

**MINUTES
CITY COUNCIL MEETING
Bonners Ferry City Hall
7232 Main Street
267-3105
September 17, 2019
6:00 pm**

Mayor David Sims called the Council meeting of September 17, 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 Engineer Mike Klaus, City Attorney Andrakay Pluid, City Administrator Lisa Ailport, Police Chief Brian Zimmerman, Economic Development Coordinator Dennis Weed and Office Clerk Deby Garcia. Members of the public present were: Angie Sanchez Virnoche, Marciavee Cossette, Ken Toline, Marty Martinez, Jerry Higgs, Earl Irving, Jan Irving, Elaine Sandman, Darrell Kerby, Tom Oxford, Clark Fairchild, Mat Surprenant, Valerie Surprenant, Dave Gray, Loretta Hunsaker, Joy Schmitz, Todd Schmitz and Eric Lederhos.

PUBLIC HEARING

Electric Rate Fee Increase Hearing

Mayor Sims explained the public hearing process.

Mike Klaus gave a presentation on recent hydro projects, Bonneville Power Administration (BPA) rate escalation, City of Bonners Ferry rate escalation, Federal Energy Regulatory Commission (FERC), Current condition of the Moyie Dam and the capitalization plan.

Mayor Sims said the City produces approximately 30% of its own power, the remainder is purchased from BPA. The City's rates from BPA have increased 19.7% since 2012, but the City has not increased electrical rates for residential, commercial and small industrial customers since 2009.

FERC is the agency that regulates and licenses the Moyie Dam. The dam must operate in compliance with the Clean Water Act, it must also provide an aesthetic release of water on the weekends. Every five years there is a Part 12 inspection which relates to safety. FERC has requested the concrete on the surface of the spillway of the dam be repaired.

The Moyie Dam was constructed in 1948. The estimated cost for repairing the spillway is \$3.7 million. The way concrete and cement was made in 1948 is much different than the way it is made today. The advances in concrete and cement will allow the spillway to last for a long time.

Mike reviewed the capital expenses for the next four years. The Moyie Substation transformer project has been moved out past four years. The transformer was built in 1953, the estimated repair cost is 1 million dollars. Mike said we have spent approximately \$200,000 on the highway project this year. Mayor Sims said when we have utilities in the right of way and the highway is moving the right of way, we must move our utilities and pay for that move. Adam said the reason the utilities are in the right of way is that it is easier to be in the right of way, than trying to get easements from the property owners. Phase 2 of the highway project is estimated to cost \$500,000. Enhancements to the Katka Tap are estimated to be \$150,000. Phase 2 and the Katka Tap may happen in 2021. The spillway rehabilitation project is scheduled to start in 2021. The best way to pay for those repairs is to bond, using rates only to pay for the spillway repairs will be very hard for the rate payers.

Angie Sanchez Virnoche with FCS Group gave her presentation regarding the rate study. The first step is determining the revenue requirements. They develop a rate plan to balance financial needs and minimize customer impacts. They identify the capital and operating needs, how much money is coming in today and is that sufficient. The focus period is fiscal year 2019 through fiscal year 2023. The revenue is made up of rate revenue, large industrial contract revenue and non-rate revenue. Total existing revenue is \$3.88 - \$3.95 million per year. The expenses are made up of hydro operating and maintenance, customer service, distribution operating and maintenance, rolling equipment, general property maintenance, legal and A&G. The total operating and maintenance expenses are \$2.9 - \$2.5 million per year. This amount decreases due to the one-time expense of silt removal. The purchased power cost will increase due to

BPA increasing their rates to replenish their reserves. The operating reserves, is like a checking account, they set the limit at 90 days, which is approximately \$1.3 million needed to pay the bills. Capital contingency reserve, is like a savings account, they used a five year average, which is approximately \$1.0 million needed for emergency repairs, unanticipated capital or project cost overruns. Debit service coverage is the ability to repay debt. Angie said if the rates stay the same, the reserves will be depleted by fiscal year 2021. Three scenarios were presented. The first scenario is: no new debt, the rates would increase 25.5% for FY20 and FY21, then 3% for FY22 with no increase in FY23. The second scenario is: spillway new debt financed: 9.5% increase FY20, 7.0% increase FY21, FY22 and FY23. The third scenario is: spillway new debt financed with a one year deferral: 9.5% increase FY20, 5.0% increase FY21, 4.6% increase FY22 and FY23. The average monthly bill at 1,110 kWh is \$7.26 for FY20, \$5.86 for FY21, \$6.27 for FY22 and \$6.71 for FY23. The rate increases will be equal for all rate classes.

