

**POLSON CITY COMMISSION MEETING MINUTES
CITY HALL COMMISSION CHAMBERS
MONDAY, JUNE 15, 2009, 6:00 P.M.**

ATTENDANCE: City Commissioners: Bruce Agrella, Jim Sohm, Jules Clavadetscher, Mike Lies, Elsa Duford, Fred Funke. Mayor Lou Marchello presiding. City Attorney/Acting City Manager James Raymond present.

Others Present – Those who signed the attendance sheet for the public hearing: Dick Giffin, Noma Giffin, Marilyn Trosper, Dennis Labanty, Jackie Hicks, Kay Witham, Janice Lindsey, Ken Siler, Rory Horning, Lee Manicke, Beth Smith, Tony Porrazzo, Cindy Willis.

CALL TO ORDER: Mayor Lou Marchello called the meeting to order and the pledge of allegiance was recited.

APPROVAL OF PROPOSED AGENDA: Motion made by Commissioner Agrella, seconded by Commissioner Lies, to approve the proposed agenda as presented. Motion carried unanimously.

PUBLIC HEARING: INFORMATIONAL PUBLIC HEARING ON WATER AND SEWER RATE STRUCTURE ANALYSIS BY CARL BROWN CONSULTING LLC: Mayor Marchello welcomed Carl Brown and noted that there will be an opportunity for questions after his presentation. Carl Brown provided the basis for his analysis, indicating where the information he used to compile his results came from. He noted that how he arrived at the results of his analysis is a complicated formula and will explain it briefly. The results of his analysis provides what rates are needed to support future operations and improvements to the water and sewer departments. He acknowledged that it is a management decision of how to run and fund the water and sewer departments. He stated that the details of his analysis includes a lot of material, data gathering and number crunching and are available in his full report. He explained that he started his own business as rate analyst five years ago, a field in which he has seventeen years experience preparing related analysis for government entities. He has worked on projects including capital improvement input to rate setting. His focus is on the key issues, to insure that the utilities are properly funded, to be able to provide long term service and set a rate that provides adequate funding and that the rate is fair. He noted that his wife, Jackie Hicks is the Vice President of their company and is responsible for the development of the spreadsheet they have provided in the report. They were hired by the City of Polson to analyze the water and sewer rates, that they are adequate and fair and to look at the future needs. They gathered the usage data and put the information into the data base to project the future usage. Currently the rates are structured for conservation so higher users pay a higher cost per thousand gallons after 12,000 gallons use, per billing cycle. His analysis shows that the City will need \$96,000 per year to have adequate funds for replacement and depreciation, using a 3% budget increase per year. You either cut expenditures or raise the rates and fees to balance the budget to provide adequate funds to be able to provide adequate service. Capital improvements are very costly but grants can reduce the cost to the user. He knows from past experience that the current rates are not sufficient to cover inflation. His chart proposes a different rate structure with new rates and to charge by the unit with no minimum charge. In summary he noted that the key issues are that the water and sewer rates need to be increased. He compared the pump records with the number of gallons being billed, which showed that there is 66% being pumped and not billed. He recommended starting to meter the water being used by other city departments in order to find out what amount is being lost by leaks in the system, and then they can decide whether to bill the departments. Water and Sewer Superintendent Tony Porrazzo explained that MDOT installed an irrigation system for the landscape of the Highway 35 and 93 project which the City is required to maintain and that is being metered but not billed out and uses a significant amount of water. The City Parks also have irrigation systems which are not metered. He remembered that they took some of those meters out around 1980 and it would be up to the council whether to bill the other department.

