

WATERVILLE CITY COUNCIL
WORK SESSION/SPECIAL COUNCIL MEETING
January 18, 2017, 6:00 P.M.

There was work session/special Council meeting of the Waterville City Council held in Council Chambers at 6:00 p.m. on January 18, 2017 to discuss water and sewer rates.

Present: McIntyre, Wollin, Grobe, Smith and Mayor Schmidtke

Absent: None

Also Present: Administrator/Clerk Teresa Hill

Also Absent: None

- 1. Call to Order / Roll Call/Pledge of Allegiance.** Mayor Schmidtke called the meeting to order at 6:00 p.m., noting that all Council members were present. Also present was Teresa Hill, Administrator/Clerk. Pledge of Allegiance was recited.
- 2. Agenda Approval.** Motion by McIntyre, seconded by Smith to approve the agenda. Unanimous vote. Motion carried.
- 3. Water and Sewer Rates.** Ms. Hill said that we will only be talking about the sewer rates at this time. Ms. Hill said with our PFA program and our new Water Treatment Plant we need to take a look at our rate structures. We have substantially higher debt service coming in this next year than in the previous years. We are currently paying about \$45,000 for debt service and now we are over \$200,000. Our average new debt payment is about \$289,000. We have to make sure that we have enough funds to finance our debt service payments. Ms. Hill asked what Council feels they would like to maintain as a reserve for cash flow in the utility sewer fund. Ms. Hill said that the auditors recommend a month worth of operating expenses. Ms. Hill said she would be more comfortable with three months of operating expenses. We keep a six month reserve for general fund because we get the majority of our money in big lump sum payments. In the utility fund you have constant revenue coming in with your billings. Ms. Hill provided Council with a cash flow analysis which showed a reserve of three months. We had cash flow coming in of \$95,911.96, three months of that is \$45,280.17, which would leave about \$50,631.79 worth of revenue that you can apply towards this year's debt service. Ms. Hill suggested Council to utilize the \$45,280.17 for the old debt service payment that is coming up and focus on recapturing for the new debt service. Ms. Hill provided Council with a spread sheet showing the current sewer rates and what we generate in revenues off of the charges and the shortage of the current rates for the debt service. Ms. Hill went through different scenarios for rate increases. Ms. Hill said that the rates need to be reviewed frequently. Ms. Hill suggested increasing 25% plus \$6.00 on the base fee to capture the principal amount of the new debt service. The base fee includes infrastructure cost that you are paying. The usage charge is typically the amount it costs you to treat your waste. Council went through the cost for the average 5,000 gallon user; the average monthly bill would be \$89.03. Discussion on the user rate and the possibility of lowering the increase based on the user rate. Mr. Smith said he liked the idea of setting the goal of cash flow reserve. Mr. Wollin said that he wants to make sure that whatever we do is well explained in the newspaper and to the citizens so that they understand that this increase may not be permanent. Ms. Hill said your rate structures have to be adopted by ordinance so it requires a public hearing. You will have a public hearing for people to come in and express their concerns and you can explain the purpose of the increase. Ms. Hill said that at our next Council meeting we need to do a resolution reserving cash flow and designating the routine in which it will be handled if it is over or under. When you come into your public hearing the residents will understand that you are binding yourself to the resolution. If we are over collecting then you are

going to get that back in rate adjustments. Ms. Hill said the plant start up is the end of March 31, 2017 and the final completion date is the end of June. Motion by McIntyre, seconded by Smith to use the 25% plus 6 and build in a three month reserve and have Ms. Hill set up a resolution for our next Council meeting and set up a public hearing for anybody that wants to come in and discuss it with us. Unanimous vote. Motion carried.

4. Adjourn. Motion by Smith, seconded by Wollin to adjourn. Unanimous vote. Motion carried. Meeting adjourned 6:30 p.m.

Alan Schmidtke, Mayor

Teresa Hill, Administrator/Clerk