

Town of Garfield
TOWN COUNCIL PUBLIC HEARING AND MEETING MINUTES
November 12, 2008

CALL TO ORDER: Mayor Jarrod Pfaff called the meeting to order at 7:00 p.m.

ROLL CALL: Jarrod Pfaff, Andrew Flodin, Larry Hunt, John Kuehner, and Tim Southern. Absent: Rob Watkins. Staff - Public Works Assistant Perry Brown, Police Chief Jerry Neumann (7:45), Clerk/Treasurer Annie Pillers. Public present: Brian Conklin, Patty Cottrill, Cherie Curtis, Don Kriebel, Neal Leon, Jana Mathia-Gazette, Cathie May, Donna Poire, Laura Redmon, Stacey Van Duessen, and Jim Wilson.

APPROVAL OF MINUTES: Larry Hunt **MOVED** the minutes of October 22, 2008, be approved as written. Andrew Flodin seconded the motion and the motion carried unanimously.

RATE STUDY: Jim Wilson with Rural Communities Assistance Corporation addressed the council, providing a variety of worksheets related to budget estimates and water rate projections based upon necessary system upgrades, operation and maintenance factors, and inflation. He talked about the things to be resolved with the water system plan and the budget, what the budget needs to be, including annual operating expenses plus capital expenses, a review of next year's proposed budget with a 6-year projection, and what realistically the town would consider for rate increases.

The list of needed system upgrades pushes the projects out 19 years with the first item being the inspection of Well #4 due to low output. This was estimated at \$10,000. Jim noted he moved leak detection to O&M as he did not see this as a capital item. The first big project then would be 2nd Street, replacing over 2,000 feet of pipe, estimated at \$107,000. He thought maybe the line replacements along E. Main, W. Main and First Street would be a higher priority than a backup power supply, noting those three line replacement projects were linked together because of the drilling required under the railroad tracks. They require similar deployment.

He said the projects in the years 9 through 19 increase fire flow to meet minimum fire flow requirements for the rest of town, increasing distribution lines from 4 to 6 inches or 6 to 8 inches. Jim explained that he took a variety of projected cash flows and put into spreadsheets for comparison. He also included inflation as a factor as well as the town's interest bearing account.

Over the 19 year span the town would need \$1.73 million dollars. He thought this would be too big to achieve. He proposed putting in a place holder to keep all those capital improvements (items 1 through 12), listing the things the town needed to do, and to a lesser extent distribution line upgrades. He said with new projected figures, this generates total cash expenses over 19 years of \$290,000 and that's a lot of money still. He cautioned the council that where they really need to start to think about making decisions is with which of those items they can do. Jim noted between now and 5 years from now, there is \$140,000 of distribution lines, suggesting applying for grants and loans. He reconfirmed projects 16 through 19 need to be done, noting that is the background for how much might need to be added to reserves.

Jim reviewed his projected 6-year budget scenarios factoring in project cost estimates from Progressive Engineering, costs increases for utilities, and a 3% inflation rate. He noted current water rates generate roughly \$75,000 between the basic monthly service and overage. He

noted for 2009 there's only an apparent increase in wages due to moving overall wages. He indicated leak detection is in the 2009 budget year and that's a cost recommended by the engineer, noting the water system plan identified a 35% to 40% loss of water not sold to any customer. The state requires less than 10%.

He then discussed reserves, which are required for the water system plan, noting the state expected the town to maintain 1/8 of its O&M for cash flow variations. An emergency reserve of \$50,000 is listed and is from water system plan. This figure represents the biggest failure or potential cost you could expect in one year and that's a conservative number. Jim left this at \$50,000 as the state was complaining it was too low.

He then talked about replacement reserves, what the town would need to put into a reserve to cover upgrades to the water system, the things that need to be done. He felt the biggest system liability and risk is the 2nd Street project. He removed the emergency generator from the 6-year projections. He noted the existing reserve account of \$102,000 will be gone and the fund in debt by year 6.

Jim suggested it would be a good idea to talk about what work should be done to project out possible rate scenarios, in order to get increased revenue and meet the needs of the water system. He referred to a spreadsheet prepared by the mayor related to water overage, above and beyond the \$18.50 basic rate. He explained, based upon the current rate structure, enormous water users are being supplemented by smaller water users.

