

MINUTES

**McCall City Council
Special Meeting
McCall City Hall -- Legion Hall
April 27, 2018**

Call to Order and Roll Call
Work Session
Adjournment

CALL TO ORDER AND ROLL CALL

Mayor Aymon called the regular meeting of the McCall City Council to order at 9:00 a.m. Mayor Aymon, Council Member Giles, Council Member Holmes, Council Member Nielsen, and Council Member Sowers all answered roll call.

City staff members present were Anette Spickard, City Manager; BessieJo Wagner, City Clerk; Linda Stokes, City Treasurer; Nathan Stewart, Public Works Director; Phillip Bowman, City Engineer

Also, in attendance were Keith Larson, Eric Neil, and Greg Loscher of Bowen Collins & Associates

WORK SESSION

AB 18-118 Water Rate Study Presentation and Direction to Staff

Public Works Director Nathan Stewart gave a brief overview and made introductions. Greg Loscher, engineer at Bowen Collins & Associates, presented the water rate study. Council adopted the McCall Water System Master Plan on December 29, 2017. The City received Idaho DEQ approval of the Plan on March 19, 2018. The need for water rate adjustments is to ensure the water system continues to be a sustainable operation and can meet the capital investment needs identified in the Water Master Plan. A proposed timeline is to present a recommended rate structure at the June 25th Council meeting, offer a public workshop on July 19th, and hold a public hearing on the rate structure on August 9, 2018. At that time, the Council can choose to vote to adopt the rate structure for inclusion in the FY19 budget.

Review the options for water rate adjustments and give direction to staff to return to Council on June 25th with a rate structure recommendation.

Mr. Loscher went over the City's water rate history. There was a short discussion of the difference between residential and commercial accounts and base rates. He covered the difference in revenue when the City went to continuous billing and explained that even though there has been no increase in rates, there has been an increase in costs. One loss of revenue is the rate of inflation. The average inflation is calculated at 3% annually and since no inflation rate increases have been made since

2006, just to catch up would require a rate increase of approximately \$20. Another revenue loss was the annexation of the sewer department to Payette Lakes Recreational Water and Sewer District last fall. The water and sewer departments shared many of the expenses of staff, equipment, and facilities and those expenses did not go away with the sewer annexation. The water department has had to absorb this revenue loss in the way of increased operations and maintenance, the interfund transfer, and all of the expenses of the staff that worked both water and sewer. Public Works Director Stewart explained how loss of the sewer department did not mean the staff were going to be reduced significantly because a certain number of staff have to be available to cover all shifts and meet mandated requirements. One position was eliminated after the annexation.

The increased costs come from the need for system investment outlined by the Water Master Plan for items such as water meter, hydrant, and waterline replacements as well as other improvements along with the total net increase to the annual budget. As it stands, current revenues into the future are not sufficient to cover needed expenditures of the future. The Department of Environmental Quality 2003 water bond is also due to retire in the next few years.

Keith Larson, engineer of Bowen Collins & Associates, explained the Loomis Formula going over the projected revenue and expenditures, and capitalization fees and rates. He covered different options in how to approach the deficit in funds. Even though one option is to cut operations and maintenance which equates lower quality and less service, it is not a recommended. Other options include re-evaluating the capital expenditures, increase rates, and seeking non-rate revenues. Staff asked for feedback and the Council shared their thoughts.

Mayor Aymon feels the city should not subsidize a new construction. Council Member Nielsen was concerned for the person who may be able to build and do a lot of the work themselves but could not afford the buy-in fees. Public Works Director Stewart gave a brief explanation of where the bulk of the costs for the buy-in fee comes from. Council Member Giles stated that we are playing catchup and was not surprised by the potential increases. Council Member Sowers would like to look at a way to balance out the cap fees for the different size houses.

Mr. Larson presented the rate increase approach and how those different approaches affect the average monthly water rate. There was a brief history given of the non-metered accounts. In looking at other water providers in Idaho and in neighboring states, it was shown how the current and the four different increase rate options fall in comparison with those cities. Next, he shared observations of the current rate structure, and touched briefly on monthly service fees and usage charges.

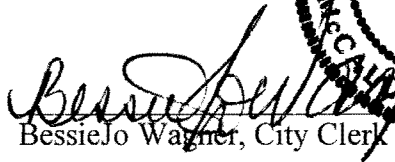
Mr. Larson presented the three rate structure options which are Uniform (everyone pays the same), Seasonal (winter/summer rates), and Block (size of lots, size of meters, residential/commercial, etc.), and explained how each one addressed the four objectives of equality, simplicity, stability, and conservation, and the pros and cons. Public Works Director Stewart touched on alternate watering days and why the need to keep this in place as the summer brings about huge water usage spikes that tax the current system. Mayor Aymon requested this is communicated effectively. She also wants to be sensitive to the needs of the businesses if using a block system.

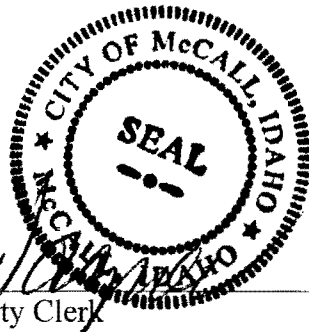
The Council discussed which rate structures and rate increase options they preferred. The Council direction to staff was to keep future expenditures in the water system for planning purposes and use the numbers already figured, calculate the maximum increase capitalization charges and plan to make a decision once those are figured, use rate option models 1, 2, and 3 figuring in the overall revenue needs, and create each rate structure (uniform, seasonal, and an increasing block with 3 blocks) for review.

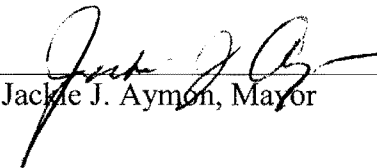
ADJOURNMENT

Without further business, Mayor Aymon adjourned the meeting at 11:03 a.m.

ATTEST:


Bessie Jo Wagner, City Clerk




Jackie J. Aymon, Mayor