

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

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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 March 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 attended the meeting to discuss depreciation, the replacement fund and to make recommendations for staged rate increases.

Gary Giroux cited a letter that had been received from USDA for federal regulations requiring the City of Cook to balance the deficit in the water and sewer enterprise funds as part of the 2010 audit. The city began to meter water as federally required for this loan.

Gary Giroux recommends raising rates to comply with Federal USDA regulations to balance the deficit in the water and sewer enterprise funds. Future regular increases are needed to balance the water and sewer budgets as follows:

|             |      |   |
|-------------|------|---|
| Water       | Base |   |
|             |      | \$20 (stays the same) and change usage per thousand gallons from \$5.20 to \$7.40 |
| Sewer       | Base |   |
|             |      | \$34 (stays the same) and change usage per thousand gallons from \$3.95 to \$4.85 |
| Replacement |      | change usage per thousand gallons from \$1.44 to \$2.00                           |

Motion by Storm, second by Brunner to accept the City Auditor's recommendation to raise utility rates to be in compliance with Federal USDA Regulations by reducing the deficit, as presented, in the Water and Sewer Enterprise Funds.

**MOTION CARRIED.**

A combination of rate and fee increases, transfers from another fund and reducing expenses will all contribute to reducing the deficit for the water and sewer enterprise funds.

Depreciation increased in 2010 for the new tower and well and these funds are expensed annually for future replacement.

Funds will be transferred from the liquor store in the amount of \$20,000 to reduce negative cash in the water and sewer enterprise funds.

Motion by Storm, second by Bixby to transfer \$20,000 from the liquor store fund to the water and sewer funds to reduce negative cash. **MOTION CARRIED.**

Motion by Storm, second by Bixby to adjourn the meeting at 5:55 p.m. **MOTION CARRIED**

Respectfully submitted,

Cindy Palm  
Deputy Clerk/Treasurer