Wednesday, 7 PM January 6, 2010

CITIZENS' RATE REVIEW COMMITTEE
MINUTES
Wastewater Treatment Plant

Members Present:

Charles Zickefoose	Ernie Amundson	Mike Gougler	Matson Haug (Chair)
Mayor Bob Andrews (Ex-Officio)	David Maben	Tony Rourke	Beth Keyser

Members Absent:

Staff Present:

Howard Hamilton, Public Works Director
Janelle Nordyke, Finance Director
Deb Galardi, Galardi Consulting
Crystal Kelley, Recording Secretary

Others Present: Richard Boyle and Helen Brown

1. Call to Order/Roll Call/Introduction:

Chair Matson Haug called the meeting to order at 7:00 p.m. and asked for roll call.

2. Approval of Meeting Minutes:

Motion #1: Gougler/Maben moved to approve the meeting minutes for December 16, 2009. (7 Yes/0 No/0 Absent). Motion carried.

Deb Galardi presented the staff report for Water Rates and Reserves (see official meeting packet for full report). The presentation began with preliminary CRRC (Citizens' Rate Review Committee) recommendations. The preliminary wastewater recommendation was for a 15.9% increase which translates to $6.57 per month for the average residential customer. The stormwater preliminary CRRC recommended rate is an 18% increase which is an increase of $0.68 per month. The increase would build capital reserves. The average water bill increase for commercial customers would be between 12% and 16% based on class. The average increase for residential customers would be $3.16 or 11%.

Chair Haug asked to look at what the rate requirements are for the accumulation of reserve funds. How much money would be saved in overhead costs if there are cash reserves available for use? Anything they can cash finance as oppose to debt would benefit over time by applying all funding to the projects rather than up to half for interest payments.

Chair Haug asked what controls the City has to ensure the money is spent appropriately. Janelle Nordyke stated it would be spent on a project within that utility. If they plan on building projects sooner the money will be used for those projects. They would never, could never, transfer the funds to other non-utility needs within the city.

Tony Rourke stated he recommends they put forward the rate increase and also have an extra percentage for reserves. This will show what is needed to fund it today as well as an extra 1% to cash fund future projects.

Chair Haug proposed a recommendation of a 1% increase for reserves. He would like the committee to make a decision on this.

David Maben asked if they are going to keep the money in reserves for a certain period of time or will it be spent once they have a usable balance. Mr. Gougler stated the City has capital improvement projects (CIPs) that have been pushed out. They do not have reserves. They only have money to fund the operation and maintenance budget. The time to start planning for CIPs is now. The current rate proposal will not fill the long-term needs which is why they should recommend an additional rate increase for reserves. It will not be approved if they refer to it as reserve building. If they said they will not spend the 1% reserve accumulation for two years they still could end up with an issue that may require the use of those reserve funds.

Chair Haug stated there are currently no reserves as of today. It doubles the cost of a project if they have to borrow. Every dollar they bring in will save another dollar for the users. They have a program in place to use the funds at a later time. He would call it a CIP fund dedicated to debt reduction and elimination of the cost associated with paying interest on borrowed money.

Ms. Nordyke stated they should not say the funds are for debt reduction or they will have to apply it to the debt. Mr. Gougler stated they should say they anticipate they will need the funds at a later time. They should make a budget proposal that will start to build the reserves. Mr. Rourke stated they can use the funds as needed and only use the option of debt with large project costs.

Chair Haug stated they already have added 1% on the stormwater rates which will build some reserves. They can agree to a 1% increase for water and wastewater rates. They want to accumulate funds. The total package would allow for that accumulation. The figure includes accumulation of funds for improvements. Every dollar spent would save a dollar in interest.

Chair Haug asked the CRRC if they support a 1% increase for reserves. Mr. Zickefoose stated he supports it. If you show the 1% increase separate, you have to show why you need the increase. Mr. Maben said he is for it but he would like to know how they will use the funds. Chair Haug asked how he would recommend they use the funds. He is still open to ideas on the subject.

