



**City of Newport
City Council Workshop Meeting Minutes
April 17, 2014**

1. ROLL CALL -

Council Present – Tim Geraghty, Tom Ingemann, Bill Sumner, Steven Gallagher, Tracy Rahm

Council Absent –

Staff Present – Deb Hill, City Administrator; Bruce Hanson, Superintendent of Public Works; Curt Montgomery, Police Chief; Renee Helm, Executive Analyst; Fritz Knaak, City Attorney; Jon Herdegen, City Engineer;

Staff Absent - Mark Mailand, Fire Chief;

2. DISCUSSION REGARDING BONDING FOR THE STREET IMPROVEMENT PROJECTS

Jason Aarsvold of Ehlers presented on this item as outlined in the April 17, 2014 City Council Workshop packet.

Councilman Rahm - On page 2 in the summary I was looking at the taxes and in 2018 there's a dip and in 2019 it's a little bit higher, can we do anything to make it uniform across? What happened in 2017/2018 that it goes down a little bit?

Mr. Aarsvold - Where those numbers are coming from is your financial management plan. What you'll have in there is different projects in different years and different debt that may be retiring or expenditures that may not be incurred in those years. The numbers are not only impacted by this particular bond issue, they're impacted by the global financial picture of the City. I don't know exactly what is causing the drop that particular year but there's something in the plan for that year that has been paid or is a smaller increase.

Councilman Rahm - Maybe we can look at our plan and level it off.

Mr. Aarsvold - Our analyst who works on that plan spent a lot of time trying to level them out as best she could given the anticipated projects.

Councilman Rahm - So you're saying that might be the best we can do?

Mr. Aarsvold - I think so yes.

Councilman Sumner - How is it that we were surprised to have the addition of the engineering fees that weren't in there initially?

Councilman Gallagher - \$800,000 that we didn't put in there, that's quite a bit.

Councilman Sumner - An \$800,000 overlook.

Jon Herdegen, City Engineer - That is on my end. The total project costs with that discussion weren't complete. That's a portion of that \$800,000. The numbers we're looking at now are actual quantities that are out for bid. The previous estimates were from the feasibility study. We feel these numbers better reflect the actual construction for this year. We won't know what the numbers will be until we open the bids.

Councilman Gallagher - We won't know what the engineering numbers will be until we open the bids?

Engineer Herdegen - No.

Councilman Gallagher - Because it says here that there is \$800,000 of engineering costs.

Engineer Herdegen - Overhead and contingency were not included at all in the first bid and that is 100% my mistake.

Mayor Geraghty - As far as our bonding capacity, where does this put us?

Admin. Hill - I think it puts us around 72 or 76%.

Mr. Aarsvold - That was one of the considerations in why we needed to lower the costs.

Admin. Hill - We were around 70% last year.

Mayor Geraghty - I know one will drop off in 2017, when does the next one after that drop?

Admin. Hill - It's a couple years down the road.

Mayor Geraghty - We still have a lot of streets to do.

Admin. Hill - The bottom line here is that for the medium-priced house, the taxes go up \$23 for next year.

Councilman Gallagher - On top of what our levy increase is so it's a lot higher.

Admin. Hill - For the street portion because we're taking advantage of when that other payment goes off.

Councilman Gallagher - You say change in taxes paid for 2015 is \$23 and in 2016 it's \$20 and in 2017 it's \$24. Does that mean that it goes up about \$70 in three years?

Mr. Aarsvold - That is correct. I will point out that when we modeled this expenditures are inflated at a much higher assumption rate.

Councilman Rahm - We look at our levy's in the big picture, how much we're spending on the bond debt and other things. I look at what does that whole picture look like and that percentage increase. I keep going back to the check book to see what their average wages are and what is the average percentage increase that we're putting on people. When I look at the percentage increase for the bond and the other increase that we might put on, that'll get to be about 5 or 6% a year. That concerns me when people's wages are increasing 1% a year.

Councilman Ingemann - If you scale things back they don't get done and it costs more in the long run.

Councilman Rahm - I understand and also too we probably have the best interest rate environment now as well. It goes back to how do you tell people that this is a good idea.

