

JOINT POWERS WATER BOARD MINUTES
Regular Meeting of
July 24, 2006
6:00 PM JPWT Plant Board Room

6:00 PM **Call to Order** by Chairperson Joyce Paullin

Board Members Present: Joyce Paullin, Jerry Zachman, Joe Marx (alternate for Joe Hagerty), Gerhard Kottke, John Vetsch (arrival at 6:01 PM)

Board Members Absent: None

Staff Present: Chris Catlin, H.R. Green, Kelly Browning, Veolia Water NA

Staff Absent: Shelly Keyes, Veolia Water NA

MOTION BY ZACHMAN, SECOND BY PETERSON, TO ADOPT THE AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

There was no one present under the **Citizen Forum**.

MOTION BY ZACHMAN, SECOND BY KOTTKE, TO APPROVE THE MINUTES OF THE JUNE 26, 2006 REGULAR MEETING. MOTION CARRIED UNANIMOUSLY, WITH PETERSON ABSTAINING DUE TO NOT BEING IN ATTENDANCE AT THE MEETING.

Vetsch arrived at 6:01 PM.

MOTION BY PETERSON, SECOND BY KOTTKE, TO APPROVE THE CONSENT AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

There was no **Unfinished Business**.

Under **New Business**, Browning introduced the discussion of proposed rates and fees for 2007. The three member Cities have requested that Joint Powers adopt their rate and fee schedule by August of each year to accommodate the Cities' notification to developers and builders. There was discussion regarding a proposed "irrigation rate", as well as a commercial rate. The irrigation rate proposed was staff's effort to capture capacity needs in the higher tier of water users, in response to the recent joint staff meetings. This option was favored by City and Joint Powers staff over an "irrigation WAC fee" due to the inability to control / catch unpermitted irrigation systems being installed. It was felt that the larger residential irrigation users needed to be impacted more significantly in order to be an effective water conservation measure, as well as a fair way to have the high capital cost of facilities required to serve these users to be borne by those users.

Peterson questioned whether there was a documented need for the increase in this tier and how this increase would calculate into dollars. Browning stated that the revenues are directly dependant upon weather-related water usage and cannot be predicted. We can model certain conditions, such as usage this past year at the current rate vs. the proposed rate, but the largest impact would be in the larger community irrigation systems. Peterson stressed that he was against any fee or rate increases of any kind, as they already have

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enough pressure about their fees. Browning explained that all of our current capital projects are projected in the cash flow analysis to be paid for out of cash as opposed to bonding for the money. For this reason, it is important to maintain the cash flow in order to meet the current project schedules, as well as the current debt service requirements. Additionally, the Joint Powers Water Board does not have any other revenue source other than connection fees (WAC) and user fees and there seemed to be concern from member City staff members about increasing WAC fees, also. At this time, user fees do pay a proportionate amount of debt service in addition to the ongoing operations and maintenance expense. Browning pointed out that the cash flow projections show an extremely low cash balance (operating cash) at year end in 2008, which was the primary impetus for an increase in revenues topped with the dramatic demand impact on the system due to irrigation systems. The goal has been to have those causing the increase in costs to be the ones to pay for those increases, which is sometimes easier said than done as each City has varying opinions about rates/fees.

Peterson stated that Albertville would prefer to have the increases for capital be in the WAC fees. Browning stated that is the appropriate way to pay for capital, however City staff members also have concerns about the slowdown in development this year coupled with potential increases in fees. Peterson reiterated that he felt that it was too large of a jump and it was “punishing” people for wanting their grass to be green. Catlin explained that treatment plant capacity / expansion is dictated strictly by those peak days of usage (hot days with tremendous irrigation taking place), therefore it only made sense to appropriate those peak day customers the corresponding dollars. Browning also stated that the DNR requires water suppliers to use water conservation measures, such as this, as a condition of approving additional water appropriation permits. Every time the Board applies to add wells to its permits the DNR reviews the Board’s rate structure and other conservation measure or incentives.

Further discussion followed, which included the potential for different or additional tier levels, new sod/seed, irrigation practices, and number of customers that may be affected. It was the consensus of the Board to table approval of the 2007 fees and rates until more information can be reviewed in terms of the bottom line impact on the revenues if these fees and rates are adopted (or not). Browning stated that the office was still waiting to complete second quarter billing in order to be able to evaluate how the new rate structure (no minimum) has affected the overall revenues.

A commercial rate (median rate) was also discussed. Browning recommended that a commercial rate be adopted, as there appeared to be an unfair imbalance in the rate structure for commercial accounts. The inclining rate structure currently being used was designed with residential water usage levels in mind. Many commercial and industrial businesses use high volumes of water at any given time, but may be relatively low by individual industry standards. A particular business may have significant conservation measures in place but still fall into the highest tier of the rate structure. No motion was made on this item at this time.

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Browning introduced the irrigation well incentive program idea that Steve Bot had suggested recently. The purpose of the program would be to discourage the use of municipal water for irrigation purposes by making it more cost-effective to drill an irrigation well to be used strictly for lawn irrigation (primarily larger systems). The proposal was to rebate the WAC fee that the irrigation system owner had paid for their connection; the refunded monies would then be put toward the cost of installing an irrigation well. Browning stated the benefit in capacity savings would far outweigh the dollars rebated, as these large irrigation systems utilize much more capacity than one WAC fee really covers. There was some discussion but no motion made at this time.

The capital drawdown schedule was reviewed briefly. Browning noted that she noticed there was some information missing in the packet that she would like to include as a part of the budget discussion and comparisons of 2006 and proposed 2007, so she recommended tabling the budget discussion and approval to the August meeting, as well.

Under **Engineering**, Catlin briefly discussed that the Wellhouse #9 / ASR project is just about to break ground and gave a brief update of the project.

Under **Operations/Office**, there was nothing additional to report.

MOTION BY ZACHMAN, SECOND BY KOTTKE, TO APPROVE THE LIST OF CLAIMS AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

MOTION BY PETERSON, SECOND BY ZACHMAN, TO ADJOURN AT 6:50 P.M.
MOTION CARRIED UNANIMOUSLY.

Recording Secretary