Beth Keyser asked staff to clarify if they will use the funds if a need arises. Ms. Nordyke stated if something fails they may bump up a planned CIP project. If the failed equipment is part of that planned project and the funds are available. Ms. Keyser stated she feels this means they are using the funds for daily costs for the City. Ms. Nordyke stated there is a contingency fund where they can take that money from.

Mayor Andrews asked if the projects have to be on the capital improvement list. If they are planning for the project is it already identified as a capital improvement? If a project is not on your list will they use the funds for this? Ms. Nordyke stated they would not. Contingency money is for ongoing needs. Other capital projects would be handled differently. If it is a capital improvement project it is using capital project money. If it is not on the master plan it will be contingency funds.

Ernie Amundson asked where the contingency money comes from. Ms. Nordyke stated the cost is built into the rates.

Chair Haug confirmed for Ms. Keyser the money would not be used for daily operating funds. She asked how much money would be put into the fund. Ms. Nordyke stated it would be around one million dollars. Ms. Keyser asked if it would save money to have a balance sitting there. Ms. Nordyke stated if the money is there they will do the project. It is also earning interest as it sits there.

Mr. Amundson stated he thinks it is a great idea just not for this year due to the condition of the economy. He can't support it today.

Mr. Rourke stated he is in favor of the 1% increase. The 1% increase will save one and one half million dollars. The cost of debt for a twenty year loan is one half of the loan value per year just to pay interest on debt. They can use the money as a true reserve. A true reserve would be to build up a reserve outside of the capital projects. They are meeting obligations for two years with the rate increase. He would like to see the City build up a fund of money to cash fund projects in order to avoid paying more for interest with debt.

Motion #2: **Rourke/Maben** moved to recommend a one percent increase in rates for CIP funds and to be used as needed to prevent borrowing in the future. (6 Yes/1 No/0 Absent). Motion carried.

Mr. Gougler reminded the CRRC their mandate was to look at the budget and determine what it would take to meet the base minimum needs. This is all they have been asked to do. The City Council will have to take on the political issues.

Mayor Andrews stated they may be proposing to the City Council the bare bones increase. You may want to come in and give City Council a second option to authorize the endorsement of debt management for the City. This can establish a ground work for debt management.

Ms. Galardi stated the 1% increase would provide them some reserve money. The City is debt funding a lot at this time. On stormwater rates there is cash funding. On wastewater it has been debt all the way.

3. Conclude Stormwater Residential Credit Program:

Ms. Galardi presented the staff report for the stormwater residential program options (see official meeting packet for full report). She was asked to bring the options back to the CRRC to determine the recommendation to staff for implementing the program. The credit program could be a broad program with multiple options they would be eligible for. The program could drive a net reduction in the annual budget. There will be some on-going cost to the City with this type of program. There could also be an administrative fee to cover the cost of the program.

Mr. Zickefoose asked for confirmation there is a credit program in place today. Howard Hamilton confirmed there is a credit program but it is only for commercial customers. The focus for the credit program on the table would be for residential customers.

Mr. Gougler stated he does not think they should do it. Unlike the other items they have looked at, the consequences were understood. They do not have a direct understanding of what is being asked. He would recommend they get the experts and ask them what can be done. He is very reluctant to open this up without the help of the experts.

Chair Haug stated he is against the credit program. He does not think they should review the credit program until they have the tools to make it fair.

Mr. Amundson stated in the past they did not talk of a credit program outside of commercial customers. They set up a good program that is working well. He does not feel they should do anything for residential customers.

Mr. Rourke stated he does not think they should do anything now. They should wait until an analysis can be done.

Chair Haug asked if they would recommend the City Council put some resources into looking at the option of a credit program in the future. They need to decide to what extent they would like to ask staff to revisit this subject.

Motion #3: **Gougler/Zickefoose** moved for CRRC to not make a recommendation on residential credits at this time. They instead request staff develop a suggestion list for what can be done by residential customers for a credit program later. (7 Yes/0 No/0 Absent). Motion carried.

