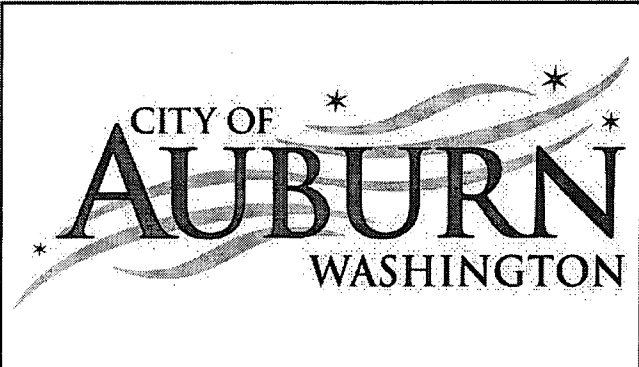


	City Council Study Session Finance - Econ Dev SFA June 11, 2018 - 5:30 PM Council Chambers - City Hall MINUTES Watch the meeting LIVE! Watch the meeting video Meeting videos are not available until 72 hours after the meeting has concluded.
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I. CALL TO ORDER

Deputy Mayor Bob Baggett called the meeting to order at 5:30 p.m. in the Council Chambers of Auburn City Hall, 25 West Main Street in Auburn.

A. Roll Call

Councilmembers present: Deputy Mayor Bob Baggett, Claude DaCorsi, John Holman, Bill Peloza, and Largo Wales. Councilmembers Larry Brown and Yolanda Trout-Manuel were excused.

Mayor Nancy Backus and the following department directors and staff members were present: Finance Director Shelley Coleman, Assistant Director of Engineering Services/City Engineer Ingrid Gaub, Utilities Engineering Manager Lisa Tobin, Financial Planning Manager Bob Brooks, Assistant Chief of Police Bill Pierson, City Attorney Daniel B. Heid, Innovation and Technology Director Paul Haugan, Assistant Finance Director Kevin Fuhrer, Compensation and Employee Relations Manager Aaron Barber, Traffic Engineer James Webb, and City Clerk Danielle Daskam.

II. ANNOUNCEMENTS, REPORTS, AND PRESENTATIONS

There was no announcement, report or presentation.

III. AGENDA ITEMS FOR COUNCIL DISCUSSION

A. Utility Rate Study Presentation (Coleman) (20 Minutes)

Finance Director Coleman introduced the consultants from the FCS Group, Angie Sanchez, Principal, and Sergey Tarasov, Project Manager.

Ms. Sanchez and Mr. Tarasov reviewed the cost of service analysis, rate design and bill impacts for each utility and each alternative rate structure.

The overall revenue increase needs are:

UTILITY	2019	2020	2021	2022
Water	3.4%	3.4%	3.4%	3.4%

Sewer	2.4%	2.4%	2.4%	2.4%
Storm	1.7%	1.7%	1.7%	1.7%

The sewer cost of service results indicate single family customers are paying 104 percent of full cost of service while non-single family customers are paying 97 percent of full cost.

Sewer rate design considerations included:

- One proposed rate structure
- Fix inequities by moving rates toward cost of service
- Achieve full cost of service by 2022

The sewer rate design proposal provides for a 1.1 percent increase for single family customers for each year 2019 through 2022. Non-single family customers would receive a 3.5 percent increase for each year 2019 through 2022.

Stormwater rate design alternatives include:

- Option 1: COSA Rates
 - Fix inequities by reducing the size of non-single family (NSF) rate credits
 - Eliminate the base rate
 - Reduce rate for single family, increase rates for non-single family
 - Can have large impacts on some non-single family customers
 - Achieve full cost of service by 2022
- Option 2: One ESU Rate
 - Move towards a single rate based on amount of impervious area (Equivalent Service Unit or ESU)
 - Simplify since all customers must meet same stormwater management requirements
 - Grandfather existing non-single family customers until redevelopment or change of ownership occurs
 - Eliminate the base rate
 - Convert all existing customers to "per ESU" rate by 2023
 - Most common rate structure approach used by most other storm utilities

The consultants reviewed the water cost of service results and four alternatives for water rate design:

- Option 1: Existing classes - no meter sizes
- Option 2: Condensed classes - no meter sizes
- Option 3: Existing classes - with different per month charges for each meter size (meter size differential)
- Option 4: Condensed classes - with meter size differential

Meter size differential alternatives:

- Addresses intra-class equity - larger meters require additional infrastructure up-sizing, higher maintenance and replacement costs
- Customers with larger meters will pay more

The consultant summarized with the following utility options:

- Sewer: Phase in towards COSA by 2022
- Storm: Two alternatives for consideration
 - Full COSA by 2022
 - One ESU charge for all classes by 2023
- Water: Four alternatives for consideration
 - Existing classes and account-based rate structure
 - Condensed classes, existing account-based rate structure
 - Existing classes and meter based rate structure
 - Condensed classes, meter-based rate structure

Councilmember DaCorsi spoke in favor of simplifying the rates.

