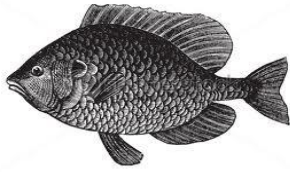


UTILITY MEETING MINUTES

Wednesday, January 29, 2020 @ 5:00 p.m.

Village Office

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VILLAGE OF WEBSTER

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- I. CALL TO ORDER** – Village President, Roberts called the meeting to order at 5:00 p.m.
- II. PRESENT** –Chairman, Sears; Village President, Jeff Roberts; Member, Sarah Casady; Village Trustee, Tim Maloney and Village Trustee, Weis. Others: Village Auditor, Jonathan Sherwood; Public Works Director, Jay Heyer; Clerk/Treasurer, Kuhnly. Absent: Member, Kelsey Gustafson.
- III. WATER AND SEWER RATES AND UTILITY FUND BALANCES** – Village President, Roberts gave the floor to Village Auditor, Jonathan Sherwood. Jonathan began by informing the committee that at year end of 2018 (2019 numbers are still being finalized), that in reserves, there is unrestricted dollars in the amount of \$87,165 in the Sewer Utility Fund. This number has been decreasing over the past 6-7 years due to the need to dip into it to continue operations. With this trend, he does not advise using the unrestricted dollars. He went on to say that the objection of most boards/councils are for the sewer utility to cash flow itself and to break even. Jonathan put together a primary spreadsheet and this shows that with the 5% increase, that took place on 1st of the year, 2020 cash flow requirements will put in an extra \$2,000. (Receivables will increase about \$40,000 and cover the typical operating loss of this amount, leaving an extra \$2,000 for the sewer fund.) This will result in breaking even. This does not take into consideration the sludge removal project. For this project, he suggests taking out a loan either through the Board of Commissioners of Public Lands or with a bank. He also recommends not going more than a 15-year term on the loan. Trustee, Weis asked why. Jonathan said that in approximately 15 years, the sludge will probably have to be removed again. A 15-year loan, at 3.25% interest, the debt service requirements for the loan would be a payment of about \$29,851 a year. The amount is principle and interest combined. This means an additional 17% sewer rate increase, on top of the already approved 5% increase, would be needed to break even in the Sewer Fund. Trustee, Maloney confirmed that the sewer fund has been being tapped and asked what the typical operating cost, for sewer utility, have been. Jonathan said for 2019 he is projecting operating revenue at \$123,000 and operating expenses of \$169,000; resulting in an operating loss of \$46,000. For 2018, there was a loss of \$47,000, 2017 was a loss of \$20,000 and an \$11,000 loss in 2016. Jonathan projects that the sewer fund will continue to operate at a loss. Yet, with the 5% increase this should result in breaking even; if operating costs remain the same. Public Works Director, Heyer asked if part of the yearly loss is due to the payments for the sewer project that was done about 5 years ago. Jonathan said there are 2 sewer related loans being paid to the Board of Commissioners of Public Lands. The SCADA System loan payment is split 50/50 with water and sewer and the other is for sewer improvements. These loans were taken out in 2015 and will continue until 2035. Trustee, Maloney asked if excess in Water Fund be paid towards Sewer Funds. Jonathan said can do inter-fund borrowing but the sewer fund is responsible for the sewer costs. PSC approval is needed for water fund. Trustee, Weis asked Jonathan his thoughts on a tier approach rate increase of 9%, 7%, etc. to avoid a double-digit percent of increase and if this would require a longer time period of yearly increases. Jonathan thought increments would work as long as it's not a 2-3% increase. Trustee, Weis said his thoughts are to start at 9%. And then, yearly increases to eventually reach an accumulated total of 20% increase to cover costs and pay for future debt. Jonathan

said a lot of other municipalities build in a replacement charge, this would be on top of current sewer rates, for future capital improvements. This helps to internally finance improvements and not borrow as much. Trustee, Maloney asked the balance in the Water Fund. Jonathan reported it has an unrestricted net position of \$178,400 with operating loss of \$7,600. Trustee, Weis said this barely covers the cost for painting water tower. Trustee, Maloney thinks it will cost more. Weis and Maloney agree that sludge removal is more urgent. Trustee, Maloney asked Public Works Director, Heyer if once sludge pumped would it last another 20 years before needing it again and Heyer said he thought so. President, Roberts asked Jonathan if money can be taken out of the General Replacement Fund and put into the Sewer Fund to cover sludge removal cost. Jonathan would need to check State Statue, but he believes it is up to the Board. He suggests this be an inter-fund loan due to taxpayers vs sewer utility customers as they are all not the same. Heyer said we can do 1 pond this year and another the next year. This could be more expensive as they would need to come back and interest rates on a loan may increase. Heyer stated that Cooper Engineering will be here in next couple weeks and should come up with a more solid estimate of costs associated with the sludge removal. Jonathan said he can also provide a full rate case. President, Roberts asked that he do that. Trustee, Weis asked Public Works Director, Heyer the timeline for scheduling the sludge removal. Heyer said this Spring. Jonathan left at 5:20 p.m.

President, Robert suggests the committee take some time to think over the options and decisions can be made at a later meeting. This will also allow time to receive updated cost estimates for the sludge removal and confirm the option of pumping to local farmer's fields. Trustee, Casady agrees with a tier rate increase. Roberts suggested 8% increase for 3 years. Trustee, Weis said operating at a loss is not the way to go into the future. Trustee, Maloney said that future improvement costs should be minimal that would require Sewer Funds; the only major project is the sludge removal of sewer ponds. Public Works Director, Heyer commented that the village has an aging infrastructure with the under-ground piping. Maloney said that is fix it as needed. Heyer interjected that part of the plan, 3 years ago, was line sewer mains but it was dropped because it would have cost a lot more money. He said this is something that should be planned for soon due to aging pipes in the ground. Trustee, Maloney asked if this is street or sewer issue. President, Roberts said a sewer issue. Heyer said streets would not be torn up.

IV. ADJOURNMENT. Motion was made by Member, Casady to adjourn the Utility Committee Meeting at 5:27 p.m., seconded by Trustee, Maloney. **Motion carried 5-0.**

Respectfully submitted,

Jeff Roberts

Jeff Roberts, Village President
January 29, 2020

***These minutes are subject to approval at next month's Regular Meeting.