Mayor Pfaff referred to the overage spreadsheet, indicating the only box to pay attention to is gross income. It takes current overage and adds to the current basic fee either a \$3.00 / \$4.00 / or \$5.00 increase and adds to different tiered rates at the top. Jim talked about a more complicated 3-tiered rate structure that has a \$1.00 rate for 5,000 gallons to 15,000 gallons, a \$1.50 rate for 15,001 gallons to 25,000 gallons, and a \$1.75 rate for greater than 25,000 gallons with variations on rates based upon the number of basic gallons provided, noting some rate structures are called progressive water rates as they promote conservation. He noted the state mandates water conservation measures. Higher costs per usage promotes conservation and transfers costs to larger water users.

Jim indicated the next piece to factor in is inflation, noting the problem with the budgets is that they never had actual increases for inflation, but costs grow. Because of this, utilities have been in the negative. He talked about a 3% inflation factor versus a 2% inflation factor, saying he would be surprised if over the next 11 years there is only 2% inflation.

Jim noted he could not leave the town with the current projection of \$151,000 in the hole by 2013. He said the goal is to get something the town can work with. Showing another spreadsheet with a rate increase that would generate \$97,000 next year (2009) and similar expenses, adjusts the cash flow against reserve expenses. At that revenue projection, the bottom line stays positive until 2013. The projection also includes a 3% annual inflation factor. The town would still need to put \$20,000 in reserves. He did note the rate increase is not perfect, as with a rate increase, people will cut back on usage. He clarified the bulk of the revenue is in the basic rate charge.

Jim said, on another point, if the town wants to fund projects with the best general source of loans in the area, it would be the USDA. They can offer low interest rates and sometimes can offer grants. However, they expect rates to be \$38 to \$40 a month to set up loan package. If not there, they will make the town rates get there. He noted, based upon the water rate today

with average overage, the current fee should be \$21.50. He again noted, USDA will not loan without the rate being \$38.

Jim recommended the council address inflation, adopting an ordinance to build in a small inflation factor. He recommended the inflation factor be 3%, noting social security had a 5.8% increase.

Mayor Pfaff opened up the discussion to the audience. Patti Cottrill raised concerns with her current water pressure, the taste and smell, noting that she lives on south hill at the end of a cul de sac had has to use the fire hose to blow out her line. She already has to pay for this extra water use. Laura Redmon expressed concerns with not only the water rate going up, but that she was hearing garbage and sewer were going up too. Mayor Pfaff said they were not sure about sewer yet. There are some reserves to float sewer for a year or two, but the council was not sure if they should put it off. He confirmed garbage would be going up, the county tipping fees were going up. He noted garbage lost \$4,000 to \$6,000 over the last 5 years. When the town met with the auditor in 2007 they pointed out costs in Current Expense and Streets that were supposed to be in garbage. He indicated that Water, Sewer, Garbage needed to be self-sufficient.

He said with getting costs of out current expense and into Water/Sewer/Garbage, garbage will now lose \$13,000. He said the bare minimum increase for garbage would be \$6, noting the rate was still cheaper than Empire Disposal. Cherie Curtis talked about the importance of having the garbage service for keeping the town clean.

Laura Redmon said she saw prices all go up a year ago, and now a 6% hike. Her concern was passing on these costs through her business to seniors.

Tim Southern referred to Jim's recommendation of enacting an ordinance for a 3%. He said with this approach the town won't have to keep going back and raising the rates again. It was confirmed 3% equates to 37 cents. Jim talked about the advantage of having a progressive water rate where lower water rate users on a fixed income are more protected, they can control how much water they use. Higher water rate uses can use more but they pay more. Cherie Curtis noted in the past the town kept these water rates down so that the town would look nice and people could use water.

Jim noted at .50 cents per 1,000 gallons, this is incredibly inexpensive. The City of Seattle is over \$3 per 1,000 gallons. Neal Leon talked about different rates for residential users and commercial users, with the commercial rate being higher. Cherie Curtis said she could not see how those who use more water, cost lower users. Jim said on average, users pay \$3 extra for their water overage. This equates to 8,500 gallons for \$21.50. Lower users at 1,000 to 2,000 gallons usage are paying for big water users.

