

Francis Town Council Meeting
SPECIAL SESSION
February 24, 2011 7:00 PM
Francis Town Community Center
AGENDA

- 1. Approval of Town Council minutes-January 13, 2011**
- 2. Discussion of options for proposed water and sewer rates to be presented at March 10, 2011 Town Council meeting-Review of Curt Ludvigson's proposal**

I hereby certify that this notice has been posted in three (3) public places.
Attested by Susan Cann, Town Clerk

In compliance with Americans with Disabilities Act, individuals needing special accommodations during this meeting should notify the Town Clerk (783-6236) prior to the meeting.

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Francis Town Community Center

The Francis Town Council convened on Wednesday, February 24, 2011 Francis Town Community Center. Mayor Snelgrove called the meeting to order at 7:10 pm. Susan Cann transcribed the minutes from this meeting.

Present: Mayor Lee Snelgrove
Council: Tal Adair
Kristi Major
Gio Melendez
Town Clerk: Susan Cann
Town Attorney: Kraig Powell

No members of the public attended.

1. **Approval of Town Council minutes-January 13, 2011.** Mayor Snelgrove questioned Council member being one or two words. The Council discussed using Council member instead of Councilmember. Request by Council member Adair to have a copy of the agenda included with the minutes as the first page. Susan Cann will add with proposed minutes. Council member Adair requested that a copy of approved minutes be sent to members of the Council. Council member Major requested list of follow up items be included with the minutes. Paragraphs added where requested. Grammatical errors will be changed and corrected, copy provided to Council members for approval. Council member Melendez stated that his question concerning meat-processing plant is not accurately reflected in the January 13 minutes and would like the following statement added: A meat processing plant is taking an already harvested product and producing a new product from already dead and stored inventory that is not an agricultural endeavor. Similarly, it is what is being done with the wood at Thompson Lumber. They are taking a harvested dead and stored product and creating something new. When does it stop being agricultural? Susan Cann will listen to the recording and will verify the statement. Council member Melendez asked if a member of the public shouts out a comment, and public comment is not being taken, when it is appropriate to include the comment as part of the minutes. Kraig Powell responded that anytime a statement is listened to, responded to, or there is a pause, it should be included in the minutes. The minutes should reflect when the response from the Mayor is that public comments will not be addressed. Kraig Powell advised that the Council would ultimately

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have to decide what the contents of the minutes are. Mayor Snelgrove asked for a motion regarding the minutes.

Council member Melendez motioned that we accept the minutes with the corrections as discussed. Council member Major seconded the motion.

Roll call vote:

Council member Melendez Aye

Mayor Snelgrove Aye

Council member Major Aye

Council member Adair Nay

Motioned carried.

Mayor Snelgrove asked Susan Cann to provide a copy of the approved minutes with the corrections to the Council.

Council member Major asked if it was possible to amend approved minutes. Kraig Powell stated that all versions of the minutes that are presented for approval must be saved. No version could ever be deleted. Minutes can be amended. After discussion, concerning the corrections that need to be made, Council member Melendez made another motion.

Council member Melendez motioned to reconsider the action approving the minutes of January 13 as corrected. Council member Major seconded the motion.

Roll Call vote:

Councilmember Melendez Aye

Council member Adair Aye

Council member Major Aye

Mayor Snelgrove Nay

Motion carried.

Susan Cann will make the corrections as requested tonight and provide a copy to the council members. The minutes will then be brought for approval at the March 10, 2011 meeting.

- 2. Discussion of options for proposed water and sewer rates to be presented at March 10, 2011 Town Council meeting-Review of Curt Ludvigson's proposal.** Mayor Snelgrove updated the Council regarding the scenarios for the water fee increase. Mayor Snelgrove presented a new scenario #4. (Copy attached) The Mayor and Alison Weyher had review the minutes from the presentation of Curt Ludvigson. The Mayor stated he did not like the base rate the report shows, and suggested the base rate for water as \$28.00 for 10,000 gallons of water. During the summer, we have 110 households that use less than 10,000 gallons of water per month. During the winter months, the town has 311 households that use less than 10,000 gallons of water.

