

**LOWELL TOWN COUNCIL  
WORK SESSION  
WATER TOWER PROJECT - DISCUSSION WITH BOND COUNSEL  
APRIL 13, 2015**

A work session of the Lowell Town Council was called to order on Monday, April 13, 2015 at 5:00 P.M. by President Christopher Salatas. The Pledge of Allegiance was recited followed by a moment of silence. Members present were Craig Earley, LeAnn Angerman, Donald Parker, Christopher Salatas, and Edgar Corns. Also present were Town Attorney David Westland, Financial Consultant Greg Guerrettaz, Jim Shanahan of Shanahan and Shanahan, and two members of the press.

Jim Shanahan stated he was present to answer any questions and give an update on where we stand.

President Salatas asked how to move forward since it has been explained that interest rates are low right now, and if this is postponed, it could be more of a cost to taxpayers if we see an increase in interest rates. Attorney David Westland stated at the last study session we had, there were a couple of different options that were discussed with different costs and how you would collateralize those bonds. It would be helpful to hear your thoughts on the ideas that were discussed to give more of a perspective to Mr. Shanahan and Mr. Guerrettaz. Mr. Guerrettaz stated he was not even sure where the tank was going to be placed. Attorney Westland stated there were several options discussed, so if the Council could give these gentleman an idea of what direction they would like to head in, then they can answer your questions. Councilman Earley stated that was a question in his mind as well.

He stated we have had one work session and heard some options, but thought there would be more discussion tonight and maybe a decision on what we are going to do, as the Council has never even decided on pursuing this. Councilman Earley stated we have never met to decide what we are going to choose, and even if we decide tonight, Mr. Shanahan and Mr. Guerrettaz would still have to go back and do work on it. Discussion followed.

Councilman Parker stated he believed the Council needed more decisive answers on the financing before we say we are going to move forward, and believed we would be a lot further along in this conversation had we known the issues at Freedom Park to begin with. He stated the way it worked was fairly accurately, having your staff take on an assignment, work with the engineer, and produce a cost to move forward with a tower in Freedom Park, but once there were issues with Freedom Park, everything was thrown off track. Councilman Parker stated since we know now that there is property there that is not under the control of the DNR at Freedom Park, we need to decide if we agree on that parcel, what the cost would be to put it there, the time frame in which it will be done, and what the rate increase will be. Based on the design that was presented, we should be able to use the Freedom Park area, but if we decide to not go with that parcel all of the numbers that were produced so far are no good. He stated if we go with the \$4.5 million figure, we need to know what the rate increase is going to be, and the cost to the Town. Councilman Earley stated bottom line we need to know what it will cost the ratepayers. Discussion followed.

Mr. Guerrettaz stated he was given a figure of \$12.5 million for the entire project by the engineer, and there was no way the Town could raise the rates high enough to do that today. He stated he was under the impression that he needed to use the Stage 1 improvement figure, which is around \$4 million for construction, leaving the bonds at \$4.5 million. Mr. Guerrettaz broke down the figures for the upgrades and the tower itself from the engineers estimate. He stated the bond issue would result in about a twenty-five percent rate increase, but if you want to go further down the improvement list, it would require a higher increase. Mr. Guerrettaz stated we need to pick the project that will not break the bank, but gets the most needed assets built on a priority basis, match those together and then put together a time line to show the process. After some explanations from Mr. Guerrettaz, he stated the bottom line is how high do you want to jump? If we do a thirty-five percent increase, we can do a little more, if we do a fifteen percent increase, we would have

to do less. Mr. Guerrettaz explained that an increase of ten percent could be done now, but the rest of the increase would still need to be done before the bonds are issued. Councilman Parker asked how much the twenty-five percent increase would be. Mr. Guerrettaz stated on the average of four thousand gallons, it would be \$7.60, on the average of six thousand it would be \$11.38 per month. He went on to explain how a rate increase could be phased in, rather than implemented all at once, and the need to prioritize the projects that have been presented. Discussion followed.

