

City of Oronoco
Special City Council Meeting Minutes
Monday, July 29, 2009
7:00 pm

I. CALL TO ORDER

The meeting was called to order at 7:03pm.

II. ROLL CALL

Members present: Mayor Scott Keigley, Councilor Kevin McDermott, Councilor Brian Breider, Councilor Jackie Hall, Councilor Paul Briggs, Clerk Sandy Jessen, and City Engineer Joe Palen.

III. Agenda:

Addition: Olmsted County Sheriff – 2 year contract @ 0-3: Olmsted County is offering a 2 year contract with a 0% increase for 2010 and a 3% increase for 2011. **Mayor Scott Keigley motioned to accept the contract from Olmsted County, Councilor Jackie Hall second; all in favor, motion carried.**

IV. WATER PROJECT

1. **Bids** – Bonestroo submitted a breakdown of the bids with the low bidder being Ellingson Drainage Inc. Two bills were submitted, \$100 for a utility permit and \$110 for the DNR. A summary of the bids was presented; there were 7 bids received out of 50 plan holders. The bids were; the base bid with a PVC water main plus 2 alternates: #1 extension of the watermain between River Park and Cedar Woodlands, #2 for the substitution of PVC directionally drilled pipe with HDPE directionally pipe. It gives flexibility for making a decision. The low bid was Ellingson out of West Concord, they do predominately directional drilling. The total base bid was \$2,166,857.45 plus alternate # 1 of \$47,177.50 and alternate # 2 a deduct of \$48,187.50 from the base bid for using HDPE pipe, total bid 2,165,847.45. Four out of the seven contractors had a deduct for use of HDPE pipe. City Engineer Joe Palen recommends that if the City Council approves the bid that they approve the base plus the 2 alternates. The bid was approximately 4% higher than what was estimated. By crossing the river and the reservoir site, it increased costs. The next step is to wrap up the PFA funding; by 20th of August the project could begin. Discussion: The total includes alternate #1; River Park to Cedar Woodlands if the city forgoes that portion, if it develops would the cost be paid by the developer. City Engineer Joe Palen; there may need to be a separate line for the business area. If it is done at a later date the cost would be higher.
2. **Budget – cash flow projection** – need to approve if the cash flow deficits will be funded from the WAC / SAC Fund for the first three years (approximately \$50,000 - \$70,000) until the system is up and running and then from the General Tax Levy thereafter. Water cost summary sheet project cost lists the construction costs and soft costs including engineering design, other engineering, permits, legal counsel, financing, land acquisition, and planning, for project costs to date and future expenditures. Total estimated costs are approximately 2.6 million. PFA allows for a 5% contingency for the project if unexpected costs are incurred. City Engineer Joe Palen took all the costs for

lateral and trunk water main and separated them; lateral are the lines that are off shoots from the trunk main. The trunk main is the main large pipe lines. The lateral lines were discussed to be assessed to the homeowner and the trunk line will benefit everyone and would be funded on the general tax levy. The total number of users: area a & b (downtown) is 141 River Park is 16 so far, will be 15 assessments because a property owner has given an easement, RWH's has 81, Cedar Woodlands has 9, with a total of 247 users that will be assessed. The trunk cost and lateral costs have been calculated: the assessments with the lateral watermain is \$6214.43, offered options for the city to subsidize the assessments at either 15% or 25% which would bring it down to \$5283.96 or \$4662.32, the assessments for the developed property at the new subdivisions would be \$1000. When the property is built on, it will be paid, the assessment is deferred until built. There were 5 new homes figured per year, in the downtown area, there are a few lots that could be split and built on; they would be assessed at the downtown rate plus interest. The original range was given for \$5086 to \$6782 Option A falls within that range; the other options are below that range. There are properties within the city that need to be assessed to the city; the county park which half would be covered from the county, City Hall, the Fire Hall, and also the cemetery. The city needs to budget for those costs and decide if they will assess the cemetery. **Mayor Scott Keigley motioned to adopt option A, Councilor Jackie Hall second; all in favor, motion carried.** The PFA rate is at 2.5 % for twenty years, the cost for assessment is normally 1 point over which is 3.5%. With the Cemetery the City could assess and charge utility rate or just assess or just charge a utility rate. PFA needs a best guess summary of the proposed assessments; it shows the deferred assessments (approximately 121) and those will be included but future developments are not included in these calculations.

