoping or going bankrupt, then that makes sense. Gross said you could look at it this way; you could have five workers, and each one of them had their own truck to get to the job site. Or you could have all five workers ride in one truck. That's an efficiency thing. It's a very simple type scenario. Gazewood said the other efficiency if you are looking at something like this is that you have to look at the public safety areas; the Police Department – the number of vehicles they have versus the number of officers.

McConnell said one of the things we talked about at the last meeting was that the Council and the staff need to take some time to prioritize services and levels of service and with a lot of community feedback. You're not going to get that done between now and the next budget; but it needs to be a process that needs to start so you have some clear ideas of where you want to go. He said the other thing that we talked about when we did the rate increase a couple of years ago and started down the pathway of spending money on infrastructure. We still haven't really done a very good job as a City, and he thinks there are a number of reasons for that. But we aren't doing a very good job of saying we increased the rates to generate these extra dollars and these extra dollars are not going into fluff and padding and extra benefits for employees or hiring other employees and that kind of thing. He said we need to be really, really careful when we start adding extra dollars in the budget like this that you have a really clear way to show that all that money is really going into what it was intended to go into and doesn't inflate other budgets after the fact. He said it's a really hard thing to do. Gross said it is really hard and something we can do better at. We need to be a little bit strategic about coming up with a plan on how to do that. He said we have kind of gone forward and backed up. For example, when we talked about rate increases last year, we listed some of the projects we were working on; and somebody said "well that project was on there last year. We paid for that with a rate increase last year." He explained that no, the rate increase last year helped pay for that part of that three-year-long project. That part just happens to be going on right now. It was hard to communicate that. Maybe we can communicate it then differently. Busby thinks that very important. And the other thing that McConnell said about the scope, Busby doesn't think anybody in this room wants to cancel a bunch of projects. But he thinks we have to make it clear that we do agree that the projects on Gross's list; we are 100% behind and are supportive. Saelens said with that clarification, he agrees. Busby said there are a lot of people out there saying all they ever do is talk about borrowing money and taxing us more and cutting some more services; why didn't they just decide that they didn't need these projects.

Patrick-Joling said that people say we don't do a good job of it. Her big question is why the City doesn't do a good job of tracking everything. It leads her back to the question she has been asking forever, and that is about the Finance Department and our software. She said if you go to other City Managers and ask if they know how much is in their account, they say absolutely they can go to the Finance Department and get it right there. It just seems that for so many years we just couldn't do that here. She knows we bought a big new program, and that went sideways. She's wondering if that really is an issue. She said as he's came on here Gazewood has realized an issue with our budget, monies, funds, and accounts. She said it is very disturbing; but she is glad that we are finally getting a handle on it. She said you walk into any business, they can tell you how much money they have and where the funds are and what the projections are. She said it boggles her mind why the City can't grasp this. Gazewood thinks we can tell that and thinks that we could always do that. It's just that it's never been reported. He thinks that's the issue. It doesn't matter whether we had the old system or we converted to Caselle, the data is there. There may be some massaging and correction in the system that you need to do; but you still have all the monthly reports on the system. He said that it's just a matter of taking that data off and getting it into a form to present it to keep the Council up to date on it. That's all it is. He said to blame the software over a period of time he considers is an invalid excuse. Gazewood said that's just his observation and reaction. He said it's a matter of staff taking time and putting it in a format that can be presented to the Council. It requires some changes of methods that we were doing in the past. He said since we're on the subject, for example, in the past the City has got into this lackadaisical attitude of taking transfers rather than on a monthly basis they were held over to the end of the fiscal year. Even the service provided charges were handled the same way. Interest calculations weren't done until the end of the fiscal year. So every single fund balance was incorrect over a twelve-month period. You have to make sure that that's corrected to make sure it's an ongoing basis. He said that we have, with the exception of the interest calculations, transfers on a monthly basis and the service charges fixed as of October's reports. So if Gazewood produced a report of the General Fund through October and gave it to Council, they would see everything except perhaps the interest calculations. He said that's just a matter of them going back and reconciling the investment account and the interest earnings in the State pool, and make those fund allocations. He doesn't see that as a big thing either. It's just a method of how you're going to process your work over a period of time and make sure you do it currently on a monthly basis. Saelens wanted to elaborate on what Gazewood has brought forward because of this issue is the type of report that can be produced, including actuals; and we've discussed as a Council having those reviewed more formally on a quarterly basis rather than all this big pile-up at the end of the year. He added, that's miles ahead of the kind of commitment we had a year ago.

