

**Committee of the Whole  
Monday, February 22, 2021  
City Council Chambers**

1. Committee of the Whole      5:30 p.m.      Monday, February 22, 2021
2. 2022 Water Improvement Project Overview – Craig Britton

**Members Present:** Mayor Russ Smith, Councilors Mike Urban, Pam Bluhm, Paul Novotny, John McBroom, and Josh Broadwater.

**Members Absent:** None.

**Others Present:** Shane Fox, Brian Burkholder, Craig Britton, Ryan Priebe, Mike Bubany, Chris Giesen, Kay Coe, Gretchen Mensink-Lovejoy, Beth Carlson, and Joel Young.

**Capital Replacement Planning:**

Mike Bubany, of David Drown & Associates, presented information projecting the City's financial status into the future. The plans call for a water improvement project in 2022 in the amount of approximately \$1,000,000; a major street project in 2023 in the amount of \$1,500,000; the construction of a public works building in 2024 at the cost of \$1,150,000; a mill and overlay project in 2028 in the amount of \$1,500,000 and various other projects. The presentation included the projection of city property tax rates through 2033 as well as the fiscal status of the water and sanitary sewer funds through 2041. The goal of limiting the cost of city services to increases less than 3% a year appears to be achievable over the long term but not necessarily so in the more near term. Finally, the projections show a steadily declining amount of debt per capita, beginning immediately and continuing into the foreseeable future.

A summary of the meeting as provided by Mike Bubany is shown below:

1. There remains an informal goal to see the tax rate move back towards 90%. This was approximately the rate the City enjoyed prior to the voter approved pool project financed in 2018. While this iteration of the CFP doesn't quite achieve that goal, it is trending in the right direction long term.
2. The consensus of the Committee was to maintain the proposed levy increase for 2021 (just under 4%).
3. No rate adjustments are advised for the Sewer Fund, though tax contributions (\$75,000) towards the Wastewater Treatment Plant debt will likely end in 2022 or 2023.
4. Water rates (base rate & volume rate) will be adjusted by 5% next year. The model continues that same level of adjustment through and including 2024. However, we will review utility fund performance annually.
5. Since the Water Fund will likely not be able to cash flow all of its capital projects / purchases, we've reaffirmed our prior strategy of issuing a General Obligation Water Revenue Bond in 2022. Some projects are being delayed until that time, others are being accelerated. Please see a list of those proposed items attached.
6. The model expects contributions to capital replacement reserves will grow 3% annually.

7. A large mill & overlay project (Grand & Prospect) is scheduled for 2023 with an approximate cost of \$1.5 million. This will be followed by a similar sized project in 2028 (streets to be determined).
8. A public works building project is included, accounted for in 2024 with a cost of approximately \$1.1 million.
9. The Sewer Fund is expected to repay the General Fund for prior year contributions to the Wastewater Treatment Plant debt. A smaller payment might be possible by 2026 (about \$200K). Larger payments will be possible a couple years later when the Wastewater Treatment Plant debt goes offline (this frees up about \$500K revenue annually). For simplicity, the model is showing a lump sum payment in 2032 of approximately \$1.1 million. NOTE: While we did not discuss it last night, you will see that the column with this larger payment suggests that money might be used for a large stormwater project. I mention this because there was quite a bit of discussion about storm water needs last night.
10. I've included a second version of the CFP with a large Water & Sewer Project in 2028 (about \$3.7 million). This is a hypothetical project that is undefined. The purpose was to show the size of project that might be possible once existing utility debt goes offline. I've used a very aggressive 10 year term which could easily be extended to allow for a larger project. And if the project would qualify for State or USDA funding (where interest rates are below market) the project could be even larger still.

## MEMORANDUM

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To: Chatfield City Council

From: Craig Britton, Widseth

Re: Proposed 2022 Water Projects

Date: February 18, 2021

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**Action Requested:** Provide feedback and direction regarding proposed 2022 Water Projects.

**Background:** The most recent capital improvement plan undated in October of 2020 includes a 'Various Water' project for 2022 with an estimated amount of \$960,456. Mike Bubany noted in the updated CIP that the water fund will likely not be able to cash flow the overall project, therefore the intent is to issue a General Obligation Water Revenue Bond in 2022 to fund the project.

