

**VILLAGE OF DRESSER  
PUBLIC WORKS COMMITTEE MEETING  
AUGUST 25, 2014  
MUNICIPAL BUILDING**

Wayne Moberg called the meeting to order at 6:33 PM. Roll Call: Wayne Moberg, Richard Durand, and Darron Nelson. Also present Jodi A. Gilbert/Clerk and Scott McCurdy-Cedar Corporation. This meeting was posted that a majority of the board members could be present for this meeting. Grace Bjorklund arrived at 6:50 pm. No other public or press was in attendance.

The purpose of the meeting is to discuss Dresser Sewer Rates. Moberg turned the meeting over to McCurdy. McCurdy stated first let's go back over so many years. 2005 was the first time I took a look at the sewer rates. You were in a position of revising your rates since Osceola was putting in a new plant. We went back and forth and put through a rate increase at that time. After the housing market dropped we tried to go back to Osceola and renegotiate the rates, but they had done their facility plan at the peak of the housing market and were stuck. There were several communities in the area that had the same experience and they are all trying to figure out how to pay for things. There is a lot of excess in the current plant. The most recent rates were set in 2009 at \$40 per quarter, a minimum usage of 4,500 gallons and a volume charge of \$9.75 per 1,000 gallons. McCurdy passed out a hand out for the committee to review. Page 1 shows the current number of customers in the Village broke down by classification. Total customers are 378. The 2<sup>nd</sup> sheet shows the amount of flow and the costs from 2011 to 2014 to the Village of Osceola. When I looked at the flows I just doubled the 1<sup>st</sup> half of 2014 to come up with the total numbers. The flows vary from 15 million gallons to 25 million. 2012 was a dry year and 2014 has been a very wet year. When you look at an average we are around 18 million gallons being sent to Osceola yearly. When you compare this to what you are billing Dresser has approximately 9 to 10 million gallons of clear water in infiltration and because of the way we are set up with Osceola you compute the costs on the total flow. The numbers on page 2 were reviewed. The Village is roughly paying \$8.38 per 1,000 gallons to Osceola. This does not include your costs. Now turn to Page 3. I used 2013 flows and did some averages. The average flow for a residential customer is 9,450 gallons per quarter. The question is how are we going to balance out these rates. You are billing based on what is used, but we don't know actually how much is discharged. For instance on the industrial side F&A Dairy pays for the water, but they do not pay for the sewer. Now look at Page 4 which shows the audit analysis for 2010 – 2013. I broke the revenues down by residential, commercial, industrial etc users. On the Operating Expense side I looked at plant operation costs, maintenance fees, admin and Gen, and finally Osceola. You also need to throw in depreciation and in doing so you come up with the red numbers. You can see that in 2012 you almost balanced. Otherwise you are yearly running \$47,355.00 to \$54,422.00 in the red. Not good. Looking at these numbers this is how much we need to make up. OK turn to the last page. This is my billing alternative summary. We show the annual revenue needed, which is \$275,775.00. We have listed the quarterly charge, plus the minimum usage charge, and the volume charge. We ran those numbers based on the customers to see several alternatives. The question now to you is how we move forward with this. You can see by the last option that you would finally have a balanced budget. I also thought in some numbers if you adopt monthly rates in the future. When you realistically look at this it is not even conceivable to recommend to the board to go from current rates to the \$60 alternative. One thing to look at is what an average customer is using. If they are at 9,500 gallons already they are paying for that between volume and minimum. Increasing the minimum usage brings an increase uniformly across all residential customers. In my view if you hold the minimum usage