As Gazewood handed out the water schedule, Allen said, separate from the financial reporting issue, which is something that Saelens just said, Allen thinks perhaps something to consider as a recommendation for the Council is if we are moving forward with various options for funding infrastructure and we want to give the public as much transparency as possible, is the Council needs to think of a way to get that information to the public in a form that is useful and easy for them to know what is going on. He added, whether that's on the water bill itself. He asked Gross if he remembered we had talked about maybe we could track it on the water bill and show people how we are spending money; we never really did that. He doesn't think they were able to put that together. Gross said no, it didn't get on the bill. Allen believes this goes back to when McConnell was Mayor, when we did these rate increases, whether we were for them or not, we all agreed that the public needed to be given information on an ongoing basis. McConnell added, where the money was going. Allen said he thinks that needs to be a recommendation we can really support as a Task Force. Patrick-Joling said where it's going and tracking it. Allen said not just where it's going and tracking it, but making sure that the public knows where it's going and how we're tracking it. McConnell said we did do an inserted report once or twice in the last couple of years. He said the other thing is that you've changed your coding and tracking system considerably. You didn't used to be able to plug in a project and find out exactly where all the money was in that project; and now you can do that. Allen noted that he is writing down recommendations for the Task Force to think about at the next meeting; and to him that jumps out.

Gross said that before moving on to the water schedule, there is a correction Gazewood needs to make in the wastewater; and it's a simple thing. On line 17, the transfer to the Airport of \$30,704, is increased by 3%. He said that will always stay at \$30,704; it will not increase over time. It stays static. Gross explained that is what the wastewater treatment plant pays to the Airport for the use of that land east of the Airport for sludge distribution. It's a firm number that is fixed in that agreement. There was no escalator built into that; so unless we go with a resolution for a change to that, that number will always be the same.

Springsteen said he was sitting there doing kind of a cost benefit analysis. By that he meant if you were to adjust the budget and there is a bunch of loose money in there and you were able to reduce the Fire or the Police and shrink things up, the amount of money you will save by doing will reduce the amount of money you are going to be borrowing. If your overall cost of borrowing is $\frac{3}{4}$ of a point per year, then all you are doing is reducing this by $\frac{3}{4}$ of a point; the amount of the money you are extracting out of the City budget. In his mind, that's not worth the payment it would take to get it done. Saelens said he thought that was kind of what it was. Allen said that is probably what we will be considering as we look at that option.

Proceeding on, Gazewood said that the water schedule is pretty much the same. You apply half of the \$9 million and the \$1.5 million a year. Allen noted that there are different rates at the top. Gazewood said the difference here basically is that in order to sustain the water fund with these percentage cost factors, the 5% would be required to raise the rates each year beginning in FY 2014-15 for four years, then in 2019-20 4%, and then beginning in 2028-29 thereafter it would be a 0% increase. This would

be strictly a revenue bond issue. Gazewood said there's one thing he needs to point out, and it's reflecting on both this schedule and the wastewater, and it's when you look at the bottom line at the ending fund balances on each page for the first two pages. He said go over to the far right corner, line 42 of the ending fund balance where it's \$2,317,180; that figure is as high as it is because it is reflective of the \$4.5 million revenue on line 7 that hasn't been completely spent out of the \$1.5 million dollars. When you go over to page 2 and look down at line 85 on the far right that \$1.9 million is reflective of a clean cost. At that point there's no construction pay out of that bond money in that figure. Allen asked Gazewood if there was anything else he wanted to point out on this schedule separate from the wastewater; and Gazewood said no.

