

MINUTES

McCall City Council Special Council Workshop on Water Rates July 16, 2003 10:00 a.m.

CALL TO ORDER AND ROLL CALL

Mayor Colton called the special Water Rate Workshop of the McCall City Council to order at 10:10 a.m. Mayor Colton, Council Member Arp, Council Member Muller, and Council Member Eimers answered roll call. A quorum was present. City staff members present were City Manager Robert Strobe, Community Development Director Lindley Kirkpatrick, Public Works Director Bill Keating, Liz Tash and Finance Director & City Clerk Barbara Bauer.

BUSINESS

Vern Brewer and Shawn Kotz of Holladay Engineering gave Council Members a presentation on the basic process used to do a rate analysis and provided Council Members with informational handouts that contain basic Water Usage rates, Meters and current year budget information. Their analysis is based on using FY 2002 as a base year. They also discussed the legal restrictions on use of system buy-in charges. A review of current rates was followed by discussion of a wide variety of alternative water rates based on the amount of capital replacement expenditures included each year. The cost of fully funded capital replacement is \$340,000 per year, a level that the City is not currently meeting. Alternatives include incremental options for rate reductions and capital projects.

Recommendations by Holladay are to either (Scenario A) fully fund Capital Expansion and Capital Replacement over time which would result in a 0.6% reduction in the existing rates or (Scenario G) access DEQ loan funds for Capital Expansion plus fully fund Capital Replacement which would result in an increase of only 1.6% over existing rates. This represents the same objective either through pay-as-you-go option or a borrow-and-pay-back option. It will take approximately 10 years until the water storage

tank would be funded, or \$222,000 Capital Replacement Funded with system buy-in funds used for debt service with an additional DEQ 4% loan used to fund the first new water storage tank as soon as possible.

Both of the above options are nearly "rate neutral". However, Holladay understood that the Council wanted to actually reduce rates beyond the reduction of two years ago and that is why they elected to pursue reducing the Capital Replacement budget to only \$100,000 per year. This would follow Scenario B, (no DEQ loan) which would have the effect of reducing average rates by 7.1% or, if a DEQ loan was obtained to construct immediately, it would follow Scenario H which would have the effect of reducing average rates by 4.6%.

After a brief break, the group moved on to a discussion of the Connection Fee rates. The recommendation from Holladay is to set these connection rates based on Fixture Units as defined in the Universal Plumbing Code. Discussion of the Connection Fees ended with a direction to pursue a two level structure that might encourage smaller, less expensive in-fill construction. Residential uses with 11 fixture units or less will pay a Connection Fee equal to 75% of an Equivalent Residential Unit. Commercial uses with nine fixture units or less will pay a Connection Fee equal to 75% of an equivalent Residential Unit. The group felt that these changes should occur without making any reduction in the System buy-in rate of \$3,750 per Equivalent Residential Unit.

Returning to the options for setting rates, discussion centered on a small usage rate increase and increasing the base rate for monthly service to customers who are outside of the city limits. Staff will review the decision points for setting base rate for those outside of city limits.

Council members asked staff to provide an agenda bill for a public hearing on changes to the water rate structure.

ADJOURNMENT

Without further business, Council Member Muller moved to adjourn. Council Member Eimers seconded the motion. All Council Members voted aye. The motion carried. The Council adjourned at 1:05 p.m.

Ralph Colton, Mayor

ATTEST:

Barbara Bauer, Finance Director & City Clerk