City staff has generated a list of water improvement projects which is included on the following pages of this memo. The large ticket items in the CIP include the reconditioning of the Old Territory tank which was constructed in 1963, structural repairs on the Old Territory concrete ground reservoir (construction date is unknown) and the reconditioning of the South Reservoir 3 which was constructed in 1976. The estimated construction costs for the reconditioning of the Old Territory Tank, Reservoir and South Reservoir 3 totals approximately \$708,521.25. The other miscellaneous improvement items on the list total an estimated amount of \$321,594, which brings the overall estimated total to \$1,030,115.25. City staff is requesting input from Council so that the scope of the improvement project can be finalized.

If Council makes the decision to move forward with the project, it is staff's goal to begin design on the project by early summer so that we can ensure a fall bid opening. Construction would begin in the spring of 2022 and would be completed by the fall of 2022.

February 18, 2021

**City of Chatfield  
Capital Improvement Plan (CIP)**

**Rochester**  
3777 40th Avenue NW  
Suite 200  
Rochester MN 55901

**Committee of the Whole Meeting – February 22, 2021**

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**2022 – Water CIP**

1. Old Territorial Tank (100,000 Gallon) – Constructed in 1963, Interior / Exterior Recoating in 1998
  - a. Scope of Work - Full reconditioning interior and exterior / no containment
  - b. Estimated Cost - \$234,000 plus 25% EAC = \$292,500
  - c. 2018 – Exterior Power wash / Replaced Vent Screen / Replaced Overflow
  - d. 2027 – 2 Year Warranty Inspection
2. Old Territorial Concrete Ground Reservoir (300,000 Gallon) – Construction Date is Unknown
  - a. Scope of Work – Concrete structural repairs per 2014 inspection report
  - b. Estimated Cost - \$57,817 plus 25% EAC = \$72,271.25
  - c. 2027 – 5 Year AWWA Inspection
3. South Reservoir 3 (200,000 Gallon) – Constructed in 1976, Interior / Exterior Recoating in 1998
  - a. Scope of Work - Full reconditioning interior and exterior / no containment
  - b. Estimated Cost - \$275,000 plus 25% EAC = \$343,750
  - c. 2018 – Removed 1 foot section of overflow pipe / installed splash pad per MnDept of Health. Power washed exterior of tank / dry tank cleanout / removed sediment
  - d. 2027 – 2 year Warranty Inspection
4. Hilltop Elevated Water Tower (300,000 Gallon) – Constructed in 2009
  - a. Scope of Work - Dry tank cleanout
  - b. Estimated Cost - \$2,800
  - c. 2016 – Dry tank cleanout and evaluation was performed
5. Hilltop Elevated Water Tower (300,000 Gallon) – Constructed in 2009
  - a. Scope of Work – Power Wash
  - b. Estimated Cost - \$35,000
6. Well #2 (Old Territory Road) Variable Frequency Drive (VFD)
  - a. Scope of Work – Installation of VFD
  - b. Estimated Cost - \$8,000
7. Generator for Well #2 (Old Territory Road) and Booster Pump Station (Hillside Drive)
  - a. Installation of generator, concrete pad and electrical.
  - b. Estimated Cost - \$75,000 per each location, \$150,000 Total
  - c. Cost includes generator (\$45k), concrete pad, wiring and switch gear.
  - d. Consideration - Natural gas vs. Diesel?

8. Chemical Room Addition at Well #2 (Old Territory Road)
  - a. Scope of Work – Concrete block addition to Wellhouse
  - b. Currently chlorine tanks are enclosed with tin, would prefer to have concrete block walls.
  - c. Estimated Cost - \$30,000
9. Well #2 (Old Territory Road) Service Door
  - a. Scope of Work – Install a service door.
  - b. Building only has one door. Would like to add a service door next to the well so that cranes can more easily pull the pumps.
  - c. Estimated Cost - \$2,500
10. SCADA System (Supervisory Control and Data Acquisition)
  - a. Scope of Work – Installation of SCADA system for Wells 2 & 3. Allows City staff to monitor and control wells from a centralized location.
  - b. Estimated Cost - \$78,294
11. South Reservoir 3 (By south well on Johnson Street)
  - a. Scope of Work – Installation of mixer, mainly for water quality
  - b. Estimated Cost - \$15,000

