

**Troy City Public Hearing
Kootenai Senior Center
November 13, 2012
6:30 pm**

The meeting came to order at 6:30 pm. Present: Mayor Anthony Brown; Administrative Assistant, Brad Jones; Council: Joe Arts, Crystal Denton, Fran McCully, and City Clerk Tracy Rebo.

GUESTS: Denise Whedon, Darlene Smith, Chris Hartzmann, Raymond Bucci, Donna Rugani, Bonnie Larson, Danette Fisher, Gary Rose, Linda Rose, Linda R Newstrom, Jim Baillie, Howard Nichols, James Gordon, Beth Gordon, Sheila Jones, S. Kargol, B. Kargol, Roger Larsen, John Ring, Sam Shupe, Debbie Shupe, Joyce Welch, Bob Welch, Devin Meyer, Julie Meyer, Nancy Lee, Roxie Rubier, Tyann Hermes, Terri McCann, Jayne Brown, Steve Garrett, Dan Wendt, Steve Bowen, Patty Kari, Jay Olsen, Paul Olson, Barbara Pence, David Etienne, Sheila Etienne, Sandi Sullivan, Bill Hubbard, and Karen Hubbard.

SEWER RATE INCREASE:

Mayor Brown presented the public with a proposed utility rate increase for the sewer department. He advised that there is a requirement to maintain a reserve amount that we do not have. Brown continued by stating that the operating cash is approximately \$34,000 in the hole. There hasn't been much growth, but operation costs have increased substantially in the past years.

Brown read aloud the letter from Rural Development regarding the City's water leak issues, and the audit regarding the bonds that back the sewer loan. Mayor Brown updated everyone on the water leaks by stating that two large leaks have been already taken care of. There was discussion regarding different ways to offset the sewer rate increase. Allowing a rate decrease in the water to make up for the rate increase in the sewer was one way the customer's monthly billing would not increase. There was discussion on how much the water leakage has gone down and how well the water department is doing.

Steve Garrett asked if this was the first audit and what is to guarantee this won't happen again. Mayor Brown answered; no, not the first audit and he stated that he is the last one that wants to raise rates. He brought up the interest rates and the length of the loan. Fran McCully brought up the idea to refinance the loan at a lower interest rate. Brown followed up with; it is not possible until the sewer is no longer operating in the red. Howard Nichols asked what the rate is currently at. Tracy Rebo answered; 4.25% and Mayor Brown asked her what it could go down to with a refinance. Rebo answered 3.25%. Garrett asked if there was a plan to make sure the mistakes aren't repeated again. Rebo answered that it should be taken care of with the recent changes in cost allocation. She added that the budget for the sewer is operating with the minimum possible and we are hoping the increase will help bring up the reserves and help maintain it. Wayne Maffit asked Rebo if the funds were allocated to begin with. Rebo answered; there is more of a detailed breakdown now than previously. She gave examples. Tony Brown asked Rebo if there was a loan from one department to the sewer. Rebo answered; yes, but our Auditor has advised against it.

Mayor Brown announced that the electric department is doing well enough on the residential side, that in the month of December; he is looking at not charging an electric base rate to offset the increase. The idea is that the onetime ten dollar credit will figure to be about 90 cents a month in savings for the year. He continued; the electric and water departments are healthy accounts and a savings in the electric would offset the increase for the sewer department.

ELECTRIC RATE INCREASE FOR COMMERCIAL DEMAND METERS:

Steve Garrett stated he understood that there will not be an electric increase? Mayor Brown answered; no, there will still be an electric rate increase, but not on the residential side. Brown asked for confirmation from Rebo on who will be affected. She answered; there are only 22 commercial accounts. A guest asked; if there is a surplus in the electric department; why raise the rates. Brown explained how the City purchases power from BPA, and that commercial with demand and 3-phase power customers' rates are at the same price as what the city purchases the power for. This leaves nothing for maintenance or materials. Sam Shupe asked how much the increase is. Rebo answered; less than a penny per kilowatt.

