

Mayor David Anderson called the regularly scheduled council meeting of October 5, 2010 to order at 6:00 p.m. Present for the meeting were Mayor Anderson, Council President Chris Clark, Council Members Mike Klaus, Connie Wells, and Tom Mayo, Clerk Kris Larson, City Administrator Stephen Boorman, Assistant City Administrator David Sims, and Economic Development Coordinator Mike Sloan. Also present was Nancy Mabile from Panhandle Area Council, David Gray, and Carolyn Testa.

Nancy Mabile gave a presentation regarding urban renewal districts. Urban renewal districts are created by a municipality and there are three to nine commissioners appointed by the Mayor. The life of the urban renewal district agency cannot exceed 24 years. If Bonners Ferry forms an urban renewal district the County and the Library will be affected but not the School District. Taxes would be frozen at what the value is in the year the urban renewal district is formed and any incremental value over the base would go into the urban renewal district. Chris Clark clarified that the taxes would be what the increment is that the urban renewal district will receive. The area within the urban renewal district where the increment will be used is called the revenue allocation area. The market value of the revenue allocation area cannot exceed 10 percent of the local government's total market value. Improvements funded by the increment must be for public use. Bonds can be used on the improvements and are subject to a public vote or judicial validation prior to being sold. All improvements have to be within the boundaries of the urban renewal district.

Deterioration must be identified in the boundaries of the area considered and the rehabilitation of the area is in the best interest of public health, safety, morals or welfare of the residents. A resolution will initiate the development of the urban renewal agency and must include a map and legal description of the proposed district boundary as exhibits. There is an agreement written up between the developer and the urban renewal agency.

Nancy said it takes quite a few meetings to get the urban renewal district formed and working. She displayed a timeline for council to review. Planning and zoning will have to review the urban renewal district plan and give comments to City Council. City Council will have to set a public hearing for the plan and feasibility study. There will then be an ordinance to adopt the urban renewal plan, map and study. There is again another hearing where City Council adopts the plan and feasibility study ordinance. A master owner participation agreement needs to be developed. A map needs to be sent to the County Assessor and the plan, feasibility study and map needs to be sent to the State Tax Commission. The State Tax Commission then approves the urban renewal district. David said the developer can take out a loan and then the incremental financing can pay the loan payments of the developer for the infrastructure.

Jerry Higgs joined the meeting at 6:29 p.m.

David said the way the proposed property is laid out we cannot compel the developer to go through the subdivision process. Stephen said we would probably propose the area to include the

McCall fire station. The developer would be liable for the improvements and there is an agreement called the owner participation agreement (OPA). The OPA needs to be executed before any work is done. Stephen said two parties have to be willing to work with the urban renewal district. Tim Wilson asked if an urban renewal district can be amended. Nancy said with today's law we can amend but there is a proposed law that prohibits this. Chris Clark asked what happens if there is excess money in the fund after completion of the projects the developer has agreed to do. Stephen said if the projects are listed in the plan then the city can complete them with the financing. Nancy said the urban renewal district can be closed early also.

Nancy said she cannot think of any negatives as long as Idaho Code and the urban renewal district plan are followed. Tim Wilson inquired about the tax bills that would be sent out.

Doug Ladely, Alice Neumeyer, Arnold Fessler, Leroy Vogl, Hod Sanborn, Clarice McKenney, Jim Fritzsche, Russell Rosco, Police Chief Rick Alonzo, Fire Chief Pat Warkentin, and Marcia Cossette joined the meeting.

Nancy left the meeting at 6:55 p.m.

Mayor Anderson called the regular meeting to order and he opened the water/sewer rate increase hearing. Stephen Boorman gave a power point presentation to the group regarding water and sewer funds. Russ Rosco inquired about the depreciation schedule for the water fund. Clerk told Russ that our lines are at 30 year lives and we are considering changing this. Stephen said some of the newer lines will have a longer life than the old steel lines. Clarice McKenney inquired about the revenues over expenses for a few years and what happened with the excess revenue. Stephen told her that we spent the funding on water projects and upgrades.

Dollie Boling joined the meeting.

