

**APPROVED MINUTES
OF THE SPECIAL
CITY COUNCIL MEETING
CITY OF EAST GRAND FORKS
THURSDAY, APRIL 23, 2015 – 5:00 PM**

CALL TO ORDER:

The Special Meeting of the East Grand Forks City Council for April 23, 2015 was called to order by Council President Mark Olstad at 5:00 P.M.

CALL OF ROLL:

On a Call of Roll the following members of the East Grand Forks City Council were present: Council President Mark Olstad, Council Vice-President Chad Grassel, Council Members Clarence Vetter, Mike Pokrzywinski, Craig Buckalew, Henry Tweten, and Marc DeMers.

Dave Aker, Parks & Recreation Superintendent; Greg Boppre, City Engineer; Dan Boyce, Water & Light Manager; Nancy Ellis, City Planner; Ron Galstad, City Attorney; Paul Gorte, EDA Director; Mike Hedlund, Police Chief; Charlotte Helgeson, Library Director; Gary Larson, Fire Chief; David Murphy, City Administrator/Clerk-Treasurer; and Jason Stordahl, Public Works Director.

Guests Present representing the City of Grand Forks:

Todd Feland, City Administrator; Shawn Gaddie, Engineer; and Terry Bjerke, City Council member.

DETERMINATION OF A QUORUM:

The Council President Determined a Quorum was present

1. Presentation of the Cost of Service Agreement

Mr. Boppre reminded the Council they had authorized Grand Forks to update the COSA which was completed by AE2S. He said a presentation had been prepared to review the information which would cover an overview of the project, the methodology used for this process, the previous results, future rate considerations, and what the next steps would be. Mr. Boppre started reviewing a map showing where the new lift station would be constructed and where forcemain would connect in Grand Forks at lift 17. He explained the costs for this project and how East Grand Forks would have approximately 9.4 million in capital costs for this project. Council President Olstad asked if that amount included the decommissioning process for the ponds. Mr. Boppre stated it did not include what was needed to decommission the ponds. He then asked Mr. Gaddie to continue the presentation and told the Council to ask any questions while they were going through the process.

Mr. Gaddie informed the Council about the process that they have been going through, the sampling that would be required for the treatment, and how Grand Forks waste water staff would need to have some access to the lift station on the Minnesota side for sampling and metering. He explained the Council will see the \$1.2 million for the capital portion of the project for the Grand Forks side and how that would be a debt service that was included in the COSA. He then reviewed the methodology used for

determining the Cost of Service Agreement which included looking at the current system and how it is affected by the addition of waste water from East Grand Forks. Mr. Gaddie then explained how they look at functionalization, classification, and allocation to determine the COSA process. He said they look at what is happening, how the function needs to be classified, and where it needs to be allocated to. He stated how it is through this that they are able to get the breakdown of figures for the COSA, went over an example, and then reviewed numbers from the previous COSA. He stated how the budget adjustments would be for more chemicals, electricity, and new forcemain debt service and reviewed the costs for East Grand Forks which totaled \$166,884.

Mr. Gaddie continued by reviewed the functionalization of the system and how East Grand Forks would only be using one lift station, a small portion of forcemain, what was needed for treatment, and how these items were used to determined the figures in the COSA. He also reviewed the administrative costs. He moved on to allocation criteria regarding customer, collection, pumping for both fixed and variable, and treatment of both fixed and variable costs and the percentages that East Grand Forks would pay for. Mr. Gaddie stated that after looking at all of the figures East Grand Forks would be pay for approximately 5% of the budget or approximately \$516,000 for total cost of service in 2015. He added how the percentage had gone down since the amount coming from East Grand Forks had remained the same and there was growth in Grand Forks. He said there was a \$26,000 difference between the estimate from 2013 to 2015. He then asked if there were any questions. There were none at this time.

