Mayor Kerby called the special council meeting of February 22, 2005 to order at 7:00 p.m. Present for the meeting were Mayor Kerby, Council President Mick Mellett, Council Members Russ Docherty and Leslie Falcon, Clerk Kris Larson, City Administrator Stephen Boorman, Water Department Superintendent Chuck Lycans, and Planning and Zoning Coordinator Gary Falcon. Also present were Necia Naiami from Welch Comer, Dave Gray, Lon Huggins, Howard Kent, Irma Merrifield and Connie Wells from South Hill Water and Sewer District, Jim Marx, John Schwartz, Bob Graham, Cal Russell and Bob Blanford from North Water and Sewer District, Melba Onstott, and Lucy Dukes from the Bonners Ferry Herald.

The purpose of the special meeting was to discuss proposed improvements to the water system and upcoming water bond election. Mayor Kerby said there will be an election on May 24, 2005 where the citizens of the City of Bonners Ferry will vote whether to accept the assets and liabilities of the North Water and Sewer District and also the South Hill Water and Sewer District as well as a revenue bond issue for the water system.

The project priorities as listed on the handout were determined by the water system master plan as well as projects that were identified due to the Myrtle Creek fire. Mayor Kerby said the engineers say that meters installed will cause residents to conserve by bringing the issue to their attention. Some residents have told the Mayor that our system for charging for water is unfair and not equitable because the taxpayers are served by three different water systems that charge different rates and the City residents are not metered. Council has voted to install meters and the Corps of Engineers has agreed to assist with the costs of installing the meters due to the Myrtle Creek fire. Irma Merrifield asked if the meters can be installed in one year. Mayor Kerby said we could and the city will have a contractor install the meters. The metering will not be a part of the water bond issue.

Mayor Kerby said there are several customers in District 1 that are served off the main Myrtle Creek line coming into town and their water is not treated. The District 1 customers agreed to give easements to the City for the water use years ago. This untreated water is in violation of law today and may be a liability to the city. As one of the outcomes of the Myrtle Creek fire this project was approved and assistance was gained from USDA Rural Development to rectify the District 1 potable water source. There has been a holdup due to the District 1 residents granting easement to the city. This project is not a part of the water bond issue but it is an upcoming project.

There is the new Disinfection By-Products Rule and the new water tank will allow the City to eliminate prechlorination and stringent monitoring and to be in compliance with the safe drinking water standards. With the current city facility and treatment methods we cannot serve our customers during high periods of delivery meeting the contact period time due to the storage capacity not being large enough to meet the disinfection by-products rule. The new tank will be at a higher elevation than the current facilities boosting water pressure to some of the customers that currently have lower water pressure or a low volume of water. Stephen Boorman said an additional 30 pounds per square inch is what is being looked at. Bob Graham said that the new reservoir on the
hill would not increase the pressure to customers on the north side. Mayor Kerby said the new tank would be able to fill the tanks on the north side quicker than what we can today. Stephen said the customers on the south hill will benefit. Mr. Kent inquired where the new tank will be located. Mayor Kerby said it will be above the current filtration plant on the hill. Russ Docherty said the property where the tank will be located has already been purchased so it will not be a cost of the project.

There were several distribution improvements identified in the water system master plan that will be looked to increase fire flow and system pressure.

The total cost of all the identified projects will be around 3.6 million dollars. Mayor Kerby said the cost of the residents would be about $14 per month if no outside funding was obtained. The City is seeking outside funding sources. There has been a grant applied for through the Economic Development Administration for the water tank but have recently been informed that we may not qualify for this grant because it is tied to job creation.

Loretta Hunsaker joined the meeting at 7:30 p.m.

Mayor Kerby said none of the grants are definite so the Council will have to keep the projects working with the funding as it becomes available. If no funding was obtained the monthly rates could increase about $14 per month. The base charge would grant the customer a certain number of gallons of water and would increase at a tiered rate. Mr. Kent inquired how the base rate will be determined. Stephen Boorman said there is a rate study being worked on now and this will help determine the base rate for the city. Mayor Kerby said the city hired an independent consultant to make the recommendations so the recommendations will be unbiased. Mayor said the rates will be established by the cost of collecting, filtering, storing, treatment and distribution of the water. The hope is that the small water user will not subsidize the large water user. Mr. Kent inquired about the city assuming the liabilities of the water districts. Mayor Kerby said the city residents will vote whether to take over the districts and if the vote is positive then the district will be assumed as it is. Russ Docherty said that he is sure that both the water districts are not indebted by a bond. Bob Graham agreed.