Brian Conklin spoke and said he moved here about a year ago. He still owns a house on the West side. It's a small water system of 160 hook up. No one wanted to raise the rates but they needed to do upgrades. The state slapped the community with \$80 a month loan fees and they couldn't say one thing about it. He said his point was that the community needed to seriously look at this plan for \$6 per month additional now or the state will have loans that triple the rates and it won't matter what anyone says.

Laura Redmon said she did not have a huge problem with paying for these improvements but it would help if she knew what we were paying for. She said it would be nice to know where we

were going, how much of a cost increase and when it would stop. Council assured her they had been working on this for months, spending lots of time on this looking for the best economical way. The mayor talked about sending out a newsletter explaining the increases. His intent was to have the newsletter out last week, but he had computer problems. Cathie May asked that the newsletter include information on what can and cannot be recycled. Additionally, Cathie offered to hand-deliver the newsletter once it was ready. Laura Redmon and others offered to help with delivery too.

Mayor Pfaff noted that Tekoa is now \$31.50 for water and their rate will be going up \$5 a year until 2028. He said their sewer is going up \$5.00 too. Cherie Curtis said the a lot of the concern is the economy right now, it's especially scary. Cherie suggested a public meeting to explain the changes. Don Kriebel said he understood when you start losing money, you've got to have some money back. You have road tax to pay for good roads, street tax for good streets, etc.

Donna Poire asked about what improvements the town was talking about, saying she realized the town has to fix things. She said the council did this several years ago. She noted in her area there is lousy water pressure and she's not getting anything out of this. The mayor said the council was trying to take care of exactly that. There was no money put away for water in 10 years. He said the town needs to keep \$100,000 in case everything blows up.

The mayor explained the town's plan is to concentrate on the must do projects and talk about the other projects later. Jim said the town will still need to have money for other lines they don't know about. He said once the leak detection is done, there may be other lines that need replacing that aren't in the budget.

There was no further discussion. Patty Cottrill, Don Kriebel, Neal Leon, Donna Poire, Laura Redmon, Stacey Van Duessen, and Jim Wilson left the meeting (8:15).

PUBLIC HEARING – 2009 FINAL BUDGET: Mayor Pfaff opened the public hearing 8:15 PM and asked for public input. No questions were raised from the public. Mayor Pfaff reviewed the 2009 budget figures outlined in the Budget Message, noting there will be changes between now and December when the budget is adopted. Brian Conklin said he was curious about the street levy with only 1000 ballots left to count. Mayor Pfaff confirmed an additional 11 yes votes would be required for the levy to pass with no additional no votes. Cutbacks in street operations included only plowing the school bus routes, no road oiling, no additional gravel, just doing the bare minimum. Cherie Curtis asked about the street levy being raised \$5,000 and this was confirmed. Mayor Pfaff closed the Public Hearing at 8:20 PM.

POLICE DEPARTMENT:

Chief Jerry Neumann provided council with the bi-monthly activity log. He noted that Officer Brian Dentler is working on the retention and records and reporting to the state. As a part of this Brian will be preparing a written narrative of the police log. Jerry will provide a copy for council and likely send it electronically to town hall. Jerry noted on an average the department spends about 70 to 75 hours working for Garfield during each reporting period. With the council meeting extended 3 weeks out, the hours reported for this period are up to about 120. Jerry reported on recent juvenile problems at the park. Mayor Pfaff asked about the speeding concerns on SR 27 in town. Jerry indicated a survey was done on speeds coming into town and right now vehicles are at 25 or under. Mayor Pfaff asked that the department continue to keep a presence there.

PUBLIC WORKS: Perry Brown reported:

1. Preparing for Winter - The crew has been busy winterizing equipment, etc.

2. New tires Garbage Truck and Backhoe - New tires were put on the garbage truck and new tires were just put on the backhoe too. The backhoe was bought used about 10 years ago and this is the first set of new tires for the back. The front tires are replaced every couple of years due to wear.

3. Car Crushing – No word recently from the county car crusher. It was noted Good Guys Towing out of Cheney is interested in taking hulk cars.

4. Chipper – The county chipper was in town for 3 days but the pile was too big and too tangled of a mess. Larry Hunt noted he had checked out the pile and it was so tall and big and pushed together, he concurred it would be too hard to chip. The plan now was to have the county come out more often next year. Tim, the chipper operator, said he would come by every month or month and a half. Perry noted Annie had contacted the tree trimming companies to inform them from now on they could only bring chips to the compost site.

