

**UTILITY COMMISSION
REGULAR MEETING MINUTES
September 19, 2016**

CALL TO ORDER

Pursuant to due call and notice thereof the regular Utility Commission meeting of the City of Rosemount was called to order on September 19, 2016, at 5:31 p.m. in the Conference Room of the City Hall, 2875 145th Street West, Rosemount.

President Connolly called the meeting to order with Commissioners McDonald and Nelson, Rosemount Mayor Droste, City Administrator Johnson, Director of Finance May, Public Works Coordinator Watson, Public Works Interim Director John Morast, and Recording Secretary Erin Fasbender attending.

ADDITIONS OR CORRECTIONS TO AGENDA

Connolly moved the President's Report to now and stated verbatim the following:

“At the August Utility Commission meeting, I felt the meeting discussion had gotten a little out of control and beyond the scope of the duties of the Utility Commission. As the Commission President, I did not do a good job of reigning in the discussion and managing the content of the meeting in a manner that could result in proper discussion among the Commission members, having allowed input and direct discussion with member from the audience that could be considered breaking protocol for the Commission meetings.

In an attempt to maintain an open discussion and keep these meetings informal, yet remain on-topic, I intend to manage these meetings as follows:

- 1) The following individuals (or any designees sitting in for them at the meeting) will have the right to speak respectfully without being called upon during the “Old Business”, “New Business”, and the “Executive Director's Report” sections:
 - a. Utility Commission Members
 - b. Ex-Officio Utility Commission Members (Mayor and City Administrator)
 - c. Executive Director
 - d. Any individual presenting material (insomuch as they are speaking or responding to questions on that agenda item).
 - e. The recording secretary, to inquire on any items needing clarity for the meeting notes, and to do roll calls on votes.
- 2) At the time we have “Audience Input” in the meeting agenda, any other members of the audience who wish or intend to speak to the Commission will be asked to identify themselves and the agenda items they may wish to speak on. Following presentation of the respective item (or items), that person will be recognized and called on by the Utility Commission President prior to speaking.
- 3) Should you wish to speak to an item not identified, or you don't identify an item you wish to speak on in the agenda ahead of time, please raise your hand following the presentation of the respective item (or items) to be recognized by the Utility Commission President.
- 4) For items requiring a vote by the Utility Commission (typically in Old and New Business), The Utility Commission President will close the open/public discussion of the item and allow only discussion among the Commission members, and then call for a vote on the item.

Should anyone have specific questions about upcoming meeting agenda items that you may want to have answered at a future meeting, I encourage you to submit that question or inquiry to the Executive Director ahead of the meeting, so that it may be considered for the agenda. The Executive Director is responsible for setting the agenda topics and determining what items require action by the Utility Commission.”

AUDIENCE INPUT

None

APPROVAL OF MINUTES

Motion by McDonald **Second** by Nelson.

Motion to approve the minutes of the August 15, 2016 Utility Commission meeting.

Ayes: 3.

Nays: 0. Absent: 0. Motion carried.

OLD BUSINESS

None

6. NEW BUSINESS

6.a. Water, Sewer, Storm Water Rate Review

Water Rate Review

Staff has completed its annual review of the water utility fund activity and adjusted the model to reflect proposed changes for 2017 and beyond. Based on this review, staff is proposing a rate increase that will result in an overall net increase of 3.4% to the water portion of the utility bill for the average water user. Watson provided an overview of the models and the detailed calculations used in the model.

This year there were several changes to the model that Watson pointed out. The important item to note is the expected year-end balance (before debt services) section. When we look fifteen years out, we want the year-end balance to be at minimum, of our annual expenditures. In 2017, 2018, and 2019 you can see our year-end balance growing due to the factoring in of a water treatment plant. The debt for this plant would begin around 2020.

Typically the water utility fund takes on all or most of the debt and different this year we factored in having the core and capital investment funds take on the share of the anticipated debt. The share costs of the water treatment plant would be 75% from utility fund and 25% from core/CIF funds.

The overall proposal for the utility rates is to increase the fixed rate and base rate 4% annually. Last year we adjusted our tiers, so that the second tier is 25% higher than the base tier. Those tiers are not necessarily a 4% increase from the year before as they are based on the tier above it. Watson provided samples of how exactly these updates will impact a low, high and average user along with how it will impact the typical utility bill.

Sewer Rate Review

The sewer model has been used for several years however the last few years staff has left out an optional scenario, where we consider the impact of not having second meters. Based on this review, staff is proposing to increase the fixed rate \$0.50 and the usage rate 6% annually. The sewer charge is based on water usage except for those who have a second meter, and then no sewer charges apply.

The Met Council charges are the main line item in this memo that drives our model. The Met Council charges have fluctuated over the past several years, but a 5% per year appears to be a reasonable estimate based on historical data. These charges are what we pay Met Council for all the flow that leaves Rosemount and it is more than half of our expenditures.

The biggest point of discussion is the impact of the second meters. We assume that all of the water that a second meter user uses is going into their lawns and are not going down the sewer. Those residents that do not have a second meter are being charged based on their full water usage regardless of how they are using their water.

Staff is requesting that Utility Commission recommends that City Council approves scenario one, which is our current scenario. Scenario one continues to bill with the second meter and the customer would not pay sewer charges on the second meter. Over the past few years, the council has not been presented an item like this as it comes as part of the fee schedule update.

