

CITY OF WILLIAMS CITY COUNCIL

ANNOTATED MINUTES
AGENDA ITEM

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APRIL 9, 2015
COUNCIL ACTION

I. PROCEDURES:

- A. Call to Order
Mayor Moore called the meeting to order at 6:00 p.m.
- B. Roll Call
Mayor John Moore, Vice Mayor Don Dent, and Councilmen Craig Fritsinger, Bernie Hiemenz, Frank McNelly, Lee Payne and James Wurgler were present and constituted a quorum. Present from City Staff were Brandon Buchanan, City Manager, Finance Director Keith Buonocore, Public Works Director Kyle Christiansen, and City Clerk/HR Director Susan Kerley.
- C. Adopt Agenda
Councilman Payne made a motion to adopt the Agenda as presented. Councilman Wurgler seconded the motion, and it carried 6-0.

II. Council will review potential utility budget and rate increase for 2015-2016.

Brandon Buchanan explained that, in the course of budget construction, we have found that the water and wastewater funds are about \$750,000 short of balancing, based on the reduced amount that can be transferred from the electric fund because of work on the electrical system, like the substation and continued conversions. \$1.8 million has been transferred annually from the electric fund to balance the utility budgets. Only \$1.1 million will be available next year. One project we anticipate is the clean closure of the lagoons and making them into an effluent storage facility. Also, getting off potable water and using effluent water for plant processes will cost about \$230,000. There will be no more money to transfer from the electric system. With no more to cut and redirect transfers from electric, the only option left is to consider rate increases.

Four different scenarios have been put together for potential water and sewage increases. We can go through and review the information and see the scenarios each increase would generate. When we replace meters, that should make a dent in this. A 50% water loss is coming from meters or leaks in the system. We expect to finish installing the new meters in the fall.

One thing we've talked about is capital projects, but we will have no money for that. We are trying to get to a meaningful number for capital improvements such as replacing lines, repairing tanks and building wells.. If the increase were \$0.003, that would generate \$238,000 for capital improvements for year one. Hopefully, replacing the meters will help increase that number.

Keith Buonocore said that the issue with the electric side is

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that we have electric projects we need to complete. We need funds to pay off the substation. If we're not transferring as much money over to utilities, we can start on some of these electric projects. We need to be re-investing in the electric system itself. Also, if expenses are covered, our financial rating would be more favorable when we apply for loans or grants in the future.

A \$0.003 increase would be Brandon Buchanan's and Keith Buonocore's recommendation. It is up to Council to determine what the appropriate balance is.

Mayor Moore said he is one who hates raising rates, but we are dealing with reality. If we don't raise rates, five years from now, some Council will be sitting here doing the same thing.

Council members discussed the rationale for commercial rates being higher than residential rates. Those residents on fixed incomes or severely limited budgets may have no source for funding a utility increase. The City has in place a discount program for its senior citizens. Commercial account holders have an opportunity to recapture the increases through sales.

Councilman Wurgler said he would appreciate having some idea of how Council feels about the Water Department bringing in enough revenue to pay its expenses. We have been subsidizing the cost of producing water and processing wastewater. Should revenues received cover the cost of services provided?

Mayor Moore said this was the same conversation that took place years ago when the City bought the electric utility. It has supported itself and other funds. We need to get all of them to be self-sustaining.

Brandon Buchanan said we are in a similar situation to many systems across the country. We have a significant amount of debt to cover. However, because we have a small population, we have to provide the same services without economy of scale.

Mayor Moore asked if any Council Member saw no need for an increase in rates. There was no response.

Councilman Dent said that if commercial rates were taken to \$0.005, that would be about \$1,100,000 at current rates. This would get a big chunk of where you want to go. We could take the residential rates at \$0.002 or \$0.003.

Mayor Moore asked Keith Buonocore to run several scenarios for increases. Also, he asked for staff to come up

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with some way to help those on fixed incomes. He is always troubled that we pick up trash twice a week, even though some people have one little bag and their trash could be picked up once a month. Also, if we're raising rates on our own residents, let's look at raising rates for haulers.

Vice Mayor Dent asked Staff to provide Council with how many residents use over 10,000 gallons of water monthly.

III. ADJOURN:

Councilman Fritsinger made a motion to adjourn, and it was seconded by Councilman Hiemenz. The motion carried 6-0, and the meeting adjourned at 6:40 p.m.

Mayor John Moore

ATTEST:

City Clerk

DRAFT