- 3. Water Rates-** page 2; flat fee with user rate #11 was recommended by the city auditor. City Engineer Joe Palen checked with area cities, with their existing rates, most have base rate plus a user rate per 1000 gallons, most people use about 5000 gallons per month. Cities vary on base rate and user charge per 1000 gallons. The user base: River Park, Riverwood Hills, and Cedar Woodlands totals 106 users for first day the systems on line. Also project that 20% of the downtown area will add service each year, that's 28 people per year with a total 247 users after 5 years. There will 5 months of billing and operation for 2010 and full year for 2011; there was target user rate of \$18- \$25. A portion of the user fee will pay for operation maintenance and service. Can vary the base rate and vary the fee per 1000 gallons. Recommended to set a 5 year schedule with a 3% rate increase to cover inflation. **Councilor Kevin McDermott motioned to adopt Option 11 and to include the additional 3% per year to cover inflation, Mayor Scott Keigley second;** discussion: should the 3% be added to cover inflation. PFA will want to see the costs covered. **all in favor, motion carried.** A request from PFA is to provide the cash flow projection for 20 years; the first three years are running at a deficit the city needs to decide what fund; either WAC /SAC or general tax levy. The WAC /SAC fund will be replenished after receiving the loan funds. **Mayor Scott Keigley motioned that any deficit comes out of the WAC / SAC fees for the twenty year projection, Councilor Jackie Hall all in favor, motion carried.** Cash flow projection **Mayor Scott Keigley motioned to have Tom Cummings prepare a statement with user rates, assessment rates and 20 year deficit built in, Councilor Kevin**

McDermott second; all in favor, motion carried. The estimated costs include the 5% contingency 2.7 million with interest at 2.5 % for twenty years. One thing that affects this is the potential for the ARRA funding, we have filled the requirements and have received verbal confirmation that the city qualifies. They are running out of money really fast. There is potential for 20% of project costs to be forgiven throughout the loan; it's approximately \$500,000 it will change the cash flow projection. City Engineer Joe Palen will hopefully have the final documents the end of next week. The new cash flow projections will reflect the ARRA funds. They will subsidize the trunk facilities or the city may chose to subsidize assessments by jumping down to 10 or 15%. Can look at again with the new cash flow statements. The general tax levy will pay for a portion of the project; the city may not want to subsidize the assessments and then add to tax levy.

4. Adopting user rates, tax levy, and special assessments for PFA loan

approval. Assessments for the water project recommended by City Engineer Joe Palen of \$6216.43 (Historic Oronoco) and \$1000.00 (New Subdivisions) which is for the Lateral watermain and services project cost. Also, provided rates at 85% or 75% which would be \$5283.96 and \$4664.32 respectively. Set meeting with Rae Lynn and legislature at Oronoco City Hall – Wednesday or Thursday, September 2 or 3 will check and set date.

- V. **ORONOCO PARK & DAM** – the new contract was received this morning Attorney Fred Suhler has reviewed and approved of the contract. Payment will be pro-rated this year and the payment next year will be half on June 15th and the balance on November 15th. The county is also requesting a start date for the dam operator so that they can finalize their arrangements. There are a few loose ends to tie up: If the City will hire Steve Wittlief to complete dam maintenance and when. Appointing members to the Joint Powers Board, finding sponsors in the House and Senate, and transfer of personal property to the City. The 1st year the City will remain with the Mohlke's and Steve Wittlief working, they may be able to be contractors. **Mayor Scott Keigley motioned to accept the amended contract for the joint powers agreement and Mayor Scott Keigley would be the member on the joint powers, Councilor Kevin McDermott second, all in favor, motion carried.** The County will still provide a survey. Mayor Scott Keigley and Sandy will work on the details of employment and the insurance set up.

VI. **ADJOURNMENT**

Mayor Scott Keigley motioned to adjourn at 8:15pm, Councilor Kevin McDermott second; all in favor, motion carried.

Respectfully Submitted,

City Clerk

Mayor