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Council member Adair posed the question that will be asked by the public, why are the rates being raised. Mayor Snelgrove explained that the audit for 2010 shows we lost money in the enterprise fund which was a combined account for sewer and water. Council member Adair stated this loss was because of depreciation. Mayor Snelgrove pointed out that depreciation could be an arguable point. Council member Adair stated that depreciation is not an expense, it is not a true cost, it is a figure that an accountant says that over a certain period of time you are depleting the system value's by the a specified amount. It is an arbitrary number depending on the age of the system based on the assigned value given. Mayor Snelgrove replied that it is a figure that the Town comes up with that we want to have that amount saved to repair the system.

Council member Adair stated Rural Water gave the options of saving money up or leaving everything as is. Mayor Snelgrove stated that Curt Ludvigson also said that the water expenses are greater than the income, if depreciation is taken into account. The Mayor said his concern is that we have nothing in depreciation, we have some major problem, and we do not have any money to pay for it.

Council member Adair, Mayor Snelgrove, Council member Melendez discussed the depreciation figures and operating expenses. Council member Adair suggested that a figure would need to be decided on to have in the bank to be able to make repairs. Council member Adair added that the figure of the total income from operation is the profit, less depreciation. Mayor Snelgrove stated that if the desire of the Council were to increase the depreciation funds then it would be necessary to raise the water rates. Council member Adair said if the goal in five years is to have \$100,000 in the bank then the determination that needs to be made, is what the rate increase needs to be. The Mayor and Council discussed the reason for the rate increase that would allow the Town to pay for the costs of providing the current services and save for any repairs to the system in the future.

Mayor Snelgrove asked the Council to review the new scenario number 4. (Copy attached.) Mayor Snelgrove stated that the decision needs to be made regarding what the base rate and base gallons would be. Mayor Snelgrove stated there are those members of the Town, who are widowed, on fixed incomes, or currently unemployed, which would be impacted by any increase.

The last rate increase decreased the base gallons from 20,000 to 15,000 and charged for overage instead of the flat rate.

Mayor Snelgrove proposed a base rate of \$25.00 with base gallons of 15,000. The summer rate for 10,000-30,000 gallons showed on scenario 4 shows an increase from current rate of \$23.83 to \$43.45.

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Council member Adair asked how many months are considered summer. Kraig Powell said that previously it was determined five months was summer and seven months were winter.

Council member Major stated increasing the rates, decreasing the base gallons would be difficult, and she would be more in favor of base gallons remaining at 15,000. Council member Adair expressed concern over the increasing water and sewer rates with current economics.

Mayor Snelgrove suggested water base rate \$25.00 with base gallons of 15,000 and each overage increase by 25 cents. First overage \$1.25, second \$1.50, third \$2.00, and fourth \$2.50. This will give the Town some revenue that will help increase our depreciation fund at a slow rate.

Council member Major stated she supported an increase of the water and sewer rates as a necessary step, but with the current state of depressed growth, we cannot afford to fund the ultimate depreciation goal of both water and sewer.

Mayor Snelgrove expressed that the public needs to be made aware that the rates for water and sewer need to be reviewed on an annual or every two-year period. Electrical costs have increased so pumping costs are higher. The Town water-reading system is becoming antiquated and will need to be replaced. The other issue is the Woodland Hills situation.

Council member Melendez agrees that rates need to be raised. He would rather see a larger portion paid by the big water user.

Council member Adair asked how much in real dollars would be raised with the increase. Would the goal of \$100,000 be reached in 24 to 36 months? Using the number of meters in Town, we can calculate the increase in revenue, but can only use past history of overages so it would be an estimate.

Council member Melendez stated that it would be important to have the reasons to present to the public concerning the rate increase that will go toward saving for repairs.

Council member Adair state that with 375 users and increase of \$5.00 per month for a year it would increase the revenue by \$22,500. It would take five years at that rate, with no expenses, to reach the goal of \$100,000. Mayor Snelgrove stated we could not just increase base rate; overages need to be included.

