

CITY OF NORTH BEND
CITY COUNCIL WORKSTUDY NOTES
February 27, 2024
City Hall, 920 SE Cedar Falls Way, North Bend, WA

Mayor Pro Tem Gothelf called the meeting to order at 7:00 p.m.

Councilmembers Brenden Elwood, Alan Gothelf, Mark Joselyn, Heather Koellen, Christina Rustik, Suzan Torguson and Errol Tremolada were present.

Staff Present: Mayor Mary Miller, Deputy City Administrator/Public Works Director Mark Rigos, Community & Economic Development Director Rebecca Deming, Administrative Services Director Lisa Escobar, Economic Development Manager James Henderson, Human Resource Manager Erin Mitchell, Deputy City Clerk Jennifer Bourlin and IT Manager Phil Davenport (remote).

Guests Present: Todd Chase, Martin Chaw and Devin Tryon from FCS Group.

Fiscal Sustainability Study Presentation Session #1

Economic Development Manager Henderson explained the purpose of this study was to:

- Understand the current fiscal health of the City
- Study two different growth scenarios to determine how growth will affect the fiscal health of the City
- Look at how these scenarios will affect revenue and current obligations that the City has to pay
- This was the first of four workstudies to a path forward for fiscal sustainability that would support the City's vibrancy and make it an attractive place for residents and businesses

Todd Chase of FCS Group opened the presentation by explaining the purpose of a Fiscal Sustainability Study and that tonight's Session #1 would focus on the City's General Fund and Utility Funds financial scenarios. This session and discussion focused on baseline General Fund financial scenarios (no growth vs. target) in the following funds:

- General Fund (#001)
- Water Utility (#401)
- Sewer Utility (#402)
- Stormwater Utility (#404)
- Sanitation Utility (#405)

Future sessions would cover:

- Development Opportunities and Costs of Growth
- Fiscal and Economic Impact Analysis
- Supplemental Funding Options
- Fiscal Sustainability Strategy

Martin Chaw of FCS Group continued the presentation of the Fiscal Sustainability Study and covered the following:

- General methodology covering forecasted revenues and expenses, assumptions and objectives
- Findings and conclusions in the no growth scenario including no or limited growth results and financial policy considerations
- Sources of revenue for the General Fund
- Sources of revenue in the General Fund 2024 budget of \$11.0 million dollars – approximately 80% was from the following five sources: property taxes, sales taxes, B&O taxes, utility tax and development fees
- Future considerations of funding options from those five sources
- Municipal revenues as a tool box including authority to create new taxes vested in the State Legislature, established limitations and exposure to economic and other external risks
- Baseline financial forecast based on a no growth scenario
- Mr. Chaw discussed utility funds that included:
 - The critical need for human, health and safety
 - Supporting economic development
 - Enterprise funds
 - The majority of revenues were derived from rate revenues
- The study approach for utilities included forecasted revenues and expenses, assumptions and objectives followed by Utility Fund scenarios
- Findings and conclusions of the Utility Funds included:
 - Revenue from current rates (no rate increases assumed) was not sufficient to keep pace with increasing cost of operations
 - Breakeven rate increases range from 10-30%
 - Continued cost pressures on utility operating costs included:
 - Inflation, aging infrastructure, replacement of AC pipes
 - Interfund administrative charges
 - Increased costs from Seattle Public Utilities water purchase mitigation payments (water)
 - New debt service from WWTP (sewer)
 - Meeting mandated grant matching requirements

Police Services Discussion

Mayor Pro Tem Gothelf discussed the police services contract obligations, extending the current contract, expectations of a future contract and an analysis of alternatives.

Adjournment

The Workstudy closed at 9:00 p.m.

ATTEST: