

CITY OF POCA TELLO, IDAHO  
CITY COUNCIL WORK SESSION  
MAY 9, 2019

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AGENDA ITEM NO. 1: Mayor Brian Blad called the City Council Work Session to order  
ROLL CALL at 9:01 a.m. Council members present were Heidi Adamson, Roger Bray, Rick Cheatum, Linda Leeuwrik and Beena Mannan. Council President Jim Johnston was excused.

AGENDA ITEM NO. 2: Dana Olson, Committee President; and Peggy Johnson,  
AFRICAN SISTER CITIES Secretary/Treasurer; from the African Sister Cities  
SUBCOMMITTEE UPDATE Subcommittee were present to discuss the Subcommittee's goals and projects, as well as Council's policies and expectations.

Ms. Olson explained she serves on both Sister Cities Subcommittees and has been working with the organization for 35 years. The Committee appreciates the City's support. She noted the African Sister Cities Subcommittee started in 2000 and is mostly a fund raising organization.

Ms. Johnson shared pictures of the Kwaremenguel area depicting culture and events in connection with the African Sister Cities Subcommittee. She noted there was major flooding in the area and crocodiles tend to roam into the area causing issues. Ms. Johnson reported the ambulance purchased with funds from the Pocatello Committee is being heavily used. Letters from different individuals impacted by the Committee were shared.

Mayor Blad and the City Council thanked the Committee for their work and commitment to the individuals they serve.

AGENDA ITEM NO. 3: Todd Christiano, Raftelis representative; and Jeff Mansfield,  
RAFTELIS Public Works Director; were present to review the development  
-UTILITY RATE of a multi-year financial plan, costs-of-service and utility rates for  
STUDY the City of Pocatello for Fiscal Year 2020 through Fiscal Year 2024.

Mr. Cristiano gave an overview of the presentation regarding the City's utility rates. The presentation will include: 1) Rate-setting process; 2) Water financial plan and rates; 3) Water Pollution Control plan and rates; 4) Idaho Water and wastewater typical bill survey; 5) Sanitation utility financial plan and rates; and 6) Water and Water Pollution Control capacity fees.

#### STUDY GOALS AND OBJECTIVES -

Development of a multi-year financial plan, cost-of-service, and rates to sustain the long-term financial health of the water, wastewater, and sanitation utilities.

Rates revenues sufficient to meet annual operating expenses, debt service and capital expenditures.

Funding capital projects while minimizing revenue increases.

Maintain reserve levels in accordance with industry best practices and debt service coverage which meets bond covenants.

Rates that equitably recover the cost to provide service to customer classes and meet City's objectives.

Capacity fees which recover the cost of water and wastewater backbone infrastructure.

### 1 – RATE SETTING PROCESS

Rate setting is a 3-step process.

FINANCIAL PLAN - (what level of revenue is needed to meet expenditures, reserves, and bond covenants?); Cost-of-Service (is each customer class paying their equitable share?); Rate Design (How should costs be recovered?)

COST-OF-SERVICE ANALYSIS - Determines cost to provide service to each customer class based on the demands they impose on the utility. Recognizes customer classes' differing service characteristics. Costs will vary by customer class.

RATE DESIGN - Method of recovering the costs to provide service for each customer class.

Water and wastewater rate designs typically consist of a monthly fixed charge and a volume rate.

Fixed charge.

Volume rate cost per 1,000 gallons for water and wastewater.

Sanitation rates – cart size, service type, billing.

### 2 – WATER UTILITY

Forecast planning and account growth based upon 0.5% per year (Fiscal Year 2020 to Fiscal Year 2024). Project consumption is based on historical customer billing data from Fiscal Year 2017 and Fiscal Year 2018. Proposed rates are transitioned from Fiscal Year 2019 existing to Fiscal Year 2024 cost of service rates.

In response to questions from Council, Mr. Cristiano feels the set increases and pulling down of reserves creates a lower impact for customers while still providing a reserve balance for city needs. If the reserves do not meet future expenses for the City, adjustments would need to be made. The proposed plan offers the best balance of expenditures and reserves by past history and anticipated expenses/maintenance needs.

Difference between costs for multi-family rates and residential rates were discussed. Multi-family is more of a base rate so it remains pretty flat.

### 3 – WATER POLLUTION CONTROL UTILITY

Forecast planning and account growth based upon 0.5% per year (Fiscal Year 2020 to Fiscal Year 2021). Project consumption is based on historical customer billing data from Fiscal Year 2017 and Fiscal Year 2018. Proposed rates are transitioned from Fiscal Year 2019 existing to Fiscal Year 2024 cost of service rates.

Ashley Welsh, Senior Accountant, explained the breakdown between utilities.

## WATER POLLUTION CONTROL OUTSIDE CITY DIFFERENTIAL

Basis for differential.

Recovers risk from inside City customers (owners) of providing service to extraterritorial (outside City) customers.

Outside City customers do not pay property taxes within the City – there are general fund activities that support the enterprise funds.

Chubbuck is an outside City customer assessed inside City rates.

Chubbuck rates with the 1.2x differential would reduce the inside City revenue requirement by approximately 2.5%.

General discussion was held regarding the rate that could be charged to recoup expenses from outside city users for the sewer. 1.2% is the differential in place. It is unknown why this percentage was set long ago. More research should be done before moving forward with any changes. Council directed staff to have Raftelis research the outside City costs and come back with a recommendation.

## CHUBBUCK NORTH OF INTERSTATE 86 PRETREATMENT PROGRAM COSTS

The City of Pocatello wishes to bring Chubbuck pretreatment services in-house.

Raftelis tasked with evaluating the cost to provide pretreatment services to Chubbuck North of Interstate 86. Considerations include: New hires, equipment, and supplies. Estimate Cost: \$0.22/1,000 gallons of Chubbuck's billable flow.

The increase would cover hiring of staff, equipment, supplies, etc.

In response to questions from Council, Mr. Adams explained the City of Chubbuck does not have any significant industries discharging into the treatment plant at this time. He noted that restaurants have special permits and there are no high volume or discharge issues.

## 4 – IDAHO WATER AND WASTEWATER RESIDENTIAL MONTHLY BILL SURVEY

Typical monthly bills comparison for single family residential for the following cities: Chubbuck, Nampa, Ammon, Rexburg, Meridian, Twin Falls, Idaho Falls and Blackfoot. Proposed Pocatello for Fiscal Year 2020 and existing for Fiscal Year 2019 were used.

It was noted the monthly bills used in the comparison does not include sanitation.

## 5 – SANITATION UTILITY

Forecast planning and account growth based upon 0.5% per year. Includes projected recycling costs of approximately \$420,000.00 per year. Includes two new equipment operators to be added in 2021 and 2023, and a system analyst to be added in 2020. Forecast period Fiscal Year 2020 through Fiscal Year 2024.

Operating fund cash flow summary was reviewed. Rate revenue increase of 3.0%. The recycle costs are not known and are increasing. The proposed rates utilize reserves. Existing and proposed rates were reviewed.

## 6 – CAPACITY FEES

Designed to recover a connector's proportionate share of system backbone facilities.

Water backbone facilities include major water distribution facilities and treatment facilities.

Wastewater backbone facilities include major wastewater collection lines and treatment facilities.

Fees are based on the buy-in method; consistent with previous methodology.

Based on premise that existing customers have built and maintained a valuable system.

A new customer must 'buy into' the system by making a contribution to the amount of equity a similar existing customer has in the system.

Proposed capacity fees represent the maximum supportable fee. The proposed fees were reviewed. Does not go up annually like utility rates. The increase each year is based upon capital improvement program. Annual capital costs are not equal so it fluctuates. One year might have a costly project and require a different capacity fee.

In response to a question from Council, Mr. Adams explained the wastewater rates in Idaho Falls are lower because there are a couple of business users that are charged higher rates and this is not passed on to the residential users.

Clarification of actual rates for the cities of Idaho Falls and Ammon will be given at a later date.

It was noted that information was not available to anticipate growth of the new Northgate Development. However, the installation and use of more meter users should off-set the additional costs.

Mayor Blad called for a recess at 10:36 a.m.

Mayor Blad reconvened the meeting at 10:45 a.m.

AGENDA ITEM NO. 4: Dana Kirkham, Chief Executive Officer, Regional Economic REDI UPDATE REDI was present to give an update of REDI's activities and achievements.

Ms. Kirkham shared a spreadsheet of REDI events and projects for 2018 – 2019. She mentioned many of the City Council attended the Collier Outlook Event and a brochure as a result of that project was discussed. Ms. Kirkham reported there has been a high demand for the brochure since the Collier event.

Several projects were reviewed. Some of the projects were:

Energy Technology Environmental Group. The organization will begin presentations in May 2019.

Idaho State University and College of Eastern Idaho Construction event.

Gemini (call center) - looking at Pocatello, Chubbuck or Idaho Falls.

Odyssey – this project did not go out to all of the regions REDI serves. Odyssey is looking at a site in Butte County. Their goal is to locate in that area.

Ms. Kirkham reported this will be her last presentation on behalf of REDI. A new Executive Director is being hired and will present at the next update scheduled for August 2019.

Mayor Blad and the Council thanked Ms. Kirkman for her presentation.

In response to questions from Council, Ms. Kirkham feels leadership should promote working together and not in competition with other regions. She suggested that Pocatello either be “all in” for regional outreach or focus only on Bannock Development to promote the area.

Ms. Kirkham added that Pocatello has awesome things to offer and has the potential to grow. She noted the City Council is sitting in the driver’s seat to grow the area. In closing, Ms. Kirkham feels Pocatello has one of the best stories to tell.

Council thanked Ms. Kirkham for her efforts as interim director and being very candid in her assessment of the area.

AGENDA ITEM NO. 5: There being no further business, Mayor Blad adjourned the  
ADJOURN meeting at 11:00 a.m.

APPROVED:

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BRIAN C. BLAD, MAYOR

ATTEST AND PREPARED BY:

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RUTH NEWSOM, CITY CLERK