Councilmember Wales spoke in favor of phasing in by 2020 and the ESU charge and condensed rates.

Finance Director Coleman proposed Option 1 for Storm to get to full cost of service by 2022 and one ESU by 2023. For Water, Director Coleman recommended existing classes and the meter based rate structure moving towards a condensed class and a meter-based rate in 2023.

Councilmember Pelozo and Holman concurred with Finance Director Coleman's comments.

B. SR18 & SR164 East Auburn Access (Gaub) (30 Minutes)

Jeanne Acutanza of the Transpo Group, consultant for the Muckleshoot Indian Tribe (MIT), updated the Council on the SR 164 East Auburn Access - Improved Mobility project. The Council was last updated in the fall of 2017.

Ms. Acutanza discussed the purpose of the first round of open houses and outreach for the project. At the open houses, the project will be introduced to the community, including project history and review of the current process with the hope to gain feedback and build public interest in the project. Ms. Acutanza reviewed the elements of the open house. The first open house will be scheduled this summer.

C. 2019-2024 Transportation Improvement Plan Annual Update (Gaub) (20 Minutes)

Assistant Director of Engineering Services/City Engineer Gaub presented a memo addressed to Mayor Backus and City Council from Traffic Engineer James Webb dated June 8, 2018, regarding arterial preservation

project summary and the impact of adding the reconstruction of 4th Street SE between Auburn Way South and M Street SE into the 2019 Capital Program. Director Gaub also distributed a map of the City of Auburn 2019-2024 Transportation Improvement Program (TIP) projects.

Assistant Director Gaub reviewed the estimated costs of the 4th Street SE reconstruction and the arterial street preservation projects currently programmed/planned between the years 2018 and 2022. The projects programmed between 2018 and 2020 have already been awarded federal grant funds and are committed to being completed within the year of their awards. Federal grant funding was applied for in 2018 for the 2021/2022 planned projects. These projects were identified as the best scoring projects based on the grant criteria. The City will find out later this summer if the grant applications are successful or not.

Assistant Director Gaub advised the 4th Street SE reconstruction project would cost approximately \$4.6 million with \$2.4 million needed from the Arterial Preservation Fund (105). The annual budget for the Arterial Preservation Fund is approximately \$1.7 to \$1.9 million, therefore the 4th Street SE reconstruction would require more than a single year's budget and other projects, already supported by grants, would need to be removed.

Traffic Engineer Webb reviewed his 2019-2024 Transportation Improvement Program Annual Update memo, which was reviewed at the last Council study session. He noted the projects added to the TIP and the change in the project numbering conventions.

There was brief discussion regarding TIP I-7, the SE 320th Street/116th Avenue SE Roundabout project.

Councilmember DaCorsi, chair of the Roads Project ad hoc committee, talked about the work of the ad hoc committee, which includes reviewing the TIP projects in detail. Councilmember DaCorsi also spoke about the need to increase revenue for the Arterial Preservation Fund.

Councilmember DaCorsi requested a list of all street rebuilds needed as of this date. Assistant Director Gaub reported the State of Our Streets Report is in process.

D. Ordinance No. 6659 Stay Out of Designated Areas (Heid) (20 Minutes)

An Ordinance of the City Council of the City of Auburn, Washington, amending Section 1.24.010 of the Auburn City Code and creating a new Chapter 9.24 of the Auburn City Code relating to new gross misdemeanor violations concerning drug-related activities

Deputy Mayor Baggett recessed the meeting at 7:42 p.m. for approximately eight minutes for a brief intermission. The meeting was reconvened at 7:53 p.m.

City Attorney Heid presented Ordinance No. 6659, Stay Out of

Designated Areas, for Council review. City Attorney Heid stated the ordinance has been revised to eliminate areas within the Muckleshoot Indian Tribe reservation.

In response to Councilmember Pelosa's questions, City Attorney Heid noted that Section 9.24.090 of the codified ordinance requires evaluation and review within 24 months after its implementation. City Attorney Heid also indicated he would add verbiage to Section 9.24.090(B) for periodic reports to the City Council.

