

**NOTES FROM A FINANCE COMMITTEE MEETING HELD WEDNESDAY, JUNE 20, 2012 – 5:03 P.M. – ROCKVILLE CITY HALL**

The meeting was called to order by Chair Sue Palmer. Roll Call was taken and the following members were found to be present: Chair Palmer, Mayor Hagen, Randy Volkmuth & Duane Willenbring. Absent: None.

Also present: Administrator/Clerk Rena Weber, Utility Billing/Administrative Assistant Judy Neu & Public Works Director Rick Hansen.

Other's present: Rick Tallman & George Bechtold.

**CONSIDER MAINTENANCE WORK ON WELL #3 – Rick Hansen reported on the following:**

- Well #3 was drilled in 1997
- AWA recommends you pull your well every 7 years to inspect the pump, screen, motor, etc.

Bids received were:

<b>TRAUT WELLS</b>	<b>\$16,147.00</b>
<b>THEIN WELL</b>	<b>15,877.35</b>
<b>WERNER WELL</b>	<b>12,731.30</b>

***Motion by Member Volkmuth, second by Mayor Hagen, to recommend approval of the low bid by Werner Well – not to exceed \$12,731.30. Motion carried.***

**GRANITE TOPS SEWER HOOK UP – Rena Weber presented copies of the Minutes of 6/1/05 where the council motioned to: Allow the new building to be constructed with the water/sewer being hooked to the city services now and further that the present structure hook up to the system within 12 months.**

Rick Hansen reported that there is a y from the main building to hook up to the rear buildings.

***Motion by Mayor Hagen, second by Member Volkmuth, to recommend the council require that Kip hook all three buildings to city services before a certificate of occupancy is issued. Motion carried.***

**DEBT MGMT STUDY –Rena Weber noted that two areas need to be discussed:**

2003 Sewer Bond - \$106,000  
2009A Refunding - \$125,000

**WATER/SEWER RATE STUDY – Staff were present to discuss the studies that have been done thus far and requested discussion on some questions.**

ENTERPRISE FUNDS – Need to be run like a business

WATER – three versions have been worked out

Based on 383 units – not meters (Judy present loss in revenue if meters is used)

Also average number of persons in a unit is 2.5 based on US Census Bureau

- a) O & M only
- b) O & M and depreciation
- c) O & M, depreciation & outstanding debt

SEWER – this is more difficult to figure out so we are using O & M only –

Debt is charged out separately for the 1995 downtown sewer debt.

- Staff reviewed the budget line item by line item – some areas Actual 2011 cost was used and 2012 budget
- For instance Labor is figured at 60% Lakes area VS 40% downtown
- PIP and Brentwood are billed the same as downtown and their revenue is included in the downtown revenue while their actual disposal is through the lakes area pipe.
- Cold Spring charges based on the meter readings at the plant.
- The MN Rural Water formula does not work to calculate sewer rates. Depreciation is done annually by the auditors for reporting purposes and really skews the numbers.
- LAST RATE CHANGE WAS 2004

QUESTIONS FOR COUNCIL TO CONSIDER:

1. Depreciation – do you want it included in the water rates?
2. Outstanding debt not being paid by developers –  
Should this be borne by all taxpayers through tax levy?  
\$125,000 per year on Water – 2009B Refunding Bond (PL Water Tower)  
\$106,000 per year on Sewer – 2003 PFA Loan Lakes Sewer
3. Carl Brown – noted rate analyst recommends the city adopt a policy/resolution stating “The Council of Rockville resolves to set and maintain utility rates that are fairly structured for the ratepayers and high enough to adequately fund the system on a sustainable basis.”  
Member Willenbring and staff attended Mr. Brown’s class on water rate setting. We do not have to do adopt conservation rates so this should make things simple.

QUESTIONS RAISED WERE:

What kind of balances do we have in each of the sewer funds? Lakes Vs Downtown

What is the cash balance on the accounts?

Can we apply some of the excess from the bond payments against the delinquent balance?

Rena reported the account cash balances are:

Fund 601 Water \$238,462

Fund 602 Sewer \$896,238

What is coming in on annual basis for assessments that are being paid?

What isn’t paid?

How many more years are left on the bond payments?

Member Willenbring expressed concern that we don’t want to cross subsidize two water systems? No the should be one.

STAFF TO PROVIDE:

Debt payments on all water sewer bonds

Assessments that accrue on each bond

O & M

Any assessments left on the downtown water?

Talk to Joe Rigdon – how did he base the \$106,000 and \$125,000

Member Willenbring wished to suggest that MN Rural Water should be used in the study. Fair and adequate are two words that have to be used when doing a rate study. He attended a seminar put on by MN Rural Water where Carl Brown used these two words.

Member Volkmuth reported that we made a lot of assumptions years ago that did not come to fruition – blame it on the council, blame it on the staff, whatever, we need to move on.

Mayor Hagen asked Member Willenbring just what are you recommending? Do you want them to come in and make recommendation?

Member Willenbring would like to explore the rate using 383 units Vs 272 meters; that is what he hears all the time. There should be one water fund and two sewer funds.

Chair Palmer stated that we looked at that a few years ago in depth and decided to leave things the same.

Member Willenbring stated that a 2” line should be charged more than 1” line. That is the biggest challenge. He questions how in a 24 unit apt. with one water meter the city can provide the same amount of service. The value of the water once it goes past that meter should be looked at. There could be a letter to the editor and we don’t need that in the paper.

Mayor Hagen asked where are you going to draw the line?

Member Willenbring asked why should the core city continue to pay for the debt of the tower at Pleasant Lake?

Chair Palmer stated that the base rate and usage has to cover the cost of water.

Member Willenbring stated that the meter is the base and the total base cost divided by 272 not 383.

- Would need to determine the base cost

Rick Tallman stated that he has a bill showing 0 usage and was charged \$423.

Member Willenbring stated you guys on the finance committee don’t understand – that is what the professionals are saying?

Mayor Hagen stated that not everybody agrees with Mr. Brown; there are extremes on each side. The more units you have the potential for more usage.

Chair Palmer stated that in her opinion there are two issues:

- 1) What do we do about O & M
- 2) What do we do about Bond Payments
  - Fixed asset study – make available
  - 2 bonds being spread over the whole city
  - Depreciation – should be set aside in a special fund

Member Willenbring suggested that in regards to roads – depreciation should be set aside too.

What money is coming in from Assessments?

What are the Bond payments & delinquent Assessments?

What is the expected revenue on O & M?

**BANK AND INVESTMENT RECONCILIATION** – A review of the May bank reconciliation and investment balance was done.

***Motion by Member Volkmuth, second by Member Willenbring, to recommend approval of the reports as presented. Motion carried unanimously. Motion passed on a 4 – 0 vote.***

**ADJOURNMENT: *Motion by Member Volkmuth, second by Mayor Hagen, to adjourn at 5:59: p.m. Motion carried.***

Submitted by:  
Rena Weber  
Administrator/Clerk