

WATERVILLE CITY COUNCIL  
SPECIAL MEETING  
October 29, 2015 6:00 P.M.

There was a special meeting of the Waterville City Council held in Council Chambers at 6:00 p.m. on October 29, 2015 regarding (1) 2016 Enterprise Fund Budgets (2) Water Conservation Rate (3) Truck Repair Report (4) Authorization for Fire Department Relief Association Actuarial report. Local Government resolution for Flood Hazard Mitigation Grant.

Present: Vail, McIntyre, Schmidtke, Wollin and Mayor Mihalik

Absent: None

Also Present: Teresa Hill, Administrator/Clerk

Also Absent: Jason Femrite City Engineer and Jason Moran City Attorney

**1. Call to Order/Pledge of Allegiance.** Mayor Mihalik called the meeting to order noting that all Council was present. Also present Teresa Hill, Administrator/Clerk. Pledge of Allegiance was recited.

**2. Agenda Approval.** Motion by Mihalik, seconded by Vail to approve the agenda. Unanimous vote. Motion carried.

**3. Truck Repair Report – Clinton Peach.** Mr. Peach presented Council with a memo regarding the repairs needed for the 1984 Ford L8000. Dan Tonn of Tonn’s Repair looked at the truck and gave an estimate and list of repairs needed for the truck. The cost of repair for everything is \$30,267.52. It would be \$18,000 if they removed the engine from the repair list. This would not solve the engine issue. Mr. Schmidtke said he spoke with Mr. Tonn and with the cost of the repairs it doesn’t pay to stick that much into the truck. Mayor Mihalik said on the agenda for the November meeting we will put the bid on the new truck that was quoted.

**4. 2016 Enterprise Fund Budgets.** Ms. Hill said she did some calculations. The proposed budget was done some time back. She went through and look at some line item adjustments. Ms. Hill said the sewer fund she adjusted the revenue side with the new rate structure and with the proposed budget. For the sewer there will be no deficit. Ms. Hill said we can leave the 2016 sewer budget as proposed. The projected revenue for 2015 of sewer collection of \$208,715, sewer penalties of \$4,000 and she projected in the Kamp Dels loan and contribution for a total of \$267,315. The operating expenses are \$258,700. Ms. Hill said in the water fund she did some slight modifications. Ms. Hill said short term asset stays the same. Salaries actually is \$46,781.43, overtime would be \$3,000 instead of \$4,441. Ms. Hill presented Council with her recommended changes in the water fund budget. In the water connection fee line item what we get in for revenue we spend in expenses so it is a wash. The bottom line expenses came to \$664,365.43 of which \$204,000 of that is depreciation. Ms. Hill said this would be the amount of revenue that we would need to structure our rates so that we are not at a loss. Mayor Mihalik said we would use this number as our target for the water conservation rate.

**5. Water Conservation Rate.** Ms. Hill said that the state passed a rule through the DNR that cities who service communities of over 1,000 have to adopt a water conservation rate. Ms. Hill said it would be mandatory if you had to do an extension or an allocation or anything that you would apply to DNR for. Ms. Hill said she felt that right now would be a good time as long as you are looking at your rate structure and needed to actually evaluate the water system after the RD project that we should look at complying with that rule now so that we don’t have to

