

**CLEARWATER CITY COUNCIL MEETING MINUTES**  
**SPECIAL CITY COUNCIL WORKSHOP MEETING**  
**MAY 22, 2023**

**1. Call to Order: 6:15 p.m. at City Hall**

- Mayor Lawrence called the Clearwater City Council to order Monday, May 22, 2023, at 6:15 p.m. in the Council Chambers. Members present were Mayor Lawrence, Council Members Luhmann, Winkelman, Schwinghammer, and Vazquez. Also present was City Administrator Smythe, City Engineer Kannas, and Accountant Johnson.

**2. Discussion – Expansion of Utility Infrastructure**

- Mayor Lawrence explained the reasons for this discussion noting the city’s orderly annexation agreement with Clearwater Township. She observed that a priority should be the area east on County Road 75, as this area is already developed with businesses that may need to connect to city services in the future.
- Administrator Smythe explained that this discussion provided an opportunity to bring the new members up to speed on details of the annexation agreement, the utility master plan for annexation areas, and the current position of the city’s utility funds.

**a. Overview of 2016 Utility Master Plan**

- City Engineer Kannas walked through the 2016 Utility Master Plan and explained the different areas covered by the study. There were five areas, labeled A – E.
  - Area A – This area runs south of Kwik Trip and follows T.H. 24. This area would require a lift station to pump to the east in Cedar South for sewer connections plus the cost of pipe. Pipe sizing would depend on downstream infrastructure.
  - Area B – This area is south of the existing Cedar South neighborhood. The area directly south could gravity-flow sewer extensions from Cedar South. The area south and east across County Road 7 would need a lift station. Areas A and B may need additional infrastructure to get across I94, depending on the size of existing facilities.
  - Area C – This area runs east on County Road 75. Sewer could gravity flow from Sunset Ct to an area just west of Versatile Transport. The rest would need a lift station and force main.
  - Area D – This area is northwest of the city in Lynden Township where Sportsman’s Park is located. A force main to cross the Clearwater River would be needed to extend here.
  - Area E – This area is west of the city in Lynden Township past Kwik Trip. Similar to Area D, a force main to cross the river would likely be needed.
  - Kannas noted that water extensions could be made from any existing lines. Sizing of pipe would be based on current infrastructure and at some point the city would need to determine where to loop services.
  - Members had questions about costs. Kannas noted that this study was done in 2016. Prices have since increased 60%. An estimate would be \$200/foot or \$2 million/mile for water and sewer. The estimated cost in 2016 for Area C (County Road 75) was \$5 million. Kannas recommends adding 60% to that figure.
  - Member Luhmann asked if a new well would be needed. Kannas explained that a new well project is in the exploratory phase right now due to water capacity issues. Smythe noted that the rates study includes the projected debt service to construct the new well, as the City Council had already authorized adding this project to the state’s project list. The city is still looking for a location, as the one selected by the tabletop study did not have sufficient capacity due to a high-volume well in the area supporting a local farm.

- Kannas noted that this was a very high-level study and suggested a more detailed analysis be completed in phases, one area at a time, as the Council decides which areas to pursue.
- Kannas also stated that this project could be eligible for partial funding through DEED’s Business Development Infrastructure (BPDI) program if it is tied to economic development.

**b. Orderly Annexation Agreement**

- Members reviewed and discussed the sections of the orderly annexation agreement that outline the conditions needed before annexation can occur and the provisions that govern when utility infrastructure can be assessed to properties outside of city limits.

**c. Current Outstanding Utility Bonds**

- Smythe provided an overview of the current outstanding bonds, interest rates, and payoff periods for existing utility debt service along with the current cash balances in the utility funds.

**d. Utility Rate Study**

- Accountant Johnson outlined the input assumptions and current cash positions of the water and sewer funds.
  - Based on current data, the sewer fund’s cash balances are expected to remain below the minimum required balance until the existing debt service is paid off in 2027. Then, cash balances will balloon absent another mandated upgrade.
  - The water fund’s cash balances are expected to continue to decline well below the required minimum due to the existing and projected debt service.
  - Both funds have projected losses after accounting for capital and depreciation costs until debt service is paid, which won’t happen until 2041 for the water fund and 2027 for the sewer fund.
  - The city’s water rates are too low to cover its expected costs. The sewer funds rates are also too low to cover expected costs, but it is a short-term issue as the debt will be paid within 5 years.
- Johnson also outlined other scenarios that could get the water fund to cash flow.
- Members discussed the fund statuses and options to address.
- Smythe pointed out that the city does not have the current financial ability to extend services into the annexation areas without another outside source of funding or without substantial increases to rates, or both.
- Members also discussed the fact that some city residents/businesses are not on city services and how to address this. Smythe noted that the city’s utility ordinances will be revisited this year as part of the wellhead protection plan, which could help address some of these issues.
- Members would like to see additional rate scenarios that show a more gradual raising of rates and different combinations of increases to base fees or volume-based fees. Members will revisit expansion plans during the budget/capital improvement process later this summer.

**3. Adjournment**

- **MOTION** to adjourn by Lawrence, seconded by Luhmann, all voted aye. **MOTION CARRIED.**
- Meeting adjourned at 7:55 p.m.

ATTEST

APPROVED

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Annita M. Smythe, City Administrator

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Andrea Lawrence Wheeler, Mayor