He will include the cost of purchasing additional meters in his budget and will install the meters in the City departments' buildings and facilities. It will be up to the City Council whether to bill the departments but they need to know where the water is being used and need to keep track of the usage. Carl Brown agreed that they need to know what amount is being given away. He recommends changing the rate structure with no minimum charge for up to 5,000 gallon usage and charge per thousand gallons making the rates high enough and fair for all users, the same rates for residential and commercial accounts. He recommended a surcharge for high capacity use which are 10% of the users. He estimated that with the one million dollar working capital last year and projected two million for next year, by 2010 the water would be in a break even point without an increase in rates. The justification for the rate change is that there are no general funds available, the rates would be more fair to the general rate payer and the rate change would allow maintaining the necessary reserve. He recommended that the sewer rate be changed in the summer to the winter average use for each property, which is more accurate and a fair way to set sewer rates. The current charge is not fair, the usage is not accurate and subsidizes the larger users. Commissioner Duford asked if there is an incentive for conservation in chart 3A and if all the water were metered more revenue would be generated and the rates could be lowered. Carl Brown replied that the assumption was that there is a significant water loss. There are few utilities using conservation charges for sewer. Comparing the current sewer rates to the water rates, the sewer rates are unfair for the average residential user, which he recommended to be a minimum charge to be fair and adequate. James Raymond asked what was included in the one million dollar reserve he mentions in his report. Carl Brown replied that the utility needs adequate working capital and charging cheap rates results in a low balance for capital improvements. If the community does not qualify for grants then it needs a higher capital outlay reserve. Murat Kalinyaprak suggested that the billing be changed from 1,000 gallons to 100 gallons to generate more income per month. Carl Brown replied that the revenue would not increase overall with that change. He explained that the ten year projection of 3% to 5% stays within the inflation rate and is a projection only. The rates need to go up in the future by 5% to match inflation, which ranges from 2 % to 8%. Lee Manicke asked how fair the proposed increase is, if most people in Polson, with the current rates, can't afford to irrigate their lawn. Carl Brown replied that with his proposed rate change the irrigation rate would go down and it would provide a more aggressive conservation rate. Murat Kalinyaprak suggested that if they sell water for less the quantity of use would go up and would generate more revenue, if water quantity is not an issue. Carl Brown replied that there is a basic cost to get water to the customer. Rory Horning noted that if 40% of the water is being paid for then the critical issue is to find out where the 60% of the water loss is going. Mayor Marchello thanked Carl Brown for his presentation and noted that his report contains good and helpful information.

Mayor Marchello stated that the regular meeting will convene at 7:15 p.m. The public hearing was adjourned at 7:07 p.m.

CITY COMMISSION MEETING

Mayor Marchello called the City Commission meeting to order at 7:15 p.m.

CONSENT AGENDA:

- A. CITY COMMISSION MEETING MINUTES – JUNE 1, 2009**
- B. PROCLAMATION – ANNUAL FAMILY DAY – 4TH MONDAY IN SEPTEMBER, 28,2009**
- C. REMAINING MAY CLAIMS AND JUNE 1 – 15 CLAIMS**

Motion made by Commissioner Agrella, seconded by Commissioner Funke, to approve the consent agenda, item A. City Commission Meeting Minute of June 1, 2009, B. Proclamation to observe Annual Family Day on September 29th, 2009, and C. Remaining May Claims and June 1 through 15 Claims. Motion carried unanimously.

ORDINANCE #647 – SECOND READING – ESTABLISH STORMWATER UTILITY AND RATE STRUCTURE - \$4 PER MONTH FLAT FEE – EFFECTIVE JULY 15, 2009: James Raymond explained that the changes to the first reading of the ordinance are to section 6.01.030 Service Areas; A. Inclusive of all property receiving city water or sewer utility service. And section 6.01.050 Monthly Storm Water Service Charge at the rate of \$4.00 (four dollars) per month. **Motion made by Commissioner Clavadetscher, seconded by Commissioner Sohm, to approve the second reading of Ordinance #647 to Establish Storm Water Utility and Rate Structure at a flat fee of \$4 per month effective July 15, 2009, inclusive of all property receiving city water or sewer utility service.** Commissioner Duford expressed her concern that the public was not informed and more information should be provided to the public. She noted that there were no proponents that spoke in favor of this utility at the public hearing. She adamantly objects to additional fees. It's easy to raise rates but she is concerned about the effects on fixed income residents of Polson. She questioned if residents will have to purchase flood insurance to protect against storm water runoff damage to their property and questioned the penalty clause for violations as stated in the ordinance. City Attorney James Raymond replied that MMIA, the City's liability insurance carrier, would handle any claims and the only penalty would most likely be to turn off the water if the account was not paid. The penalty clause is the same for all City ordinances, unless otherwise stated, which are laws that have been adopted by the City Commission. Commissioner Duford stated that there were four letters received in opposition and nobody from the public spoke in favor of the storm water utility. She felt the public needs time to digest the information and they shouldn't vote on it at this time until the public has a chance to digest the information. Rory Horning said he is also opposed and questioned what was stated in the ordinance. According to zoning regulations developers are required to take care of storm water on site and this ordinance requires them to pay twice and he felt the city doesn't care. **Motion carried. Commissioner Duford opposed.**

