

**CITY OF FENTON COUNCIL PROCEEDINGS
SPECIAL WORK SESSION
Monday, July 31, 2006
Conference Room
301 South Leroy Street**

Mayor Osborn called the meeting to order at 6:30 PM.

Present: Hammond, King, Moffitt, North, Osborn, Rauch.
Absent: Angeluski (excused).
Others Present: Michael Senyko, City Manager; Christopher Wren, Assistant City Manager; Cynthia Dethloff, Treasurer; Paul Stauder, Stauder & Barch.

UTILITY RATES

Vera Hogan from Tri County Times requested that no decisions be made until Ed Angeluski was present, given his past involvement in the water plant and system improvements..

Senyko reviewed the information which was provided in the Councilmembers' Friday Memo packets. This included a summary of utility rate changes, recent history of rate increases, a random selection of individual and business utility bill information and an extensive survey of other municipal water and sewer rates. This is the first in series of steps to inform and enlighten the public on how administration arrived at these figures. The August work session will include more discussion and then the regular council meeting will include discussion of bids for the low interest loan water main project. He noted that action is necessary at the August 14th meeting in order to maintain the State's schedule.

Bill Floyd, 801 State Road, felt it is critical that smaller cities than Fenton were used for rate comparison purposes.

Audience member, Chris Miller, commented he is concerned that Fenton was not compared to other large Genesee County cities.

Senyko proceeded to explain that a current bill estimate on 15,000 gallons is \$157.00. The proposed rates would increase that bill to \$175.00 or 11 %. This would include raising water rates from \$4.10 to \$4.55 per thousand gallons and sewer to \$3.44 to cover the Genesee County increases. It was noted that this doesn't include a quarterly readiness to serve charge of \$8.55. Proposed changes or something similar will need to be done to compensate for higher operating expenses and a decrease in consumption. If the DWRF and SRF loans of \$2.6 million were both obtained, this would increase a bill to \$196.00 or 25%. This figure includes all necessary increases.

Miller suggested holding off on the project given the current state of the economy.

Jim Graham, Shiawassee Avenue, inquired about graduated rates.

Thom North, noted the water plant construction costs were budgeted. What is pinching the budget is higher than anticipated operating costs, chemicals, salaries, along with a reduction in consumption.

One option to relieve rate charges is to create a "readiness to serve charge". Stauder

explained in order to fund the system an increase has to happen; either in commodity rates or a fixed rate.

Senyko explained that the proposed rate increase must happen, but Council can consider waiting on the main improvements and low interest loans. Stauder reminded Council of the 1.62% low interest rate which may be higher if the City reapplies at a later date. North was disappointed that Howell was not on the comparison list. Senyko will provide Council with various information on comparisons and statistics on the City's water system users.

King informed the audience that the City's infrastructure is aging and in need of repair and replacement. It is doubtful that the low interest rate will be available at a later date. She suggested taking the low interest rate and going forward with the DWRP and SRF loans, while attempting to save costs in other areas.

North noted that North road is in need of repair, but she is bothered by raising the rates. Senyko reminded Council that the rates are tied to usage and other charges are tied to the debt and capital.

Hammond felt that down the road, Council may have to sell bulk water outside of the city. He suggested the initial rate increase first to gauge the amount of change in consumption and look at the funding options for improvements.

Senyko noted, if postponed, Fenton's application will be put back in for next year, but it could fall outside the fundable range.

North suggested monthly billing and extended due date, however, Senyko explained that monthly billing is very costly.

Rauch noted that the City has never absorbed any cost of improvements, it has always been passed on to the residents.

Moffitt suggested budget cuts in other areas to help fund the \$325,000 annual payment Hammond reminded him that this year's budget is set. The time to discuss cuts is at the next budget work session.

Senyko, in comparing budgets in the water fund from 2004 prior to the water plant to today, observed three line items which were different. These were salaries for one additional operator, increase in chemical costs and depreciation of buildings and utilities.

Shane explained to Council that the State requires the City to guarantee the source of revenue before proceeding and issuing bonds. This would require a plan for funding before moving forward.

Senyko stated that administration is looking for input from the public on what to do and how to do it. Information provided is based on proposed solutions.

Dick Fisher, 105 South East, asked how much could be saved by not doing improvements in the downtown. Senyko explained that money does not come out of the same pot, noting that the majority of that project was paid for through grant monies.

King noted the need to check to see what chemicals cost and what is used for arsenic removal and what can be eliminated. Osborn requested figures on chemicals.

Osborn offered the opportunity to the public to share ideas and comments. Discussion followed with audience members regarding water quality since the plant went on line.

CALL TO AUDIENCE - None.

Meeting was adjourned at 8:40 PM.

Sue Osborn, Mayor

Melinda Carrier, City Clerk