Jim Baillie stated his concerns that it is a 20% increase in one year. He stated; he would rather have paid more prior to such a big increase all at once. Rebo explained that the City's power rate went up 46% last year. She explained that the reason the rate increase wasn't passed on to the customer at the time was because there was anticipation of the rate increase so there was a higher reserve and the increases were absorbed from the reserve instead of passed on to the customer. There was discussion on the difference between the rates for all customers. Fran McCully mentioned that when the rates went up the entire time the City was absorbing it and not passing it on to the customers. Baillie stated that with the increase it is in the same line as what the company pays at Lincoln Electric. There was discussion on how the rates are figured for the City's power bill from BPA. More discussion followed regarding the definition of demand and what it means to the entire system. Garrett asked if the increase was going to affect all commercial customers or just the ones with the demand meters. Rebo clarified that it is the phase 3 + demand customers only.

Howard Nichols asked if those who leave town in the winter months getting the benefits of not being charged for sewer and water services. Rebo answered no, they are paying full rates now. McCully explained the cost allocation and it is good. She added; we've done everything we can think of to avoid the increase.

Mayor Brown stated that he wants all to be on a level playing field, and everyone treated the same. He stated that he has questions. Sam Shupe questioned demand and discussion followed. Shupe asked why the Golden Lion Manor is paying for both residential and demand. Brown answered; each unit has its own meter, but you also have a transformer that is capable of supplying power to all of those units. Rebo clarified the difference between the service charge and the demand charge. Shupe added; I also get charged for 21 water meters and the property only has 1 meter. He stated his feelings that he is only supposed to be charged according to the line size, and only one meter charge. Mayor Brown stated; that is why we are having this meeting, to get everyone in the same policy.

SEWER RATE DISCUSSION: Bonnie Larson stated her feelings that the proposal of increasing the sewer rates and decreasing the rates is fair. Garrett asked; are you sure this is going to work? Mayor Brown answered; the main thing is to show the State that we are trying to do something so they don't come in and take it over and set the rates to whatever they want. Stanley Kargol asked; when will rates go into effect. Rebo answered possibly on your January statement. Dave Etienne had questions then stated; it sounds like we are robbing Peter to pay Paul, I would say keep the water the same and increase the sewer. Mayor Brown answered; I was the last one to want to raise rates at all, and if we just solved some huge water leaks, it won't hurt the City to also allow more usage in the base rate also. Stanley Kargol asked if a time line could be put together on how long it would take to get even. Brown answered; about two years. He asked how long it would take to before refinancing would be an option. Brown answered; I think sooner than two years. McCully added; we are required to have the reserves as well. Garrett asked for assurance that this will not happen again. Tracy Rebo stated; we have been aware of the sewer issue and have been written up in the audit report for the past few years. That is about the time that the State mandated additional testing on the sewer system. Rebo continued; it looked like we were gaining ground before the \$1,500 permit needed to be renewed, and it looks like even more testing requirements may be instated. A guest asked Rebo why nothing was done in the past if there were earlier audits. Rebo answered; I think there were explanations that satisfied them at the time. Discussion followed. There were suggestions from the public to increase the sewer rate one more dollar to move the fund into the black sooner so the refinance can be done before the interest rates increase. Wayne Maffit asked what the sewer rates were based on, consumption? Mayor Brown answered; no. Rebo answered; I believe it is based on our expenditures. Rebo advised of the loan amount and monthly payment amounts. She added that the rates haven't been raised since the system was installed. Devin Meyer asked if was going to satisfy the State requirements. Rebo advised that she has been in contact with the funding agency and a raise in rates as a solution does satisfy them. Discussion followed. Garrett asked if the City had received any donations. Mayor Brown answered; no, not since I've been here. He added; that most donors will not donate toward things like the sewer.

Meeting Adjourned 7:30 p.m.

Anthony E. Brown, Mayor

ATTEST:

Tracy Rebo City Clerk/Treasurer