

MINUTES
SPECIAL COUNCIL MEETING
STUDY SESSION-UTILITY RATES
COOK CITY COUNCIL
FEBRUARY 24, 2011 – CITY HALL – 5 PM

PRESENT: Mayor Harold Johnston, Councilors Jody Bixby, Kim Brunner, and Elizabeth Storm
ABSENT: Councilor Karen Hollanitsch
OTHERS PRESENT: Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Cindy Palm and Maintenance Supervisor Bud Ranta

Mayor Johnston called the special council meeting to order at 5:00 p.m.

This February study session focuses on water and sewer utility rates and fees.

Utility rates were last raised in 2008 as follows: A base cost of \$20 for water and \$34 for sewer plus \$5.20/thousand gallons for water, \$3.95/thousand for sewer and \$1.44/thousand for a replacement fund. The base charges reduce the debt for infrastructure replacement while the usage charges are used for operating expense.

In previous years, the city has produced a loss on water and sewer revenues, and has replaced a poor and aging infrastructure, while utilizing as much funding sources available. The combination resulted in passing increased rates to the consumer but developing a new infrastructure with a replacement plan for the future. A progressive approach was taken as rates would have been increased but monies were being spent to repair an aging and dilapidated system.

Administration met with the City Auditor and Minnesota Rural Water to review the current rate structures and to provide the council with recommendations for rate restructuring moving forward.

As rates will need to be increased to avoid continued losses, it was discussed to address fee increases first, and then follow up with smaller staged rate increases. Seasonal, inactive and turned off accounts should be charged a base fee as they are on the system and add value to the property. If utilities are accessible to the property then they should pay down the debt as well for city infrastructure.

Utility fees for new service, turn on and off, commercial water fills, and water tower space leases will be reviewed to determine if these rates can justifiably be raised according to the city cost to provide these services.

In researching the above information for the water and sewer rate study, the following results are indications of what direction the council will take to adjust the current rate structure:

Seasonal, inactive and turned off accounts are all different as some properties have buildings on them and some do not. If these properties are charged to be on the system then collections for these charges may be difficult. City policy is to turn accounts off for non-payment and these accounts are already off. Uncollectible accounts are assessed to property taxes and can take up to many years to collect on which will result in unrealized revenues that have been anticipated.

The council will consider raising utility fees for new connections, turn on and off, water meter charges and water tower space lease based on city cost to provide these services.

The goal of the rate study is to break even on water and sewer sales and to keep rates affordable to the consumer.

Gary Giroux of Walker, Giroux and Hahne will attend the March study session to discuss depreciation, the replacement fund and to make recommendations for staged rate increases.

Maintenance Supervisor, Bud Ranta informed the council that the maintenance garage is inefficient to heat. He will provide a breakdown of utility losses for the next study session. Further research will be conducted to determine if a new maintenance garage will need to be constructed in the future.

Mediacom currently utilizes the property adjacent to the old water plant and has a building on the property. Further research will decide if a monthly charge will be added to lease the property from the City.

Motion by Storm, second by Bixby to adjourn the meeting at 5:50 p.m. **MOTION CARRIED**

Respectfully submitted,

Cindy Palm
Deputy Clerk/Treasurer