Mayor Sims said he hopes it is clear as to why we are looking at a substantial rate increase. Mayor Sims said it is important to maintain the Moyie Dam for years to come. Mayor Sims has heard comments that the rate increase will help pay for the LED lightbulbs that were distributed. The money for the lightbulbs comes from BPA conservation funding, if the City of Bonners Ferry does not use it, the money goes to another utility. Mayor Sims has also heard that people think the rate increase will go to a Council raise. Mayor Sims said Council is not getting a raise. Rick said the water and sewer rates were increased over a five year period and he did not feel it was a good idea to increase the electric rates at the same time the water and sewer rates were being increased. Valerie said it is important that we maintain our infrastructure, since we are so lucky that we have the dam.

Mayor Sims opened the public comment period at 7:01 pm.

Ken Toline asked if the increases will be 9.5% and the 7% for the following three years for a total of almost 30%. Mayor Sims said that is what FCS has proposed, the Council is only considering the 9.5% increase tonight. Ken asked if the City has looked for grants to help pay for the repairs to the dam. Mike said there are no grants currently available.

Jerry Higgs recommends scenario 2 since it splits the difference. Jerry said this is a necessary project and not frivolous spending.

Earl Irving said he thinks the Council is doing a good job. The blackouts have been fewer since the Moyie substation was put in. Earl asked why people outside the City limits pay a higher base rate. Mayor Sims said it is based on density. Earl asked if the dam will have to be shut down for the repairs. Mike said we will always try to produce power during the project to keep the spillway dry.

Jan Irving asked the Council not to get involved with grant money.

Darrell Kerby congratulated Council on the presentation.

Tom Oxford asked if the 10% increase is also on the purchased power from BPA. Mayor Sims said the increase is how much the rates will increase for City customers. Tom said he does not understand putting \$3.7 million into a dam that only produces 20% power. Mayor Sims said the repair will last up to fifty years. Tom asked if the money is borrowed at 5%. Angie said that is the assumption, it may be lower. Tom asked if bonding is lower. Mayor Sims said all the options will be looked at.

Mat Surprenant asked if Council approves the expenditures. Mayor Sims said Council approves those on an on-going basis.

Dave Gray said he feels Council is doing an excellent job rate study and he agrees with the rate increase.

Loretta Hunsaker asked for more clarification on the rate difference between city rate payers and non-city rate payers. Mayor Sims said part of the cost of maintaining the poles, wires and transformers. If there is a mile of line and only three customers, it will cost more to maintain than a mile of line with 20 customers. Loretta said she would like a commitment from Council that a 3% interest rate will be acquired if possible. Mayor Sims said it is his personal feeling that everything possible needs to be done to minimize rate increases. Council also agreed. Loretta asked how much is currently in the electric reserve fund and what

is the standard that is used. Mayor Sims said we plan to end the year between \$2.0 - \$2.5 million. Council's target for the reserves has been \$3.0 million, but it has been drifting down due to projects. Angie said the bare minimum is \$2.3 million.

Todd Schmitz asked if we recouped any money when we switched from analog meters to digital meters. Mike said not to his knowledge. Meters have an average life span of 10 years. Todd asked if there is still a meter reader. Rick said there is, but he just drives through the neighborhoods instead of having to walk.

Mayor Sims closed the public hearing at 7:20 pm.

Rick said the presentations showed what we need to do to sustain our system going forward and he thinks scenario #2 is the best. Ron thanked staff for the excellent job they have done. Valerie said she appreciates the work done by staff and the thoroughness of Mike's presentation. Adam said he is glad that it is visible so everyone can see why we need to raise the rates.

