

MINUTES OF THE CITY COUNCIL OF LAUREL

November 1, 2011

A regular 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 6:30 p.m. on November 1, 2011.

COUNCIL MEMBERS PRESENT: Emelie Eaton Doug Poehls
 Bruce McGee Mark Mace
 Chuck Rodgers Chuck Dickerson
 Tom Nelson Norm Stamper

COUNCIL MEMBERS ABSENT: None

OTHER STAFF PRESENT: Sam Painter Chad Hanson
 Heidi Jensen

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

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

MINUTES:

Motion by Council Member Dickerson to approve the minutes of the regular meeting of October 18, 2011, as presented, seconded by Council Member Eaton. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

CORRESPONDENCE: None.

PUBLIC HEARING: None.

CONSENT ITEMS:

- **Claims for the month of October 2011 in the amount of \$255,821.82.**
A complete listing of the claims and their amounts is on file in the Clerk-Treasurer's Office.
- **Approval of Payroll Register for PPE 10/16/2011 totaling \$160,273.68.**
- **Receiving the Committee Reports into the Record.**
 - Budget/Finance Committee minutes of October 18, 2011 were presented.
 - Council Workshop minutes of October 25, 2011 were presented.
 - Laurel Public Library Board of Trustees minutes of August 9, 2011 were presented.
 - Tree Board minutes of August 18, 2011 were presented.
 - Cemetery Commission minutes of October 19, 2011 were presented.

The mayor asked if there was any separation of consent items. There was none.

Motion by Council Member Mace to approve the consent items as presented, seconded by Council Member Poehls. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

CEREMONIAL CALENDAR: None.

REPORTS OF BOARDS AND COMMISSIONS: None.

AUDIENCE PARTICIPATION (THREE-MINUTE LIMIT): None.

SCHEDULED MATTERS:

- **Confirmation of Appointments.**
- **Kero variance application fee refund request.**

There was no council action.

Council Member Poehls recommended that the memorandum that Heidi Jensen created be forwarded to Anne Kero.

- **Resolution No. R11-110: A resolution of the Laurel City Council approving the proposed increase in the rates and charges for the users of the Municipal Water and Sanitary Sewer Systems to be effective on November 10, 2011.**

Motion by Council Member Poehls to approve Resolution No. R11-110, seconded by Council Member Nelson.

Mayor Olson asked for public comment.

Scott Reiter, 1810 Shay Road, represented the Laurel School District. "I just had a couple comments to make about the proposed water increase. The School District realizes that the improvements need to be made and they need to be funded somehow. And I guess our only concern is the amount of increase over such a short amount of time with such short notice. I took some time today to figure the impact on the School District. And I took the average usage for last year and applied the old rates and the new rates. The difference figuring five irrigation months and seven non-irrigation months is \$38,370. That's a teacher's salary. It's going to be quite a struggle to come up mid-budget time with this amount of money and I know you guys are all aware of the budgeting, too. Our fiscal year, I'm pretty sure, is the same as yours, July to June. Mid-stream it's going to be extremely difficult to come up with that kind of money. I guess what I would ask is, in 2010 we had a base rate increase of over 235 percent implemented, I believe it was in January 2010. Our base rates went from \$1,980.39/month to \$4,673.00/month and this rate on top of this increase it's just tough to take and I guess we would ask that you consider postponing approval of this until there is more notification to come up with the funding methods for this or explore other options to try to fund this. Thanks."

JoAnne Flynn, 1012 Penn Circle, represented the Chamber of Commerce. "I think you have all received the letter that was drafted and sent. This is on behalf of Chamber members." "Speaking on behalf of all the Chamber members, you have all received a letter. We did have a meeting Friday with several committee members from the Board of Directors and the membership to compile this letter. I think it's pretty self-explanatory. We think it's too much, too soon. We really believe that there should be a phase-in period and we would like for you to consider not making any formal final decision until we can work together with you and meet some of the requirements that we have requested. That's pretty much it. You've read the letter and it's really going to hurt our businesses. We strive to bring businesses to this town and we're in fear of not only not getting new businesses, but our current businesses not being able to make these payments and stay in business. So any questions? No."