Mr. Gaddie continued on with the presentation regarding the future and other rate considerations. He said how the Cost of Service Agreement was based on 2015 costs and needs of the City. He added how things could change with growth in the City or if there is a large user that moves into the City. Mr. Gaddie stated how there is current debt service and reviewed how that will affect costs over the years. He then brought up reserved capacity for the case that if East Grand Forks grows or has a large user move into town. He said it was not currently included but it is something that could be added if the Council would like to make sure there is enough capacity for East Grand Forks. Mr. Gaddie commented how Grand Forks was working very hard to secure the North Plains Nitrogen Fertilizer plant. He stated how they would be using a significant amount of gray water from the Grand Forks waste water facility. He said the project is not a sure thing but if it moved forward the plant was looking at purchasing about 5.5 million gallons per day which Grand Forks produces approximately seven million gallons per day. He said it was excise but there was a slight short fall on a peak basis. He continued on a number of improvements are needed which is beginning to put together and how this would be a net benefit but it still hasn't been determined yet.

Mr. Gaddie reviewed the existing debt service for Grand Forks and how there will be some projects that will be paid off. He stated approximately half of the treatment budget is related to the debt of the treatment plant. He said there was capacity for further improvements which include a biosolids facility. The cost is 15.2 million dollars for the facility and he described what the facility would do. He continued reviewing other projects that are included on the capital improvement plan and how things could change if the fertilizer plant is built. He went over the debt service and how it will remain relatively consistent over the next few years. He said there were more detailed slides if anyone wanted to see them and then opened it up for questions.

Mr. Boppre said he did misspeak and how the numbers provided earlier did include the decommissioning of the ponds. He added that it was the mechanical plant numbers that did not include the decommissioning numbers. Council President Olstad asked Mr. Gaddie to elaborate on the future capital improvement needs and if the amount that East Grand Forks would have to pay was already included in the COSA. Mr. Gaddie said biosolids facility project that needs to be done based on the amount of solids that are received which would increase with East Grand Forks. He reviewed fixed and

variable treatment of biosolids. He said East Grand Forks would pay approximately 5% of that. Council President Olstad asked if that amount was included in the COSA. Mr. Gaddie stated Grand Forks did not have costs for that project at this time so it was not included in the COSA. He added that it was a planned improvement and with debt service being paid off from the treatment plant there wouldn't be much of a difference. Mr. Boppre said the numbers from 2011 costs were significantly higher for that. Mr. Gaddie said they are still refining the numbers for these projects.

Council member DeMers asked if there was a place holder included in the COSA for that project or not since there was a \$600,000 place holder in the 2011 COSA. Mr. Gaddie explained that there had been a reserve that was included but that was not included in the 2015 budget. Council member DeMers asked if the current debt service is already functionalized, classified, and allocated for East Grand Forks. Mr. Gaddie explained that it was. Discussion followed about how allocations would be spread across both cities and how those numbers more than likely wouldn't change much unless reserve capacity is included.

Council member Buckalew asked Mr. Gaddie about the plant and if depreciation is included and if funds are being set aside. Mr. Gaddie said \$100,000 had been set aside this year and they are planning to spend approximately \$300,000 annually for renewal and replacement projects to the facility. He commented on things don't last, that was taken that under consideration, and that those numbers have been included in the budget. Council member Buckalew asked how that would be allocated to East Grand Forks. Mr. Gaddie explained it would come back in the fixed percentages. Council member Buckalew asked if the state of North Dakota was able to help with the project if East Grand Forks would be just have the net amount allocated to East Grand Forks. Mr. Gaddie pointed out that the COSA was done on cash basis and if there was a grant that would pay for a project then no cash would be needed. He also explained there were other kinds of COSAs and how some are based on utilities.

Council member Pokrzywinski said the design anticipates normal growth and asked how long it would be before the City would need additional capacity under normal circumstances. Mr. Boppre stated MPCA requires a 20 design and based on the City's population, BOD, TSS, and all of the other things the capacity needed would end up being 1.8 million gallons. Mr. Boppre said that the City has reduced the amount of flow in the last four years, that potentially the costs would be lower since the flow is lower but that there could be growth or an industrial user that comes to town which again could change the flow. Council member Pokrzywinski asked about the option for reserved capacity and how there are concerns that additional growth or users may be blocked. He asked how much more that would cost and what that would entail. Mr. Gaddie stated the capacity of the plant is there, allocating more capacity would need to be determined and the percentage would be adjusted accordingly. Council member Pokrzywinski asked if an industrial user came to town and would increase the capacity how would that need to be addressed. Mr. Gaddie stated that allocating reserved capacity now would be the best to allow the City to say yes much quicker. Council member Pokrzywinski asked to have estimates on that if he could. Mr. Boppre said a number would need to be picked by the Council so they could run the numbers and give an estimate. He added it had been discussed to have the COSA would be looked at every two years so everyone was on the same page. Mr. Gaddie stated that would happen to protect both sides with things changing.

