

AGENDA
SPECIAL CITY COUNCIL MEETING
CITY OF CARTER LAKE
950 Locust St. Carter Lake, Iowa
Tuesday, November 25, 2014 – 5:00 p.m.

Roll Call

1. PeopleService – Review water and sewer rate structure
2. D. A Davidson – Refinance LOST Revenue Bonds
3. Resolution to approve maintenance agreement with PVS for storm detention area
4. Approve resolution setting wages for Ron Rothmeyer
5. Approve resolution setting wages for Phill Newton
6. Approve resolution setting wages for Doreen Mowery

Adjourn

11-24-14
dm



CARTER LAKE WATER AND WASTEWATER RATE STUDY

PeopleService was started as a division of Aquila, Inc. and operated as such until the employees purchased it in January of 1997. Since that time it has operated as PeopleService, Inc. PeopleService, Inc. is a contract operations company that operates, maintains, and manages water and wastewater systems for municipalities, communities and industries.

This rate study was performed by PeopleService Inc. at the request of the Carter Lake IA City Council. Water and Wastewater rate structures are developed to generate enough revenue to operate, maintain, and improve the water and wastewater utilities and infrastructure. The goal of this study is to bring a better understanding of the rate structures in place today and to plan for the future.

Water Rates

The annual required revenue calculations were done using the fiscal 2014 budget. The table below shows the required revenue for the water department.

Administrative	\$41,695.00
Infrastructure Repairs	\$25,866.00
MUD (Included Sales Tax)	\$269,446.00
Operating Supplies	\$27,487.00
PeopleService Contract	\$61,527.00
Salaries (Includes Overtime)	\$72,487.00
Water Meters	\$10,620.00
Total Required Revenue	\$509,128.00

The current required revenue to operate and maintain the water department is \$509,128.00.

The projected revenue calculations are done using the fiscal 2014 budget and average of the June 2013 to July 2014 water usage.

Currently there are two rate categories in the water rate structure.

1. Residential, defined as usage of up to but not to exceed 2,500 units per month.
2. Large users of water, defined as usage of 2,501 or more units per month.

Carter Lake currently measures usage in units. One unit equals 100 cubic feet which is 750 gallons of water.



We will now examine the two rate categories and revenue generated by each categories.

Residential

The base rate is \$18.10 per user and includes the first 2 units. The user rate after the first 2 units is broken into four usage structures; 1) \$2.06 per unit from 3 units to 48 units 2) \$1.96 per unit from 49 units to 450 units 3) \$1.40 per unit from 451 units to 1000 units and 4) \$1.49 per unit from 1001 units and up. There are currently 1233 residential water connections. Because the user rate is broken into usage ranges we will examine each range that is being used. Currently those are 1 and 2 listed above. The base rate will stay the same for all ranges and therefore is calculated as such. The annual revenue is calculated using the following formulas;

Base Rate

Base rate x average number of connections x 12 months

Or

$\$18.10 \times 1233 \text{ connections} \times 12 \text{ months} = \$267,807.00$

User Rate

User rate x average monthly usage (minus the first two units) x average number of connections x 12 months

1

\$2.06 per unit from 0 to 48 units

Residential $\$2.06 \times 5.53 \text{ units} \times 1,156 \text{ connections} \times 12 \text{ months} = \$158,027.00$

Commercial $\$2.06 \times 36.04 \text{ units} \times 70 \text{ connections} \times 12 \text{ months} = \$62,364.00$

Carter Lake School $2.06 \times 45.83 \text{ units} \times 1 \text{ connection} \times 12 \text{ months} = \$1,133.00$

Sprinkler Water $2.06 \times 44.75 \text{ units} \times 4 \text{ connections} \times 8 \text{ months} = \$2,950.00$

Total revenue is \$224,474.00



2

\$1.96 per unit from 49 to 450 units

Candlewood Water $\$1.96 \times 83.25 \text{ units} \times 2 \text{ connections} \times 12 \text{ months} = \$3,916.00$

After calculating the base and variable rates you will then add the totals of the rates as follows;

Base rate = \$267,807.00

User rate 1 = \$224,474.00

User rate 2 = \$3,916.00

Total Revenue is \$496,197.00

Large Users of Water

The base rate is \$777.29 per user and includes the first 2,500 units. The variable rate after the first 2,500 units is \$1.27 per unit. The annual revenue is calculated using the following formulas.