to a lower number you will have an in balance somewhere along the line. The goal is to get revenues up to \$277,000.00, which means raising the rates \$50,000 over one year. Maybe you will need to do this over 3 years. Need to make it doable for the people. Maybe you would be able to do it in 2 years. It has been well documented that the rates have to go up in order to balance the utility. Any questions? Nelson stated you laid it out pretty well. We are probably going to have to do something middle of the road. Next year bump it up one level and then the year after that another increase. It really is up to the board if they want to do this in 2 or 3 or 4 jumps. The Auditors have been pushing for you to do an automatic increase. That has not been very popular and it has been a very touchy issue over the years. You may want to establish the middle – keep it for 2 years and then do another rate increase in 2 years. Anything you do will improve the bottom line. We need to play with the numbers. Durand stated now if we have a dryer year it will affect the numbers. McCurdy stated yes that would help improve the numbers, but you do have an aging sewer system. Infiltration is a big problem. 1<sup>st</sup> quarter 2014 everything was frozen then in the spring you have 7- 8 million gallons of clean water. This is an exceptional amount. The first time we talked about this we made recommendations to address I&I. Knowing that you are going to have to do that it is hard to spend money when you don't have a positive balance. Durand stated things aren't going to get any cheaper. We don't want to continue to leave hardships for the people down the road. Any recommendation needs to be based on what is good for the residents and what does the Village President want to do. Basically one thing that we can look at over the years based on the audit reports is that your costs are pretty static unless you have to fix something. When looking at rates do we incorporate something for anticipated upgrades or improvements? 2010 was the only year there was \$36,000.00 in maintenance completed. Right now there is no maintenance being done. You are not being proactive. Grace Bjorklund arrived at 6:50 pm. McCurdy stated my recommendation is to look at a rate increase. Look at the numbers and talk about different rate increases and see how to build into the rates some money for maintenance. Do you want to propose taking the utility into the black in one year or do it over several years and should we be adding in maintenance money. Right now these numbers just breaks us even with no maintenance. The new rates may be easier to budget with a monthly bill instead of a bill every 3 months. You can't really mess with the minimum usage since this doesn't change your rate it only guarantees you so much money at a particular time. The other question is how you sell this to the public. Keeping the minimum usage and bringing it up allows everybody to pay closer to the same thing. Back on page 3 the average quarterly usage for a residential customer was 9,500 gallons. There are a lot of factors to consider and a lot of infiltration. Here in Dresser your residential customers are who are paying for the majority of this. The population in Dresser is 895, which could be averaged out to 7,500 gallons per person. Going from \$83.88 to \$142.50 is a large jump. McCurdy stated I would suggest doing it over 3 years. People need to understand the utility would run for 2 years with still having losses. The Utility is not out to make money. The Village has costs that have to be paid. Again the \$60 alternative gives us no additional money for maintenance. How do you get another \$40,000 is to increase the volume charge by .50 cents or maybe even a \$1.00. Maybe we look at the rates with an extra \$1.00 so in three years you would have revenue around \$300,000. Bjorklund stated every year you have higher operating costs. Yes things should continue to go up. If we can get the utility operating in the black then we could do an annual 2% increase every year. You need to remember that with the past rates we were assuming F&A was coming on board and also assumed we would have new hook up fees on new houses with continued new growth. That didn't happen. Bjorklund stated I think a rate increase over 3 years. 7,500 is an average useable minimum number. Maybe we should

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look at \$10.50 for the first year. McCurdy stated tonight was to get information in your hands and find out what you want to do and then determine how we do it based on what you want to see done. If you want to look at a 3 year increase I could come back with some recommendations. Do we want to come back to the Tuesday board meeting or wait until the October meeting? Nelson stated I think we should go to \$10.50 right away. We need to determine when this would start and how many increments. When you look at the base charge and go to monthly billing you won't see it as much. We should do the rate increases over 3 years. Do one in 2015 then mid year in 2016 with the biggest increase right away and then do smaller increases. First do \$50 7,500 \$10.50 on 1/1/15, and then possibly look at \$75 7,500 \$11 on 7/1/16. Of course the numbers will change when you go to monthly billing. Eventually \$60 7,500 \$12 on 1/1/18. Do it as a package deal. Approve all steps together. At the same time you do go after I&I. The Village is already looking at a couple of projects. Then the costs are more capital then operating. Money would be coming from a different place. You would also be building \$20,000 into operating and could replace equipment as needed. When you look at history you don't have a lot of expenses and the fund could start to build up. McCurdy stated I could rerun the numbers looking at increases, dates, and the impact on the sewer bill. Make it more elaborate then this handout. Now I have a sense for what you want. Nelson stated we are not adding houses and we need to make some type of adjustment. Bjorklund stated you will show monthly versions of the quarterly charges. McCurdy stated yes. How do you want to present this? It needs to get done. The cost of wastewater is like the cost of health care and it keeps going up. The plant in Osceola as it is operating should be able to handle the DNR changes that are coming in regarding to discharge into the St Croix River. Phosphorus levels are reducing, which will increase the chemical costs. I can bring this back to you by next Tuesday.

Motion Moberg/Nelson to have McCurdy bring back to the Tuesday Board meeting updated numbers and we will present them to the board right away. If this came back to committee nothing really will change. If the board chooses this committee could meet again, but we would need to have a different plan. The revenue numbers are not going to change. All in Favor. Motion Carried.

Nelson stated it is not a hard decision. We need to do it. We have left this go too long and it is not going to get better. McCurdy stated you should look to build into the system some flexibility to raise those rates. Rates were last set in July 2009 – 5 years ago. After an annual audit you have the opportunity to do an adjustment in June/July every year. This could be looked at on an annual basis.

Motion Nelson/Durand to adjourn at 7:40 PM. All in Favor. Motion Carried.

Jodi A. Gilbert - Clerk/Treasurer

These minutes have not been approved.