

Mayor David Anderson called the special meeting of August 12, 2014 to order at 6:00 p.m. at the Becker Auditorium. Present for the meeting were Mayor Anderson, Council President Rick Alonzo, Council Members Ron Smith, Connie Wells, and Tom Mayo, Clerk Kris Larson, City Administrator Stephen Boorman, and Bookkeeper/Payroll Clerk Christine McNair. Also present were Chuck Newhouse, Dawn Carpenter, Dorothy Smith, Ken and Debbie Wombacher, Jerry Higgs, Janet Sapp, Ruth Sutton, Doug Ladel, Sr., Brett Converse from JUB Engineering, Steve and Deanna Galbraith, Phil Boyd from Welch Comer, Gary Saleba from EES Consulting, Aaron Clark from the Bonners Ferry Herald, and Shirley Mayo.

Mayor Anderson made introductions and gave a brief summary of utility cost of service studies. He said the city charges itself for utility services even though we own the utilities. In order to set rates and plan for improvements, upgrades, or breakdowns we hire professionals to do a rate study.

Gary Saleba said how we fund improvements and who pays for them are questions to be answered. He said the objective of the cost of service study is to make sure people are paying their fair share. There are four steps to the rate study: 1) determine the revenue requirement; 2) perform cost of service and determine which class should pay; 3) design rates; and 4) implement the rates.

The budget year of 2014 and the historic year of fiscal year 2013 were used for the study. Cost causation was used in the study to determine cost by class. The water sales are predominantly residential and the inside customers are paying about eight percent too much and the outside customers are paying 15 percent not enough. Commercial customers are not paying their fair share according to the study.

Gary said if we want to raise the water reserve up to \$950,000 over the next five years we need to raise rates 5.9 percent each year. If we want to raise reserves to \$725,000 we need to raise rates 4.8 percent each year for the next five years.

Sewer rates are in pretty good shape if we don't build more reserve or do any capital improvements. The rates stay pretty constant, maybe one percent increase per year. The study shows the residential customers are paying too much in sewer rates and the commercial customers are not paying enough.

There are four scenarios to review for the sewer fund.

Gary spoke of building reserves to meet the reserve policy. He also said the outside city customers should pay higher rates and explained the reasons being for more density, distance from operations, and city customers being liable for the bonds.

The city needs to decide the revenue requirement so the rates can be determined.

Gary said the amount of the reserve and the capital improvements will need to be known.

Tom asked about bond financing. Gary said the retail rates are less if bonding is used but the long term cost is greater.

Mayor Anderson asked what critical mass we are at for the wastewater facilities. Brett said we fall in the middle but we may be a bit worse off because the city system was built 37 years ago and improvements have remained stagnant. The physical assets of the system have reached their useful life. City of Bonners Ferry is fortunate that we can discharge into the Kootenai River. The City of Coeur d'Alene faces greater problems than we do because their of discharge requirement limitations.

Ruth Sutton asked about inside city limits definition. Mayor Anderson said the city limit boundaries will determine. Ruth said there was an agreement when the City took over the South Hill Water and Sewer District that said the rates will remain the same. She said it is in the minutes of a meeting and she has those minutes. Mayor Anderson said he will ask legal to look into it. She said Mayor Kerby spoke of rate stabilization.

Deanna Galbraith asked if the city has looked at the in-house expenses such as overtime on the weekends and reducing those by hiring another person or doing projects in-house rather than hiring out for projects. Stephen said we look at those expenses each year at budget time. He said there are regulatory requirements driving the overtime expense. Deanna asked if the city did not add another employee two years ago. She spoke of staffing at the hospital and how they stagger or schedule their employees. Mayor Anderson said it is more than just filling the hours because it is how much has to be done in those hours especially with all the regulatory requirements. He said if the costs of time and a half are proving the hire of an additional employee then we will certainly do that. Stephen said we will always have some overtime. He said we are a seasonal organization minimizing overtime in the winter and maximizing it in the summer because in this business the weather has a huge impact.

Stephen said the sewer lagoon limit changes have impacted the City very much because of the algae treatment at the lagoons. Mayor Anderson asked about the Kootenai River being deficient in nutrients. Brett said the permit looks at suspended solids and algae. He said our algae is not proven to be harmless to the river. There is much testing that must be done.

Ron Smith went over what EES needs from the City. Connie Wells asked about the 6.75 million dollar bond. Brett said it takes care of the first phase of the needed improvements.

Ken Wombacher asked when council will make a decision as to what they will do. Mayor Anderson said he cannot see this being done before winter.

Ken asked if this will take care of the problem in the water department. Stephen said the funding of the water department depreciation will cover the Northside water tank. Mayor Anderson said we are monitoring the problem and have cleaned up around the tank quite a lot. He said we have the reserves to do different options. He said as a reservoir it is dilapidated and we will come up with a solution by winter. Mayor Anderson said Phil Boyd is the engineering firm that is helping to determine the solution to the Northside tank problem. Connie said the council members took a tour of the Northside tank and it is not in as bad of shape as first thought. Ron Smith said he was surprised when he toured the tank. He said we have been hearing a \$100,000 figure for repair or replacement of a roof and he was surprised that it would cost that much to fix it. Debbie Wombacher questioned whether people can now be assured that the water is safe and

they don't have to filter it. Mayor Anderson said it is safe. Rick Alonzo said everything at the tank site is screened with metal screen and caulked and there is chlorine on the ground near the tank. He did not see how the mice were getting in the tank. Doug Ladely asked if council thought the tank was in good shape. Mayor Anderson said as a novice that it looks good but the experts will help the City make the decision. Doug asked about putting a roof outside the tank so it does not have to support it. Mayor Anderson said this is also being looked at.

Mayor Anderson thanked the group for attending. The meeting adjourned at 7:00 p.m.

David K. Anderson, Mayor

Attest:

Kris Larson, City Clerk