Base Rate

$\$777.29 \times 1 \text{ connection} \times 12 \text{ months} = \$9,327.00$

User Rate

$\$1.27 \times 848.17 \text{ units} \times 1 \text{ connection} \times 12 \text{ months} = \$12,962.00$

Add the base rate and user rate sums and you have your projected revenue. The projected revenue for this category is \$22,289.00.

Additional revenue will come from administration fees, penalties for late payment, and water meter sales. These additional revenues are difficult to project therefore we will be using last year's revenue.



Water Utilities Revenue

The total water utility projected revenue is found by adding the two category's totals, administration fees, projected penalty fees and water meter sales.

Residential	\$496,197.00
Large Users of Water	\$22,289.00
Administration fees	\$64,854.00
Penalties	\$12,413.00
Water Meter Sales	\$2,534.00
Projected Total Revenue	\$598,287.00

The total required revenue to operate the water utility is \$509,128.00. The projected revenue from sales of water is \$598,287.00. The projected revenue exceeds the required revenue by \$89,159.00. The excess revenue should be placed in a reserve fund for future capital improvements and preventive maintenance. The current balance of the reserve fund is \$308,855.00.

Sewer Rates

The annual required revenue calculations were done using the fiscal 2014 budget. The table below shows the total revenue required for the wastewater department.

Administrative	\$29,778.00
Utilities	\$18,197.00
City of Omaha	\$349,801.00
Operations	\$65,582.00
Salaries (Plus Overtime)	\$62,527.00
Total Required Revenue	\$525,885.00

The required revenue to operate and maintain the sewer department is \$525,885.00.

The projected revenue calculations were done using the fiscal 2014 budget and average of the June 2013 to July 2014 average water usage.

Currently there are two rate structure for wastewater, residential and commercial. Residential is a base rate of \$34.75 with no user rate included. The commercial rates are as follows; the base rate is \$40.96 per user and this includes the first 3 units. The user rate after the first 3 units is broken into three usage structures; 1) \$1.96 per unit from 4 units to 47 units. 2) \$1.92 per unit from 48 to 450 units and 3) \$ 1.63 per unit from 451 units to 500 units and over. Because the



user rate is broken into usage ranges we will examine each range that is being used in the user portion of the rate structure. Currently those are 1 and 2 listed above. The annual revenue is calculated for residential and commercial using the following formulas;

Residential Users

Base Rate

The base rate is \$34.75. There is no variable rate in the residential rate structure. There are currently 1423 residential sewer connections. The annual revenue is calculated using the following formulas;

$$\text{Rate} \times \text{number of connections} \times 12 \text{ months}$$

Or

$$\$34.75 \times 1423 \times 12 = \$593,391.00$$

The total revenue for residential sewer charges is \$593,391.00

The rate structure currently is a flat or base rate only. We will examine the residential rate structure under a base and user rate structure. The base rate is a guaranteed revenue so generally you will want a large portion of the revenue to come from the base rate. The base rate can include a minimum usage, for example 2 units could be included in the base rate. So if a user used 5 units then the user rate would be used for 3 units because the first two units are included in the base rate. The user rate is determined by the amount of water is used by each user. So the revenue from the user rate is depending on usage only.

There is two ways to set the user rate;

1. Because water usage goes up in the warmer months due to people using water for watering grass, washing cars, filling pools, etc. The coldest month's water usage becomes the usage for the user rate. This is because during the coldest month's water is mainly consumed indoors and goes down the drain.
2. The usage is based on water usage month per month.

Option one is the fairest option because then on average users are being charged for what goes down the drain.