Council member Adair asked if there were any planned expenses for the water department. Mayor Snelgrove answered that the radio read system with computer program, would be expenses that have not been undertaken because of the cost.

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Council member Melendez questioned the past write-offs for overages in the spring. Mayor Snelgrove stated that with the new policy that is in place this will not happen. Council member Melendez brought up the point that with "true" readings this would go toward paying for the radio reading system. Mayor Snelgrove indicated that the radio read system would allow for reading of the meters year round. Council member Adair asked for an accounting for the past one or two years of the overages that were written off in the spring. Mayor Snelgrove asked for office to follow up on this.

Council member Melendez pointed out that the sewer rates will also need to be addressed.

Council member Adair stated that in his research he has found that many municipalities subsidize sewer with water or vice-versa. Mayor Snelgrove stated that we have separated our sewer and water; prior years it was one enterprise fund. Council member Adair said that we could move \$20,000 from water enterprise fund into the sewer fund. Another issue is if the sewer has been running in the red for a number of years that means that the water department has been subsidizing the sewer. In theory, this would give the water department an increase in revenue. Mayor Snelgrove stated that the audit showed we were in the hole because of depreciation. The Town may not have spent the money; we just do not have extra money to do repairs. Council member Adair stated that the depreciation amount should exceed what the books say the depreciation amount is. Our savings account should be higher than the depreciation.

Mayor Snelgrove suggested another work session before presenting the information to the public.

Council member Melendez stated that it is important to present the information to the public to show the reasoning for the rate increase. Mayor Snelgrove suggested sending the proposal to the public before the meeting to help answer questions.

The Mayor will have Vern from Rural Water run another scenario based on the \$25.00 base with increase of 25 cents with 15,000 gallons. Council member Major asked for a scenario using \$25.00 base rate, base gallons 15,000, first overage \$1.75, second \$2.25, third \$2.75, and fourth \$3.25. Mayor Snelgrove will verify the summer and winter months. Council member Melendez asked for scenario using \$25.00 base, first overage \$1.25, second \$1.75, third \$2.50, fourth \$3.50. Council member Adair asked for the figures to show rates to get to the number of \$100,000 in five years. Mayor Snelgrove will have him run the scenarios and see the amount that would be raised in four years. Council member Adair stated that with 375 users, an increase of \$5.00 per month would generate an additional \$22,500 per year. Council member Adair asked to have them check if any other scenarios would be better.

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Council member Adair stated that he thinks the sewer department has been dependent on the water department. Historically, what has the sewer department revenue and expenses been, versus the water department? Mayor Snelgrove stated that the sewer is affected by growth and it would need to be verified whether the water paid for sewer or vice-versa.

Kraig Powell stated that the explanation to the public explains the difference between maintenance of current system and expansion of new facilities. The purpose of raising the rate is to capture replacement costs for replacement of existing facilities. None of this money will be used for any new plant.

Council member Adair stressed that staff needs to put in applications for every grant that becomes available. Mayor Snelgrove stated that the Town no longer automatically qualifies for CDBG grant money. The median income is a factor; survey of homes needs to be done. Council member Melendez stated that RAP tax money is also available.

Council member Major suggested that when the information is sent to the public it includes a sewer and water history, reasons we are in this position, points that Kraig Powell has made, and answers to possible questions.

Mayor Snelgrove gave the information he received from Alison Weyher this afternoon for sewer. If we raise the sewer to \$32.00 per month for the 350 users, an increase of \$12.00, we would bring in an addition \$50,400.

Mayor Snelgrove and Council discussed the operational budget 2010 report for the sewer utility. Total operating income is \$100,000 historically. With \$90,000 in expenses, taking out the depreciation, true expenses are approximately \$50,000. The sewer depreciation expense is almost even, until this year.