Jerry Higgs inquired if there will be an increase in the usage volume for residential. Stephen said we are not looking at that now.

Stephen commented on the sewer rate increase proposed and said we are trying to keep up with the costs and ahead of the needs rather than ending up like we have with the water fund. He said a master plan is being done for the sewer system to identify the unknowns in our sewer system.

Russ Rosco said we raised sewer rates three times in the last year and gave the percentage of the increases. Stephen said we had such a low sewer rate that there were increases necessary. Russ asked if there will be sewer rate increases in the future. Stephen said there will be and it depends on the projects that are needed. He also said what has to be done is dictated by the EPA through our discharge permit. He said if we keep our lagoon system we will be able to keep the rates low but if we have to go to a mechanical plant it would be very expensive.

Jerry Higgs said the sewer plant is operating at 90 percent capacity and asked what has been done to ensure that development won't be put on the backs of the residents. Jerry also asked

about the installation of the aerators and when they are installed if there will be a stink hole created on the northside. David Sims said the master plan will look at capitalization fees as they are very low at this time. He said the aeration for the lagoons will help the smell at the lagoon. Stephen said the capitalization fees for both water and sewer are based on depreciated value of the system rather than the future value of the system. David said the lagoon system was built in 1968 and the standards have changed. Stephen said the capacity of the sewer lagoons is based on the discharge requirements of the EPA. Chris Clark pointed out the regulatory expenses that have been added to the sewer and said they are outside the city's control.

Clarice asked if there have been other options explored for increasing the revenues of the systems rather than putting the burden on the residents. David said we are looking at grants for capital improvements. Stephen explained that grants are not available for daily operating expenses but are available for capital improvements.

Jerry Higgs commented from what he hears from his neighbors, that we are in poor economic times and they have been cutting back on their personal expenses and have no grant funding to fall back on. He is concerned about the cumulative rate increases and said the city needs to do their best to keep the public informed.

Mayor Dave Anderson recessed the hearing.

Rick Alonzo gave the police report. There have been four DUIs and two felony arrests for DUI, two drug arrests, one felony drug arrest, one warrant arrest, one grand theft case, two reportable crashes within the city and another on the Peterson Hill, one child abuse case, and one unlicensed driver.

Pat Warkentin said the fire department is losing a few volunteers. Marlin Olsen is going to school in Idaho Falls so he is gone and Jock Johnson has accepted a position out of state so he will be leaving and there is a good chance that one of the fire captains will be moving for work out of state. Pat is looking for new volunteers to keep the fire department operating. He said the grant process is being completed as far as equipment coming in that was funded by grants. He said there is another grant application for \$1,200 for equipment. He said the call volume is a bit ahead of what it was last year at this time.

Stephen Boorman gave the city administrator report. He thanked Tom Mayo for spearheading the signs for the Myrtle Creek Preserve and also thanked Connie Wells for finding the trailer for the generator. The power plant unit one repair started today so he invited council to view the project. The ITD is looking at a plan for the highway corridor study from the Canadian border south so this is worth paying attention to. The river pumps were run a bit last week to make sure all is operating well. The sprinkler system wire work is completed and there is still some sprinkler heads to be worked on at the golf course. Steve Neumeyer and Steve Galbraith were commended for their work at the golf course. The new mower has been received at the golf course.

Connie Wells moved to add a new agenda item: approval of pay request #3 for the phase 2a water project for Earthworks. Tom Mayo seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes Connie Wells “yes”, Tom Mayo “yes”.

Mike Klaus moved to approve the consent agenda. Connie Wells seconded the motion. The motion passed, all in favor. The consent agenda contained the following: roll call; approval of bills and payroll; approval of the treasurer’s report; approval of September 13, 2010 and September 21, 2010 minutes.

Mayor Anderson spoke regarding the water and sewer rates. He said no one feels good about the rate increases particularly at this time with the economy like it is. He said much of the need for the rate increases is due to the regulations coming to us. We have a discharge permit that required changes in the water department as well as many other projects that were needed. He said we are hopeful to get into a mode where the increases will be small in the future. He spoke of previous decisions to lower the rates when the meters were put in and conservation occurred so the needed amount of funding came in short. He also spoke of the nuclear plants and decisions that were made. He spoke of the considerations that have been made and said the city is not comfortable with the increase but we have to pay for the improvements that have been done. He said he voted for the water bond. Mayor Anderson reopened the hearing at 7:55 p.m.