The table on page 6 shows base rate and user rate ranges and the revenue generated by each combination of base and user rates based on the average number of users and average flow during December, 4.8 Units. Also in this example the first 2 units are included in the base rate. The revenue in green exceeds the required revenue.

20	\$3.30	\$3.40	\$3.50	\$3.60	\$3.70	\$3.80
157.12	\$468,041.28	\$471,925.44	\$475,809.60	\$479,693.76	\$483,577.92	\$487,462.08
625.12	\$471,509.28	\$475,393.44	\$479,277.60	\$483,161.76	\$487,045.92	\$490,930.08
993.12	\$474,977.28	\$478,861.44	\$482,745.60	\$486,629.76	\$490,513.92	\$494,398.08
561.12	\$478,445.28	\$482,329.44	\$486,213.60	\$490,097.76	\$493,981.92	\$497,866.08
029.12	\$481,913.28	\$485,797.44	\$489,681.60	\$493,565.76	\$497,449.92	\$501,334.08
497.12	\$485,381.28	\$489,265.44	\$493,149.60	\$497,033.76	\$500,917.92	\$504,802.08
965.12	\$488,849.28	\$492,733.44	\$496,617.60	\$500,501.76	\$504,385.92	\$508,270.08
433.12	\$492,317.28	\$496,201.44	\$500,085.60	\$503,969.76	\$507,853.92	\$511,738.08
901.12	\$495,785.28	\$499,669.44	\$503,553.60	\$507,437.76	\$511,321.92	\$515,206.08
369.12	\$499,253.28	\$503,137.44	\$507,021.60	\$510,905.76	\$514,789.92	\$518,674.08
837.12	\$502,721.28	\$506,605.44	\$510,489.60	\$514,373.76	\$518,257.92	\$522,142.08
305.12	\$506,189.28	\$510,073.44	\$513,957.60	\$517,841.76	\$521,725.92	\$525,610.08
773.12	\$509,657.28	\$513,541.44	\$517,425.60	\$521,309.76	\$525,193.92	\$529,078.08
241.12	\$513,125.28	\$517,009.44	\$520,893.60	\$524,777.76	\$528,661.92	\$532,546.08
709.12	\$516,593.28	\$520,477.44	\$524,361.60	\$528,245.76	\$532,129.92	\$536,014.08
177.12	\$520,061.28	\$523,945.44	\$527,829.60	\$531,713.76	\$535,597.92	\$539,482.08
645.12	\$523,529.28	\$527,413.44	\$531,297.60	\$535,181.76	\$539,065.92	\$542,950.08
113.12	\$526,997.28	\$530,881.44	\$534,765.60	\$538,649.76	\$542,533.92	\$546,418.08
581.12	\$530,465.28	\$534,349.44	\$538,233.60	\$542,117.76	\$546,001.92	\$549,886.08
049.12	\$533,933.28	\$537,817.44	\$541,701.60	\$545,585.76	\$549,469.92	\$553,354.08
517.12	\$537,401.28	\$541,285.44	\$545,169.60	\$549,053.76	\$552,937.92	\$556,822.08
985.12	\$540,869.28	\$544,753.44	\$548,637.60	\$552,521.76	\$556,405.92	\$560,290.08
453.12	\$544,337.28	\$548,221.44	\$552,105.60	\$555,989.76	\$559,873.92	\$563,758.08
\$37.96	\$37.99	\$38.02	\$38.05	\$38.08	\$38.11	\$38.14

Commercial Users

Base Rate

Base rate x number of connections x 12 months

or

$$\$40.96 \times 72 \times 12 = \$35,389.00$$

The total revenue for the Commercial base rate is \$35,389.00.



User Rate

User rate x average monthly usage (minus the first 3 units) x average number of connections x 12 months

Because the user rate is broken into usage ranges we will examine each range that is being used in the user portion of the rate structure. Currently those are 1 and 2 listed on pages 4&5.

1

\$1.96 per unit from 4 units to 47 units

Commercial $\$1.96 \times 35.04 \text{ units} \times 67 \text{ users} \times 12 \text{ months} = 55,217.00$

Carter Lake School $\$1.96 \times 43.94 \text{ units} \times 3 \text{ users} \times 12 \text{ months} = \$3,100.00$

The total revenue for commercial variable rate 1 is \$58,317.00.

