

budget. He reviewed a slide showing how revenue is collected throughout the year.

In the proposed preliminary budget, Council is being asked to consider raising the water base rate from \$7.49 to \$8.00 and raising the usage or consumption from \$2.10 to \$2.16 per thousand gallons. Anticipated revenue from those two sources is \$298,882. Water Revenue from Other Sources as shown on page 2 includes an increase from Goodyear with their rate increasing to \$.88 beginning July 1, 2003. Negotiations are on-going with Fort Sill but no term rate has been established. In March 2003, Geronimo came on line as a source of revenue at \$13,000 per month; the anticipated revenue from these three areas was \$350,600.

Endicott said a previous request was made to Council to consider raising the sewer base rate 3%, from \$7.16 to \$7.37. The anticipated revenue from this increase would be \$125,776.

Mayor Powell asked what base was used to arrive at a 3% increase for each revenue source. Endicott said they tried to stay in line with the lead last year during the budget session while considering the consumer price index as a baseline. Mitchell said the Dallas CPI for year ending December 30, 2002, was 2.5% and it was rounded up to 3% but the figure changes monthly.

Endicott said the large percent of increase was the Waurika assessment of \$1.3 million. Earlier this year the voters decided not to put this on the ad valorem, and it comes off the top of the general fund expenditures. We believe this is a cost of providing water and it is a fair surcharge to place on the utility bills to assist in balancing the budget. At the last workshop a number of \$4.50 had been given to cover this assessment and that number was in error; the correct number is \$3.50 to cover the \$1.3 million assessment. Endicott said this charge would be temporary for one year and during the year Council had the ability to remove the charge. Hanna wanted clarification on this assessment saying there were times when charges were placed on the bills that never seemed to come off and he wanted to make the public aware that this is only a temporary surcharge.

Haywood questioned the slide on top of page 3 and said the average customer uses 4 to 6 thousand gallons of water, speaking on all of the requested increases, and asked what the total monthly increase would be per customer. Endicott said the total of all increases was the amount of \$4.40 per month for an average consumption of 5,000 gallons.

Bass asked if only Lawton residents will pay the \$1.3 million Waurika assessment and if those living outside the City limits receiving Lawton water will not pay this assessment. Endicott said right now they do not pay on that assessment and measures will need to be considered in an effort to pass this surcharge on to the outside water accounts.

Shanklin asked if the projected water revenue from other sources in the amount of \$350,600 is new dollars and if it included the regular payment from Fort Sill; Goodyear is only \$14,000 to \$15,000 per year for the next five years. Mitchell said the Goodyear rate goes up to \$1.13 over the next five years.

Shanklin said he didn't see how the City could charge the people who own the water system more than those not living in Lawton and asked if the assessment could be charged to everyone who receives water from the City. Vincent said right now we assess anybody who gets a utility bill from the City of Lawton and we would have to change the contract for those we don't send a bill and this would have to be considered as some type of water rate increase for outside meters, rather than assessment. Vincent said those who have a meter from the City pay part of this assessment and those outside water contracts will not pay this assessment as they don't receive a bill. Vincent said outside water accounts are setup differently and it has been requested for the City to revise the current plan of reading outside meters pertaining to reading master meters and reading individual meters on the outside water associations. The City would have to address those situations differently than the ones in which we send individual bills. Vincent said the Oklahoma Water Resources Board asked the City to revise its plan for reading outside meters and that is being considered at this time. Vincent did recommend to raise outside water rates to offset the assessment.

Shanklin said we had sold water to these outside water accounts at cost for years. Vincent said back in the 1980s the Lawton City Code provided outside water rates at one and a half times the current inside water rate and that was repealed by Council in the late 80s or early 90s. Shanklin said back to the \$196,000 and asked if this was the figure they will pay us more in the next five years than they would have if we had not raised their water rate.

Mitchell said it is about \$180,00 to \$190,000 per year increase; they are going up \$.12 to \$.13 cents a year while using 800,000 gallons per day.