IV. Task Force Comments.

Referring to his own water bill, McConnell noted that there are two more fees on here that say infrastructure fee and storm drain fee. He asked, do we have any proposals for those staying flat, going at the same rate as these, are they tied into this? Gross said our rate percent projections show them increasing at 5% each year for both. Allen said along those lines, the storm water was kind of the one we addressed because of the need. He asked Gross if he sees that staying pretty much 5%. Gross said right now the storm water fee basically pays the operations of the storm water. It doesn't go into construction. That's what we've kind of been using the infrastructure fee for. We're looking at a SRF loan right now that Gazewood hasn't had an opportunity to review on the storm water side too. We have storm water projects that need to take place. The infrastructure fee generates \$495 thousand a year without being increased at all this fiscal year. Busby asked if that is limited only to storm water. Gross said no, it can be used for any infrastructure. So this year for example, you will recall our beginning fund balances were less to the tune of about a half million dollars in water and wastewater combined; actually it was more than that. We had used the infrastructure fee to finance another project and we just cancelled that project and used that infrastructure fee to backfill into water and wastewater so we could continue on with those projects. Busby wondered if we shouldn't roll that into just one thing; it gets confusing. He asked if there was a reason to keep it as a separate line item. Gross said it is a separate fee; it's a separate collection. McConnell said part of it was a couple of years ago when we talked about this, we talked about actually splitting out that percent increase and showing that somehow on here. He thinks the infrastructure fee is shown on here separately because we wanted to say that this infrastructure money is going for these projects and not for basic support of water and sewer. Busby said he was just saying that it's confusing right now because you are spending a lot of money on infrastructure too. You've got one little pot here and one over here. McConnell said to him it would be nice to have your water and sewer rates show what it costs to provide you with water and sewer; operation costs. And then the rest of your bill should show, whatever number it is, this is going toward infrastructure replacement projects. Busby agreed with him but said easier said than done. Gross said we set up a table and tried to get it on the water bills. Basically that table wouldn't change for the year because it would be based on CIP and would be what your approved budget figures were. It would be this percent went here or there, this is how much went to capital construction, this is how much went to operations, and this percentage went to debt service, or something of that nature. People could see how much of their bill went to construction. He doesn't know why we couldn't get it on the water bill. Patrick-Joling said how about a watermark on the back of the bill. Gross said he didn't think they had a place to put it. He doesn't remember what they told him at the time. He said that's an easy chart to place on there. You leave it on there for a year because that doesn't really change over the year. The next fiscal year when you approve the budget there's another one that goes on. McConnell thought that some people would really like to know what things we are doing to clean up the streams going across the beaches and running down through town; and that's where that storm drain infrastructure fees have been going as well. Gross said no, it pays for the operation of the storm water department; street sweeping, jetting of storm drains, repairing of the storm sewer on a day-to-day basis. It doesn't cover any capital construction projects. McConnell said but you're using some money somewhere and guessed he is using the GP franchise fee to do cleanup. Gross said the infrastructure fee and the GP franchise fee are the two we are using to fund for storm water. Allen noted that Patrick-Joling had a really good idea; he said that she suggested putting a glossary on the back of the bill explaining what certain things on the front of the bill mean. Maybe that can provide some clarity there. He told Patrick-Joling that was a great idea. He thinks that would help a lot of folks. Gross said he remembered why the chart couldn't be placed on the bill; it was formatting with the software company. They said it couldn't be put on the bill. Gross said you just get a pre-printed piece of paper that you print the bill on. Allen said that's going to be addressed.

Allen questioned Gazewood if this storm drain fee noted on the bill that Gross just explained, is factored in the water and wastewater rates shown at the top of the schedule. Gazewood said no. Allen asked if his rates weren't factoring that in, what's going on with the infrastructure fee now. Gazewood said that money is going into a separate fund. Gross noted that we have to be careful with our terminology. He said that most people say our water bill; but it's not a water bill, it's a utility bill. The utility billing encompasses the water rate, the sewer rate, and then two fees. Allen noted that at the top of the bill it says water and sewer billing; maybe we should change that terminology on the bill. He said you have a timetable going out 30 years for how we are going to pay for water and wastewater improvements. That infrastructure fee, which is going up 5% per year across the board, he thought was actually going to be utilized in part for paying for these water and wastewater projects. He asked if that's the case, then how are you factoring that infrastructure fee into this table; and if we haven't factored it in, shouldn't we be because it's all part of the bill people are getting. Gross said we are not factoring it in because we are using it to pay for things that we don't have other ways to pay for; street projects that we can't use the gas tax for and storm water. Allen said he is trying to get clarity on it. Gross said the infrastructure fee goes to capital projects. Allen said, but not water and sewer capital projects. Gazewood said that's why it's not in there. Gross explained that there are three capital projects funds; water capital projects, wastewater capital projects, and then capital projects that include everything else but water and sewer. Allen said that's what he

was trying to get clarity on. Tokos said that street and storm water work is not on these charts. Allen said even this Task Force, which has been around for a long time, hasn't really got clear articulation until now as to what's going on. That's why we have a task force; to make sure we know what's going on because if we don't know, he's sure the public doesn't know. He said that's why we are doing this right now. Gazewood said that the capital improvement surcharge is money going directly into capital projects fund. McConnell said it has to be defined somewhere.

Allen said, going back to what Patrick-Joling and McConnell said, he thinks one of the first things we should be recommending is providing more clarity on this bill as to what these different fees are going toward because clearly there is a lack of communication even with the Council on this issue. He agrees that we need to clarify that. Gross said one thing he has been waiting to talk to the Task Force about deals with that big, long spreadsheet that he brought to one meeting. What that really shows is that we have funding from water fees and wastewater fees and the infrastructure fee; but a lot of these projects have funding from lots of other sources too. So if you look at how much water and wastewater contribute to the overall capital improvement plan, it's actually a pretty small amount. If you take a look at other funding sources like loans, GP franchise fee, FEMA, all the stuff that contributes to our funding, which all get lumped into the capital projects fund, that's a lot. Without something like that spreadsheet, it is very difficult to communicate how much the funding is and what project it goes to. He can say the water fund is paying for the Agate Beach tank partly, part of it is the infrastructure fee, part if it is some other sort of funding; there are all kinds of funding that go together. Allen said what we could say though is that infrastructure fee goes toward funding of infrastructure other than water and sewer projects or something like that. Gross added, as well as water and sewer projects. Allen said, and water and sewer projects also. Gazewood said there aren't any construction activities that are occurring in the specific water fund or the wastewater fund. Saelens said he liked how you said "those that have no other funding source."