2

\$1.92 per unit from 48 units to 450 units

Candlewood Sewer $\$1.92 \times 134.5 \text{ units} \times 1 \text{ user} \times 12 \text{ months} = \$3,098.00$

The total revenue for commercial user rate 2 is \$3,098.00.

The total revenue from the Commercial sewer rate structure is found by adding the base rate and all variable rates.

Base Rate Total	\$35,389.00
Variable Rate 1 Total	\$58,317.00
Variable Rate 2 Total	\$3,098.00
Total Commercial Revenue	\$96,804.00

Additional revenue will come from penalties for late payment. These additional revenues are difficult to project therefore we will be using last year's revenue.

Sewer Utility Revenue



The total sewer utility projected revenue is found by adding the Residential rate and Commercial rate totals.

Residential Rate Total Revenue	\$593,391.00
Commercial Rate Total Revenue	\$96,804.00
Penalties	\$8,738.00
Projected Total Revenue	\$698,933.00

The total required revenue to operate the sewer utility is \$525,885.00. The projected revenue from sewer services is \$698,933.00. The projected revenue exceeds the required revenue by \$173,048.00. The excess revenue should be placed in a reserve fund for future capital improvements and preventive maintenance. The current balance of the reserve fund is \$562,041.00.

Recommendation

1. To maintain the revenue to operate and maintain the water and wastewater system and facilities a review of the rate structure should be done at a minimum every three years. In addition to the review an annual increase to all rates of a minimum of 2% is recommended. As the cost of supplies, capital improvements, maintenance and preventive maintenance, wages, etc. increase it is important to maintain the revenue, not only to fund the normal operations and maintenance but also to fund all capital improvements needed to the utilities and infrastructure in the future.
2. Examine your rate structures. Currently there is no user rate in the residential sewer structure. Currently the city of Omaha is charging a loading rate for twenty of the industries that it appears is being passed on to all users and should only be passed on to those industries.
3. The increase of rates too support the City of Omaha's rate increase beginning in 2015. The water rate increase will not be available until December 2014 or January 2015, it is recommended to review rates when increase to



water rates is made available and adjust water rates as needed. The sewer rates will be increasing as shown on table 1. Because of the annual increases of the sewer rates in the next 5 years, adjustments to the recommended 2% increase to the sewer rates to 5% in 2015 and 9% in 2016, 2017, and 2018 is recommended.

4. Evaluate your infrastructure and facilities annually. Are the lift stations in adequate condition, what condition is the manholes in, is there an inspection plan and cleaning plan for the collection system, are all valves in the distribution system operational, are a few examples. Use the reserve funds to make all needed improvements.
5. Funds in the budget should be utilized. For example in the 2014 fiscal budget there was \$12,500.00 budgeted for hydrants but only \$317.00 of those funds were used. The question is are the funds needed.

Table 1



Omaha Sewer increase schedule

Base Rate		2014	2015	2016	2017	2018
Bulk 1 sewer service users, per account, per month		\$396.31	\$499.72	\$526.21	\$553.75	\$585.52
	Rate Increase		21%	5%	5%	5%
Annual base rate sewer charges		\$4,755.72	\$5,996.64	\$6,314.52	\$6,645.00	\$7,026.24
	Increase		\$1,240.92	\$317.88	\$330.48	\$381.24
Variable Rate		2014	2015	2016	2017	2018
The flow charge for all bulk sewer service users per unit. unit = 100 cubic feet or 750 gallons		\$1.55	\$1.64	\$1.80	\$1.99	\$2.18
	Rate Increase		5%	9%	9%	9%
Annual variable rate charges		\$307,301.02	\$324,142.15	\$357,031.88	\$394,082.36	\$432,717.88
Based on 2014 water usage	198,131 units	Increase	\$16,841.13	\$32,889.73	\$37,050.48	\$38,635.53
Omaha Billing Charges per Month		2014	2015	2016	2017	2018
		\$10.12	\$10.42	\$10.74	\$11.06	\$11.39
	Rate Increase		3%	3%	3%	3%
Annual Charges		\$121.44	\$125.04	\$128.88	\$132.72	\$136.68
	Increase		\$3.60	\$3.84	\$3.84	\$3.96
Totals		\$312,178.18	\$330,263.83	\$363,475.28	\$400,860.08	\$439,880.80
Annual % increase			5%	9%	9%	9%



