

**GRANDVIEW CITY COUNCIL
STUDY SESSION MINUTES
DECEMBER 3, 2007**

1. CALL TO ORDER

Mayor Norm Childress called the study session to order at 6:30 p.m. in the Council Chambers at City Hall.

Present were: Mayor Norm Childress and Councilmembers Bill Flory, Pam Horner, Jan McDonald, Javier Rodriguez and Joan Souders. Robert Morales arrived at 6:50 p.m.

Staff present were: City Administrator Scott D. Staples, City Attorney Jack Maxwell, City Treasurer John Myers and City Clerk Anita Palacios.

2. 2008 BUDGET DISCUSSIONS

City Administrator Staples explained that at the November 19, 2007 study session, Council's direction was to prepare a City utility tax increase package necessary to raise an additional \$400,000 for the Current Expense Fund in 2008. The \$400,000 would close the budget gap and also provide funding to hire an additional police officer. The Council also asked that staff meet with representatives of industry to discuss the utility tax increase issue.

Since that Council meeting, staff met with representatives from one of the largest industrial users, and also met with Mayor Childress to discuss the results of that meeting and to discuss ways to minimize the impact of a utility tax increase on all customers.

He presented three (3) options for Council's review, outlined below. In each option, an effort was made to raise the needed revenue, but minimize its impact on industrial users. Under any scenario, the industrial sector would end up paying for almost half of the new revenue needed.

Alternative A (+\$400,000)

In this alternative, an additional \$400,000 in revenue would be generated to close the revenue-expense gap and provide funds to hire an additional police officer. The water utility tax would increase from 17.5% to 18.4%. The sewer utility tax would increase from 6% to 18.4%. The solid waste utility tax would increase from 17.5% to 40%. The monthly bill for a typical single-family household based on minimum usage would increase about \$5.05, from \$60.52 to \$65.57. Under this alternative, the rate structure would result in utility tax increase of about 112% per year, using the largest industrial user as an example.

Alternative B (+\$325,000)

In this alternative, an additional \$325,000 in revenue would be generated to close the revenue-expense gap. The water utility would decrease from 17.5% to 16.3%. The sewer utility tax would increase from 6% to 16.3%. The solid waste utility tax would increase from 17.5% to 40%. The monthly bill for a typical single-family household, based on minimum usage, would increase \$4.14, from \$60.52 to \$64.66. Under this alternative, the rate structure would result in utility tax increases of about 87% per year, using the largest industrial user as an example.

Alternative C (\$205,000)

In this alternative, the revenue-expense was closed by a combination of raising an additional \$205,000 in revenue as well as cutting expenses by implementing two (2) expense cuts identified in

the "Ideas for 2008 budget balancing document," dated November 19, 2007. Idea #11 would reduce expenses by \$80,000 by not funding depreciation in 2008. Idea #14 would reduce expenses by \$40,000 by changing staffing at the library. The water utility tax would increase from 17.5% to 24.2%. The sewer utility tax would remain at 6%. The solid waste utility tax would increase from 17.5% to 40%. The monthly bill for a typical single-family household based on minimum usage would increase about \$3.80, from \$60.52 to \$64.32. Under this alternative, the rate structure would result in utility tax increases of about 18% per year, using the largest industrial user as an example.

Recommendation

City Administrator Staples recommended Council select Alternative C for the following reasons listed below:

1. It used a combination of expense reductions, as well as revenue increase to balance the budget.
2. It reduced expenses in a responsible manner that would not have any substantial indirect or direct effect on City services or City operations.
3. It was the alternative that provided for a modest increase for the typical homeowner, but at the same time minimizes impacts to the large industrial customers. As mentioned earlier, under any method used to increase City utility taxes, the industrial users end up providing almost half of any new revenue needed. This was an important consideration in terms of the City's economic health and viability.
4. It was the alternative that most clearly communicated the City's efforts to reduce expenses in a responsible manner, reduce the amount of revenue needed through a City utility tax increase and continue to create a climate that promotes economic development.

He noted that beyond the recommendations made above, it was very important that in early 2008, Council address the ongoing challenge for the Current Expense Fund that Council has discussed to some extent in the budget study sessions. The Council and voters in the community would definitely be faced with making difficult choices in terms of increasing revenue to sustain existing services and/or eliminating services.

Following considerable discussion and due to the time restraint, Council agreed to table the budget discussions to the regular meeting.

3. ADJOURNMENT

The study session adjourned at 7:30 p.m.

Mayor Norm Childress

Anita Palacios, City Clerk