Councilmember Wales suggested the possibility of SODA signage.

Councilmember Pelosa suggested the subject of park rules be included in an upcoming study session.

IV. FINANCE AND ECONOMIC DEVELOPMENT DISCUSSION ITEMS

At this time, Councilmember John Holman, chair of the Finance and Economic Development Special Focus Area, presided over the Finance discussion items.

A. Ordinance No. 6684 (Coleman) (20 Minutes)

An Ordinance of the City Council of the City of Auburn, Washington, amending Ordinance No. 6621, the 2017-2018 Biennial Budget Ordinance, as amended by Ordinance No. 6646, Ordinance No. 6656, Ordinance No. 6665, Ordinance No. 6666, and Ordinance No. 6680, authorizing amendment to the City of Auburn 2017-2018 Budget as set forth in Schedule "A" and Schedule "B"

Finance Director Coleman presented Ordinance No. 6684, representing budget amendment number six. The budget amendment includes adjusted fund balances to match actual 2018 fund balances. The amendment also includes a new police officer to backfill for the school resource officer, three new employees to manage and operate the Auburn Municipal Airport, and temporary Records Clerk for the City Clerk's Office. The amendment also includes acknowledgement of grants and transfer of \$1.5 from the General Fund to the Cumulative Reserve Fund.

B. Ordinance No. 6682 (Coleman) (15 Minutes)

An Ordinance of the City Council of the City of Auburn, Washington, establishing Multi-Year Capital Budgeting, repurposing certain funds as Special Funds within the context of RCW 35A.34.270, and establishing guidelines for transferring funds between projects within capital funds

Finance Director Coleman presented a PowerPoint on the multi-capital budgeting process. The multi-capital budgeting process will eliminate the need for annual project carry forwards and provide a mechanism to allow movement of budget from completed projects that were under budget to ongoing projects that are expected to go over budget. Ordinance No. 6682 will establish the multi-capital budgeting process.

C. Position Budgeting (Coleman) (15 Minutes)

Finance Director Coleman presented a PowerPoint relating to the proposed changes to position budgeting for support departments.

Currently, salary and benefit budgets for employees in General Fund support departments (Human Resources, Finance and Legal) are partially allocated to other funds reflecting services they provide to those funds. As a result, department budgets don't show full staff costs because a portion of these costs are included in the budgets of "receiving" funds. To more effectively manage these budgets, it is proposed that each employee in support departments be fully accounted for in the departmental budget and that an interfund charge be assessed to other funds for services provided.

Support department budgets will show 100 percent of personnel costs that they manage and receiving funds will continue to pay their fair share of support costs. The net result will be a zero impact on fund balances for all funds.

V. OTHER DISCUSSION ITEMS

There was no other discussion.

VI. NEW BUSINESS

A. Executive Session

At 5:31 p.m. and immediately after roll call, Deputy Mayor Baggett recessed the meeting for approximately ten minutes in order to discuss potential litigation pursuant to RCW 42.30.110(1)(i). City Attorney Heid, Assistant Director of Engineering Services/City Engineer Gaub, and Compensation and Employee Relations Manager Barber attended the executive session. No action was anticipated as a result of the executive session.

Deputy Mayor Baggett reconvened the meeting at 5:43 p.m.

VII. MATRIX

A. Matrix

Councilmembers reviewed the matrix. Deputy Mayor Baggett noted three items do not have scheduled dates for discussion.

City Attorney Heid stated he believes the Human Resources Department was working on the Consolidated Court Fees presentation.

Councilmember Pelosa suggested adding a discussion item regarding Park Rules to the Municipal Services Special Focus Area.

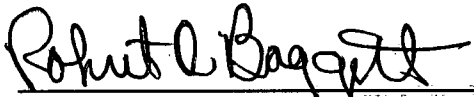
Councilmember Holman stated all items scheduled for this evening should be deleted from the matrix and the remaining items under the Finance and Economic Development Special Focus Area have yet to be scheduled.

Councilmember DaCorsi reported the Livable Cities discussion item is scheduled for August 27th and the Airport Advisory Board Update is scheduled for August 13, 2018.

VIII. ADJOURNMENT

There being no further discussion, the meeting was adjourned at 8:32 p.m.

APPROVED this 6th day of August, 2018.



BOB BAGGETT, DEPUTY MAYOR



Danielle Daskam, City Clerk

Agendas and minutes are available to the public at the City Clerk's Office, on the City website (<http://www.auburnwa.gov>), and via e-mail. Complete agenda packets are available for review at the City Clerk's Office.