**Totals**

- a. Old Territory Tank - \$292,500
- b. Old Territory Reservoir - \$72,271.25
- c. South Reservoir - \$343,750
- d. Water Tower Clean Out - \$2,800
- e. Hilltop Water Tower Wash - \$35,000
- f. Well 2 VFD - \$8,000
- g. Generators (Estimated Costs)
  - i. Well 2 - \$75,000
  - ii. Booster Pump Station - \$75,000
- h. Chemical Room Well 2 - \$30,000
- i. Well 2 Service Door – \$2,500
- j. SCADA System - \$78,294
- k. Reservoir 3 Mixer - \$15,000
- l. Estimated Total = \$1,030,115.25**
- m. Note – CIP Included \$960,456

City of Chatfield, Minnesota  
Projects, Debt & Revenue Allocation Worksheet

2020

October Update

123,200 Streets Fund 801 (2021+)  
123,200 Avg. Streets / Storm Spending (2021+)

Baseline

Surplus Levy for GF / Cap Outlay	-	New 2021+
Sewer Fund	-	New 2021+
Water Fund	-	New 2021+

160,000 Additional Maintenance  
(2022)

FUND 801 (and Fire / Amb Cap Funds)

61,800	Public Works Transfer (non streets)
43,750	Fire Transfer
33,800	Police Transfer
43,700	Parks / Pool Transfer
40,000	Ambulance Transfer
25,250	Clerk & CCTV Transfer
26,850	Municipal Building Transfer
10,400	All Others Transfer

3.0% Inflation Rate of Transfers  
408,750 Total Levy for Capital Funds 2021

Graph Options

200,000	< value of "typical" homestead for impact	25.00	Population Growth/Year	-	Annual Street Improvement above normal budgeting
5,000	< typical water usage per month	10.00	Households/Year	-	2019+
2%	< market value inflation factor	5.0%	Water 2021	-	LGA Cuts (increase) 2019+
5%	< construction inflation factor	5.0%	Water 2022 - 2024	-	Offsets
2%	< Spending Increase % (GF, Water, Sewer)	0.0%	Sewer 2020	-	Net Increase in Levy
3%	< Tax Base Growth Assumption	0.0%	Sewer 2021 - 2023	-	

Proposed 2022 Water Improvement Project

Projects & Debt		INTERFUND LOANS		Streets / M&O Grand & Prospect	Generic Mill & Overlay	Various Water Thru 2027	Sewer Fund Reimb GF Bal Pmt #1	Storm Sewer Project (Sewer Reimb GF)	Public Works Bldg			
#	Project											
	Est Year 2020 Cost	-	-	1,300,000	1,050,000	871,162	156,705	606,953	950,000	-	-	-
	NET Financed (Inflation Less Cash)	-	-	1,504,913	1,551,328	960,456	(0)	0	1,154,731	-	-	-
	Type Bond			GO	GO	GO	Cash	Cash	GO	GO	GO	GO
	Term	20	20	10	10	20	10	10	20	10	10	10
	Rate	2.00%	2.00%	3.00%	3.00%	3.50%	3.00%	3.00%	3.50%	3.00%	3.00%	3.00%
	Bond Pymt	-	-	176,422	181,863	67,579	(0)	0	81,248	-	-	-
	Yr Built	0	0	2023	2028	2022	2025	2032	2024	0	0	0
Repayment Sources												
CASH	Fund 801	-	-	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-	-	-
	Water Infrastructure	-	-	-	-	-	-	-	-	-	-	-
	Sewer Infrastructure	-	-	-	-	-	200,000	1,090,000	-	-	-	-
DEBT	Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Asmnts	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Sewer Rates/Fees	0%	0%	15%	0%	0%	0%	0%	0%	0%	0%	0%
	Water Rates/Fees	0%	0%	15%	0%	100%	0%	0%	0%	0%	0%	0%
	Tax Levies	100%	100%	70%	100%	0%	100%	100%	100%	100%	100%	100%
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%