

MINUTES OF A CONTINUED MEETING OF THE CITY
COUNCIL OF THE CITY OF COEUR D'ALENE, IDAHO,
HELD IN THE COMMUNITY ROOM, COEUR D'ALENE PUBLIC LIBRARY

January 17, 2019

The Mayor and Council of the City of Coeur d'Alene met in a continued session of said Council at the Coeur d'Alene City Library Community Room January 17, 2019 at 12:00 Noon, there being present upon roll call the following members:

Steve Widmyer, Mayor

Dan Gookin) Members of Council Present
Dan English)
Woody McEvers)
Loren Ron Edinger)
Amy Evans)

Kiki Miller) Member of Council Absent

MEMBERS OF EXECUTIVE TEAM PRESENT: Troy Tymesen, City Administrator; Vonnie Jensen, Comptroller; Mike Gridley, City Attorney; Terry Pickel, Water Superintendent; Kyle Marine, Assistant Water Superintendent, Rob Stark, Utility Supervisor, and Mike Anderson, Wastewater Superintendent.

GUEST PRESENT: Angie Sanchez Virnoche, Vice President/Principal FCS Group and Sergey Tarasov, FCS Group Project Manager.

CALL TO ORDER: Mayor Widmyer called the meeting to order.

WATER RATE STUDY REPORT – Water Superintendent Terry Pickel noted that on January 15, staff presented these proposed fees to the North Idaho Building Contractors Association (NIBCA), who was supportive of the recommendations within the report. He noted that there is a modest rate increase proposed that would be further explained by the consultant. Mr. Pickel introduced Angie Sanchez Virnoche with the FCS Group who noted that the previous city water rate study was conducted in 2012 with the Water Comprehensive Plan Update, which recommended a phased approach to fee increase over five years. The phased approach left the recommended funding levels slightly short of anticipated project funding goals. She noted that there is some new case law regarding rate setting that they followed to ensure that the rates proposed are legally defensible. Also with FCS, Sergey Tarasov noted that they analyzed the asset value of the public water system and determined a net replacement value of \$191,902,015. He explained that they looked at long-term needs and focused on remaining sustainable over many years. Some of the key assumptions used included a 20-year projection, customer statistics, an escalation factor of 1.5% (based on infrastructure growth), a review of fiscal policies, operating expenses, emergency capital reserves, and system reinvestments. He noted that they did not see a need for any new debt service over the next five years, even with the

planned \$22,771,180 expenditure for capital improvements between the years 2019-2023. He reviewed the revenue requirements to cover the forecasted expenses beyond the next five years, which demonstrated the need for an average rate increase of 3.5%. The average residential customer will only experience an approximate \$.69 increase. Mr. Tarasov explained that the current rate structure includes three rate classes: residential, non-residential, and irrigation. The proposed structure includes the following classes: residential, non-residential low (less than 50 Kgal/month with a minimum of 6 months occupancy), Non-residential high (more than 50 Kgal/month with a minimum of 6 months occupancy), and irrigation. He reviewed the current rate schedule versus the proposed rate structure and explained the variable rates. He noted that some customers might have a less than a 3.5% increase dependent upon their use. Mr. Pickel noted that he reviewed rates around the region and the City of Coeur d'Alene's is less than half compared to those across the state. Ms. Sanchez Virnoche reviewed the cap fee structure and noted that the method established in the 2015 Supreme Court ruling is the conservative approach used to set the maximum allowable rate. Under the court approved methodology, the formula is to use the gross present day value of replacing the system, deducting any bond principal and unfunded depreciation (accumulated depreciation was used), which equals a net system replacement value for the current year divided by the number of used and available EDU's to equal the total allowable capitalization fee per equivalent unit. She noted that future capital could not be included in this formula. Following the formula the city's net system present day replacement value is \$191,802,015, setting a total capitalizing fee per EDU maximum of \$6,179.00. However, after thorough review of capital project needs, the proposed cap fee is \$2,918, and a 3.5% increase for residential rates. Ms. Sanchez Virnoche reviewed the recommendations to include the an annual 3.5% rate increase, expansion of the existing classes to include low and high non-residential users and an third tier to residential and irrigation classes. They are recommending new rates affective April 1 and every January 1 thereafter.

DISCUSSION: Councilmember Gookin asked for clarification regarding the 1.5% growth rate used, as he understands the growth to be 2%-3%. Mr. Pickel explained that the 1.5% refers to the system growth not population growth. Discussion ensued regarding what was included in the 3.5% rate increase. Mr. Pickel noted that the increase includes the cap fee and user rate increase. Councilmember English asked for clarification regarding what is included in irrigation. Mr. Pickel explained that irrigation is anything other than domestic and non-residential use, usually sprinkler systems for green space and excess use during the summer that equals about 70% of the usage. Mayor Widmyer asked for clarification regarding the seasonal use and if the rates were going to be based on average use. Mr. Tarasov noted that it would have to be consistent use to hit the higher rate category. Mr. Pickel noted that they are looking at the non-residential to see how many are in the over 50K usage category, and that they are working on the policy regarding consistent use. Mayor Widmyer felt it would be important to give the businesses notice of what they are going to pay. Mr. Tarasov noted that they could charge based on historical use to determine class of service. Ms. Sanchez Virnoche clarified that when one gets their monthly bill, they will be charged according to use. Mr. Tymesen confirmed that bills would be based on that monthly use and often businesses use a lot of summer irrigation and would be charged accordingly. Ms. Sanchez Virnoche noted that the group of non-residential over 50K users is estimated to be about 10% of the business customers, equaling about 304 customers. Councilmember Evans asked that those businesses be given individual notice. Mayor Widmyer noted that the message to all customers is to look at your water usage and hopefully use less.

Discussion ensued regarding the prohibiting costs of installing an irrigation line meter separate from the water line meter.

Mayor Widmyer asked for clarification regarding the 1% capital reserve estimate and where it is captured in the funding presented. Ms. Sanchez Virnoche noted that capital reserves should be based on replacement costs, which is approximately \$1.11 Million. Mr. Pickel noted that the approximately \$2.7 Million in cash covers the capital reserve and approximately three months of operating expenses. Mr. Pickel confirmed that the first increase would be from April 1 to January, then each year on January 1 thereafter. Councilmember Gookin noted that it would be a good time to encourage the Parks Department to work toward using greywater for summer irrigation. Mr. Pickel noted that it is expensive to install the piping for grey water; however, it would be great to find grants for that, and that they continue to work toward solutions.

MOTION: Motion by Evans, seconded by English set a public hearing for February 5, 2019, for approval of a user rate and cap fee increase as recommended by FCS Group. **Motion Carried.**

ADJOURN: Motion by McEvers, seconded by English that there being no further business, this meeting of the City Council is adjourned. **Motion carried.**

The meeting adjourned at 1:25 p.m.

ATTEST:

Steve Widmyer, Mayor

Renata McLeod, City Clerk