

LEAVENWORTH CITY COUNCIL STUDY SESSION MINUTES

October 10, 2017

Mayor Cheryl Kelley Farivar called the October 10, 2017 Study Session to order at 9:00 AM.

Council Present: Mayor Cheryl Kelley Farivar, Carolyn Wilson, Elmer Larsen, Gretchen Wearne, Mia Bretz, Margaret Neighbors, and Sharon Waters.

Staff Present: Joel Walinski, Herb Amick, Nathan Pate and Chantell Steiner.

1. Chamber Report

Chamber President Paula Helsel updated the Council on recent progress of the Chamber noting a new process for dues collections from members to include online auto renewal and a late fee schedule. She stated that the Chamber continues to work on getting food vendors for the Festhalle during the week of Christmas, at this time BBQ is planned to be available; she said it has been challenging as many local restaurants are not available to participate. Chamber Director Nancy Smith updated the Council on recent Board, Legislative, Parking and Port of Chelan meetings on various topics. She said the Visitor Guide is in process of being completed and last-minute planning details for Christmas Lighting are being finalized. Director Smith stated that the Ski and Stay Program has been organized and is ready for the upcoming season and that there is a new Halloween map depicting businesses in town that will have candy for trick or treaters this year. She stated that the Leavenworth Area Promotions annual budget meeting is forthcoming and that the downtown lights will start going up shortly after Oktoberfest.

2. Utility Rate Study Review with HDR, Inc.

Mr. Kevin Lorentz, with HDR, Inc., introduced himself and began with a PowerPoint Presentation on the progress to date in developing the City's utility rate studies for Water, Sewer, Stormwater and Solid Waste through 2024. He gave a brief background on HDR, Inc. noting the years of service and skill sets involved for the staff of HDR. He explained the purpose of a rate study noting that he would go into details later on how each utility is analyzed and explained global principles that analysts use for rate studies across the Country. He noted that the principals involved in setting rates for water and sewer are very standardized and follow generally accepted principles while stormwater and solid waste can vary depending on the community's needs. The basic concept of all rate studies is to ensure a rate design that adequately budgets enough revenue to offset all maintenance, operations, debt service and capital improvement costs. The process involves comparing utility revenues to expenses, using prudent financial planning criteria, reviewing a specific time period (typically five to ten-year period), ensuring a "stand-alone" basis (not borrowing or transferring revenue from other funds for support), and utilizing a cash basis methodology (pay as you go). City Administrator Joel Walinski noted that the City utilized the master plan documents for water and sewer plans developed this year to help define the major capital projects that are included in this rate study.

Mr. Lorentz discussed key assumptions that are used in developing the costs included in the study to define the necessary rate adjustments which balance each fund while maintaining a sufficient reserve for cash flow purposes. He proceeded to review individual revenue requirement charts for each utility showing current revenues in comparison to the increasing expenditures between 2018 and 2024. Administrator Walinski clarified that growth in some communities increases the revenue stream to offset growing expenses but in the case for Leavenworth there is not a lot of “new revenue” opportunities which requires reliance on rate adjustments to stabilize reserves and continue to do necessary capital repairs that are above and beyond annual maintenance. The Council discussed factors that play into revenue fluctuations, such as the vacation rate structure, that needs to be examined on the impact it creates and whether this option needs to be removed. Regardless of when a resident chooses to be in town, it is imperative that the revenue streams remain steady to offset ongoing annual expenses. It was noted that the basic cost of the entire system does not reduce due to some homes not being occupied for several months out of the year but that the lost revenue could be critical. Mr. Lorentz reviewed the revenue requirement summary through 2024 showing a combined annual increase of about 5% on average each year to support the ongoing maintenance and upcoming capital replacement/repairs that will need to be addressed on the various utilities. He then reviewed the difference of how the “cost of service” is calculated for the different types of users such as single-family residents, multi-family, and commercial accounts. He identified the allocation factors involved for each of the separate utilities that vary by type of utility. In summary, he noted that the analysis of the cost of service for each user type is currently fairly equitable; however, there are some potential areas to analyze such as the multi-family rate structure. Mr. Lorentz discussed the need to carefully make adjustments when changing rate structures while at the same time adjusting cost of service changes as that would make it difficult to identify the impacts of the different changes as they occur. Another area being analyzed is the affordable housing policy impacts that will also be examined over the next several years. Administrator Walinski stated that the Council will be analyzing more of the detailed data of the rate study at the November Study Session.