REQUEST A CHARITABLE DEDUCTION ON AN EASEMENT WILL MAVIS GAVE TO DENNIS DUTY FOR A WATER LINE: City Attorney James Raymond explained that Will Mavis owns land on top of Skyline Drive where the pressure booster main line went thru his property. The easement was granted to the City by Dennis Duty on behalf of the Ridgewater Subdivision. Will Mavis is asking the City to sign off on a blank IRS tax form for a charitable tax deduction. James Raymond suggested that Will Mavis should provide the City with an appraisal to determine a value of the donation, and felt that having the water line on his property adds value to his property. Commissioner Clavadetscher suggested that the City send Will Mavis a letter acknowledging that the City received an easement and according to his knowledge of accounting it is for the donor to determine the value. **Motion made by Commissioner Clavadetscher, seconded by Commissioner Funke, that the City send a letter to Will Mavis stating that the City of Polson received the easement for the water line across his property.** Kyle Karstens suggested sending a copy of the recorded easement that the City received. Rory Horning explained that having an easement is somewhat of a loss to a property owner because you can't build over an easement. **Motion carried. Commissioner Lies opposed.**

APPOINTMENT OF KYLE KARSTENS TO POLSON CITY LIBRARY BOARD OF TRUSTEES TO FILL TERM WITH REMAINING TIME THAT EXPIRES JUNE 30, 2013 AND JAMES RAYMOND TO FILL TERM THAT EXPIRES JUNE 30, 2009: **Motion made by Commissioner Clavadetscher, seconded by Commissioner Funke, to approve the appointment of Kyle Karstens to the Polson City Library Board of Trustees to fill a term with remaining time that expires June 30, 2013 and James Raymond to fill a term that expires June 30, 2009.** Commissioner Clavadetscher explained that he would like to have a discussion before voting on this motion. City Attorney James Raymond explained that his research shows that there is one term that expires the end of this month and one unexpired term. Commissioner Agrella said he only knows of one vacancy on the Library Board. Carole Olson, member of the Library Board of Trustees, explained that she filled out an agenda item request form for the appointment of a board member expiring 2013. After delivering the form to City Hall it was changed and the June 30, 2009 appointment was added. The board members are eligible for

