

Minutes  
.16 Utility Fund Oversight Committee  
October 11, 2006

Members Present: Ron Kroeger, Tom Johnson, Karen Olson, Marcia Elkins, Jim Preston, Dirk Jablonski

Other Present: Hani Shafai, Steve Zandstra, Tonya Tordson, Chuck Farrar, Tom Farrar, Deb Hadcock, Joel Landeen, Bob Dominicak, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 2:49 p.m.

Approve Minutes

**Kroeger moved, Johnson seconded and carried unanimously to approve the minutes of the September 20, 2006 meeting.**

Jackson Springs Water Treatment Plant

Jablonski reviewed the funding requirements and potential funding sources for the construction of the Jackson Springs Water Treatment Plant. Jablonski reviewed the current available funding for the project noting an estimated project cost shortfall of \$30,800,000. Jablonski reviewed the cost to bond for the project shortfall noting the resulting impact on user rates. Jablonski briefly reviewed the impact of the debt service per \$1,000,000 of borrowed funding.

In response to a question from Okrepkie, Jablonski stated that the City utilizes an accelerated rate scale and indicated that those using more water would realize a higher percentage rate increase over the projected 17% rate increase.

Johnson indicated that there is a five year structured rate increase plan in place noting that the next increase should occur in January.

In response to a question, Jablonski clarified that the bonded debt will only fund the plant construction costs noting that operation and maintenance costs are not addressed in the project cost breakdown.

In response to a question from Elkins, Jablonski clarified that the additional debt service would not necessarily result in a higher percentage rate increase for those that use more water.

In response to a question from Shafai, Jablonski indicated that the cost projections do not take new users into consideration.

In response to a question from Elkins, Jablonski indicated that the Ellsworth contract cannot be amended to incorporate the projected debt service rate increase.

In response to a question from Preston, Jablonski addressed the twenty year impact the proposed debt service would have on new projects. Jablonski reviewed the funding available from current rates, available cash and the unfunded balance requiring debt service.

Preston expressed concern regarding the interest rate percentage utilized in the cost projections noting the impact a higher interest rate would have on the projected rate increases. Johnson commented on the five year rate plan currently in effect.

In response to a question from Olson, Jablonski reviewed the options for funding the project shortfall. Olson stated that water is scarce resource and the shortfall should be financed by increased user rates. Olson stated that she could not support subsidizing water rates from the .16 Utility funds.

Preston briefly reviewed the .16 Utility Fund spreadsheet and project repayment sources. Elkins summarized the funding changes noting the reasons for those changes.

In response to a question from Okrepkie, Elkins indicated that the Catron Boulevard sewer line is not a project approved for funding from the .16 Utility Fund noting that while the project has been identified as a future project no funding is allocated to the project at this time.

#### Jolly Lane Lift Station

Shafai reviewed the service capacity of the existing lift station noting that the system has reached maximum capacity. Shafai indicated that the system is currently servicing 190 homes noting that an addition 59 lots have been approved for development. Shafai indicated that the current usage is below the normal average allowing the system to function properly.

Shafai recommended that the existing pumps be upgraded from to 500 gpm at a cost of \$250,000 in order to handle existing and future area development. Shafai indicated that upgrading the existing system will provide servicing to the approved 59 lots and permit the additional development of 523 lots.

Shafai reviewed alternative recommendations including installation of a new lift station at a projected cost of \$300,000 and construction of a gravity interceptor sewer line at a projected cost of \$1,500,000. Shafai indicated that the gravity sewer line was not a feasible alternative due to the cost, construction timeframe and easement acquisition.

In response to a question from Elkins, Shafai clarified that the applicant is requesting approval of the \$250,000 funding request to upgrade the existing lift station pumps allowing for the additional development of 523 residential properties. Shafai stated that connection fees would be utilized to repay the .16 Utility funds noting that the project has been discussed with the Plum Creek developers.

Landeen recommended that there be over lapping connection fee areas, one for the existing costs and one for the upgrade costs.

Hadcock questioned the philosophy of upgrading the lift station instead of building the gravity feed sewer noting that the servicing capacity of the gravity sewer would far exceed the proposed upgrades. Shafai indicated that the development projections for the area do not support the cost to build the gravity feed sewer. Discussion followed regarding development projections for the area.

In response to a question from Johnson, Shafai projected a five to six year repayment schedule based on a maximum development of 40-50 homes per year. Shafai indicated that expansion of the lift station capacity will generate new development which will assist in repaying the original costs. Discussion followed regarding the repayment status of the original lift station construction costs.

Kroeger acknowledged Hadcock's concerns regarding the construction of infrastructure services in advance of development. Kroeger voiced his support for the upgrade project noting that it will allow area development to continue which will insure repayment of the City's initial investment.

Olson reiterated that she could not support subsidizing water rates from the .16 Utility funds noting that water is scarce resource and the shortfall should be financed by increased user rates.

Morningstar Water and Sewer Improvements

Elkins indicated that the applicant has requested that the item be tabled in order to allow them time to bring forward a complete project.

Deadwood Water Improvements

T. Farrar requested that the item be tabled to allow them to meet with the Public Works Department to finalize the project. In response to a question from T. Farrar, Elkins indicated that her understanding is that the funding reflected on the spreadsheet represents the project oversizing costs which are a City responsibility. Jablonski indicated that he would have to review the information.

Elkins requested direction from the Committee with regard to the funding requests for the Jackson Springs Water Treatment Plant and the Jolly Lane Lift Station.

**The Committee unanimously recommended that the Jackson Springs Water Treatment Plant project be referred to the City Council with the recommendation that a Water Rate Committee be established to review user rate increases for the purpose of funding the Jackson Springs Water Treatment Plant project.**

**Johnson moved, Okrepkie seconded and carried unanimously to recommend approval of the Jolly Lane Lift Station upgrade project in the amount of \$250,000 with the creation of a Hookup District to insure funding repayment.**

Hadcock voiced her objection to the funding recommendation as the proposal addresses the needs of an individual development instead of the community's needs. Hadcock indicated that the lift station improvements should be privately funded.

Adjourn

**There being no further business Johnson moved, Kroeger seconded and carried unanimously to adjourn the meeting at 3:39 p.m.**