Allen had a suggestion for the next two meetings for Gross, Tokos, and Gazewood. He said it would be really helpful based on this discussion if those three could get together and take a generic water bill and revise it with different language and maybe a glossary of terms on the back that we can look at and maybe start working with. He said that one thing that he would like to see as a recommendation coming out of this Task Force is a revised utility bill that actually reflects what we are doing to give the public more information. Allen said that between now and the next meeting, or at least by December 19th, he would really like to see these guys put their heads together and come up with a glossary of terms and a revised utility bill that we can at least look at and maybe recommend to the Council for further consideration. McConnell said if they have time to do that; otherwise we can just recommend it. Recalling what Gross had said earlier about how the people who print our bills had complained when we tried this before, Saelens said maybe if you mean just a way of simply getting that information into the bill. Allen said the problem with printing the bill had to do with charts; and what he's talking about is just a glossary of terms, which is just words. Gazewood said he thinks if you make any changes to terminology or something to the bill, you'd do it when you reorder. That's when you incorporate in the changes so you don't throw a bunch away. You just integrate that when you reorder. Allen said right now there's probably enough space on the front of the bill to actually have some language that would provide some clarity. He said charts are one thing, but language is another. A lot of people probably want to know what infrastructure means, and what does something else mean. He is just trying to get a suggestion out there for us to think about for the public's benefit. McConnell said he doesn't think this is a fill-in-the-blanks form; he thinks it's just printed on a blank sheet. Patrick-Joling noted that it's perforated so it tears. Gazewood said it's whatever is within the limits of the program and would have to run it through IT. Gross agreed that the program has limitations of what you can put in it. That is what we struggled with before. You can't just plunk anything in and it lets you just type it out. He said that's not to say you can't have a glossary already printed on a piece of paper that you print your bill on. You could have the printer print thousands of sheets with the glossary on it and the chart that never changes over the course of a year and then simply print the utility bills on it. He noted that it's like they print our paychecks on a certain type of paper. They can print the utility bill on a certain type of paper that has that information pre-printed on it that never changes for anybody. McConnell said on the back. Gross said on the back or wherever you want. He said that the bills are printed in-house at the printer. He said the Finance Department was struggling so bad getting their utility bill set up at first that it was not worth pushing them at the time. Now he thinks they have that in place; and we could probably go back and let them know what we want to print. Allen said that he knows that Gazewood has a lot of things on his plate, but all he's asking is if by at least the December 19th meeting if the three of them could come up with maybe some revisions to this utility bill. He said we can always consider it further at the Council level. Gross said that the Council gave us direction to do it last year and thinks we should just have somebody champion it and do it. Allen said it would be helpful for the Task Force to have something in front of us to look at before we forward something on to the Council; so between now and December 19th, our last meeting. He said we can make it as part of our final recommendation.

V. Public Comment.

Bristow said in regard to the small details that were just referred to, she likes the front of the bill as naked as it is because her eyes are getting bad. She really would like information if it's printed on the back; keep that as an option. She said don't clutter the front of it up anymore because it's hard enough to explain to people. Allen said we will figure it out. Bristow said but the energy going for more information is very, very good.

Perry said that she was talking to Jim Protiva about the percent for arts part of the pool bond measure. He invited her to the Parks and Rec Committee meeting yesterday. She reminded them that there is a percent for the arts, which she doesn't know if they

had factored into the \$8 million, but that comes to \$80 thousand for percent for the arts. She said that's an ordinance that passed a year and a half ago. She believes that ordinance says that it's okay to incorporate the art into the building as opposed to just like having a sculpture outside so local artisans and artists can actually be paid to produce art that becomes the door or the gates, or glasswork for the tiles, and that sort of thing. She said she is hoping that's how it goes. Allen said he would look at that ordinance after this meeting. Busby said that the art committee met this morning, and that was one of the topics on the agenda. He said the committee is all well aware of that. One of the things is that they are going to talk to Protiva. Perry said during that meeting another issue came up, which was the actual \$8 million amount. When she asked Protiva if any grants or matching funds or anything had been considered for the construction of the pool, he said no that he hadn't had time to even apply for anything. At an earlier infrastructure meeting that she attended there was the woman that she believes was from Denver who is working for the City, and Perry was wondering if there is any way that she could help in that to offset some of it so that the \$8 million wouldn't all be on the residents of the community. Gross said that the day the bond passed he called her, and she is already looking. Allen said so Gross is on it. Perry asked if he could take a moment to explain, like would that offset some of the cost. Gross said there's really nothing to say at this point because it was not on her radar screen at all. Now that the bond has passed, Gross explained to her a little bit about what the City's doing with the pool. The bond consultant has a relatively significant data base with different funding bases and grant opportunities and strategies. So they are thinking about it a little bit and doing a little bit of searching. Gross said he has a weekly meeting with them where they talk, and they will come back with some opportunities that may exist out there. But at this point there is zero because they don't know anything about it. They just started, but they are engaged. Saelens said that the additional point that was made at the Parks and Rec meeting was that there are a couple of items like the water slide and the deck that aren't currently funded by that bond and could easily be covered by grants or something at the time of construction. Perry said she was just concerned that some of the costs be pulled off the backs of the people. Gazewood said there is another issue too in that they're not going to get the full \$7.9 million to begin with to construct the pool because there are costs coming off the top such as paying Standard and Poor's for the bond rating, the financial advisor that handles the bond issue and the bid for the City is going to get their take, and the Bond Counsel has to write the legal opinion before the bonds can be sold and will get their take. So there is going to be a net figure that's going to be pretty much below the \$7.9; maybe up to \$100 thousand. Allen said so the grant consultant is looking into it, and if we hear anything back we will make sure that Perry knows about it. He said we'll probably know about it about the same time as her; probably at a Council meeting. He said that on the arts issue, the arts committee liaison will probably let the Council know that is an issue as well. He said those things are on the radar. Gross said that he thinks for something like a pool, what you are going to see is some sort of corporate sponsorship type of scenario. He said there is nobody out there that has DEQ money to pay for a swimming pool. You're just not going to see that; it's going to be some sort of alternative type of corporate sponsorship type of opportunity. It will be whether the City wants to engage into that activity or not. McConnell said like a naming opportunity. Gazewood thought we should run that one through the Bond Counsel first. Allen said that is probably something beyond what we need to talk about, but is probably something to note. He thanked Perry for bringing that up and said that's probably more of a Council issue at some point. At this point McConnell had to leave the meeting.

