

MINUTES OF THE WORKSHOP MEETING OF THE ROGERS CITY CITY COUNCIL
HELD IN COUNCIL CHAMBERS ON MONDAY, JUNE 22, 2009

Mayor Hall called the workshop meeting to order at 4:30 p.m. Those present included Council Members Debra Greene, Gary Nowak, Thomas Sobeck, and Mayor Beach Hall. Also present were City Mgr. Mark Slown, Water Supt. Chuck Kieliszewski, WWTP Supt. Ray Hansen, Eng. Asst. Toby Kuznicki, Scott Campbell (summer intern), and Clerk/Treasurer Theresa Heinzl.

Mayor Hall introduced the City's financial advisor, Tom Traciak of ACI Finance, and Larry Fox of C2AE.

The purpose of this workshop was to review the information provided to Council regarding the proposed water and sewer projects, which are to be part of the USDA Rural Development grant/loan application. Mayor Hall then turned over the workshop to Larry Fox. He pointed out that the City has received a Rural Development commitment for a sewer system loan of \$4.254 million and \$3.317 million for the water system. The loan interest rate cannot be higher than 2.75% for 40 years. In addition, a grant possibility became available through the MEDC Infrastructure Capacity Enhancement Program for a maximum of \$750,000 and an application has been submitted. The best use for these funds would be for the WWTP Improvement Project. The two programs will work well together. Fox was not making predictions on receiving these funds; however, the City Manager was called to answer some questions on the project and this could be an encouraging sign. Any announcement is expected around July 30th.

Fox then moved to the rate information. The new rate information provided can be interchangeable as Rural Development is only concerned that the debt payments are made. Fox reminded those present that the design engineering services for the priority water main and WWTP facility were previously approved by Council and are nearing completion. The secondary water and sewer projects have not yet been authorized and have not been started for that very reason. Rural Development has approved the C2AE engineering contract, so Council must give their approval for C2AE to move forward on the secondary projects. If only a portion(s) of the project list is chosen, C2AE would ask that the City approve the engineering services agreement and then amend the agreement. Fox said the City is not required to use all of the obligated funds. Council can choose which portions they want to undertake. Fox pointed out that there would be no de-obligation of funds until bids are taken and the loan is closed. This answered the question about adding work back in, which may cause a delay. Fox pointed out that the City needs to decide in the very near future on which projects are to be carried out as some of the work is ready for bidding. He advised that the MEDC grant is based on a quick turnaround and C2AE has already provided engineering work that the City is obligated to pay.

Tom Traciak asked to comment on the financial side using the power point information provided by Fox. He stressed that the 2.75 interest rate will most likely not be around for too much longer and provided a brief overview on how the interest rate is structured by the USDA. Rural Development in Michigan is very aggressive nationally. He pointed out that Michigan is extremely diligent in getting money and attributed it to their leadership. Traciak felt that a closing by September 30th is possible, but very optimistic. He stated there are time lines that can affect the closing date; however, the 2.75% interest rate stands even after the September 30th date. He also offered a brief history on MEDC funding.

Larry Fox then moved to the rate sheets, which were prepared by C2AE. The 40-year repayment period was questioned, to which it was explained that it can be paid off early if the money is available. Fox continued with an overview of the rate sheet. The increase total for the average customer, including both residents and commercial, is projected to be \$9.52 per month for sewer priority projects; if both primary and secondary projects are undertaken, the projected increase per month would be \$11.62 for each customer. Council Member Nowak would like the debt to be listed separately on the utility bill to show the customer how much is attributed to the projects. Traciak explained, although it is done this way in many communities, that the capital or "debt" charge can be structured in different ways. Council Member Sobeck was concerned that the debt would stretch over the entire term with a flat charge, but by considering growth in the future, the volume used would help to pay the debt sooner. Traciak agreed that both options are viable and explained how a flat charge would affect both the small volume and the large volume users. He felt the numbers presented by Fox were adequately split and balanced.

Responding to a question on designated funds being used for debt repayment, Traciak was not in favor of using already designated funds to pay off/or lessen the borrowing amount. Traciak then threw out how much money should be set aside for a "rainy day fund". He explained that he would recommend \$250,000 cash on hand to take care of improvement and replacement needs; a six month period is the least amount of time to have funds on hand. The discussion continued on using the current funds with Traciak questioning what amount of cash will be on hand if these funds are used.

Larry Fox then moved on to the water information. The expected increase for water customers is approximately \$9.20 per month including the water tower. The water tower generated a brief discussion as to its longevity. Slown added that including the water tower can help the community's fire protection rating, which will benefit all property owners. Nowak inquired about the project covering all the necessary looping, which he was told it does. Greene asked about associated piping needs if the water tower were moved to the City's property at the end of Oak Street. A new tower would generate an approximate 400,000 gallons of water storage. Currently, the City's capacity is 150,000 gallons with its present water tower.

JUNE 22, 2009

Fox also provided some rate comparison information from Northern Michigan communities. Rogers City's rates are not out of line. Rogers City's infrastructure needs to be addressed before a major issue surfaces. Nowak's concern was that the debt be explained on the billing statement to the utility customers. There was discussion about the need for Council action on these projects. Larry Fox stated that the paperwork has been signed to do the project. Council action is necessary to authorize the engineering services agreement for the secondary priority projects. Tom Traciak reviewed the necessary action from the financing standpoint. He explained what happens when a bond issue is considered. The Council would approve the Notice of Intent to issue revenue bonds, which then requires publication and starts a 45-day referendum period. Tom Traciak cautioned that the referendum period must be adhered to and recommended that the Notice of Intent should include an extra percentage of funding to prevent having to reissue the Notice of Intent and require another referendum period.

Council action for the next meeting is to approve the resolution for the Notice of Intent to issue bonds and the C2AE engineering services for the secondary projects. It is recommended that the City Attorney begin working on the utility easement issues. Traciak added that a rate change is not required until just prior to closing and he strongly advised that no rate changes be made until a rate study is completed so that historical information can be reviewed, i.e., how the fund is performing, projected cash levels, operation management, etc.

The workshop having concluded, Mayor Hall thanked those attending and declared the meeting adjourned at 5:45 p.m.

BEACH HALL, MAYOR

THERESA A. HEINZEL, CITY CLERK/
TREASURER