two full 5 year terms according to established procedure, which they have followed for 42 years. The Library Board puts a lot of consideration into screening the candidates for this position which they didn't have an opportunity to do for James Raymond and the current board member is interested and eligible to be reappointed. She requested that the City Commission consider the two appointments separately. Cindy Willis said she is not a member of the Library Board and does not live in the City limits but is wondering about the process. The Polson City Library Board of Trustees is a board appointed by the City Commission, yet in the past the names have been brought to the Council for approval, by the recommendation of the Library Board of Trustees. She spoke in favor that the City Commission look at each appointment separately. Bonnie Triepke stated that a year ago she was thinking of applying for a vacancy on the Library Board and realized going through the process that although she had an interest it required a lot of dedication to do the job, and is a very important citizen commitment and she believes it needs applications from more than one person. Jackie Gran, member of the Library Board of Trustees, explained that there is one seat on the board open at this time and Kyle Karstens was voted by the board to be recommended for approval by the City Commission tonight. The other seat is held by Sharon Richardson, who is filling in a one and a half year vacancy, and will be considered for reappointment at their June Board meeting. This has been their protocol for the last forty-two years and the process of reviewing applications has been carefully considered. She further explained that Kyle Karstens would replace Nadine Clayton and Sharon Richardson was approved by the City Commission one a half years ago and is eligible for two more 5 year terms. Commissioner Duford asked if an application is required. It was clarified that the Library Board of Trustees request applicants to fill out a form. City Attorney James Raymond disagreed and said he believes the board members have to be reappointed. Commissioner Sohm asked what the process involves. Jackie Gran replied that since 1967 they have published a notice of vacancy and invite the applicants to attend their meetings, they give tours and provide information about the position. Then the board votes to recommend an applicant for approval by the City Commission. City Attorney James Raymond replied to Commissioner Sohm's question, stating that their process, expectations, assumptions are not in state statute or in any written understanding about what process they use. Rory Horning stated that the same should apply to all board appointments and it should be clear whether members are required to reside in the City limits or out of the City limits. Murat Kalinyaprak said from his perspective, since the Golf Board members have no term limits and can stay on as long as long as they are willing, he wondered what is so special about the Library Board. Commissioner Sohm asked what the unexpired term limit is. Jackie Gran replied that they could serve for 14 years at the most with serving unexpired terms for the first 5 year term. She clarified that Sharon Richardson can serve two five year terms and she has served one and a half years of an unexpired term. She will be up for approval to serve a full five year term at their June 30th Library Board meeting, since she has expressed interest in being reappointed. **Commissioner Clavadetscher amended his motion to approve Kyle Karstens appointment and to table James Raymond's appointment until Sharon Richardson's term has ended. Motion seconded by Commissioner Agrella. Motion to table James Raymond's appointment carried unanimously. Motion to appoint Kyle Karstens to the Library Board of Trustees for a term to expire June 30, 2013, carried unanimously.**

AUTHORIZE CITY MANAGER TO SIGN CONTRACT FOR STIMULUS DOLLARS FROM HB645 MONTANA RECOVERY ACT GRANT \$93,466 : Motion made by Commissioner Lies, seconded by Commissioner Funke, to authorize the City Manager to sign the contract for HB645 Montana Recovery Act Grant for \$93,466 to upsize water main lines in ten blocks of Riverside Addition. Motion carried unanimously.

SCHEDULE SPECIAL CITY COMMISSION MEETING ON MONDAY, JUNE 29TH, AT 6:00 P.M. - PUBLIC HEARING FOR FY08/09 BUDGET AMENDMENT AND FY09/10 PRELIMINARY BUDGET- MEETING TO FOLLOW TO APPROVE RESOLUTION TO AMEND FY08/09 BUDGET: Motion made by Commissioner Clavadetscher, seconded by Commissioner Lies, to schedule a

special City Commission Meeting on Monday, June 29th, to conduct two public hearings, one at 6:00 p.m. for FY08-09 Budget Amendment and another at 6:30 p.m. for the FY09-10 Preliminary Budget, with a regular meeting to follow to approve Resolution #994 amending the FY08-09 budget. Motion carried unanimously.

RESOLUTION #993 – AUTHORIZE MAYOR AND TREASURER TO OBTAIN LOAN OF \$69,500 TO FINANCE THE PURCHASE OF 20 GOLF CARTS AT FIRST CITIZENS BANK @ 4% FIXED RATE: City Treasurer Bonnie Manicke informed the City Commission that a public notice was advertised May 21 and 28 requesting bids for a loan to finance the purchase of twenty golf carts. She clarified that the obligation to the Golf Department for this loan is \$15,000 annually for the next five years and there is one year left on the loan for the carts purchased three and a half years ago. **Motion made by City Commissioner Lies, seconded by Commissioner Agrella, to approve Resolution #993 to authorize the Mayor and Treasurer to obtain a loan of \$69,500 at 4% fixed interest rate from First Citizens Bank to finance the purchase of twenty golf carts. Motion carried unanimously.**

