

WATERVILLE CITY COUNCIL  
PUBLIC HEARING  
March 7, 2017, 6:00 P.M.

There was a public hearing of the Waterville City Council held in Council Chambers at 6:00 p.m. on March 7, 2017 regarding Ordinance 51.125.2-2017 Amending Sewer Rate Charges

Present: Smith, McIntyre, Grobe and Mayor Schmidtke

Absent: Wollin

Also Present: Administrator/Clerk Teresa Hill, Jason Femrite City Engineer

Also Absent: Jason Moran, City Attorney

**1. Call to Order.** Mayor Schmidtke called the meeting to order at 6:00 p.m., noting that all Council members were present, except Wollin. Also present City Administrator Teresa Hill, and Jason Femrite City Engineer. Pledge of Allegiance was recited.

**2. Approval of Agenda.** Motion by McIntyre seconded by Smith to approve the agenda. Unanimous vote. Motion carried.

**3. Second Reading Ordinance 51.125.2-2017 Amending Sewer Rate Charges –** Motion by Smith, seconded by Grobe to approve the second reading of Ordinance 51.125.2-2017 Amending Sewer Rate Charges. Unanimous vote. Motion carried.

**4. Citizen Comment Time on Proposed Ordinance 51.125.2-2017 Amending Sewer Rate Charges.**

A. Curt Gold, 600 Tetonka View Drive. Mr. Gold said he has a few comments and some questions. Currently how is the billing, is it computer generated or is somebody getting the numbers. He knows you remotely read the meter. Is that computer generated the billing on this or is someone manually doing it? Ms. Hill said they do a drive by and it collects the readings off your meters then they have to bring them back and import them into the system and generate the billing. Mr. Gold said his thoughts or question is why are we paying like for the last, he found this out about three months ago he was going to watch and see what they were doing he was going to talk to you guys about this before this. This is an opportune time to do it. One of these times I am paying for 500 gallons of water in sewage that I haven't used. It gets rounded up. The gas, the electric bill it is all per exactly what you use. You go to the gas station and fill up your car with  $\frac{3}{4}$  of a tank of gas they don't round it up and charge you for a full tank of gas. He guesses his thought is if you are in that 3,000 gallon range, 4,000 gallon wherever you are at, it is so much per gallon at that rate, can that be prorated to the gallon to make it fair? It seems like in three months I overpaid for 1,050 gallons. If that continues for a household that is a lot of revenue. Plus your numbers, if you are using those numbers you can determine how much sewage you are processing or how much water you are using, it is not factual, it is an erroneous number. Mr. Schmidtke said so every month it is the same 3,000 to 4,000? Mr. Gold said he is in the 3,000 range or 4,000, he gets charged 4,000 but he uses 3,500 one month, he uses 3,700 one month, 3,740 but for 15 years it has been quite a bit. Mr. Schmidtke said that he and Teresa talked about that and it is rounded to. Ms. Hill said it rounds up or down so anything under 500 gallons rounds down and you don't pay for those gallons and anything above that rounds up. So it is in the rounding factor yes. Mr. Gold said other communities they pay per gallon. He didn't

know if that is something that we could switch to. Ms. Hill said most communities that we have looked at are 1,000 usage. There are some that are per gallon and there are different variables out there so it is all basically yes you could do it by the gallon, you would just change your rate structure accordingly or you can leave it by the 1,000. Mr. Gold said is that something you are considering or not. Mr. Schmidtke said Teresa and I were just talking about that this afternoon a little bit. Mr. Gold said there is probably some people that benefit rounding it down, where I round up and you pay the additional. Mr. Schmidtke said we were just talking about that. What would it take to get that where it is exact numbers? Ms. Hill said it is just a computer change in the program itself that we use for the billing system. We would need to check to see how they port over from the handheld. We have only done just 1,000 of gallons so there is probably some minor things in her opinion that could probably be changed with the handheld. Mr. Gold said say you are in that 8,000 threshold then you would pay per gallon whatever that rate in that category or 3,000 or 1,000 or whatever it might be. It is just a thought. It kind of blew him away when he realized he is overpaying basically month after month. Mr. Gold said the other thing was he remembers talks about Kamp Dels last fall a number of times about having those guys hook up to our sewer. Is that something to help defer the cost of this thing? If we hooked up to them they were going to take quite a load of the burden of finances off of it and at the same we would still have the availability of adding 200 more houses before we would even get close to maxing out. Mr. Schmidtke said they added on. That is all done. That was one other thing we talked about here, that was a few months ago. Ms. Hill said yes, they were looking at restructuring their load limits and restructuring their agreement and we chose not to restructure the agreement that was in existence with them. But there is an existing agreement with them to take treatment and also laid out infrastructure cost. Mr. Schmidtke as if that was it does that answer his questions. Mr. Gold said yes, I guess.

