

**MINUTES
SPECIAL CITY COUNCIL MEETING
Bonners Ferry City Hall
7232 Main Street
267-3105
August 13, 2019
6:00 pm**

Mayor David Sims called the Council meeting of August 13, 2019 to order at 6:00 pm. Present for the meeting were: Council President Rick Alonzo, Council Members Adam Arthur, Valerie Thompson and Ron Smith. Also present were: City Administrator Lisa Ailport, City Engineer Mike Klaus and City Clerk/Treasurer Christine McNair. Members of the public present were: Sergey Tarasov, Brion Poston, Ralph Lotspeich and Loretta Hunsaker.

Mayor Sims switched item #1 & #2.

1. Electric – Rate Study Presentation by FSC Group {action item}

Mike gave a brief presentation regarding the Moyie Dam. Mike said we have been going through the rate study for a couple of years. Mike reviewed the projects in the Electric Department. Mike said the City produces an average of 30% power, the rest we purchase from Bonneville Power Administration. The electric rates have not increased since 2009. Mayor Sims said there is one large industrial customer that has a contract and their rate is adjusted every year. Mike said the dam was built in 1948. There have been significant improvements in concrete since 1948. The spillway concrete deterioration has been significant in the last few years. Mayor Sims said the Federal Energy Regulatory Commission (FERC) licenses and inspects the dam. Mike said FERC has been asking what the plans are for repairing the spillway. Mayor Sims said there have been several attempts over the years to repair the spillway. Adam asked how will we be able to seal the top to keep it from being undercut. Mike said the repair will go over the back of the dam also. Loretta asked if Mike has considered the federal regulations when determining the repair costs for the dam resurfacing. Mayor Sims said Mike has been working with FERC.

Sergey Tarasov with the FCS Group gave his presentation. Sergey said the first step is establishing the revenue requirements. The forecast period is a five year period. The three key elements are: residential customers, the large industrial customer and non-rate revenue. 2.9% inflation rate per year. Bonneville Power Administration (BPA) rate is not increasing on average. BPA has been depleting their reserves, they will be implementing a surcharge rate to rebuild their reserves, which will increase the rate about \$31,000 per year. The City purchases approximately 1.2 – 1.6 megawatts of Tier 2 power from BPA. The cost of the Tier 2 power is approximately 2.5 – 2.74 million dollars. The City needs to have about 1.3 million dollars on hand for operating reserves for a 90 day period. For capital and contingency reserves, the City should have about 1 million dollars. Mayor Sims said Council has set a target for reserves at 3 million dollars.

Sergey presented three scenarios: #1 pay as you go, #2 borrow for the spillway project only, #3 push spillway project out one more year. Scenarios #2 and #3 will be assumed under a revenue bond with a 20 year term with a 5% interest rate and a 1.5% issuance cost. Scenario #1 would require a 25.5% rate increase for the first two years, with is an approximate \$20.00 per month increase per household. Scenario #2 would require a 9.5% rate increase the first year, 7% rate increase the next three years. Scenario #3 would require a 9.5% rate increase the first year, with a 5% rate increase the second year, followed by a 4.6% rate increase the next two years. Rick asked if there will be a problem with FERC to push the repair out 2-3 years. Mike said he will have to discuss it with FERC. Mike believes FERC just wants a firm commitment that the repairs will be made. Valerie asked if the cost of the project will increase if the project is put off longer. Mike said that is a possibility. Sergey said the recommendation from FCS is option #2. Mayor Sims said the projected rates may fluctuate up or down depending on BPA rates. Sergey said the rate design was created to be an equal 9.5% increase for all classes and components. Residential inside city limit rate will increase from \$10.47 to \$11.46, the per kilowatt rate will increase from \$.06 to \$.0657 for the first year. Sergey said the next step is to decide which scenario the Council wants to use. Loretta asked why scenario #3 is not the option that is being recommended. Mayor Sims said it has to do with FERC requirements. Brion asked if there is a limit to how much rates can be raised. Mayor Sims said there is not. Mayor Sims said the next step is to engage bond council. Adam Arthur moved to direct staff to look closer at scenario two and three of the electric utility rate increase. Valerie Thompson seconded the motion. The motion passed with all in favor.

2. Golf – Consider Purchase of a Greens Mower (attachment) {action item}

Lisa said the greens mower has been on the purchase list for a while. The current mower has 6,192 hours, the new one has 960 hours. Lisa said the City is contractually obligated to provide the mowers for the golf course. Mayor Sims said he

thought we would have more time to approve the purchase, but the man wanted to sell it when he showed it to Ralph. Rick asked if there had been a VIN done. Ralph said the man purchased it at an estate sale and it is too big of a mower for his needs. Ralph said it was originally sold to Esmerelda Golf Course in 2001. Adam asked if this is a greens mower. Ralph said it is a tee mower. The current mower is being held together with rope. Ron asked what the life of this mower is expected to be. Ralph said approximately 4,000 hours. Valerie asked if there are other things that need to be changed to make this a greens mower. Ralph said no. Ron Smith moved to purchase the mower. Valerie Thompson seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

ADJOURNMENT

The meeting adjourned at 7:05 pm