Councilman Parker stated if we do not use the Freedom Park site, then we need to go back to the drawing board, which would increase the construction cost. He stated, "The only site available is Freedom Park, and that would be my recommendation to go with the Freedom Park site." Mr. Guerrettaz stated there is no way to tackle this other than in phases due to the outstanding forty-year bond that the Town has that will be paid off in 2028, as we have already re-financed this bond and gotten out from under the control of the Rural Development. Discussion followed in regards to what all would be included in Phase 1 of the project and what would have to happen if it went over the \$4.5 million figure.

Councilman Earley asked how far that would put the Town in debt as far as the ability to bond anything else. Mr. Guerrettaz stated in a water utility, we have to look at the rates. He touched on the forty year loan that the Town is still paying on and how we are not out of line with the rate increase we are proposing. Discussion followed. Councilman Earley stated he did not believe we needed to spend this much money right now, and believed this project has always been over the top, and he is not in favor of a twenty-five percent rate increase. President Salatas asked how much the amount of the decrease was back in 2008. Mr. Guerrettaz explained that in 2011 the sewer rates were lowered and the water rates raised, but if was an even swap and the customer saw no impact on their total bill. President Salatas stated we are just talking about water and said it is not good to continuously raise the rates, but it would have been wise, knowing that the infrastructure does not repair itself, to have been raising the rates over several years. Discussion followed regarding the benefits of Phase 1 of adding additional storage and the possible impact that it will have on the old lines that run through Town.

Attorney Westland stated it may be advisable for Mr. Shanahan to assume the Council going forward with a hypothetical \$4.5 million bond and a twenty-five percent rate increase to give an idea of time lines moving forward. Mr. Shanahan explained the process that needs to take place before bids can be sent out. Once the project is decided on, we could then give you a time line from fruition to execution. Councilwoman Angerman clarified that on the rate ordinance there would be a starting average increase of \$3.00 - \$5.00 per month, and then six to nine months down the line, there would be a \$7.00 - \$11.00 increase per month. Mr. Guerrettaz stated it will probably be six to nine months before we are ready to sell the bond and it would help doing a small increase now and the rest later.

Mr. Shanahan stated that has two benefits besides easing it in and the customer slowing realizing the cost, but you will also slowly start to build a balance that may be able to offset some of the issuance cost and lower the size of the bond. Mr. Guerrettaz stated that is what has been happening with the water utility. He stated, "We did not really do prior water rate increases because our cash balance has been growing in our improvement fund. We have money saved up, but it is impossible in today's times for anyone to save up \$4 million dollars. The nest egg we have helps us feel comfortable for unknown breaks if we do not use part of it on this project. We do not have to have this rate increase for past deficiencies, rather for new projects." Discussion followed regarding the time line, how the rate increase could be phased in, and the importance of keeping some cash for breaks or emergency improvements.

Clerk-Treasurer Judith Walters asked if the Council would consider lowering the minimum consumption, which is currently at 2,500 gallons. Mr. Guerrettaz stated that is possible, but would

require more work on the rate increase because if we decrease the consumption, we would not be achieving the twenty-five percent revenue. Discussion followed. Mr. Guerrettaz stated, in response to President Salatas's comment, more and more Council's are mandating rate reviews annually and adjustments annually, if necessary. He stated some utilities will do a percent over the next three or four years, but we are not in a spot where we can do that, the best we can do is phase in the increases to get projects done. President Salatas stated at least a look in to them every year would be a smart decision. Clerk-Treasurer Walters stated as a reminder, the garbage rate increase will go into effect as of July 1<sup>st</sup>. Mr. Guerrettaz stated as soon as we can get that time line together, we will be able to figure out how the phasing will work and if it makes sense or not.

With no further questions or comments, President Salatas adjourned the meeting at 5:55 P.M.

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Christopher Salatas, President

Attest:

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Judith Walters, Clerk-Treasurer