Jebousek's one comment on the pool is that she really wants us to get an ionizer. Gross said they have actually had that comment a number of times, and he thinks that is something that they intend to do. Jebousek said what she understands that the committee is doing here is looking at alternative methods of funding infrastructure costs. She sees the value in the explanations and the public education piece, she really wants us to focus a little bit more on what is the bottom line going to be for the utility bill. She said right now her City utility bill is higher than her PUD bill with that difference becoming pretty darn big; and that's never seemed to be the case since she has lived here for over thirty years. So that is where she is focused. She knows there's concern about loan costs. She said but you don't choose not to buy a house because you don't want to pay loan costs. If you know you can't afford to buy the house, you get a mortgage; you do financing because you have to have a house to live in. She said that the idea that we can avoid the finance costs and ignore the fact that people won't be able to pay their water bills is a disconnect because this is providing public service to the people of Newport; and if the people of Newport can't afford this public service, there's a problem. She said that has not been a part of this analysis up until now. She said that she really appreciates the Task Force holding these meetings because that's her focus for this process. She said she is the one that is going to keep harping on this thing because she is astonished where we're at right now, and the direction that was projected is mind blowing. Jebousek noted that she heard a comment from Public Works about how we have double the infrastructure for the population we have here and that's related to our hotel/motel industry. She wondered if increasing the occupancy in rooms increases our revenues. Is that part of a solution for this problem? Allen said that using the calculation under State law, 54% of the City's room tax revenue can go toward general government purposes; which in theory could be used for a variety of things like infrastructure, services provided by fire, police, and anything else. Then by State law 46% has to go into tourism promotion, tourism-related facilities, or something like that. Allen said that you are constrained by State law; so even though you increase the room tax revenue over time, only a certain portion can go to the general government purposes that we are talking about here around the table. Jebousek asked, but increased occupancy would be helpful? Allen said that increased occupancy does increase room tax revenue, which to some extent increases the ability for us to have more revenue to use for these kinds of purposes. Allen agreed that it's part of the mix. Jebousek said that she wanted the Task Force to think about maybe more expansive policy decisions as opposed to limiting and constricting policy decisions because she doesn't think that's going to get us where we need to go.

