

Mayor David Anderson called the special council meeting of September 13, 2010 to order at 6:00 p.m. Present for the meeting were Mayor Anderson, Council President Chris Clark, Council Members Mike Klaus, Tom Mayo, and Connie Wells, Clerk Kris Larson, City Administrator Stephen Boorman, Assistant City Administrator David Sims, and Doug Ladely from the Water/Sewer Department. Also present was Bill Burke from Idaho Rural Water Association.

The purpose of the special meeting was to discuss rate studies for water and sewer.

David Sims gave a presentation of the water system expense and revenue for the past ten years.

Bill Burke said Idaho Rural Water Association is funded by Rural Development. He gave a brief history of the teams on the Idaho Rural Water Association. His area of the State involves entities under 10,000 in population. He said all the services provided by Rural Water Association are free. He said the city has good people and the best annual audit he has read in the State of Idaho. He said the spreadsheets show the loss in the water department and the sewer department. The median for the State is between \$40.00 and \$45.00 per month for water and sewer according to Bill. Treatment plants have expenses that must be paid year round by the revenues of the customers so entities should keep charges each month regardless of when a person is gone. Bill said he is not an expert on rate studies. He went over the data in the sewer study. According to the worksheets, the City is about 27 cents short per EDU without funding any reserve. He said the city needs to plan for a bond project and he showed council what an annual payment would be. This would increase the rates over \$10.00 per month. Mike spoke of building reserves in the sewer fund. Bill said if the city has projects that are in the future to put some money away now. He said the rates need to be higher for funding opportunities. He said the median rates are what the funding agencies look at. Bill's advice is to do what the public will stand because it is a pay me now or pay me later scenario. He recommended \$34.00 per month for sewer due to the costs that are coming in the next ten years. Funding agencies look at the rates and how much reserve the city has. Bill said Rural Development may be getting some money for planning and Rural Development will be working with DEQ to help fund some planning projects. Bill said he has put Bonners Ferry on a priority list with Rural Development. The match for the DEQ planning grant is in the contingency and other figure in the 2011 budget. Stephen spoke of bonding outside Rural Development on the open market and how much simpler it is. David said the profit and loss statements would have to look favorable if we are to go out on the open market. Bill said the best things a municipality can do are to build a reserve fund and do projects in house.

The group reviewed the water rate study. The city needs \$278,000 for debt repayment in 2011 plus \$16,000 for debt reserve. There appears to be a discrepancy between the residential rates and commercial rates. Revenue requirements are \$941,203 and we are about \$358,000 short. Bill spoke of equivalent dwelling units (EDU) by class. David thinks we need to adjust the differential between residential and commercial customers. Bill said the city has to increase

rates because the city is losing money. He said by funding a portion of the depreciation it will help us to do some projects to maintain the system and there may be a small amount left for depreciation.

Mike said it is hard to pick a figure in the sewer because of the unknowns. He suggested using a three percent increase in the rates to help work in the rate increases. Stephen said the city does this incremental increase at the golf course over the years.

David said the operations and maintenance costs have been increasing about five percent per year in the water fund. Bill suggested raising the rates a bump to get some money in the bank in the sewer fund because we have the lowest sewer rates in the State of Idaho. He said the city will need to reinvest in the sewer. Stephen said the sewer treatment method at the city is the lowest cost and on the flip side the city's water treatment is one of the highest there is. Bill said the city needs to build in a reserve for both systems. Chris said on the water side we cannot operate in the red. Connie asked about an amount of \$40 to break even. Stephen explained that we may need about \$40 per EDU on the water. He said we need to look at the commercial rates and evaluate them. Connie said if we raise the overage charge the people will stop watering. Stephen said we need to get the amount we need by the base rate. Chris said we need to stay in the known amount because the gamble on the overage amount bit the city once and we don't want to do it again. The group agreed. Connie suggested raising sewer \$4.00 per month and water \$11.00 per month. She said if we can show the operation costs chart and the expenses for paying the debt we will be able to show the need. Mayor Anderson said to raise the water for all we need and if part of the increase goes to the commercials rather than residential that would be good and he wants to see no raise in the sewer at this time. Mayor Anderson asked how much Cabinet Mountain customers pay. Mike said they pay \$40 per month and then there is a step system for the overages. The Mayor is worried about the people on fixed incomes. He is concerned about the political aspects. David and Doug said the customers have not paid enough to keep the system maintained. Chris Clark said the customer paid all that we asked them to. Mike said even though it is unpopular he thinks raising the rates is the right thing to do. He is fearful if we do not raise the sewer rates we will be in the same place as the water fund. Tom knows there will be a hardship on people but he thinks we need to do what we need to do and think of the future. He would like to do a little on the sewer. Tom would like to see the letter and information get out to the public. Tom said even a comparison of other rates may help. Mike is concerned that the master plan will show the deficiencies in the sewer system. Chris agrees with Connie on the water rate and a small amount of increase on the sewer system.

Stephen said there is good news that URM may be building a new grocery store in the city limits and it will increase the city tax base by about \$25,000 per year.

Mike Klaus moved to have a public hearing increasing from the water base rate of \$29.00 to \$40.14 for residential while building in the commercial to capture total revenue of \$941,203 and

also at the hearing to publish raising the sewer rate \$4.00 per EDU. Chris Clark seconded the motion. The motion passed, all in favor.

Stephen said all council should push the constitutional amendment as it is very important to power cities.

Doug said we should consider capitalization fees.

There being no further business the meeting adjourned at 8:00 p.m.

David K. Anderson, Mayor

Attest:

Kris Larson, City Clerk