November 24, 2014

City of Carter Lake, Iowa
950 Locust Street
Carter Lake, Iowa 51510

Re: Refinancing of 2008 Local Option Sales Tax Revenue Bonds – City Hall issue

City Officials:

The purpose of this letter to inform you of an opportunity to refinance the City's outstanding Local Option Sales and Services Tax Revenue Bonds, Series 2008. The following items are points of consideration for your consumption:

- Our refinancing analysis is predicated on the assumption that the City would issue General Obligation ("GO") debt to refinance the outstanding Local Option Sales and Services Tax Revenue Bonds. This change would put the City's taxpayers behind the new bond issue. In the same fashion that the City currently uses its Local Option Sales Tax ("LOST") revenues to annually pay the debt service requirements of the existing bonds, the City would pay the new General Obligation bonds with the LOST revenues. The City's taxpayers would not be required to pay the debt service through an increase in property taxes UNLESS a shortfall in annual sales tax revenues below the debt service requirement occurs in a future year. During FY 2013 the City received \$453,673 in LOST revenue. The debt service requirement of the bond issue is approximately \$240,000 annually, so the annual LOST Revenue would have to drop by more than \$200,000 per year before a shortfall would occur. Although highly unlikely that a LOST revenue decrease of such magnitude would occur, it is important that the City understand the difference.
- When the City issued the LOST bonds in 2008, the City covenanted with bondholders to keep a reserve fund which can only be used to pay debt service on the bonds if LOST revenues were insufficient in any year. Because bondholders didn't have any security besides the LOST revenue, it is a common requirement to have a reserve fund. The City borrowed enough money in 2008 to fund the reserve fund to its required level of \$245,775 and is currently earning about 0.85% on it. By changing the security of the bonds through the refinancing the City would be able to eliminate the requirement to maintain the reserve fund and use those dollars to reduce the amount of debt outstanding. Since the City is earning 0.85% on the bonds and the outstanding debt has an average interest rate of about 5.25%, the City realizes benefit by eliminating the reserve requirement and this is factored into the savings discussed below.
- The 2008 LOST Revenue bonds carry an 'A' rating from S&P. The City currently maintains an 'A+' rating for its GO debt. This is a reflection of the City's taxing authority being offered to

bondholders of GO debt which is a stronger credit characteristic. The improvement in credit rating allows the City to achieve lower interest rates by issuing the refinancing as GO bonds and improves the savings realized.

- The 2008 LOST Revenue Bonds are not callable until June 1, 2018. Our refinancing analysis assumes the City would issue debt simultaneously with the fire truck financing to enjoy some efficiency on costs of putting together the financing in early 2015. The money from the refinancing will be put in an escrow account to pay off the existing bonds. The benefit of issuing the refinancing bonds in early 2015 besides the efficiency of combining with the fire truck financing is the ability to lock in current interest rates which are still at relatively low levels compared to historical averages. Our current estimate is that we could issue General Obligation bonds for this refinancing at approximately 3% which compares well to the 5.25% on the outstanding debt. The drawback is the escrow account will earn minimal interest income until 2018 when the existing bonds will be paid off by the escrow account. Should interest rates not change until 2018 and the City undertake the same refinancing in 2018 the City could enjoy \$190,000 more in savings by eliminating the escrow requirement. Obviously if rates go up by more than the offset in escrow savings, the City would lose on the savings available. Interest rates are sure to change over the next few years, but no one truly knows whether rates will be higher, lower or the same. What is known are the savings currently available which is discussed below.
- Our analysis assumes the City will shorten the amortization of the debt by 4 years to a 2034 final maturity. The impact on the payment will be essentially neutral until 2034 at which time there would be no payment on the new bonds from 2035 through 2038 when the 2008 existing bond issue continues with payments. **Shortening the amortization schedule by those four years saves the City more than \$700,000 based on current interest rates and our preliminary analysis.** When analyzing a refinancing opportunity a typical threshold to measure the viability of a refunding candidate is 3 to 5% Present Value savings. Our preliminary analysis shows 12% savings, meaning the refunding candidate is very attractive.