Councilman Gallagher - Do we have money in our utility funds to pay for this? We just went back last year to change the amount we're charging our residents for water and sewer.

Admin. Hill - I just received numbers from Ehlers for our utility rates for next year and am hoping to bring it to Council for approval. They will need to go up again next year to pay for the utilities underneath the roads.

Superintendent Hanson - We did pull out \$500,000 from this bond to paint the water towers. I just had those inspected and the report said we could push it off two or three years but that's another thing we need to look at with the utility rates. We also pulled the SCADA improvements out of the bond to pay for with our utility funds.

Admin. Hill - We'll be cashing that out but we still need to replenish our funds.

Councilman Gallagher - So we should say that we're going to increase peoples taxes and their utility bills.

Admin. Hill - Yes but the utility bills aren't that bad.

Councilman Gallagher - But we're still raising them.

Admin. Hill - Yes.

Councilman Sumner - We're finding a lot of things are broken.

Admin. Hill - Our sewer system is in rough shape and we need to fix it.

Councilman Ingemann - Otherwise the fines will be a lot more than the bonds.

Mayor Geraghty - What's the timing?

Amdin. Hill - We'll find out what the bonding will look like when we open the bids next week. I think we can do that in mid-May.

Mr. Aarsvold - We have a date of June 25 for when you would get your money so it would be about 3 weeks before that for the sale.

Councilman Ingemann - It's possible the bids will come in low right?

Engineer Herdegen - Absolutely.

Councilman Gallagher - There's a lot of work for contractors right now so it'll probably be higher.

Councilman Rahm - Do you think the interest rates will go up?

Mr. Aarsvold - They have stayed pretty consistent and will probably be similar to what we laid out in the packet.

Councilman Rahm - This is good information. I'd like to see how all of the pieces fit in there in the future.

Councilman Gallagher - He has the debt service schedule out through 2030. Is there a way to even it out across the board? I see it's \$85,000, \$345,000, and then \$240,000.

Councilman Ingemann - It's one of those things where if you pay more on the principal then it comes down.

Mr. Aarsvold - That can be structured as you like. The reason you have that variation is to keep the debt down. In 2017, a debt comes off so you have the ability to make a bigger payment without your levy increasing which lowers the amount you need to pay over the subsequent years. This is structured to fit with your financial management plan to achieve that more even tax burden over time.

Mayor Geraghty - Why do the costs jump up in the tax table even though the debt service schedule is relatively flat for those years.

Mr. Aarsvold - The tax table also takes into consideration other things that are happening in your financial management plan.

Mayor Geraghty - But the debt should already be in the schedule, they shouldn't fluctuate should they?

Admin. Hill - Yes, the numbers do fluctuate.

Mr. Aarsvold - If we just put the debt in there and nothing else, the numbers would look a lot different but we need to look at other adjustments.

Mayor Geraghty - We need to know what it's doing to NEDA.

Admin. Hill - And we've been looking at that.

Councilman Gallagher - Are we bonding again through 2016?

Engineer Herdegen - I believe we only have it projected out through 2015.

Councilman Gallagher - So we'll need to factor those numbers in.

Mr. Aarsvold - They are already factored in.

Councilman Gallagher - Ok. I would like to see the water and sewer revenue soon so we can see everything.

Admin. Hill - I just received those yesterday and will bring them forward.

Engineer Herdegen - If we could talk about the assessment hearings really quick. We need to have the bids in hand before we have the assessment hearing. Do you have a preference for when that is held?

Councilman Gallagher - On a City Council meeting night.

Engineer Herdegen - Do you want it as early as May 15?

Mayor Geraghty - Yes.

Engineer Herdegen - We'll have the resolutions for the next meeting.

Mayor Geraghty - Do you want it to be part of the regular meeting?

Councilman Gallagher - Do you want to do it at 5:00 p.m?

Executive Analyst Helm - There are 240 homes so I don't think 30 minutes would be enough. I know last year we did it during the regular meeting.

Mayor Geraghty - You can have it start at 6:00 p.m. and we'll do regular business before.

3. ADJOURNMENT

Signed: _____
Tim Geraghty, Mayor

Respectfully Submitted,

Renee Helm
Executive Analyst