

# MINUTES OF THE CITY COUNCIL OF LAUREL

September 15, 2004

A special meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 5:30 p.m. on September 15, 2004.

COUNCIL MEMBERS PRESENT:            Dick Fritzler            Doug Poehls  
   Kate Stevenson        Mark Mace  
   Gay Easton            Daniel Dart  
   Jennifer Johnson

COUNCIL MEMBERS ABSENT:            John Oakes

Mayor Olson led the Pledge of Allegiance to the American flag.

Mayor Olson asked the council to observe a moment of silence.

Mayor Olson mentioned that former alderman Dan Mears was admitted to the hospital last Thursday with a viral infection, and he went home from the hospital today.

**PUBLIC INPUT:** None.

## **WASTEWATER RATE PROPOSALS:**

Earl Tufte, Morrison-Maierle, gave a presentation on the wastewater rate proposals for the City of Laurel. The overhead projector was used to show the following information.

### **GOALS:**

- Evaluate Overall Rate Requirements (Revenues, Expenditures, Cost Allocation)
- Assess Requirements for Reserves, Capital Projects, Inflation, Debt Service, Growth
- Restructure Rates
- Recommend Program of Annual Rate Increases

### **COMMON GOALS TO RATEMAKING:**

- Cost Recovery
- Fund Capital Projects
- Fairness
- Legal
- Simplicity
- Administrative Costs
- Rate Comparisons
- Political Factors

### **FINDINGS:**

- Revenues with existing rate structure do not meet financial goals of the City.
- Minimum of 3.5% required just to meet O&M and debt service requirements (no CIP)
- Base Rate is 50% of what fixed costs are
- Over reliance on Volume Charge (variable)
- 33% of revenue from Base Rate vs. typically 50%-60%
- Reserves will be depleted without increases
- Not using EDUs as a basis for the Base Rate
- Correlation of winter water consumption to sewer usage
- Large variance in monthly sewer revenue
- Refinery, MRL, Schools should be evaluated

### **RECOMMENDATIONS:**

- Reference the Flow of Funds Table for Increasing Base Charges
- Implement the recommended annual increases
- Target a level of \$500,000 in reserves
- Size meters appropriate for service line or demand. If not, bill as separate minimum bills.
- Continue use of 6 months winter water consumption for basis of sewer bills
- Do not include volume in Base Rate

Randomly audit 50 accounts to insure appropriate collection  
Evaluate the City's System Development and Connection Fees

Earl distributed a spreadsheet that analyzed what \$1.00 Base Rate increase on January 1, 2005 would generate with EDUs. A second spreadsheet analyzed what \$2.00 Base Rate increase on July 1, 2005 would generate with EDUs. Another spread sheet showed the flow of funds with \$1.00 to \$4.00 per year rate increases for the next five years. A fourth spread sheet showed the flow of funds with \$2.00 per year rate increases for the next five years. Copies of the handouts are attached to these minutes.

Earl distributed copies of the Executive Summary section of the Wastewater Utility Rate Study for the City of Laurel, September 2004, to the council. A copy is attached to these minutes.

Nathan Tubergen explained the proposed timetable for adoption of the five-year plan for sewer rate increases. The sewer rate increase proposal will be presented at the council workshop on September 28<sup>th</sup>, and the resolution of intent to increase sewer rates would be presented at the council meeting on October 5<sup>th</sup>. Advertisements of the intent to increase sewer rates would be published on October 6<sup>th</sup>, 13<sup>th</sup>, and 20<sup>th</sup>. Notices would also be mailed to customers at that time. The public hearing would be scheduled for November 2<sup>nd</sup>, with final adoption at the November 16<sup>th</sup> council meeting. The rate increase would be effective on January 1, 2005, with the reading of meters on January 10<sup>th</sup>.

Mayor Olson thanked Earl Tufte for his presentation.

Mayor Olson recessed the council meeting at 6:30 p.m.

Mayor Olson called the meeting to order at 7:00 p.m.

**OPTIONS FOR ADDRESSING THE SHORTFALL IN THE GENERAL FUND:**

Nathan Tubergen completed the report on the General Fund options. Copies of Nathan's memorandum to Mayor Olson and the city council members were distributed last week. Flow charts for the recommendations were included in the memo. A copy of the information is attached to these minutes.

Nathan thanked the department heads for their input in putting these options together. He went through the recommendations, which were listed in no particular order in the memo.

Nathan recommended the following list of revenues and/or transfers from the General Fund to address the shortfall and provide capital funds. During the discussion, Nathan explained the flow chart for each recommendation.

1. Overall mill levy increase for the General Fund.
2. Public safety mill levy.
3. Consider moving the ambulance services out of the General Fund into an enterprise fund.
4. Create a park maintenance district.
5. Move the maintenance shop operations into an internal service fund.
6. Review all rates and charges in the General Fund.
7. Move the library into special revenue.
8. Franchise fees implementation.
9. Annexation of new subdivisions based on the state law and by working with the planning director.
10. Promote new business in the city to bring in new jobs and new buildings.

Nathan's two main recommendations are the creation of a park maintenance district and the public safety mill levy.

With the creation of a park maintenance district, the City of Laurel could save approximately \$204,000 per year in General Fund operations. It would be an additional tax on the tax bill through a special assessments fund, and it would require a vote of the residents of Laurel.

The public safety mill levy would be for the police and fire departments. A special revenue fund would be set up to account for the additional mills, and a five-year plan for wages, operation and maintenance, and capital would be developed.

Nathan mentioned the time frame options for a mill levy election. The first option would be with the May 2005 school election; the second option would be the general election for the City of Laurel in September 2005; the third option would be a special election. Nathan stated that the election should be completed by June 30, 2005, in order to include the assessments on the November 2005 tax bills.

Nathan requested that the council give direction regarding which revenues to consider in the future.

Mayor Olson mentioned that further discussion would be on the council retreat agenda scheduled for Saturday, October 16<sup>th</sup>. Other agenda items include parliamentary procedure and goal setting.

**HEALTH INSURANCE:**

There was no discussion regarding health insurance.

**ADJOURNMENT:**

There being no further business to come before the council at this time, the meeting was adjourned at 8:03 p.m.

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Cindy Allen, Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 21<sup>st</sup> day of September, 2004.

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Kenneth E. Olson, Jr., Mayor

Attest:

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Mary K. Embleton, Clerk-Treasurer