

**CITY OF CARNATION**

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**MINUTES OF THE SPECIAL CITY COUNCIL MEETING  
November 8, 2016**

**CALL TO ORDER:** The special meeting of the Carnation City Council was called to order at 7:00 PM by Mayor Jim Berger in the Council Chambers at Carnation City Hall.

**ROLL CALL:** Mayor Jim Berger, Deputy Mayor Fred Bereswill, Councilmember Kim Lisk, Councilmember Dustin Green, City Manager Phil Messina, City Engineer Jorge Garcia, Public Works Superintendent Bill Ferry, City Clerk Mary Madole, Treasurer Kelly Hankinson Russell and citizens present. Councilmember Lee Grumman was absent and excused.

**WORKSHOP** Draft 2015 Comprehensive Water System Plan and 2016 Water/Sewer Utility Rate

**DISCUSSION ITEMS:** Study: The Councilmembers reviewed the Executive Summary, Chapter 1 – Description of Water System, Chapter 8 – Capital Improvement Program (CIP), and Chapter 9 – Financial Program to the Draft 2015 Comprehensive Water System Plan. Discussion took place about the assumed capital costs for projects in the CIP, and the effects on the water rate study. Mayor Berger expressed concern that the assumed capital project costs are too high, particularly the estimated linear foot costs for water mains. He would like City Engineer Garcia to review the costs, and investigate if all the main replacements are needed.

Karyn Johnson, FCS Group, reported that potential methods to reduce water rate increases could include reducing operating costs from the current level, postponing some of the capital projects that are in the CIP beyond 2025, and possibly increasing the percentage of anticipated new growth that will realized within the planning period. The rate model also assumes that capital projects will be funded entirely with local rate revenue, and the project funding assumptions could be revised to assume a portion of capital project costs might be funded with low-interest loans. Her firm analyzed scenarios with adjustments to the CIP to move larger projects in the outlying years to a later date, and that approach could reduce the water rate increase to 3.5%.

Mayor Berger, with the consent of the Councilmembers, allowed opportunity for public comment.

Jim Ribail, 4207 334<sup>th</sup> Avenue NE, said that it seems like Council is trying to make a decision without information as to projects that are needed and the estimated costs, and he thinks that is ridiculous.

Brad McCabe, 4213 334<sup>th</sup> Avenue NE, does not understand where the revised 3.5% increase came from, and it feels random to him. He thinks the City should only be planning for a 10-year period, and revisit that plan every 5-years.

Stuart Lisk, 4135 327<sup>th</sup> Circle NE, would like to understand more about why the rates are too low today, and he would like to see a definitive response from the financial consultant. He also thinks that the City Engineer should have performed an analysis of the need and cost for the capital projects before now.

Councilmember discussion resumed. Agreement was reached to adjust the CIP projects to reduce the water rate increase to 3.5% per year. Discussion took place about the current water development surcharge. Agreement was reached to keep the surcharge separate from the rates for service, and not fold it into the rates. Ms. Johnson noted that if the surcharge is kept separate, it will also need to be increased so will no longer be a flat \$10.

Discussion took place about sewer rates. Ms. Johnson reported that a significant portion of the sewer rate increase is funding of system depreciation so that the City has cash available for future capital replacement when needed. The sewer rate increase could be reduced to 5% by keeping the system reinvestment rate component at its current level, and assume that some future system replacement costs will need to be funded from bonds or loans.

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**WORKSHOP** Debbie Green, 32152 East Morrison Street, spoke about the connection fees from new construction, and inquired where it goes and if it is adequate to cover costs. Ms. **DISCUSSION ITEMS:** Johnson replied that 75% of sewer GFCs from new construction goes towards debt **(CONTINUED FROM** service for the initial sewer system, and the remainder stays in the sewer capital **PAGE 1)** replacement fund.

Discussion took place about GFC amounts for water and sewer. Mayor Berger said that he would like to see the water GFC after recalculation of the CIP projects with the adjustments to move the 2025 projects beyond the current planning horizon. Staff was directed to prepare the 2017 master fees resolution for Council review with the reduced utility rate increases as discussed.

Other: General discussion took place about the 2017 property tax levy, and potentially adopting less than the 1% maximum increase.

**ADJOURNMENT:** The meeting adjourned by common consent at 8:55 PM.

**SIGNATURES:** Approved at the regular meeting of the Carnation City Council on November 15, 2016.

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MAYOR, JIM BERGER

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CITY CLERK, MARY MADOLE