Linda Frickel, 1737 Groshelle Boulevard, is "a business owner here in town. All of you know who I am. I own the Owl Café here in Laurel. I would like to ask each and all of you what is the most expensive thing in a restaurant? The water. I was shocked at that when I had a sewer safe (inaudible) that I had to go to when they asked what the most expensive thing in a restaurant was because most everybody thought well your meat prices. I myself was shocked when they told me it was water. The reason it is water is because you use that. People drink the water all the time, customers, and you don't charge for it. I pay for it. I can't charge for it. So it's a huge expense for a restaurant, not only mine, but any other business in town that's a restaurant or anything like that. It's a huge expense between serving water, having and then going back to the dishwasher, and that whole process. So it's a huge impact on people like us that have a small business trying to make ends meet and the economy the way it is. It's almost a make or break type thing anymore. Prices keep going up. We can't change our prices every day like other businesses that they automatically take that increase and pass it on to the next consumer. I can't do that. I have to eat that and I can't eat any more. It's almost to the point, it's either make or break me. I really am not sure, the

gentleman from, the superintendent from the school, told us what the increase in the water was for. Before that, I really didn't know what it was for but it has to do with an increase of the water system or whatever and it's supposed to be within the next five years that the EPA is requesting you to do that. But our suggestion is, why can't, and I understand if that has to be done, it has to be done. But why can't it be phased in over that amount of time rather than hitting everybody all at once with a huge increase. I think it would just make it better for everybody if another strategy was done or something else was looked at to try to phase it in rather than to impact it all at once. That's all I have. Thanks."

Mayor Olson asked if there were any other comments. Seeing none, Mayor Olson asked for council discussion.

Council Member Poehls stated that Tim Bronk contacted him about the letter from the Chamber and the issue of the water rates. He was also contacted by the owner of the quilt shop. Referring to the Chamber's letter, Council Member Poehls reviewed the list of bulleted points. Regarding the first point, he stated that the city has a Growth Management Plan and an infrastructure plan, which are open for the public's review. The timeline for improvements is in the plan. Regarding transparent analysis of the City's current financial position, he stated that the Budget/Finance Committee meets twice a month prior to the council meetings. The public is welcome to attend and nothing is hidden. Budget books are available to show everything about the city's financial position. Regarding providing an impact analysis for the city's top water and sewer users, Council Member Poehls stated that it is not the city's job to decide whether or not a business can make a profit with the cost of water or what those impacts might be. Increases are imminent to improve the water and sewer systems, as presented in the public hearing presentation. The City of Laurel commissioned the water and sewer rate study over a year ago, and the newspaper reported that he asked for the study to be commissioned. He stated that it is not the city's fault that people decided last week to do some investigation and start working on this issue. Regarding a phase-in period, he does not know how to phase in any of this. He stated that you just have to bite the bullet. This issue has been discussed for weeks and months, and there is really no way to do it. The city has to build up a certain amount of capital before it can start a project, and if the capital is not there to start the project, the city cannot start the project. Then the project would be delayed for a few years and the costs would rise. A good example is the 8th Avenue project, which would still not be done without the ARRA funds that were received for the project. The city could not save enough state funds to complete 8th Avenue and could not keep up with the inflationary costs of the project. Council Member Poehls stated that is what the city is looking at with the water and sewer plants. If the city does not put money back now, it will not be able to meet the Federal government's requirements in five years. The city has already done projects in phases and the information is available. Regarding the bond issue, the City of Laurel looks at every available grant, bond or financing possibility for every project. Council Member Poehls stated the opportunity to answer all of the questions has been available all year, and now the council has to make a decision.