First Reading of Resolution 2019-09-17 for Electric Rates by Title Only (attachment) {action item}
Mayor Sims asked Andrakay if a first reading for a resolution is necessary. Andrakay said no.
Adam Arthur moved to adopt Resolution 2019-09-17 for electric rates. Ron Smith seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

Mayor Sims recessed the meeting at 7:23 pm.
Mayor Sims reconvened the meeting at 7:28 pm.

PUBLIC COMMENTS

Each speaker will be allowed a maximum of five minutes, unless repeat testimony is requested by the Mayor/Council

REPORTS

SPOT – Ron Smith said he is hoping to get the Schweitzer route finalized soon

CONSENT AGENDA – {action item}

1. Call to Order/Roll Call
2. Approval of Bills and Payroll
3. Approval of the September 3, 2019 Council meeting minutes
4. Treasurer's Report

Valerie Thompson moved to approve the consent agenda. Adam Arthur seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

OLD BUSINESS

5. City – Consider Approval of Insurance Quote {action item}

Mayor Sims said this is a continuation from last week's meeting regarding health insurance. Darrell Kerby said he provided comparison corrections that need to be made. There are a number of them that III-A made that are not accurate. The annual maximum benefit has now been removed for the 2019-2020 year. The hospice coverage is subject to in-network or out-of-network deductible and co-insurance with no limit. The chiropractic benefits: after deductible is met, in-network coverage is 80%, out-of-network is 50%, with a maximum number of 18 visits per member. No change in the EAP benefits or prescription coverage. Cardiac rehab benefit will be added in 2020. MD live, smart shopper and health coaching has been added starting November 1, 2019. Darrell said Amy indicated that there is someone that is profiting from Blue Cross operations and that is not accurate. Blue Cross is a non-profit. Darrell said since the Affordable Care Act was implemented the plans that were not grandfathered have increase 135%. The City has not experienced that since the plan was grandfathered. If the City leaves this plan and goes with III-A, there is a three year commitment, which removes the flexibility and the City will not be able to come back to this plan, since there

are less than 50 employees on insurance. There is not a tremendous economic incentive to change. Being locked into a three-year commitment is a risk. There is less of a risk with Blue Cross. Darrell said he does not represent Blue Cross he represents the City.

Ron said if we change to III-A Darrell can still be the agent, if Council chooses. Ron asked what the differences are. Darrell said the core of the programs are the same. III-A has a nurse that can come up and do flu shots, but you can get that at the pharmacy. There are some bells and whistles with III-A, but the core is the same. Mayor Sims said if we go with III-A, there will be the additional cost for Darrell. Mayor Sims said he is concerned if we go with III-A, and there is a large increase, we are stuck for three years and cannot look for alternatives. Valerie said the cost of an agent is \$7,920.00 per year based on \$15.00 per member.

Rick said the cost comparisons are similar, but the copay with III-A is \$20.00, the current plan is \$30.00 and \$50.00. III-A covers colonoscopies every year regardless of reason, the current plan does not. Mayor Sims said III-A has had low increases for the last five years and he is not sure how long they can continue to do that. Mayor Sims does not feel the rate increases with III-A will be smaller in future. Ron said the Gem Plan never had an increase of more than 5%. If one group's rate should be a 9% increase, the reserves were used for the amount above 5%. Darrell said Blue Cross was able to reduce the increase from 2% to 0% this year due to a change in prescription providers. Mayor Sims said it will be at least a year before the cost saving is known. Darrell said it has already been calculated into this year's rate, there could be additional dampening.

The pool size that the City is currently is in is safer than the pool size of III-A, in terms of rate dampening. Adam asked how long we have been on the current plan. Mayor Sims said since 2008. Adam said it is disconcerting being held hostage by a grandfathered clause in a plan and not knowing what else there is. Darrell said he looks at the market place every year to see if he can best the current plan. Comparing the current plan to other plans is like comparing apples to oranges. Darrell said the City is not locked into the grandfathered plan, but if we change to III-A, we will be locked in for three years. When III-A started, they got in a horrible position and Blue Cross bailed them out. III-A's original members had almost 150% rate increase in a year and one city sued them to get out. III-A had a rough start and probably raised the rates more than they needed to and that is why the rates have leveled out the last few years.