B. Sue Cutts, 450 Cedar Circle. She pretty much had the same question about why we are paying for rounding off, rounding up/down on the bills versus paying for the exact amount and you explained that. Say if you pay for the exact gallons then the rate would be prorated basically, we would be paying for just what we are using versus rounding. Ms. Hill said you would be changing your rate structure. Instead of per 1,000 it would be per gallon structure and then whatever that gallon would be. We would need to do a little bit of investigating with our software just to make sure that everything could merge properly. From her knowledge of the software it shouldn't really be an issue to convert to gallons versus 1,000 of gallons. Something we would need to look into and kind of see if our handheld would take care of that. It is fairly new so she is guessing it shouldn't be an issue. Ms. Cutts said another question, she knows the flood from 2014 and then again last year was bad but we had all this excess water that was running through the plant were we reimbursed from FEMA for that? Weren't they looking at reimbursing cities for different expenses because of the flood. Ms. Hill said what they would look at doing is doing the increased pumping of the plant so as in electricity and those hard costs. They did not reimburse for additional sewage treatment because of floods so if we used a million gallons more because of the floods are pumped through or treated a million gallons more that isn't something that they reimburse for. The electric costs, so if the pumps were running 10 hours versus 5 hours that is a cost they would capture for those two or three days and only during their specified time of when they deemed the event to happen. If they deemed the event to happen three days after we already started getting infiltration that isn't a reimbursable cost either. Ms. Hill said she knows where Ms. Cutts is going with that because I & I is a portion of it

because we do treat it as part of our operating costs. Ms. Cutts said she has a question on the chart with the cash investments. The bottom portion it looks like since 2009 we've been operating at a loss. Ms. Hill said correct. Ms. Cutts said so why weren't these rates increased years ago. She remembers when she was on Council ten years ago she suggested that we raise the rates every few years a little bit to produce a fund for what we are dealing with now. So why did we wait seven or eight years to look at an increase when we have been operating at a loss all these years. Mr. Schmidtke said when was the last increase. Ms. Hill said the last increase was done in 2015, it is on your spreadsheet. We have had basically about three increases, October 2015, 2004, and 2008 were the rate increases that she had. Mr. Schmidtke said hindsight would have been if we would have started raising a long time ago at gradual rates. Ms. Hill said the offset of that too is when you raise the rates if you already have a sufficient cash flow are you just increasing that to increase it or what specifics do you have to use for that. That is one consideration and the other consideration is doing gradual increasing or doing cause and effect. It is however how a person looks at doing the rate increases. You have a slush fund, how much of a slush fund do you want. How much do you want to keep and just to kind of tie that question in, the Council has done a cash flow policy that now looks at addressing that exact situation. So if you have excess cash flow what does it do to the rates when you change rates. What do you do if it is too low, then when do you spur that increase. It is all triggered to your cash and investments loans. There is a standardized policy now that helps govern that process. Ms. Cutts said is she reading that right at that bottom figure it is showing how much loss there was over those years. Ms. Hill said yes that is how much loss. Ms. Cutts said and it just kept increasing. Ms. Hill said well \$16,000, and then \$68,000, \$47,000. Ms. Cutts said that is not justification for raising rates? Ms. Hill said if you have the cash flow to pay it then that is the decision that you make is whether or not you want to continue to dip out of your reserves until you get to a level that you think. Because as you look at your cash flows in 2009 there was \$404,000 in there for additional cash flow and then it went down to \$287,000. When it goes down to around that \$200,000 then that is when the changes were coming into effect. We have been drawing out of that \$404,000 since 2009. Somewhere along the line the rates were more than sufficient to do the operating costs and it was cash flowing in a positive. No other comments were received by the public.

**5. Close Public Comment Time.** Motion by Schmidtke, seconded by McIntyre to close the public comment time. Unanimous vote. Motion carried.