Droste made it clear there is a metro wide need for water conservation and conservation policies need to be in place. Watson mentioned we have made efforts as a staff to conserve by educating people and helping them find ways to conserve. Connolly made note there is now a Sustainability Taskforce in place who should have input on the water conservation topic. Morast stated we are currently in the data collecting stage and we won't know until further in the year what the impact will be of our current conservation efforts.

Droste requested from the Utility Commissions to provide data to see whether or not we gained the investment of the watering control meters in our parks as well as details on the efforts we made on the water rebate program.

Connolly questioned who has the authority to say one way or the other in regards to whether we keep second meters or put a moratorium on them. Connolly is asking to look back at previous Utility Commission packets to see what recommendations were made to the city council.

The sewer is a component and a decision that homeowners make when they don't want to pay for water that is not going into the sewer. May's belief is the rates charged will drive people to conserve water, not the inability to have a second meter. We follow the DNR's requirements for our tier system which is below average compared to many other cities when it comes to penalizing high users. May believes that if we put a moratorium on second meters, we will then take away the ability for consumer savvy residents to make decisions on how they'd like to control their water costs.

The three utility commissioners determined it would be best to set up a special work session to discuss different resident billing scenarios and the impacts the second meters have on residents.

Storm Water Rate Review

New this year, we have not had a storm water rate model. For the last several years, we have been increasing our rates by 5%. For 14 years, we have not looked into whether or not we need the 5% increase.

By using the same assumptions we used in the other two model and looking out at 10 year balance, staff proposes a 4% vs. 5% annual increase.

Watson provided examples of real users and how they will be impacted on staffs' proposed changes. For example a low user's biggest impact is sewer rates. An important item to note is quarterly usage is different for each resident as everyone gets billed at a different time (cycled).

Droste pointed out it would be a good year to evaluate second meters as it has been a wet year and there has not been much of a need to water all season as we have in the past.

Watson informed all that on our web page we have a specific area dedicated towards water conservation. Staff uses this as a way to educate people on the impact of water conservation. We also have a newsletter that goes out at spring to illustrate this as well.

McDonald proposed to set up a special utility commission work session to review the raw data before we propose a recommendation to the city council. The goal of the special work session will be to review all data in preparation for the October utility commission meeting. Staff will provide all previous meeting minutes that included discussion in regards to water conservation, utility rates and irrigation meters.

Other items mentioned were the Vermillion Watershed, which was proposed to the utility commission this past spring and it entailed a few intriguing items. They raised a concern that not all of our water has to go down the Mississippi in a pipe, which was our assumption over the past ten years. Now, it appears they will allow the water to go south or southeast of the city as well. By December, Johnson is hoping we will know more about this allowance when the rates are determined.

Also, Morast raised a point that staff has been receiving several complaints regarding ponds this year. Morast would like to look at these ponds and establish consistency across these ponds as part of the MS4 compliance.

Motion by Connolly **Second** by Nelson.

Motion to approve proposed water, sanitary sewer and storm water rate changes for scenario one.

Ayes: 3.

Nays: 0. Absent: 0. Motion carried.

6.b. Proposed Utility Budgets

Watson presented the models which reflect the budgets we are proposing for next year. Storm water utility stands out mostly due to MS4 permit compliance and a few major storm water improvements. Once a Public Works Director is in place, a plan needs to be developed where we look out 10-15 years with projects in mind.

May brought to our attention that the storm water utility pays half the cost and the storm water core pays the remaining half when we have projects in budget. You need to double those numbers in order to see the full impact of the cost for the project as we don't have a budget for the storm water core.

Motion by McDonald **Second** by Nelson.

Motion to propose utility budgets to city council for approval.

Ayes: 3.

Nays: 0. Absent: 0. Motion carried.

7. PRESIDENT'S REPORT

Connolly temporarily moved this agenda item to follow "Call to Order"

8. EXECUTIVE DIRECTOR'S REPORT

8.a. City Projects Update

Morast updated us on the larger projects.

- Well 16 drilling of the production well is complete and the well house design is underway.
- 145th Pedestrian improvements is slow in coordinating with Union Pacific
- Danbury Way final paving is this week and we will do a final lift later in the season
- Safe Routes to School development is underway. One hiccup with the retaining wall as it was pushed in a bit to the property. John coordinated with two residents and things are looking much better.
- Well 4 has been converted to an observation well. Well 5 has been sealed. Site restoration remains for both wells.
- Eastside Utility Study is being completed by SEH
- Parking lots plans are done and will put on hold until next year. We will plan on advertising this winter

8.b. 2016 Well Pumping Report

The report was reviewed and it was noted that overall the report is showing a good trend for 2016 as our peak points are lower than in 2012 & 2013. Going forward, staff will continue to look at our well and monitoring systems as Quarter 3 is typically our highest usage.

8c. Set Next Meeting Agenda for October 17, 2016.

OTHER UPDATES

Morast provided an update regarding Summit's presentation at the recent council work session informing the council of what we have and what we can do to move forward to see what our real time usage is, how the wells affect each other and how we can get our wells talking to each other. A decision was made to move forward with Summit to see what we can do to elevate the use of our system.

Then, Watson brought to the committee's attention that Flint Hill pumps from a private well and we are not tracking how much of that water is going through our sewer. Watson suggests we determine how to meter this to capture the amount as well as determine exactly where it is all going.

ADJOURNMENT

Motion by Connolly **Second** by McDonald

Motion to adjourn meeting at 7:30 p.m.

Ayes: 3.

Nays: 0. Absent: 0. Motion carried.

Respectfully submitted,

Erin Fasbender
Public Works Secretary