Valerie asked if our losses are spread throughout the group. Darrell said they are and that is a benefit to having such a large group. Mayor Sims said it is a tough decision. Lisa asked if III-A looks at the previous year's losses. Darrell said III-A does not want a group that has a high loss ratio, because the group is not large and could not absorb the losses going forward.

Adam asked if there was a meeting with the foremen to see how the employees feel. Mayor Sims said it was discussed, but did not ask which plan they wanted. Lisa said she met with the superintendents and told them it will be Council's decision.

Mayor Sims said you want to be sure your insurance company is rock solid. Valerie said her concern is that III-A could not consider the City last year, but this year they can. Valerie said she loves III-A's copays and those would benefit the employees and she wants the employees to have the best plan that they can and be able to save money.

Ron Smith moved to stay with the Blue Cross plan that we currently have. Valerie Thompson seconded the motion. The motion passed with Ron Smith, Valerie Thompson and Adam Arthur in favor, Rick Alonzo was opposed.

NEW BUSINESS

6. City – Consider Authorizing the Mayor to Sign the Joint Powers Agreement and the Participation Agreement with III-A (attachment) {action item} No action necessary
7. Police – Consider Approval of the Dispatch Agreement with Boundary County (attachment) {action item}

Andrakay said the County requested the three percent increase after our budget had been set. Rick Alonzo moved to approve the dispatch agreement with Boundary County and authorize the Mayor to sign the dispatch agreement. Ron Smith seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

8. Electric/Water – Consider Approval to Solicit Quotes for a Medium Kubota Excavator (attachment) {action item}

Lisa said the current excavator was purchased in 2006 and it will soon need significant maintenance. Andrakay recommends surplus the excavator. Lisa said since the cost of the excavator is over \$50,000 we have to solicit bids and are required to go with the lowest bid. Adam asked if the price has really increased that much since we purchased the excavator. Mayor Sims said it has. Adam Arthur moved to approve to solicit quotes for a new excavator for the utility departments. Valerie Thompson seconded the motion. The motion passed with all in favor.

9. City – Consider Approval to Sell a Police Pickup to the Utility Departments (attachment) {action item}

Lisa said she researched the cost for a private sale for this pickup and the price is \$7,775.00. Brian is willing to accept that amount. Mayor Sims is recommending using the money to purchase another vehicle from Idaho State Patrol for the Police department. Rick Alonzo moved to sell the Police pickup to the utility departments in the amount of \$7,775.00 with the proceeds going towards the purchase of another SUV for the police department. Ron Smith seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

10. Electric – Consider Authorizing the Mayor to Sign the Contract Amendment with FCS (attachment) {action item}

Lisa said she is asking Council to authorize FCS to provide a detailed report regarding the rate study. Mayor Sims said it will be wise to have the report. Valerie Thompson moved to authorize FCS to complete the two remaining tasks and bill the City the additional \$3,063.00 making the grand total \$36,753.00. Rick Alonzo seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes. Valerie Thompson moved to authorize the Mayor to sign the contract amendment with FCS. Rick Alonzo seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

11. City – Consider Quote for Hanging Baskets for Fiscal Year 2020 (attachment) {action item}

Mayor Sims said Moose Valley was also asked to provide a quote, but declined. Lisa said there have been many compliments on the baskets this year. Adam asked if this is an increase. Deby said there is a \$5.00 per basket increase. Adam Arthur moved to approve the quote for the hanging baskets for fiscal year 2020 in the amount of \$4,499.25. Valerie Thompson seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

12. Golf – Consider Authorizing the Mayor to Sign the Contract with Kootenai View Golf Resources (attachment) {action item}

Mayor Sims said this is very similar to the current contract. Lisa said Ralph's base rate was increased to include the cost of the season passes and green fees that he gives away. His base rate was also increased by the cost of electricity for the clubhouse. Mayor Sims said the rent changed from eight months to twelve months. Lisa said the monthly rate is the same, Ralph now pays for all twelve months instead of just eight. Ralph has agreed to all of the terms for a four year contract. Ron Smith moved to authorize the Mayor to sign the contract with Kootenai View Golf Resources. Adam Arthur seconded the motion. The motion passed. Adam Arthur – yes, Valerie Thompson – yes, Rick Alonzo – yes, Ron Smith – yes

ADJOURNMENT

The meeting adjourned at 8:30 pm