**6. Council Discussion relating to Proposed Ordinance 51.125.2-2017.** Mayor Schmidtke said the schedule we have shows 5,000 gallon users their bill will go from \$70.00 to \$89.03 which is about a \$20.00 increase. The 10,000 gallon user will go up \$24.58 a month. He thought it was going to be worse. He is happy with what it is here. Mr. McIntyre said it is reasonable also because of having a new plant up and running we are not sure what it is going to cost to operate that plant. Mr. McIntyre said where we have it set at is ideal if things change we can always lower it. You go through a battle if you ever want to try and increase it so taking into consideration of a new plant up and operating and what is going to take he thinks it is pretty reasonable for what the rates area. Mr. Schmidtke said we can increase housing, we've got more room there, it will be more efficient. It should be starting end of March into the beginning of April. Ms. Hill said the new plant will be operational but then they have to do some switching over. April 1<sup>st</sup> is the last target that it was offered to be operating. Mr. Schmidtke said the EDA

has been working on housing projects and we have been working hard on getting some different types of people in there and get their advice. Next Monday night we have another meeting. A gentleman is coming from Slayton that does Housing Developments. Right now there is a new business coming into town and there are two or three houses that are being built or will be built. Ms. Hill said she has a permit for one twinhome at this point. Mr. Schmidtke said things are coming a little bit so hopefully we can get some answers next week. The EDA has really been working hard on this since we started here and got going on it. Mr. Smith said if we were to look at the per gallon charge versus 1,000 gallons how would that affect what we have planned. Will it create a drastic enough effect that we need to look at it again. Or would we just go with potentially what we have got and then adjust later if we need to. Ms. Hill said you could do either. Timing of implementation, of course the later you implement the longer time you will have to collect revenues. As far as the rate itself she could probably try to do some research on that between this meeting and the next meeting to make sure hardware and everything is fine. We could probably look at discussing a per gallon charge. If our system is capable of doing that. She does not know that it would be a big enough change that you would have to go through an entire process again because you are just taking that same dollar unit per 1,000 and breaking it down to gallons so it equates to the same it is just a little bit different billing. That is something she would have to research to see if you adopted this if you could just modify without doing the whole process again going the 1,000 to the individual gallon. Ms. Hill said that is one of the questions that we do get is the rounding, why am I paying this, when the next bill it usually catches up. Mr. Smith said do you think that we would have additional costs associated with switching to that system. Ms. Hill said no, in her opinion, it is just whatever we can change in the software itself to allow it to take the actual gallons. It may have to be modified to 10 gallons versus 1 gallon, depending how the meters actually read and transmit. We would have to do a little looking at that but if it is just a simple programming thing here and changing something on our import system then it won't be anything major. But if we have to revamp and buy new software to accommodate it then that would be different. You have to be able to use it with our current meters. She thinks it is definitely something she can do some research in and look at. Ms. Grobe said didn't you say the rounding usually catches up. Ms. Hill said the ones that we have dealt with it will go like 3,700 then it will drop down to 3,200, it usually rounds down then. They must be pretty equal to that over 500 gallons each time that it doesn't really fall back. From the history that Mr. Gold made. Mr. Gold said three months in a row. He started keeping track. Ms. Grobe asked if the ordinance is written per 1,000 gallons so that would have to be rechanged to if they went to a gallon? Ms. Hill said yes, if you were looking at doing 1,000 gallons as presented and then reviewing that and changing that again we would probably have to look at what we would have to do for publication and those kinds of things and getting the word out. She does not know that it is a drastic change that you would have to do a lot of extra because it is basically the same process, but it would be going through that process again, just modifying that one line versus the whole thing. Ms. Grobe said so it would have to be recorded again if this was adopted tonight then it would have to be re-recorded again just to change that wording. Ms. Hill said yes. Mr. Schmidtke asked when will you get a feel of where we are at, would it be three or four months down the road before you think these charges will be where we want to be or is it going to be like a year. Ms. Hill said we will be reviewing those very closely three or four months. We set up in our discussions that we would be actively looking at that very closely every quarter, just to make sure that we are on target and see how everything is doing. Ms. Grobe said we want to adopt this in order to start capturing these funds now right? Ms. Hill

said when you do this we wouldn't hit the publication until next week so your first billing will be the April billing that you would see those revenues on. If you are looking at a possibility of going to the gallons depending on what she can find in the next week or so, that could still be a possibility of still doing the same implementation in April. She does not know if she would get that information that quickly.

**7. Adoption of Ordinance 51.125.2-2017 Amending Sewer Rate Charges.**

Motion by McIntyre, seconded by Grobe we adopt Ordinance 51.125.2-2017 Amending Sewer Rate Charges. Unanimous vote. Motion carried.

**8. Approval of Summary Publication of Ordinance 51.125.2-2017.**

Motion by Smith, seconded by McIntyre to approve the summary publication of Ordinance 51.125.2-2017. Unanimous vote. Motion carried.

**9. Adjourn.**

Motion by Smith seconded by McIntyre to adjourn. Unanimous vote. Motion carried. Meeting adjourned 6:28 p.m.

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Alan Schmidtke, Mayor

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Teresa Hill, Administrator/Clerk