worry about scrambling to change everything last minute. Ms. Hill said she spoke a few months ago of different methods of water conservation rates. One being a seasonal rate where you would just tack on so much per resident for the summer months. The others are escalating the rates. The DNR says that in a conservation rate you cannot include the first 1,000 gallons of water that is included with our base fee. If our residents use 0 to 999 gallons of water they pay just the straight \$11.50 that first 1,000 is included in that and then every 1,000 after that currently they pay \$7.00 per 1,000 gallons. You cannot include that first 1,000 in the conservation rate structure because they consider it a way for people to waste their water. Ms. Hill mentioned other conservation rate structures that she did not feel was feasible for the City. Ms. Hill discussed a scenario of a water conservation rate for the City. Ms. Hill said that MN COG will be coming in on Monday to help review and overlook at some of the calculations that she is looking at and also maybe look at some different variables. Also MN Rural Water will be coming in November to do the same thing. If we still are not comfortable with those results then Council can certainly request to have an actual formal analysis done. She believes those would run about \$2,000 to \$5,000 to have a formal full-fledged analysis done. We have not done one for approximately 15 years since we have had a water rate analysis. Ms. Hill said she wanted Council to see the process that she is going through in order to try to actually calculate out what would be the best scenario for the water conservation rate. Discussion held regarding different ways to do the water conservation rate. Ms. Hill said she used the City's 2014 data to work up the scenario that she provided Council. Ms. Hill said that in 2014 our actual cost per 1,000 gallons of water was \$11.86 that did include depreciation. Ms. Hill said that was using MN Rural Water rate structure which tells you how many residents you have and the number of hook-up and number of gallons billed and number of gallons lost and then it calculates out your cost per 1,000 gallons. Ms. Hill showed Council a spreadsheet that she worked up to show what she is targeting the amount of revenue needed based off of the projected budget. Ms. Hill said with the scenario that she presented the City would generate \$366,974.52. Ms. Hill said you would not have an actual concrete amount in her opinion until you are a good year into the rate structure. Ms. Hill said Council will also have to look at the multifamily-unit rates. Ms. Hill said individuals who have meters just for watering she would like Council to consider doing an increased rate for that of one and a half times whatever the normal rate is. The purpose for the water conservation rate is to conserve and that is water that you are not using as an essential in your home. Ms. Hill said she wanted Council to be on board with the process that she is going through in order to establish the water conservation rates along with all the factors that go into it. Discussion held regarding the State's mandate on the water conservation rates. Mayor Mihalik said he thinks the next step is to hear what the consultants have to say and also take a look at the comparison of what it would be like without this, although he does like what Ms. Hill has presented at this time. Then we can decide what direction to go. Ms. Hill asked what Council would like to see, do you want to see what the rate structure would look like and then how it would impact those individuals from 1,000 to 10,000 gallons of water. Mayor Mihalik said if she does the 1,000 to 10,000 that would cover the majority of the residents. Mayor Mihalik said he would like to meet in December on this after Ms. Hill meets with the consultants on the water conservation rate.

**6. Authorization for Fire Department Relief Association Actuarial Report.** Council had a copy of the Summary – Statement No. 68. Mr. Schmidtke asked Ms. Hill to explain. Ms. Hill said this is an accounting standard that is being sent down our way. Ms. Hill said the majority of our employees are covered under PERA and PERA is already on board and they are doing an actuarial for PERA. They will give us our snippet of what our contribution/portion looks like. What they are telling us is that we now have to report any unfunded amounts or liabilities that may be out there. If PERA is projecting a deficit then a portion of that deficit then

has to be reflected on our books. Same thing goes with the Relief Association. They have lumped the Relief Association in. There are only two states with Fire Departments with Relief Association's and Minnesota is one of those so when they are mandating it on all the states we are the unique state. Mr. Hill said the Fire Department Relief Association only needs to do an actuarial by themselves or independently of the City if their assets are over a certain amount. If they are over \$500,000 then they are required to do it automatically. Their assets do not trigger that at this point so that would mean that they would not be required to but the City would need to report it on our books. That puts us in the position of needing to order an actuarial to be completed in order to report properly. Ms. Hill questioned what would happen if we did not do the actuarial. They advised that it would affect the City in bond rating and in bonding situations if we did not have that done. It would affect interest rates. Mr. Schmidtke asked if Abdo Eick could do the actuarial report. Ms. Hill said no, it goes into a longer projection and our accountant needs to include that into our audit report but it cannot be done by them, it has to be done by somebody separate. Ms. Hill said to do an actuarial the first year she understands that the cost would be \$2,000 and the off years they do an update and that is about \$1,600. Mr. Schmidtke asked if the Relief was in with the State retirement would that make a difference. Ms. Hill advised that it would. Discussion regarding the state investment pool for retirement funds. Council gave Ms. Hill direction to get quotes for an actuarial to be completed for the Fire Relief Association.

**7. Adjourn.** Motion by Mihalik, seconded by McIntyre to adjourn. Unanimous vote. Motion carried. Meeting adjourned 7:00 p.m.

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Stephen Mihalik, Mayor

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Teresa Hill, Administrator/Clerk