4. Grant Money Selection:

Ms. Nordyke presented the staff report (see official meeting packet for full report). Love, Inc. is asking for a grant of three thousand dollars. She recommends they provide them fifteen hundred dollars with the City matching the amount. She has not sent out the letter for the grant yet so she would like to keep some funds in place for other requests. They have a budget of $4,000 total for the grant program. She would like to offer Love Inc. the $1,500 dollars for the grant they requested.

Motion #4: **Zickefoose/Gougler** moved to approve the request from Love, Inc. for $1,500 dollars for grant funds. (1 Yes/6 No/0 Absent). Motion failed for lack of majority.

Mayor Andrews asked if the program requires declaration of a match by the City. Ms. Nordyke confirmed it does.

Mr. Amundson stated if they have not submitted the letter they should wait to offer any funds until the letter has gone out. He recommended they extend the grace period to January 27, 2010 for applications for the grant.

Ms. Nordyke agreed she will get the letter out before the January 27, 2010 date. Mayor Andrews asked if after the deadline there are no further applications will they extend the other $2,500 to Love, Inc. Ms. Nordyke stated they could.

Mr. Gougler stated if no one else has made an application until January 27, 2010 what would happen with the remainder of the money? Ms. Nordyke stated it would have to be re-budgeted later. If it was not spent it would simply sit there. If they are willing to match the funds he would recommend they give the remainder of the funds to Love, Inc. later if no other applications are submitted.

Motion #5: **Keyser/Rourke** moved to wait until January 27, 2010 to disburse the funds with the assumption the letters will be mailed out right away. (7 Yes/0 No/0 Absent). Motion carried.

5. Town Hall Meeting Agenda:

Mayor Andrews presented an agenda for the Town Hall meeting. He has been asked to set the ground rules for the meeting. They will have a uniformed officer present. The purpose is to allow the CRRC to get a message out to the community. He asked if they would like to have the comments recorded at the meeting.

Chair Haug stated he would like to see a staff presentation at the meeting. He asked Ms. Galardi if she is making the presentation. She stated she would do whatever they would like her to do. Chair Haug stated he feels Ms. Galardi would be the best option to ensure they provide a clear presentation of the proposal.

Helen Brown pointed out the public would like to hear from the committee as well to explain what they have been doing for the last two years.

Mr. Hamilton pointed out Ms. Galardi is a third party which means she does not have a vested interest as an outsider. After the proposal is presented they should turn the meeting over to the CRRC so they can follow by sharing what they have been discussing. The CRRC should also provide a summary of how the increase will affect the customers on their bills.

Mr. Gougler requested Mayor Andrews describe the responsibility and calling of the CRRC while he is opening the meeting. Once the public understands what the CRRC was looking at they can turn the meeting over to Ms. Galardi for her presentation. He would like to have a high level of details available to the CRRC in case they are needed during the meeting.

Mayor Andrews pointed out the City Council was invited but attendance was optional. He would like to ask again if they would like to have the meeting recorded. It was agreed upon by the CRRC that recording of the meeting would not be necessary.

Ms. Brown asked if a sign-up sheet will be available. Mr. Gougler stated they will be allowed to sign in but it will not be required. If they would like follow up from the meeting they will need to be sure they sign in.

It was agreed by the CRRC they would like to see the slides presented at the meeting offered as handouts. There will be a meeting at 8:30 a.m. this Friday morning at City Hall available to the CRRC to go over the details of how the town hall meeting will flow.

Ms. Galardi stated she will not be at the meeting Friday. She will work with staff to create the presentation. She can have the slides available to the CRRC if they would like to see them ahead of time. Her presentation will be between ten and fifteen minutes. Mayor Andrews pointed out they will not go with an open ended meeting but will be limited in time. There will not be any decisions made at the meeting.

6. Public Participation

There was no public comment at this time.

7. Adjournment

The meeting adjourned at 9:27 p.m.

Approved by the Citizens' Rate Review Committee on this 13th day of July 2010.

Recording Secretary

Citizens' Rate Review Committee Chair