Please consider the various aspects of this transaction and advise as to whether you would like to include this refinancing opportunity as we proceed with the fire truck financing, or if you would prefer to table the opportunity for any reason.

Thank you for your consideration and the trust you have placed in Davidson.

Very truly yours,

D.A.DAVIDSON & CO. FIXED INCOME CAPITAL MARKETS



Managing Director – Public Finance

Ron Rothmeyer

From: Mike P. McIntosh [Mike.McIntosh@LRA-INC.com]
Sent: Friday, November 21, 2014 3:28 PM
To: John Sunderman; Ron Rothmeyer
Cc: Terry J. Atkins; James Pfeffer (jpfeffer@stinsonleonard.com)
Subject: Pond Agreement

Ron and John, Per my phone calls with both of you, I've attempted to list the maintenance and new responsibilities. Hopefully we can work this out through a few emails and then we can look at the agreement structure. Let me know your thoughts.

- Jetting and cleaning of underdrain (Annually or As-Needed) – Worked performed by Carter Lake
- Inspecting the pond outlet structure and pond tideflex backwater valves for proper functioning (semiannually or after major rain events) – Work performed by Carter Lake (Ron, I believe this would involve just documenting with photos that the outlet structure and tideflex valve are in proper working condition.
- Operating the Outlet Valve (after storm events) – Performed by Carter Lake.
- Repair or Replacement of outlet structure, drain valve OR pond tideflex backwater valve (as needed) – Potential Cost Split 50/50?
- Removing Trash and Debris – (As-needed) Work by PVS
- Mowing, Removal of Unwanted Vegetation – (As-needed) work by PVS
- Remove Sediment / Repair Eroded areas – (As-needed) work by PVS

Michael P. McIntosh, P.E., C.F.M.
Senior Project Manager
Lamp, Rynearson & Associates
14710 West Dodge Road Suite 100
Omaha, NE 68154
Office: 402.496.2498
Cell: 402.669.5296
Email:



LAMP RYNEARSON

WE DON'T COAST

WE LEAVE A LEGACY

RESOLUTION NO. _____

Be it hereby resolved by the City Council of the City of Carter Lake, Iowa that Ron Rothmeyer's wages be set at \$_____ retroactive to July 1, 2014. This reflects the _____% pay increase. Ron is employed as the Maintenance Supervisor for the City of Carter Lake.

Requested by: Ron Rothmeyer – Maintenance Supervisor

Passed and approved this 25th day of November, 2014.

Gerald Waltrip - Mayor

ATTEST:

Doreen Mowery, City Clerk

RESOLUTION NO. _____

Be it hereby resolved by the City Council of the City of Carter Lake, Iowa that
Phill Newton's wages be set at \$_____ retroactive to July 1, 2014. This reflects the
_____ % increase that was requested by the Fire Chief. Phill is employed as the Fire
Department Coordinator for the City of Carter Lake.

Recommended by: Fire Chief – Eric Bentzinger

Passed and approved this 25th day of November 2014.

Gerald Waltrip - Mayor

ATTEST:

Doreen Mowery, City Clerk

RESOLUTION NO. _____

Be it hereby resolved by the City Council of the City of Carter Lake, Iowa that
Doreen Mowery's wages be set at \$_____ per month beginning Jan. 1, 2015.

Recommended by: Employment contract – City Council (_____% increase)

Passed and approved this 25h day of November 2014.

Gerald Waltrip, Mayor

ATTEST:

Doreen Mowery, City Clerk