

## Financial Advisory Board Meeting Minutes January 6, 2021

Board Members Present	Board Member(s) Absent	Staff Present	Guest(s) Present
Ksana Oglesby (Chair)	Erik Kushto	Steve Boyd	Brian Mantz
Steve Beckley		Yvette Gustad	
Ted Edmonds		Matt Langhorst	
Annette Franta		Warren Hays	
Dan Sullivan		Mike Hoffman	
Munro Wilcox		Jenn Ooton	
Kathryn Taggart			
Christian Henny			
Mike McCallum			
Paula Stepp (Council)			
Charlie Willman (Council)			
Jonathan Godes (Council)			

- Chair Ksana Oglesby opened the meeting at 7:35.
- No public comment.
- Christian Henny moved, Steve Beckley seconded approval of minutes from October 28, 2020. Motion passed unanimously.
- Water and Wastewater Study
  - Matt Langhorst said we've scrubbed the capital list to push out all possible capital expenses. Operating expenses are continuing to rise but we've pulled them down as much as possible and removed a new FTE in 2021 and one in 2022.
  - Bryan Mantz from GovRates updated the Board on his financial model.
  - Two options were presented, one including (1) 26% increase in year one followed by four 8% increases in 2022 to 2024; a 7% increase in 2025; and 5% inflation/capital improvements after that, and (2) 36% increase in year 1 with 5% inflation/capital improvement increases going forward for 10 years.
  - The Board recommends looking at ways to help our lowest income citizens with year 1 increases on a needs-based approach (e.g., budget billing similar to what is done for the electric rates, affordability program funded by source other than water and wastewater user rates such as portion of tobacco tax collections, etc.).
  - Need to have a thoughtful communication approach with this roll-out to help explain the benefits of the rate and financial plan to the City's residents / customers.
- The following points were discussed prior to Motion #1 being made:
  - We have not raised rates at all in six years; Prior management determined no increases would be brought to Council, turnover in Administration and Public Works, the potential implementation of a streets tax that would offset much of this expected cost and the COVID crisis all contributed to recent increases not being implemented.
  - Actual annual operating expenses have increased by over 50% since the last time rates were raised, limiting the ability to avoid a larger increase upfront. Existing rates are insufficient to fund existing operating expenses and debt service, limiting the City's ability to secure additional debt financing for critical capital needs.
  - Recent fire activity creates additional capital needs and accelerates others.
  - Borrowing costs in capital markets are currently at an all-time low.
  - Passing multi-year rate increases now will provide more favorable access to capital markets which will not be available forever.
  - After increase, our rates will still be well below 4.5% of median household income, which is considered "affordable".
  - After increase, our rates will be between Carbondale's and Rifle's.
  - We could consider a progressive rate structure or other customization, in coming years, after we have

- ascertained better meter data.
  - This approach saves money on additional borrowing costs.
  - This approach also saves money by allowing the City to complete certain capital projects in earlier years at a lower cost.
  - Staff's efforts to reduce/delay capital needs, gain grants and find very favorable lending, have resulted in the "rip the band aid off" approach that was originally presented to Council having a substantially lower first year increase.
  - This option ultimately results in lower customer rates into perpetuity making it the most efficient option from a long-term perspective for the customer.
- Based on the above discussion Dan Sullivan moved and Kathryn Taggart seconded that **FAB recommend to Council an increase in water/wastewater rates that includes a substantial year 1 increase (Option 2 in the GovRates presentation) and consider options to help people afford the adjustment based on need. Passed unanimously.**
  - Mike McCallum moved and Kathryn seconded a motion to **create a marketing committee of FAB members and other local stakeholders to meet regularly and focus on messaging to residents. Passed unanimously.**
  - Interested in the marketing committee:
    - Kathryn
    - Charlie
    - Munro
    - Mike
    - Brian MantzMike will check in with the Chamber and get back to Steve Boyd with their interest in participating. Steve will talk to Debra and Jenn about staff participation.
  - Sales taxes down year-to-date through November approximately 6% and are up 5.3% in November year-over-year. Resilience is partially due to state SUTS system coming online.
  - Kathryn Taggart moved and Christian Henny seconded a motion to adjourn at 9:30. Passed unanimously.

**Next regular FAB meeting is scheduled for January 27<sup>th</sup>, 2021 at 7:30 am via Zoom**