Council member Adair stated his assumption earlier was that sewer was being subsidized by the water but if you use the 2010 actual \$42,000 plus \$11,000 that shows about \$53,000. Did the money go into the water account; was it split between water and sewer? Mayor Snelgrove said that question would have to be asked of Pelorus. Did the same thing happen in the water department? \$70,000 minus \$15,000 would be \$55,000 added with the sewer is \$100,000. Depreciation is an accounting function, if your depreciation in the sewer is \$42,000 in 2010 the profit in 2010 less depreciation is \$11,000 added together you get \$53,000 in hard cash to operate. Kraig Powell said the hard cash is reflected in the line showing \$88,000. In the next budget, the money needs to be put aside and used as depreciation for rainy day. Council member Melendez stated that for the next budget year depreciation money would need to be saved for repairs.

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Mayor Snelgrove stated the audit shows the enterprise fund lost money; it brought in \$150,000, but expenses in the same year were \$175,000. The goal to present to the community is; that in the best interest of the Town, to have money to make repairs and upgrades of the current system, it is necessary to raise the rates.

Council member Melendez asked if the sewer rates are based on usage. Mayor Snelgrove stated that we do not have the capability to measure discharge into sewer. Kraig Powell shared that in Heber, they measure water winter usage, and base sewer rates on that usage. Council member Melendez suggested that at the point we have a radio reading system and can read meters year round then the sewer usage per household could be better determined. After discussion it was determined that at this time, it would be difficult to measure sewer usage.

Council member Adair asked for staff to obtain the numbers and historical record to see if water and sewer pays for themselves. Suggestion from Kraig Powell was to have Neil, from Pelorus, and Curt Ludvigson, from Rural Water, work together and possibly attend the next work session.

Council member Melendez asked that they model the target goal of \$100,000 for a time period of one, two, or three years.

The Council agrees that this is a difficult time to ask for a rate increase but something needs to be done.

Council member Major shared the scenario she received from Alison Weyher, scenario 4, would be a 175 percent increase for water and sewer bill per month. This large of an increase would be very difficult for members of the Town because of current economics, but something needs to be done.

Council member Melendez asked Kraig Powell if historically the Town did not raise rates because of the resident's disagreement. Kraig Powell answered that yes it has happened but the explanation needs to be that if the Town has nothing saved and if the system fails, it may be necessary to obtain a large loan or bond in order to keep the system running. This would necessitate a rate increase of possibly double or triple at that time. The residence may say they would rather keep the rates low for now. Council member Melendez asked if the raising sewer and water rates requires a referendum, or is a decision the Council can make. Kraig Powell said it was up to the Council.

Mayor Snelgrove said that on the previous rate increase, several years ago after obtaining permission from the Council; he had representatives from the community meet in work sessions to go over the usage. That committee actually proposed stricter usage and larger rates than the

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current rates. After presenting to the community, the Council made the decision for the rate increase.

Council member Major asked if this was \$100,000 for sewer and \$100,000 for water. Mayor Snelgrove said this would be ideal. Council member Adair said that it might take longer to save the money.

Mayor Snelgrove will ask Curt Ludvigson to run the new scenarios, discuss with Pelorus the depreciation figures. Discussion about next work session on March 24, invite Neil from Pelorus and Curt Ludvigson to attend. If time permits discuss treasurer duties. Mayor Snelgrove stated in the April meeting, budgets will need to be discussed, reopened, and adjustments made, and we will need to be ready for presentation to the community.

Mayor Snelgrove asked for motion to adjourn.

Council member Melendez made the motion to adjourn. Council member Major seconded.

Meeting adjourned at 9:20 pm.

Attachments:

Scenario #4 Water fee

Current water/sewer rate

Follow up items:

Write-offs for past one or two years for water overages in spring.

Water and sewer departments historically have expenses and revenues been sufficient to cover their own costs.

Public flyer to be created explaining sewer or water adjustments

Request for four new scenarios for water and sewer rates

Verify winter and summer months for water and sewer billing

Four year, five year projection when the \$100,000 would be reached for water and sewer projects

Invite Curt Ludvigson and Neil Duncan to meet with Council to discuss water and sewer rates

SECTION 2.4 MONTHLY WATER METERED SERVICE

2.4.1 WATER BASE CHARGE

For water usage up to and including 15,000 gallons per month.