VI. Additional Task Force Comments.

Tokos wanted to bring the discussion back to the two charts and emphasize that when Gross, Gazewood, and he sat down and put these assumptions together, it was an exercise to see if we could present this as a plausible thing for this Task Force to recommend to the Council and that these numbers are going to get fine-tuned. He thinks that we can make that case at this point. He wanted to emphasize that for a lot of these assumptions; these things may play out this way or they may not. You are looking many, many years down the road. He noted that as Gross had pointed out, this is something that we want to revisit on a regular basis as we are doing with Urban Renewal for example. We've revisited these charts every three years. Every time we are going out for borrowing, we step in and ask if our revenue projections are going along the same path, if our assumptions in terms of the project needs are continuing to be on base. That's something we would regularly have to do. He said that some of this stuff is rule-of-thumb; the \$1.5 million is a rule-of-thumb. Tokos noted that as we've discussed in previous meetings, we don't have an updated sewer master plan that gives us a very good sense of what our needs are moving forward. Once that master plan is done, that \$1.5 million may fluctuate a little bit depending on what comes out of it. He said really this is an exercise where we are at right now, where we can say it's plausible; but he doesn't think we can lock into for example 0% from "x" year on. That may not be the case. We don't even know where interest rates are going to be in five, ten, or twelve years. He said that's just something to keep in mind. Gazewood said this was just those years when you would stop the borrowing process, and you could come back in and do more borrowing; and then your 0% rate is going to change.

VII. Upcoming Meetings.

Allen said this is going to be helpful for our next meeting. He said our next two meetings are going to be December 5th and 19th. We're going to start with recommendations. Allen put together just a really general outline of what we did last meeting, and that is posted on the website for the Infrastructure Task Force. It's kind of just noting what we want to look at as far as near-term versus long-term. When Haney gets the minutes out from this meeting, he would really like folks to look at what we started last meeting, look at the five bullet points that Tokos and Gross prepared back on October 31st, and we'll just start from there. We could change everything. This isn't set in stone. This is just a starting point. He said to bring your suggestions. He said that next meeting is when we are going to sit around the table and have everything in front of us from these past eight meetings and next decide how we want to move forward. Allen said he would like to at least reserve for the next two meetings, 3:00-5:00 p.m. He thinks at this point a couple of hours for the next two meetings might be enough time, maybe we'll be crunched for time. But we should give ourselves as much time as possible. Allen said even though December 19th was included as "if needed", he thinks we are going to need it so he's just going to say we are scheduling the 19th. Spencer Nebel, our new City Manager, will be here; and Allen would actually like to see him be at one of these final meetings. Nebel is starting December 16th, and Allen would like to see him here so it's just not Smith updating Nebel. Nebel can be here and listen to the final two hours of discussion before we come up with a recommendation. Allen said to come with your ideas next meeting. Again, this document that he drafted is a starting point; but it can be changed, revised, or set aside and we'll do something else. Gross noted that he won't be able to be here on December 5th but will be here the 19th.

VIII. Task Force Closing Comments.

Busby said that he would like to see what we looked at today simplified down to again a monthly water bill type thing. And anything we do from hence forward if possible, to say "today the average water bill is \$90 or whatever it is, and then say it's going to go from \$90 to \$95 or \$100 or whatever that is." That way he thinks everybody will understand what we did as a final product. There's another thing he would like if Gazewood has time, and he thinks it's fairly simple. Busby noted that he had asked if we can contribute from other funds toward the reduction, and Springsteen had said it would probably be immaterial. He asked if Gazewood could just take 10% out of that example he gave with respect to the \$3 million down to \$2.7 million and see what would happen if you contributed 10% from the outside. Gross told Gazewood that he thinks he already has a spreadsheet set up that calculates out what somebody's utility bill would be based on a rate increase. You just plug in 4% a year and it reflects out a rate. Allen thought for the utility bill what Busby said is a great idea and would like to see that. He said that gets at what Jebousek and others have been saying. Again, Allen said, and if you could maybe come up with an initial glossary of the kind of things we might want to include on the utility bill to help clarify and define for folks what we are talking about with the different rates, we can also take a look at that. He noted that it's not the entire scope of options we're looking at; but getting information out to the public is definitely up there as far as a priority. If the public is paying for all this stuff, we need to let them know what it is they are paying for. If we can't do that, then we are not living up to our responsibilities. We need to make sure we do that the best way possible. He thinks what we've talked about around this table is along those lines. Gazewood asked Busby about the last thing he said about the 10% and if he was talking about looking at fund budgets. Busby explained that we were talking about looking at the different sources of money; and one being transferring money from other funds, in particular perhaps the General Fund, to offset part of the increase in costs. Springsteen made the comment, probably justifiably, that maybe it's not worth the trouble. Busby said what he would like to see is if you took a 10% contribution; in other words we're talking about \$3 million a year; what if we got the \$3 million and changed it to \$2.7 million and took \$300 thousand out of somewhere else, what would that do to this picture. He said it should be fairly simple to do. You just take the \$3 million line you start with in that one box and change it to \$2.7 million. Allen said you would have to be assuming that the \$300 thousand is in the budget and is an ongoing thing and not just a one-time thing. Busby said what he's saying is it should just be one entry in the spreadsheet.