Bass said if you raise the utility rates, the apartments owners who have 100 unit apartments, their bill would increase \$350 per month, based on the billing factor. Patton said we should look at rural water districts and renegotiate for them to pay some of this Waurika Project and take whatever action needed to begin this process.

Mitchell said you could not ask how many water customers they have but suggested the rate be increased by a set amount and there are only certain ways you can sell these after they are in place. Patton asked what type of contracts were binding on these outside water associations. Vincent said some contracts are on a yearly basis but

most of them are open ended; these contracts are based on an old state law and there are certain ways they can be cancelled; however, the state law has changed.

Hanna said he, like other members, wanted everybody to be paying their fair share. Shanklin said this charge shows up as an assessment but is not listed individually on the water bill similar to the surcharge for rolling stock; if this was included as part of the water charge, it would be easier to charge everybody and suggested the City increase the rate to these outside customers to one and a half times the current inside rate. Shanklin asked Endicott to research how much the City would have to charge these outside customers to cover the \$3.50 and have this amount included in the budget process. Bass said the water base rate and the sewer base rate was raised last year to \$2.10 and a lot of businesses doubled what they had to pay; the City already bumped them up last year and now we are considering to bump them up again.

Shanklin said at the last meeting, Council was given the figure of \$4.50 and all was fine with that figure. He said it has now been revised to \$3.50; the \$4.50 would generate \$1.8 million and that would take care of everything that is being done at Waurika; that is the reservoir, the conduit, the maintenance and the station that pumps water to Ellsworth. This charge would free up another \$300,000 to \$400,000 if everybody has to pay it and this \$4.50 should be considered heavily and we should stop taking from other areas.

Ewing-Holmstrom said we are looking at two things; one being the massive debt and the other the Waurika assessment. She said she was not for any more increases until the City starts cutting services and tightens its belt; there are ways to cut more fat and if that means cutting services, we are going to have to do it before we tell citizens they are going to have to pay more for utilities. Mitchell said the preliminary budget has recommended over \$3 million in cuts.

Shanklin said for twenty-five years all the outside water customers didn't pay a penny of this cost. You start cutting services and you start talking about parents whose children were playing ball for free and now it's coming out of their pockets more so than if the water bill would have been raised. He said he did not get one call toward what Council did last year and he has had only two calls this time so if you're going to do it, just make everybody pay their fair share. Shanklin said the City had done a poor job of telling people what we provide and so when you start limiting ball fields and services you are going to alienate the voting base when you are wanting to pass the next CIP.

Hanna said he is proposing we do a large write up next year telling the citizens of Lawton how a one cent sales tax would alleviate costs being placed on water customers and where people traveling to our city will pay toward our budget and by people coming through town would generate revenue at which time we especially need to explain what that money would do for the City of Lawton and how the citizens will be greatly affected if the sales tax issue does not pass.

Devine said he didn't understand why we had not given the voters the opportunity to voice their opinions. He said the sales tax issue gives everybody the opportunity to pay on part of this budget instead of only 30,000 people and that's what we are talking about; we have always asked our citizens to pay the full amount saying that every time the City goes to do something that amounts to anything we reach out and get the water meters, the utility bills, and we need to think about this seriously because he is not for cutting services and he doesn't want to lay off any employees. Devine doesn't think we needed to do this toward the utility bills saying the sales tax was a better approach to solving this issue.

Mayor Powell said he met with the City Attorney the morning after the last budget workshop to discuss the sales tax approach and as far as time was concerned and said we are three months behind because this budget has to be approved by June 23rd. Devine said he did agree with Mayor Powell and said if we had to assess this for three months or so, long enough to get a sales tax out to the public for a vote and give them the opportunity to approve it, then you can repeal these charges immediately.

Mitchell said this is a reasonable approach but time did not allow them to give it much review and the budget could not have been balanced based upon the assumption of the voters passing the proposed sales tax issue. The other reason this was not considered was the large discussion at the State level of a temporary one cent sales tax to be imposed for two years to fund public education and then they started talking about lifting all of the exemptions on sales tax, so given that climate, we felt it was not appropriate to bring a sales tax issue forward.