The Water Base Charge is charged on all units receiving water service in Francis Town. All accessory type units or apartments on a common meter must be approved in advance by the Town Council on new construction or new rentals/conversions, and may require payment of additional base rate:

<u>Meter Size</u>	<u>Monthly Base/Demand Charge</u>
3/4"	\$20.00

All others Charge based on equivalent ERU

Construction Meter Base monthly charge:

Construction water will be charged at the rate of \$2.00 per 1,000 gallons

2.4.2 WATER CONSERVATION/OVERAGE RATES

All water delivered through each meter serving customers in excess of 15,000 gallons per meter per month during the summer months shall be billed at the following rates:

Standard Overage:	15,001 – 20,000 gallons - \$1.00 per 1,000 gallons
	20,001 – 30,000 gallons - \$1.25 per 1,000 gallons
	30,001 – 50,000 gallons - \$ 1.75 per 1,000 gallons
	50,001 gallons and above- \$2.25 per 1,000 gallons

SECTION

3.2 MONTHLY SEWER FEES

Sewer rate is \$20.00 per Equivalent Residential Unit@ ERU

The monthly sewer fee is charged on all units receiving sewer service in Francis Town. All accessory type units or apartments on a common sewer service must be approved in advance by the Town Council on new construction or new rentals/conversions.

Construction Sewer connection base monthly charge: \$20.00

Scenario 4

	Number of Summer Users	Number of Winter Users
Under 10,000	116	311
10,000 - 30,000	162	55
30,000 - 50,000	53	5
50,000 - 100,000	42	3
Over 100,000	2	1
Total	375	375

	Summer Monthly Average	Winter Monthly Average
	5787	5171
	18826	14989
	39065	43200
	63072	63048
	140200	131143

Base Rate \$28.00

Base Gallons 10000

	Base Price	Gallons	1st Overage	Gallons	2nd Overage	Gallons	3rd Overage	Gallons	4th Overage	Gallons	Per Person Monthly Total	Summer Total
Summer	\$28.00	10000	\$17.50	20000	\$22.50	30000	\$27.75	50000	\$32.25	Unlimited		
Under 10,000	\$28.00	5787	\$15.45	8826	\$22.50	10000	\$24.93	9065	\$42.49	13072	\$28.00	\$19,488.00
10,000 - 30,000	\$28.00	10000	\$17.50	10000	\$22.50	10000	\$55.00	20000	\$293.15	90200	\$43.45	\$42,229.32
30,000 - 50,000	\$28.00	10000	\$17.50	10000	\$22.50	10000	\$55.00	20000			\$92.93	\$29,551.56
50,000 - 100,000	\$28.00	10000	\$17.50	10000	\$22.50	10000	\$55.00	20000			\$165.49	\$41,702.24
Over 100,000	\$28.00	10000	\$17.50	10000	\$22.50	10000	\$55.00	20000			\$416.15	\$4,993.80
Total											\$22,994.15	\$137,964.92

Average Summer Water Bill \$61.32

	Base Price	Gallons	1st Overage	Gallons	2nd Overage	Gallons	3rd Overage	Gallons	4th Overage	Gallons	Per Person Monthly Total	Winter Total
Winter	\$28.00	10000	\$17.50	20000	\$17.50	30000	\$27.75	50000	\$32.25	Unlimited		
Under 10,000	\$28.00	5171	\$8.73	4989	\$17.50	10000	\$36.30	13200	\$42.40	13048	\$28.00	\$52,248.00
10,000 - 30,000	\$28.00	10000	\$17.50	10000	\$17.50	10000	\$55.00	20000	\$263.71	81143	\$36.73	\$12,121.02
30,000 - 50,000	\$28.00	10000	\$17.50	10000	\$17.50	10000	\$55.00	20000			\$99.30	\$2,979.00
50,000 - 100,000	\$28.00	10000	\$17.50	10000	\$17.50	10000	\$55.00	20000			\$160.40	\$2,887.29
Over 100,000	\$28.00	10000	\$17.50	10000	\$17.50	10000	\$55.00	20000			\$381.71	\$2,290.29
Total											\$12,087.60	\$72,525.59

Average Winter Water Bill \$32.23

\$35,082

\$210,491