3. Lions Club Park Pavilion Review – Alison Miller

Administrator Walinski gave a brief history of the Lions Club Park Pavilion that is at least 40 years old or older. He noted that the Lions Club initiated the conversation on the rebuilding of the pavilion and the Parks Committee requested a review and redesign of the aging structure which is where we are today. Ms. Alison Miller, of Alison Miller Architect, LLC, presented to the Council the new design that is affected by the number of current users of the facility versus the potential uses in the future including potentially a dual use as an ice skating rink. She stated that through the review it became apparent that the current size would need to be expanded for the existing and additional uses. She stated that the new design is approximately four times larger than the current structure and showed the Council detailed architectural designs of the ground floor plan and site plan. She identified details of the structure including built in benches, a composition shingle roof, steel and wood base footings and posts, potential railings, concrete flooring, and Bavarian style decorative features. It was noted that at this time this is the architectural design, once the design is finalized, then it goes forward to an engineer to ensure proper weight bearing needs are addressed for long-term use and snow loading. Administrator Walinski stated that water and electric are currently available to the existing site but there may

need to be some analysis and improvements for the electrical. Council questioned the potential for a future storage area that might be needed for ice skating, benches or other temporary equipment uses. Development Services Manager Nathan Pate noted that stormwater and/or drainage needs to be included as part of the design. Council added that access and ADA requirements will also need to be factored in. The current estimated cost is approximately \$310,000. Administrator Walinski stated that the next step will be to submit the project to the Design Review Board before proceeding to engineering design and developing a funding plan.

4. Highway 2 Annexation

Development Services Manager Nathan Pate updated the Council on recent discussions with the Department of Transportation (DOT) to move forward with annexing the portion of Highway 2 from the Wenatchee River to the properties just passed the Hampton Inn that abuts the Urban Growth Area (UGA). Manager Pate explained that having the municipal authority over this area could assist in future changes and maintenance of the intersections that will come into play as more development occurs behind Safeway. He noted that the properties abutting the north side of the highway are already annexed into the city limits and that this annexation would include all of the highway to the south side of the highway. At this time, the City must meet DOT rules and regulations for rural highway access points which are more restrictive for access than what it could be if the City were to annex and the right-of-way was managed under urban roadway requirements. Through this annexation the City does take on more responsibility for maintenance but also allows the City to consider expanded access points between the river and the UGA.

5. Water Meter Update

Public Works Director Herb Amick stated that the materials provided include the previous estimate and current updated estimate for replacement of a city-wide metering system. Included with the quotes is an optional loan program. Administrator Walinski stated that when the City first reviewed this project in 2011 the cost was about \$400,000 whereas today the cost of the project nearly doubled to a cost estimate of \$930,000. He then reviewed how water meters wear out over time and do lose water metering accuracy in favor of the customer. He stated that the City is currently losing about 14% of water and this would include both aging meter water loss and leaks. Councilmember Larsen stated that he would like to be cautious at moving too quickly he would like to see the City coordinate the meter type and infrastructure with a type compatible with what the PUD might be considering. Council suggested that the City try to reach out to the PUD and push for considerations to be addressed sooner rather than later if possible. It was suggested to invite the PUD to an upcoming meeting to have an open discussion on their meter progress and allow for public attendance and input. It was noted that this will need a significant amount of public involvement prior to implementation of any major changes and to be cautious with new technology that may have negative financial impacts over a short-term basis.

6. Quarterly Update Future Council Agenda Items / Project Tracking

Administrator Walinski provided the Council with more information on the Cemetery Kiosk/software updates, the Skatepark agreement with the Recreation Conservation Office

(RCO), water rights planning/review with the Icicle Work Group, and previous litigation with the Department of Ecology (DOE). Councilmembers briefly discussed the litigation that started in 2009 with the DOE regarding water rights; Administrator Walinski encouraged the Council to review the work that has been completed by the Icicle Work Group in order to familiarize themselves on what has occurred to date. Administrator Walinski updated the Council on the progress regarding overnight rental enforcement that has been underway with the assistance of Pacific Security; he noted that the original number of potential properties operating as overnight rentals was 42 and is now down to about 14 suspected locations. The City has seen a significant amount of compliance occurring through the research and education that has been completed thus far; Administrator Walinski noted that investigations are ongoing. He added that the City is working on educational material for real estate agents as well to help reduce any misconceptions of allowed uses for home sales in residential areas within the city limits and the urban growth area.

7. Quarterly City Newsletter Recommendations

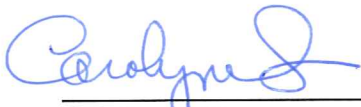
Mayor Farivar stated that the Minute with the Mayor will be regarding the Utility Rate Study. Councilmember Neighbors volunteered to do a spotlight on the water bottle filling station. Councilmember Waters requested that the overnight rental hotline be included in every flyer and if time allows for this newsletter to mention the new option for a community walk at the Festhalle. Councilmember Wilson noted that she will work with Executive Assistant Sue Cragun on a fun crossword or other item.

8. Council Open Discussion

No comments.

Study Session adjourned at 11:51 AM.

APPROVED



Carolyn Wilson
Mayor Pro-Tempore

ATTEST



Chantell Steiner
Finance Director/City Clerk