Gazewood said there are an awful lot of ramifications here; and one is the City's reserve, contingency, and ending fund balance policy. He asked if what we are talking about here in terms of using a \$300 thousand cut, are we also saying we are going to make a proportionate share of that reserve policy reduction because \$300 thousand out of the General Fund is an awful lot of money. He asked if that means then that we cut the subsidies to the Airport and Parks and Rec. He said we can't make reductions of transfer to debt service because that is a required commitment we have to make.

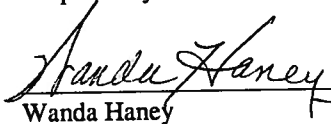
Allen said Gazewood is bringing up a lot of important issues, but he thinks that Busby is just trying to see what it looks like from a rate increase standpoint. The policy choices behind that; that's for another day. He thinks Busby is just trying to get an idea of what it looks like in hard numbers; separate from the policy issue. Allen said he doesn't think we want to get into the policy choices right now. Busby said whether you take it from the Airport, the Fire Department, or the Library is the next level down; we're not going to worry about that right now. Allen said he just wants to see what it's going to look like. He said we're not going to spend the next two meetings talking about those policy choices you just brought up. That's not on the table for us; that's for the Council and future consideration. Busby said if we were to do that, all we would say is "we want to take \$300 thousand from other funds in the City and put them toward infrastructure;" and that would be as low as we get. Gazewood asked if there was a percentage factor Busby wanted to use. Busby said he used \$300 thousand because it was 10% of the \$3 million.

Tokos asked if it would be more straightforward to ask for an example that backs out the franchise fee. Saelens said that's what he's starting to hear. Busby said that could be part of it also. Tokos said that would get you more or less that same amount. Saelens agreed you have the same ramifications. Gazewood said that is almost the same; that's \$277 thousand. Allen said let's look at the hard numbers to see what it looks like. Busby said if you take the franchise fee out, you're in effect taking away from everything else anyway because they would have to make it up. Allen said he guessed what Busby is saying is can Gazewood provide a spreadsheet showing what it would look like in hard numbers separate from what the policy choices are underneath that. Saelens said if you targeted the city utility franchise fees and the policy choice down the road would be to stop doing that, all you would have to do is drop the one line out of the spreadsheet and you've done it. Busby said or else reduce the \$3 million to \$2.7 million. Gazewood said that over time that's a substantial amount of money; it escalates and compounds.

Allen said, so if Gazewood could do that; if not maybe talk to Busby more about it. Allen asked Gazewood to see if he can come up with something because it's something Busby wants to see. Gazewood asked if Allen was looking for this on the 19th, and Allen told him to work with Busby on that because this is Busby's request. Busby said it's for everybody. Allen said what he meant was as far as what Busby would like to see. He told Busby and Gazewood to get together if they would like to talk about that a little more. Then come up with something that we can look at. He said he doesn't think we need to try to figure it out right now. Saelens said that he could support the idea of just targeting the city utility fee as basically being the same thing. Busby agreed that it would amount to the same thing. Gazewood said that's right in the neighborhood of your \$300 thousand. Allen said, so if Gazewood and Busby want to discuss this further and want to bring us something for consideration next meeting or the 19th; whatever works in your schedule. He told Gazewood to maybe talk to Busby about it if he wanted more clarification.

IX. Adjournment. Having no further business to discuss, the meeting adjourned at 4:50 p.m.

Respectfully submitted,


Wanda Haney
Executive Assistant