Council Member Mace showed the facilities plan to the audience and stated that the large document contains all kinds of information that the city and the engineers have reviewed. He does not disagree that the impacts of the rate increases will hurt some people, but he knows that a lot of things need to be considered. He would like to see a program for conservation of water, as he thinks a lot of water is wasted. He also suggested having a plan that allows people to use an odd/even watering schedule, as some people might use more than they need. Regarding the cost, he did some internet research and was amazed at the number of cities that are going through this. It is going to cost everybody basically the same to get the plants to meet the requirements of the state and federal governments in the time allowed. A city the size of Billings is better off because they have a lot more people to spread the costs out over a period of time. Laurel does not have that, so it is difficult in that respect. He understands the importance of water, as Ms. Frickel stated. The fact of the matter is that parts of the plants are crumbling and someday the water will not be available if the plants are not updated. The 2006 study was finalized in 2007, and now it is 2011 and no surplus funds have been built up for the projects. When approaching the bonding agencies for a \$4.6 million project, their first question will be about the city's rates and funds. Water, sewer and garbage are separate enterprise funds and the funds can only come from the rates.

Council Member Dickerson stated appreciation for the opportunity to comment, as the public does not always understand why the council is not able to comment during a public hearing. The City of Laurel requested the engineering firm to tell the council what is needed to keep the plants running and to meet the requirements imposed by the governmental agencies. The engineers have provided the report, which is not what the city wanted to hear but is what needs to be done. If the funds are not available, the city will not be able to meet the requirements to keep things running at the water

and sewer plants. There would not be the option of serving water to restaurant customers if no water is available. He stated that the issue is not popular by any means. Phasing in the rate increases would not provide the needed money to meet the restrictions in the near future. Like Council Member Poehls said, it is a phrase one does not like to use, but you got to bite the bullet at some point. At some point prices are going to go up and things are going to continue to crumble and make the project more expensive a few years down the road. Council Member Dickerson spoke regarding public hearings and the requirements and restrictions the council must follow. He stated that the council is concerned and heard the public comments. It is not fun to make hard decisions, but they have to be made, just like when the school board has to make decisions regarding mill levies.

Council Member Nelson stated that, from his perspective, it is always uncomfortable to feel as though your hands are tied when you have to make a decision, especially one that is not popular personally and affects everybody. The council has looked at what needs to be done and thinks that this was the most economical method. Not proceeding at this point in time would be very expensive in the long run. He is no more thrilled about it than anybody else in the room.

Council Member Rodgers stated appreciation for the comments from the audience and the council members. He disagreed with statements regarding past history and that the city never planned for the future, as something else always comes up. Back in the 1980's, the city was mandated to upgrade the sewer plant, and the City of Laurel was able to get a federal grant of 75 percent and the city had to pay 25 percent. That was the last type of this grant available. In the early 1990's, there was a mandate on the water plant for contact chlorine time and the city was going to be fined \$1,000/day if the requirements were not met. The city tried to get loans and grants but was not able to get the grants because the city was not indebted enough. Therefore, it tripled the rates on water and that was a \$5 million project. The chlorine contact time was because the City of Laurel allowed five outside residents to tap into the water within the first 300 yards. The city had to do it then, and this is hard to do, too. The city is looking for grants for the projects.

Mayor Olson stated appreciation for those that spoke tonight. He spoke regarding partnering with financial institutions, the Chamber of Commerce and the school district and the hope that this would continue because the citizens cannot be best served to a divided enterprise of such magnitude as the school district and the City of Laurel and the Chamber and the City of Laurel. He stated that the EDU's would be a large burden. He mentioned that, at the beginning of the process, Great West Engineering presented the proposal for increases of \$12 to \$13 for water and sewer rates. After more review as directed by the council, the engineers proposed a phase-in for the rates for capital improvements. There has not been a phase-in for the base and the volume rates. Great West worked on the water and sewer rate study for a year and the council finally accepted the fifth draft after making sure that the potential pitfalls in the problem were addressed. The City of Laurel has an obligation to provide for the health and safety of its citizens in regards to drinking water. He stated that sometimes the council has to make critical decisions that impact them personally, as well as friends, neighbors and those partners needed in future endeavors. This has been a tough issue for the council and the staff.