APPROVE PLEDGED SECURITIES FOR INVESTMENTS: City Treasurer Bonnie Manicke explained that this is a housekeeping measure for the City Commission to approve the securities pledged for public funds on deposit as shown on the attached report she prepared, dated May 31, 2009. She explained that the securities exceed or are at par, as required by state statute. **Motion made by Commissioner Funke, seconded by Commissioner Lies, to approve the pledged securities for investments as presented by City Treasurer Bonnie Manicke on a report dated May 31, 2009. Motion carried unanimously.**

MAY 2009 CASH REPORT: City Treasurer Bonnie Manicke stated that there are no negative balances on the May 2009 Cash Report. She informed the City Commission, relating to General Fund revenues that there is a bottleneck at the Department of Revenue, therefore there is no tax revenue recorded. Approximately \$468,000 revenue with a 98% collection rate is expected. Also the Entitlement Share revenue of \$100,000 is expected in June. **Motion made by Commissioner Agrella, seconded by Commissioner Clavadetscher, to approve the May 2009 Cash Report as presented by City Treasurer Bonnie Manicke. Motion carried unanimously.**

CITY MANAGER COMMENTS: James Raymond, City Manager/Acting, informed the City Commission that Brandon Parker passed his water operator test and is now a certified water operator. He congratulated Brandon and noted that he would get an increase per hour for getting his certification. They received confirmation from DEQ that the City will receive two additional grants from the stimulus dollars, one for \$10,000 and one for \$5,000. They plan to use the funds to take field trips to look at other mechanical systems and talk to operators, complete water sampling and establish a storm water baseline to be able to progress forward. The preliminary design has been completed by the engineer and a final design is required for the placement of two reservoirs on Hillcrest Drive. The request for proposals is being advertised with a three week deadline and a three week review period. They hope to proceed as fast as possible with completion in approximately two months. He noted that 1.13% is being siphoned off for administrative purposes at the state level from the stimulus grant money, some of which was approved tonight, through HB645, which made available to cities, ten million dollars of stimulus money through a block grant. He explained that Water and Sewer Superintendent Tony Porrazzo plan to upgrade the water pipe in ten alleys in the Riverside Addition and finish the surface with a nice gravel mat.

PUBLIC COMMENT ON MATTERS OF SIGNIFICANT INTEREST TO THE PUBLIC NOT ON THE AGENDA : Murat Kalinyaprak asked about the sign in sheet at tonight's meeting, that was done away with a year ago. Mayor Marchello replied that the sign in sheet is for the public hearing only. Murat Kalinyaprak asked if the project to update the City's municipal codes to bring them in line with the new charter form of government had been completed by the City Attorney and if he was paid the amount

allocated by the City Council several years ago. Mayor Marchello replied that he should come to City Hall during business hours if he has questions he wants answered. Murat Kalinyaprak replied that the use of asking the question is to put it on record and he will go to City Hall during business hours and complete the public request form. Rory Horning said it came to his attention that we are going to have a rural fire house down the road. We have a problem in that we are trying to build fire safety for the people of this community in the rural sections and we are having to decide whether we are going to have a four inch water line, a two inch water line or maybe even a smaller water line that will be used to fill up tankers to protect the citizens of this community. The request of the fire chief is a four inch line and were told by the City that they would levy a \$22,000 impact fee but if they drop down to a 2" inch line the impact fee is only \$13,000. The impact fees by their own definition are fees for the impact on infrastructure. He finds it very interesting that they are having infrastructure built and are going to charge an impact fee. It's almost like the recent discussion about how 50% of the water that is going somewhere is used by the city departments so why would the city charge itself when it's the city's water. He believes someone should look into this so we don't build a fire station with a substandard two inch line because we are trying to save a couple bucks. He suggested it would be nice if we would build the best fire station we can and we don't charge each other for impact fees.

Mayor Marchello adjourned the meeting at 8: 10 p.m.

Lou Marchello, Mayor

ATTEST: _____
Aggi G. Loeser, City Clerk