Bob Graham inquired about the election on May 24, 2005. Mayor Kerby said all city residents will vote on the issues to assume the assets and liabilities of the North Water and Sewer District and the South Hill Water and Sewer District and to vote on the revenue bond. Bob said the vote on May 24, 2005 will not be the vote to dissolve the water districts. The group agreed. Bob said he was not aware that the city would have the assuming districts vote in May. Mick Mellett said the vote is an advisory vote. Mayor Kerby disagreed and said the bond attorney, Mike Ormsby, has advised the city to hold the election for all three issues in May. Mayor Kerby said it is important to start the process early to inform the residents of the issues. John Schwartz thinks the election for all issues makes sense. Mayor Kerby said the funding agencies have the city in their funding plans due to the recent Myrtle Creek fire. Bob Graham is concerned about the dissolution of the water districts and the election of the city residents to accept the
dissolution. Mr. Kent said he would be concerned about the increase in rates and how the
dissolution will affect his rates. Mayor Kerby said the city may be able to obtain more
funding from outside agencies if the districts are consolidated with the city. Stephen said
the $14 monthly rate forecast is based on the highest interest rate and doing all the
projects on the handout. He said this is a worst case scenario.

Mayor Kerby gave the example of the 1982 revenue bond for the hydro electric project
and how bonding was approved by the electorate for a higher amount than what was
borrowed.

Russ Docherty said he believes the goal of the city will be to charge the same rates to the
people in the districts as in the city.

Irma Merrifield commented on the election for the districts being separate from the city.
Mayor Kerby agreed that the districts would be on their own and would have to publish
their own notices and their own ballots. He is concerned about the delay causing the city
to lose funding from outside agencies so there is urgency to the city to hold the election
in May.

Mick Mellett said if the district residents vote to not dissolve or consolidate with the city
then the city would not expend the funds earmarked for that district’s projects.

Jim Marx inquired about the rate study. Stephen Boorman replied that there is difficulty
in determining the projection for debt load because we are not certain how much funding
will be received from outside agencies and how much will be hard cash from the city.

Mayor Kerby said that sometimes people are intimidated by large gatherings and he
offered to meet with small groups in different neighborhoods to discuss the election
issues. Jim Marx said once the people get the numbers it will be better for the public.

Mr. Kent inquired about the appearance of the water meters. Stephen replied that the
meter will be subsurface mounted with a radio read on it.

Mayor Kerby said the metering project is going forward as well as the treated water
project to the District 1 customers and these are not a part of the water revenue bond.

Residents should pay the same rates based on the class of customer that they may be.

Russ Docherty said the 200,000 gallon concrete tank at the treatment plant was built in
1923. Jim Marx said the northside tank was built in 1922.

Mayor Kerby spoke about the Community Cooperation Agreement on Water and Sewer
System Services that is being worked on by the districts and the city as authored by
Attorney Mike Ormsby. Mayor Kerby said the water metering project has been voted on
by the Council and it will take place. The community cooperation agreement is a work
in process according to Mayor Kerby. This agreement provides a framework for the issues being discussed tonight.

Stephen Boorman said Necia from Welch Comer worked on the water master plan and he said it was great that the water districts participated in the master plan.

Howard Kent inquired about the liability for the systems that cannot handle the new water pressure when the improvements are made. Mayor Kerby said there are ranges of pressure that are used and if there is faulty plumbing in a home then it would not be the liability of the city. Jim Marx commented that the elevation of the homes is known and this will be taken into consideration.

Mayor Kerby said the goal is to reliably keep the quality and amount of water needed to the customers that they have historically expected to receive.

Jim Marx said the North and South districts need to know that there are deficiencies also in the city system that they will be assuming if they consolidate.

Mayor Kerby said equity for all is the goal.

Jim Marx inquired about the insurance premiums for the city if consolidation occurs. Mayor Kerby said he does not anticipate an increase because the volume of water served by the city would not be changing.

Mayor Kerby thanked those for attending the meeting and said there will be more public meetings held by the city prior to the election.

There being no further business the meeting adjourned at 8:17 p.m.

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Darrell Kerby, Mayor

Attest:

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Kris Larson, City Clerk