A vote was taken on the motion to approve Resolution No. R11-110. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-111: A resolution of the City Council accepting a grant award from the United States Department of Justice for police officer protective vests.**

Motion by Council Member McGee to approve Resolution No. R11-111, seconded by Council Member Rodgers. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-112: A resolution of the City Council accepting a grant from the Montana Department of Transportation for monies to be spent on the Selective Traffic Enforcement Program (STEP) and authorizing the Mayor to sign said grant.**

Motion by Council Member Poehls to approve Resolution No. R11-112, seconded by Council Member Mace. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-113: A resolution of the City Council authorizing the Mayor to sign contracts with various contractors for the Water Treatment Plant addition and remodel project.**

Motion by Council Member Nelson to approve Resolution No. R11-113, seconded by Council Member Rodgers. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-114: A resolution of the City Council authorizing the Mayor to sign a contract with Montana Linx Manufacturing, Inc. for construction of a chain link fence around the perimeter of the water reservoir.**

Motion by Council Member Eaton to approve Resolution No. R11-114, seconded by Council Member McGee. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

ITEMS REMOVED FROM THE CONSENT AGENDA: None.

COMMUNITY ANNOUNCEMENTS (ONE-MINUTE LIMIT): None.

COUNCIL DISCUSSION:

- Review of Monthly Reports: Police, Fire, Ambulance, and Code Enforcement: None.

Council Member Poehls thanked everyone that participated in the public issue over the water rates. He stated that the council had to make the hard decision.

Council Member Mace recently spoke to the Knife River engineer that has taken over the 8th Avenue warranty period and was able to impress upon him how dark it was out around West School. The engineer promised that he would address it first thing today. The electrician that installed the lights is either filing or is in bankruptcy, so there has been some problem in getting warranty work done. Knife River should be able to get someone else to address the issue.

Council Member Nelson echoed Council Member Poehls' comments.

Mayor Olson stated that Dave Kingston, the head of the Pipeline Division for ExxonMobil, has requested council consideration for an amendment to the Temporary Construction Easement. The contract that Exxon is working under ends on December 1st and they are requesting an extension to March 1, 2012. They are also requesting verbiage that would allow Williston-Basin Pipeline to work in the park to remove a pipeline under ExxonMobil's park closure permit. All other terms would remain the same.

Heidi Jensen explained that ConocoPhillips also needs to remove an existing pipe that has come to the surface with the erosion of the river. ConocoPhillips wants to use the same crane that ExxonMobil is using to remove their pipe. The Conoco pipe is not in service and is a dead pipe that is sitting in the river. Instead of renting a crane twice, Conoco would like access for approximately five to seven days to use the same crane to put their pipe in a recycling bin and haul it off.

Mayor Olson stated that the best interests of the City of Laurel would be served with the implementation of Amendment No. 2 to the existing ExxonMobil contract and legal council would review everything. Council action will be taken at a special council meeting on Tuesday, November 8th, at 6:30 p.m. The regular council workshop will follow the special council meeting.

Sam Painter recently talked to Williston-Basin and conveyed that they need to work with the three companies to come up with a plan for the companies to work in the park without interfering with or creating a hazard for each other. He also told them of the Mayor's concerns regarding insurance coverage, as the city does not want to be involved. The city wants the park closed to insure that no citizens wander in. Since Exxon already has the park roped off and secured, the easiest way would be to amend the agreement and allow the companies to work together without the city trying to rope off certain areas for work areas. The urgency is due to the weather, as these companies would like to get in as soon as possible. Documents will be prepared and distributed to the council soon.

UNSCHEDULED MATTERS: None.



ADJOURNMENT:

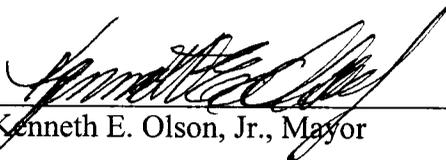
Motion by Council Member Rodgers to adjourn the council meeting, seconded by Council Member Eaton. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

There being no further business to come before the council at this time, the meeting was adjourned at 7:19 p.m.



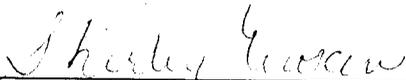
Cindy Allen, Council Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 15th day of November, 2011.



Kenneth E. Olson, Jr., Mayor

Attest:



Shirley Ewan, Clerk/Treasurer