Mr. Feland stated that it would be best to build in capacity now and then see what Grand Forks would like for a reserve. He added how it would be good to have that conversation now. He explained that residents and commercial users are currently paying for the reserve and some of that will need to be maintained. He stated that if both sides are serious enough about this to start working out some of the details because it is hard to amend agreements once done and to include as much into the agreements as

possible.

Council member Buckalew asked about the fertilizer plant possibility, how there currently aren't any numbers but it could be significant. Mr. Feland said whatever good that happens everyone on the system would share the benefits and how East Grand Forks would get 5% of what happens. He added he knows there are concerns, they don't want to raise rates, and that they have to take many things have to be taken under consideration before rates are changed.

Mr. Murphy asked about the top two users which make up approximately 35% of the daily flow. Mr. Feland stated that Simplot makes up about 25-30% of the flow and strength. He added there are other large users but Simplot was the largest industrial user and that East Grand Forks would be the second largest user. Council member DeMers asked if the IPP is a standard plan or if they are customized to each user. Mr. Feland explained that each IPP is customized to each user, what that includes, and how they are reviewed annually. Council member DeMers asked if that was factored into the COSA or if that was separate. Mr. Feland stated that cost was included in the COSA.

Council member Vetter asked about the current debt service and if East Grand Forks would be paying a share of that. Mr. Gaddie stated that was correct and East Grand Forks would be paying for 5% of the debt service. He added that they would not be changing based on the methodology used so if something needed to be done on the lift station or forcemain East Grand Forks would only pay the 5%. Council member Vetter said based on the figures that East Grand Forks may be paying for pump station on the south end of town even if it is a small percentage. Mr. Gaddie stated the dollars collected from East Grand Forks would go into the fund that would take care of the system. He said another way to do this is only charge incrementally and future improvements made to lift 17 could negatively benefit East Grand Forks. Council member Vetter asked why East Grand Forks was paying \$80,000 in debt service. Mr. Gaddie stated that amount being question was the forcemain which only East Grand Forks would be using. Council member Vetter commented that it can't be both ways so either only charge East Grand Forks for what they are using or put it all together and East Grand Forks would pay their percentage. Mr. Gaddie stated that could be done and if improvements were done to the forcemain or lift station 17 East Grand Forks would have more downside.

Mr. Feland said that he saw that has part of the project and that amount should be included in the project costs. He said that no one else will be using that pipe other than East Grand Forks. He stated they didn't know if East Grand Forks was going to include it in the overall project costs but the details would need to be worked out. Council member Vetter said that projects on the south end that wouldn't have anything to do with East Grand Forks so they shouldn't have to pay for those projects. Mr. Feland said that could be done but this was a fair way to look at allocation costs over the next 100 years.

Council member Tweten said there is existing debt service and asked for the total. Mr. Feland said it was between three and four million for both principal and interest. Council member Tweten said if the total debt service was totaled so East Grand Forks would be picking up a considerable amount of that, he commented on a possible expansion, and asked to have totals. Mr. Gaddie stated the totals could be given but the COSA was based on an annual cost basis. Council member Tweten asked when the treatment plant was built. Mr. Feland explained it went into service around 2003. Council member Tweten asked if it had been modified. Mr. Feland stated improvements had been done. Council member Tweten asked if they had future plans for the lagoons. Mr. Feland explained they are looking into the future of the waste water treatment system, that they will always have lagoons of some size, if the fertilizer plant does not get built they will still use lagoons for treatment, and there is a possibility of going to direct discharge. He said they should know lots more this summer when questions are answered.

Council member Buckalew thanked everyone for the work they have done on this and hopefully a decision is made shortly. Council President Olstad stated he echoed Council member Buckalew's comments.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER BUCKALEW, SECONDED BY COUNCIL MEMBER GRASSEL, TO ADJOURN THE APRIL 23, 2015 SPECIAL COUNCIL MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 6:15 P.M.

David Murphy, City Administrator/Clerk-Treasurer