5. Flow meter – The flow meter has been ordered and should be on its way.

6. Street/Railroad Signs – Brian Conklin asked about how round street signs are kept from spinning. He noted a problem with the stop sign at the park intersection. He was able to turn it back to its proper position. Perry confirmed he could take care of this problem. Perry also noted the railroad sign was installed on 2nd Street. He would see how it goes.

7. Well #2 – Well #2 is nearly operational for fire department use.

OLD BUSINESS:

NEW BUSINESS:

1. Police Contract: Mayor Pfaff confirmed meeting with Palouse Mayor Michael Echanove and Jerry Neumann for the 6-month review of the police contract. The only change requested was that the officers log in and out with Whitcom when coming in and leaving Garfield. This would allow for confirmation of hours worked in case of any discrepancy. Jerry said typically the department has been doing this. Tim Southern **MOVED** to continue the police contract with Palouse for the next 6 months. Andrew Flodin seconded and the motion carried unanimously.

2. Ordinance No. 359N – Delinquent Water Charges: Mayor Pfaff explained Stephen Bishop drafted Ordinance No. 359N which makes the property owner and tenant responsible for any delinquent charges. John Kuehner **MOVED** to adopt Ordinance No. 359N imposing liability for delinquent water charges jointly and severally on the water account holder(s) and the owner(s) of the property. Tim Southern seconded the motion and the motion carried unanimously.

3. Establish Utilities Reserve Fund: Mayor Pfaff talked with the council about establishing a Utilities Reserve Fund similar to the current 401 Water Fund that includes water, sewer and garbage utilities. He asked the council what their preference was with the existing combined Utilities Equipment Reserve Fund, folding it into the new Utilities Reserve Fund or keeping it separate. He noted in a conversation with Stephen Bishop, Stephen recommended leaving them separate so the council would readily know how much funding the town had for equipment needs. Council's preference was to keep the existing Utilities Equipment Fund separate, but fold the existing Sewer Reserve Fund into the new Utilities Reserve Fund. An ordinance to this effect would be prepared for council adoption.

4. 2008 Budget Amendment: Larry Hunt **MOVED** to adopt Ordinance No. 360N amending the 2009 Budget. John Kuehner seconded the motion and the motion carried unanimously. Mayor Pfaff explained the budget amendment was needed for increased garbage wages if extra help was needed when Dave had his knee surgery. Annie Pillers confirmed other amendments included the firefighters annual pay and increases to fuel, utilities, operations, etc. outlined in the budget amendment message.

5. 2nd Street Project Finalization: Mayor Pfaff presented council with Pay Estimate No. 3 FINAL and Form to Certify Completion of Contract for the 2nd Street Sidewalk Project. It was confirmed there were no cost changes from Pay Estimate No. 2. Larry Hunt **MOVED** to approve Pay Estimate No. 3 FINAL and the Form to Certify Completion of Contract for the 2nd Street Sidewalk Project with authorization for the mayor to sign the documents. Annie Pillers noted the Transportation Improvement Board (TIB) grant funds for the second payment request from the 2nd Street Contractor had not yet been received but were anticipated shortly. She asked council for approval to pay the contractor's second pay request upon receipt of those TIB funds prior to the next council meeting. She confirmed the 5% retainage would still be held and equaled a total of approximately \$12,000. Council gave approval to pay the contractor's second payment request (\$124,979.92) as soon as the TIB funds were received.

APPROVAL OF CHECKS:

Tim Southern **MOVED** to approve the following bills presented to council for payment. Larry Hunt seconded the motion and the motion carried unanimously.

Check Register: #8782-8802. Claims: \$10,857.52, Payroll: \$5,003.27 TOTAL: \$15,860.79

Annie Pillers noted typically the firefighters get paid by early December. She asked for council approval to pay the firefighters in between council meetings once the budget amendment was published and the figures provided. Council gave approval to pay the firefighters between council meetings once the necessary paperwork was completed.

ADJOURNMENT: Tim Southern **MOVED** to adjourn the meeting at 8:40 p.m. Larry Hunt seconded the motion and the motion carried unanimously.

Jarrod Pfaff, Mayor

ATTEST: _____
Annie Pillers, Clerk/Treasurer