Hanna said he had talked to the City Manager during the last two or three meetings about changing the City's fiscal year for the simple reason Council has to go through the budget by June 23 of each year and the City has no idea what expenses and revenues are going to be, so the Council always seems to be working in the dark on budget matters and if the City goes into that new mode Council would have an idea what to be considering.

Vincent said he did contact the Finance Director of the City of Weatherford and they had changed their fiscal year to January 1. Hanna said this needs to be considered very seriously in an effort to contend with these situations in future budget negotiations.

Endicott summarized saying these figures are about \$2.1 million in additional revenues while expenses are about \$3 million dollars and reminded Council on whatever is done the City is trying to strengthen the carryover for next year; if we don't increase revenues in different ways in these amounts and we begin putting things back into the budget, it affects the bottom line.

Mayor Powell said they dropped that \$4.50 assessment down to \$3.50 and asked Shanklin what he proposed the excess money be allocated for. Shanklin said it should be allocated to pay the entire Waurika debt, to include the reservoir, the conduit, the maintenance and pump station.

Mayor Powell asked about the 1.344 and Endicott said this was the assessment for the water rights and said the maintenance charges was in the public works budget. Shanklin said we should remember we still have 25 years to pay this amount. Ihler said the City made two payments, one in September and one in July and that covers the assessment. Jerry Ihler, Public Works Director, said he thought that also included the maintenance and operation of the personnel that are associated in maintaining that and if there was a large line item repair, they bill us directly and they have now separated the power cost from the maintenance and operation of the pumps and are billing the City monthly. Shanklin said he had seen a time where the City was paying as high as \$1.6 million. Endicott said at this point the assessment payments had leveled out, where they were higher at one point, but at this time the \$1.3 million is the total assessment.

Mayor Powell asked what the difference was between the \$3.50 figure and the \$4.50. Shanklin said it was approximately \$400,000. Vincent said \$300,000 was currently budgeted in the Water Treatment Plant operating budget for Waurika maintenance line costs. Endicott said the budgeted figure was \$1.6 million. Haywood said we are not just talking about water, we are also talking about sewer. Mitchell said \$3.50 would cover the Waurika assessment and the other \$.90 would be the increase for water and sewer for someone using 5,000 gallons and that includes the sewer.

Shanklin said this figure would cover the full debt of the Waurika assessment and understands it would be reconsidered year to year.

Bass asked if the outside water rate was raised one and a half times, what that would generate in revenue. Endicott said it would be \$108,000 and these have not been included in the budget yet.

Mayor Powell asked for input of Councilmembers' comments and suggestions to work on prior to the next budget meeting. Endicott said there was a report of facts from the Oklahoma Municipal League that was worthy of review and a rate sheet telling about other cities.

Warren said the past Council had discussed these same issues and had put forth for the City Manager to bring back a budget that didn't raise rates or cut services. He said knowing that we didn't have the money this year, we did not direct the City Manager to do that this time. Warren said he thought this proposal was very professional, well thought out and he was pleased with their efforts and all had been affected equally.

Warren commended what had been done and said he would approve it as it sets right now with the understanding the City Manager had the leeway to nip and tuck within different departments so that he and the department heads could see eye to eye on what needed to happen as long as the numbers didn't change and doesn't change the service to the citizens. He thinks they provided a good product and Council could go through many meetings and nit pick every item but said we hired these people to do a job for us and he was not going to profess he knew how to change this budget concluding that we are going to have to live with something like this.

Haywood said the senior citizens in this community are on a fixed income and when the City starts taking away services where food and communication are involved, it is hard on them and when you start talking about taking away those centers and nutrition sites, it is a huge concern. He said there has to be a way to take care of these citizens, once you take away services it is hard to get it back, they want to keep their centers open and we don't want these people to lose their rights. Haywood would like to find a way to keep the centers open and for those services to continue.

