

GRAND JUNCTION CITY COUNCIL WORKSHOP SUMMARY
October 5, 2015 – Noticed Agenda Attached

Meeting Convened: 5:00 p.m. in the City Hall Auditorium

Meeting Adjourned: 9:35 p.m.

City Council Members present: All except Phyllis Norris

Staff present: Moore, Shaver, Lanning, Schoeber, Romero, Watkins, Camper, Kovalik, Hazelhurst, Brinkman, Guillory, Evans, Valentine, Starr, Rainguet, Tuin

Also: Raftelis Financial Consultant representatives: John Gallagher, Eric Jorgansen, and Rob Wadsworth; Dennis Simpson

BUDGET

Interim City Manager (ICM) Tim Moore reviewed the items on the agenda. He then deferred to Public Works Director Greg Lanning.

Agenda Topic 1. Water and Solid Waste Enterprise Funds including Water Rate Study

Water Fund

Mr. Lanning advised a Financial Plan for the water utility is being presented, the first in recent years. He introduced the consultants in attendance. It is a draft report at this point. A rate increase is proposed due to the capital challenges. Two options will be presented. He described the make-up of the water department and then deferred to the consultant John Gallagher.

Mr. Gallagher explained the study addressed three things: financial sustainability indicators, financial plan findings, and the typical residential water bill. He listed eight infrastructure challenges noting the significant value of the water system with ongoing capital being essential. The proposal seeks to insure that revenues meet annual revenue requirements, provides sufficient reserves, and meets the minimum debt service coverage required by the bonds issued. Currently the debt service coverage is more than sufficient. Mr. Gallagher reviewed the Financial Plan assumptions: that the system has a constant number of water customers, annual inflation, and a phasing of infrastructure improvements. The first of the two options included a 15% increase in water rates starting in 2016, another 15% increase in 2017, a 14% increase in 2018, a 5.5% increase in 2019, and then a 3.5 % increase for the following six years. That will allow cash funded improvements, with a significant impact on the reserve fund, but eventually the reserve fund will recover. The second option includes a combination of cash funded and bonded indebtedness of \$4.8 million to fund the improvements. The increase to

water bills will be a 9.5% increase 2016 through 2019, then a 9.0 % increase 2020 through 2022, then reducing to a 3.5% increase until 2025. This option has less of an impact to the reserve fund and the reserve fund recovers more quickly. The improvements can also be completed sooner.

Mr. Gallagher showed a comparison of Grand Junction's water rate in relation to other entities including front range cities, west slope entities, and other local water providers. Grand Junction was third to the lowest and neither of the proposed increases changed that ranking.

Mr. Gallagher noted that average water use by residential customers has decreased due to water conservation measures including user awareness and the use of water saving devices. Councilmembers inquired about the amount of water used by the larger customers. Water Manager Rick Brinkman listed the largest use customers and their average amounts including the City, Colorado Mesa University, and St. Mary's Hospital. The impacts of the proposed increases on those customers will be evaluated in the final report.

Discussion ensued with the history of increases, the revenue shortfall even with the increase, the risks of waiting on debt and construction of the improvements, the current outstanding debt and year of maturity for each issue (2002 revenue bond series matures in 2022, 2010 series matures in 2030), if there are other options including spreading out both the increases and the construction of the improvements, what are the highest risk projects, the impact on operations of the proposed improvements, if there are any efficiencies to be realized, combining valley water suppliers for efficiency, and that no vote is required for bonded indebtedness for enterprise funds. Staff was instructed to bring back more options where the combination of debt and bonds allows for a smaller increase and/or the pay-as-you-go method allows for a smaller increase and to identify the must-do projects with the estimated costs.

Solid Waste Fund

Mr. Lanning described the department including budget, number of employees, and debt service. Solid Waste and Streets Manager Darren Starr provided detail on the debt service as it is a clearinghouse for the energy services contract entered into a few years ago. Mr. Starr advised that his financial plan balances to maintain a 15% reserve fund. An additional truck is programmed to be purchased in the out years which will reduce the reserves but they will recover. One thing that has helped this fund is the use of the Persigo Compressed Natural Gas (CNG) which has provided a guaranteed price for fuel for the CNG trucks (the majority).

Council inquired about the labor costs, Mr. Starr's experience with the CNG trucks, and the recycling contract.

There were no objections from Council regarding the planned increases in the Solid Waste Department.

Agenda Topic 2. Budget Balancing Follow up Discussion – Operations, Capital and Economic Development; Employer contribution to health insurance

Financial Operations Director Jodi Romero distributed balancing sheets and advised they will still need to bring back the rate changes and any additional information requested by Council. City Councilmembers addressed the cost of health insurance and asked Human Resources Director Claudia Hazelhurst if the City has researched the possibility of going to a single provider scenario and if that would save money. Ms. Hazelhurst said they haven't considered it but certainly can if that is Council's direction. All members of Council were interested in looking at that option next year.

Councilmember Taggart expressed that the only change he saw in the new balance sheets was the elimination of the salary increase in labor; no other belt tightening was made. He specified the increases in Information Technology (IT) as being a concern. ICM Moore advised that IT has not presented their proposed budget to the Council yet. Councilmember Taggart said he also did not see any new revenues added into the budget.

There was discussion of adding a mileage fee for ambulance transport (Fire Chief Watkins is evaluating that), the concern that the State might use the severance tax to balance their budget, that there are service contracts that could be renegotiated (like the CMU Police Services contract), the use of the 2015 carryforward of \$381,000 to balance the budget, the use of Conservation Trust Funds, the underinvestment of funding to keep the City's streets at their current index, the outstanding capital items on the "B" list, the labor market analysis, the actual number revenues can be raised before the City is in a TABOR refund situation, and the sustainability of the City's budget.

ICM Moore summarized that the presentations by Departments has demonstrated that the current situation is not sustainable and that he recommends either looking at new revenues or consider cutting some services. The vendor fee and the business license fee are still two revenues to consider. City Attorney Shaver said a sustainable revenue source for the Communication Center should also be considered in the future as well as the creation of a Fire Authority with its own revenue stream.

Las Colonias

Council President Pro Tem Chazen asked Parks and Recreation Director Rob Schoeber to update the City Council on Las Colonias. Mr. Schoeber referred to a worksheet that showed two scenarios for the amphitheater – one at \$3.5 million and one at \$4 million. The \$3.5 million project includes all the amenities Council wanted with the exception of a paved parking lot and some of the trails. This scenario will only require the use of the Conservation Trust Funds (CTF) and has no General Fund impact. Councilmembers asked about cost overruns and contingency. Mr. Schoeber advised that they have completed two major projects and both have come in under budget. The reason for bringing this before the City Council at this time is that a grant application deadline is approaching for Department of Local Affairs (DOLA) funding.

Council discussed other uses for the CTF monies and asked the City Attorney to provide an opinion on what else under law those funds could be used for. Councilmembers Kennedy and Boeschstein voiced strong support of going forward with the amphitheater project.

In conclusion, Council President Pro Tem Chazen expressed that he does not feel the budget is where it should be; he would like to see another \$500,000 in the budget. Although some members of Council expressed that they felt Staff has already looked for as much as they could, they were not opposed to having Staff look again for more savings/efficiencies.

Agenda Topic 3. Other Business

City Attorney Shaver asked for feedback on the proposed press release and for the Council's opinion of amending the Panhandling Ordinance. First reading of the proposed amendment is on the agenda for Wednesday night. He suggested the Council may consider pulling the proposal as the law is still unsettled.

Council direction was to pull it for now.

Council President Pro Tem Chazen advised that the deadline for the option on the Mesa Pawn property is approaching. Councilmember Traylor Smith reported that the Property Committee recommends that the option be extended. City Attorney Shaver said the terms have changed slightly; the payments will no longer apply to the principal under the new extension meaning the price has gone up by \$10,000. Councilmember Traylor Smith asked City Attorney Shaver to then negotiate for a longer term extension like eight months instead of six.

Ms. Hazelhurst asked the City Council if they are still willing to fund the health insurance premium increase that the City realized last year so that the employees will not have a decrease in their paychecks for that reason. She said it is a \$40,000 impact. Although Councilmember Taggart voiced concern over setting a precedent and the cost long term, Council did not object to the coverage for 2016.

Council President Pro Tem Chazen asked about the discussion on the Retiree Health Trust. Ms. Hazelhurst said that discussion will come back to Council at a later date.

Ms. Hazelhurst asked Councilmembers to get the information for the City Manager recruitment brochure back to her right away.

With there being no further business, the meeting adjourned.

**GRAND JUNCTION CITY COUNCIL
MONDAY, OCTOBER 5, 2015**

**WORKSHOP, 5:00 P.M.
CITY HALL AUDITORIUM
250 N. 5TH STREET**

To become the most livable community west of the Rockies by 2025

1. Budget

- **Water and Solid Waste Enterprise Funds including Water Rate Study**
- **Budget Balancing Follow up Discussion – Operations, Capital and Economic Development; Employer contribution to health insurance**

2. Other Business

3. Board Reports