Mike Klaus said we have annual bills due for the debt service and the revenues are not covering. He lives in Bonners Ferry and has a lawn to water and has had to tell his folks that there is going to be a water rate increase so he understands but it has to be done.

Chris Clark spoke of the revenues that were reduced when we metered and took over the other districts and said if we had not reduced the rates we would be covering our costs. He also spoke of the interest that has to be paid back on our loans.

Connie Wells said the debt and interest has to be paid now for the improvements. She said she understands that the public is on a budget but the city is also and has to meet their obligations.

Tom said he would be remiss if he did not do the increase but he sees the need. He does not like raising rates but sees that it needs to be done.

Mayor Anderson said the incremental increases are easier to bear than the large increases we are facing now. He said there are seven lift stations in the sewer system and they are old so we may be seeing more expense.

Clarice McKenney thanked the group for the information. She said the city employees have worked very hard to replace a system that was in bad shape. She said she does not begrudge anyone for the increase and knows it will be hard but is thankful for the improvements that have been made.

Jerry Higgs said the city has been up front with the citizens from the beginning at a meeting in the Junior High when council showed concern over the volume of water projected. He thanked council for their information and being forthright.

Chris Clark moved with reluctance but with firm conviction to raise the rate charges as printed in the public notice and presented this evening. Tom Mayo seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

Connie Wells moved to authorize Mayor Anderson to sign pay request #4 for Earthworks for phase 2a. Mike Klaus seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

The bid packet for the sewer aerator project was discussed. David said DEQ approved it. Chris Clark moved to approve the bid packet for the lagoon aerators. Mike Klaus seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

Chris Clark moved to authorize the Mayor to sign the fire/law enforcement contract with the Kootenai Tribe for fiscal year 2010. Tom Mayo seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

Mike Klaus moved to retain the current Auditors, Magnuson, McHugh and Company. Connie Wells seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

Urban renewal districts were discussed. David said projects should be matched to the revenues. He said if projects developed in the urban renewal district area are completed early then the urban renewal district agency would close early. Mayor Anderson said he would like to see the urban renewal district go to the south of the potential development because the Valley Motel property is for sale and there may be future development of the Co-op at some time. He would like to have staff meet with some of the other urban renewal districts to see what the potential would be. He only wants to create something if it will produce a positive. David said the urban renewal district has to precede the development. Tom said values are done in June of each year and the value of the urban renewal district would be on the new construction roll. Chris Clark said there is a developer coming to town but gave the example of an area where there is no developer involved and the urban renewal district would be an incentive to development. Stephen said when the urban renewal district is set up the projects are identified in concurrence with the developer. Stephen inquired about valuations for a partially done commercial project at the year end. Tom thinks urban renewal districts are positive. David said the developer said there is a possibility of starting the project in 2011 and has projected a seven month construction period. Chris Clark likes the concept and said our development fees are inhibiting development at this time and thinks an urban renewal district would be helpful. David said since this project does not fall under our subdivision ordinance that the city would be out because we cannot

require sidewalks and lighting of the area unless we have an agreement. Jerry Higgs commented on the poor design of the parking lot and turn around spots at the new Sandpoint store, Super 1 Foods.

Connie Wells moved to authorize the Mayor to sign pay request #3 for Earthworks for phase 2a water project. Tom Mayo seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”.

Connie Wells moved to go into executive session per Idaho Code 67-2345 (1) (f) at 8:25 p.m. Tom Wells seconded the motion. The motion passed – Mike Klaus “yes”, Chris Clark “yes”, Connie Wells “yes”, Tom Mayo “yes”. Executive session ended at 8:40 p.m. No action was taken.

Mike Klaus moved to table item #11, discussion of EPA discharge permit consent agreement. Connie Wells seconded the motion. The motion passed, all in favor.

There being no further business, the meeting adjourned at 8:41 p.m.

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David K. Anderson, Mayor

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Kris Larson, City Clerk