Shanklin said the City has a \$16,000 cut-off for senior citizens, and if they make under that, these increases do not affect them and said this is a good product, we don't have to go through it line by line but we always go back one time saying he is not going to forsake the seniors. He said we have provided these services and here is away to get some of that money by going to the \$4.50 and eliminating all of that debt out of the general operating budget.

Shanklin said there are only 325 folks who will come down and say they only make \$16,000, but it is around \$175 savings per year that would be freed up for these citizens.

Patton said everybody wants services and everybody wants salaries, everybody wants something, but the money has to come from somewhere; you can't provide all these services and expect to layoff employees. He also supports services but on the flip side there is a price to pay for that and he said he was not so sure that people were willing

to pay for that and it comes to a point in time to decide if you want the services and if you want to pay for them, saying we are all for it but comparing market analysis this looks like a pretty good bargain. Patton said the City can't continue to do everything for everybody because these things cost money.

Devine said the budget looks decent but sure hated to see anything be cut, and would like to give direction to the City Manager and Finance Director to move forward as much as possible on the sales tax issue and if we have to use the budget as it is, give the citizens the opportunity to vote on a sales tax and if that does pass, we can cut this because that gives everybody who buys in Lawton the ability to pay for the nice facilities and services that we have here and the nice services that we furnish for everyone. Devine said he didn't particularly like this budget because he didn't like to raise utility rates and thinks the sales tax is the way to proceed.

Mayor Powell said to see what objective the one cent sales tax would do and provide the time frames of when an election could be held with the understanding if and when this budget is accepted, then when the sales tax becomes effective, these rate increases will be dropped. Shanklin said a one cent sales tax would provide the City \$6.78 million per year and a 1/2 cent sales tax would provide the City \$3.5 million per year.

Ewing-Holmstrom said she had questions in the budget book regarding current vacant positions being deleted along with other cuts, you had cut out \$3,000,000 and she asked the \$4.50 compared to what is listed in the book and we are balancing the budget does it include one or both. Referring to personnel cuts on proposed budget summary and going to additional savings where proposal was made to cut out senior services, the costs, the savings, recreation services, fire department, license, then reclassification adding \$19,000, so all of these items to programs and services, this total was \$1,177,663 saying the City is going to have to do all of these things to get to this bottom number. Mitchell said if you increase one figure another figure would have to be decreased. Ewing-Holmstrom said she is not in support of increasing utility rates and by this she describes those services to be non-essential services, and before increases are placed on the water bill, everybody wants the quality of life but nobody wants to pay for it, saying the City can only cut the non-essential items before we start cutting essential items. Mitchell asked for a list of items Ewing-Holmstrom would prefer to be cut.

Bass said he felt there could be more cuts in the budget than listed and hated to see rates being tacked on to the water bill and said this budget should be cut as much as possible before making an increase anywhere.

Hanna said he would like to make an apology to the senior citizen who left a message saying he was unable to return the phone call because the phone number was not left on the answering machine and he said he wanted to try this one cent sales tax and see what would happen if it passes and what would happen if it doesn't pass; however, if we do get this sales tax, he would like to pass a resolution saying all of these charges come off the bills immediately. He said he did not want to see senior services cut in any way.

Endicott asked Hanna to provide a list of recommended cuts he would propose and Hanna said Kim Shahan, Parks & Recreation Director, was working on an alternative plan. Mitchell said one of the recommendations would be to cut capital outlay, but Council had been strong on putting it back into the budget.

Mayor Powell commended Council and Staff for their input on this budget process and said this first budget meeting was a preliminary budget being presented and no action would be taken tonight saying what you have heard was a presentation and now you have heard from each of the Councilmembers on concerns they have with direction to the City Manager to look at these suggestions and to bring the responses back at the next budget workshop.

There being no further business to consider, the meeting was adjourned at 6:38 p.m. upon motion, second and roll call vote.