

UPDATED
WEST LINN
CITY COUNCIL SPECIAL MEETING MINUTES
JULY 6, 2010

****Includes Council President Burgess & Councilor Jody Carson's Edits****

Council Present:

Mayor John Kovash, Councilor Scott Burgess, Councilor Jody Carson, Councilor Teri Cummings and Councilor Jim Mattis

Council Absent:

None

Staff Present:

Chris Jordan, City Manager; Kirsten Wyatt, Assistant to the City Manager; Richard Seals, Finance Director; John Whynot, Water Superintendent; and City Attorney Tim Ramis

Call to Order/Pledge of Allegiance:

Mayor Kovash called the meeting to order and led the flag salute.

Approval of Agenda

Council President Burgess moved to approve the Agenda as presented. During the executive session prior to this meeting issues came up and he is amending the agenda by having the first item of business be a discussion of the Stafford Triangle Urban Reserve discussion. The rest of the meeting will proceed unchanged. Councilor Carson seconded the motion.

Ayes: Cummings, Carson, Mattis, Burgess, Kovash

Nays: None

The motion carried 5-0.

Business Meeting

Discussion of Stafford Area

Council President Burgess reported the City is very involved with discussions regarding urban reserves, rural reserves, Metro, and expansion of the urban growth boundaries. West Linn has objected all along to including the Stafford area as urban reserve. A decision has now been made by Metro.

Council President Burgess moved to direct the City Manager to take the necessary steps to file an objection with the Department of Land Conservation and Development (DLCD) to the designation of the Stafford Triangle as an urban reserve and the funds allocated to support such an objection. Councilor Carson seconded the motion.

Councilor Carson confirmed the motion includes the Borland area as well as the main portion of the Stafford Basin (includes any of the area along Borland Road or the Stafford Basin). Council President Burgess stated he had no objection.

Mayor Kovash stated the issue is to file an objection. Attorney Jeff Conditt has been active in this endeavor. The City of Tualatin and Lake Oswego are also involved in filing this objection.

Ayes: Carson, Mattis, Burgess, Cummings, Kovash

Nays: None

The motion carried 5-0.

Agenda Bill 2010-06-28-07

Public Hearing – Resolution No. 2010-27, Modifying
Water Pricing to Pay for Water System Maintenance and
Promote Conservation

Mayor Kovash opened the public hearing for discussion on water system maintenance. He asked for the staff report.

Mr. Jordan, City Manager pointed out a revised resolution submitted tonight that include changes made today by the City Attorney. Mr. Ramis explained the changes were solely to keep the word count within the requirements within the Law. The summary, which is part of the ballot title, is required to be no greater than 175 words. Words omitted were words such as or, the, new, monthly and in the rate structure.

Richard Seals, Finance Director stated he is here tonight to review the water rate proposals and to clarify capacity issues. Last week there were additional questions that required further information to the Councilors.

The power point shown tonight is a summary of some of the highlights of previous power points. He began his presentation by summarizing the differences between the one-tier proposal and the three-tier proposal. They both raise the same amount of revenue. The one-tiered system is easy to understand; the West Linn/Wilsonville School District prefers this option. Both systems reduce the base rate to \$10 per month and charge for every unit of water used. Both rate structures fund the existing infrastructure needs identified in the Water Master Plan. "Capacity related" projects translate into the SDC amounts charged developers, not these rate proposals.

Other slides reviewed:

- September '09 slide was shown identifying the differences between the '04 and '08 numbers. There are similarities when you consider inflation between the four years.
- In 2004 master plan estimated \$24 million in 2004 dollars for future projects; 2008 master plan estimated \$33 million in 2008 dollars for future projects.
- In 2004 there was \$24 million related to future needs (\$11 million related to growth and \$12 related to future needs).
- In 2008 update the future projects estimated at \$33 million (\$12 million in growth and \$21 million in existing infrastructure).

- In October there was a slide showing the list of projects that make up the \$21 million of existing infrastructure
- Future needs fold into the SDC rates that are charged to developers
- This past May slides were shown of the Broadway main break and what it took to fix this repair

Last week a draft resolution and both rate structure options were submitted to Council for consideration and approval.

Questions from the Council

Councilor Cummings asked if there was someone from Public Works to answer questions tonight. Chris Jordan stated there is staff present from public works and the finance department. Mayor Kovash explained that the agenda item tonight is about water pricing modifications.

Councilor Cummings asked staff to comment on the \$9 million difference in future projects from 2004 to 2008 as stated on page 3 of the October 5th memo and page 4 claims the \$9 million difference is only actually \$3 million because of inflation and deferred maintenance. Mr. Seals stated the \$24 million is expressed in 2004 dollars which was inflated to 2008 dollars for comparison. The rate of inflation was taken from construction cost indexes of 2004 through 2008 (5-7%). Even though the 2008 figure was \$33 million and the 2004 figure was \$24 million, they are apples and oranges in an equation. In the long-range water plan it is estimated that a half a million dollars a year in deferred maintenance that goes on every year to the extent that the pipes cannot be replaced. Between 2004 and 2008, there were four years of deferred maintenance. Deflation is also a factor; between 2008 and 2010, any deflation (decreases in the cost of construction) would offset the deferred maintenance.

Chris Jordan reported the inflation at 5-7% annually calculates to a \$4-5 million change in cost of projects. Deferred maintenance of \$500,000 a year over a four-year period (\$2 million) results in the \$6 million difference between \$24 million and \$33 million. In 2006, the City found that the water fund was not in compliance with the bond covenants for the water revenue bonds that were sold 7-8 years previously because there was so little money in the water funds at that point that the revenues were not able to cover the bond covenants. The City had to increase rates 5% per year (not for projects) but to be able to show revenue structure and have enough reserve to cover the bond covenants.

Public Comment

Alice Richmond, 3939 Parker Road, stated she has been a resident of West Linn since 1959. She knows all about the City's water issues. Water is West Linn's most important liquid asset. In order to meet the City's current needs an updated water master plan was completed in December 2008. This invalidated previous water master plans. A water rate plan study was needed to bring this assessment into a budgeted rate structure to answer the water situation in an effective and responsible way to pay for the water being used by households and how to cover costs of water infrastructure, routine maintenance and the aging water pipes. Nothing lasts forever and nothing is durable if not maintained, renewed, updated or sustained.

Bob Thomas, 2563 Pimlico Drive submitted information to the Council to be entered into the record. He urged Council to read through thoroughly his 10-page submittal. He refutes the City Manager's

description of Murray Smith and Associate's calculations. The 2004 plan does all the pipeline replacements being discussed without raising water rates beyond 5% a year. He feels the Council majority wants to persuade the voters this September to increase water rates substantially in order to pay for the 2008 water master plan because it has not been implemented because of a shortage of funds. Staff has not explained that by increasing the rates it establishes a much higher base to increase by 5% in all subsequent years. Water users will continue being stuck with considerably higher rates going into the future compared to the lower rates paid in the future if this rate increase was not approve. He cautioned voters to beware and not vote to approve this rate increase in September.

Mr. Thomas stated there are other ways to conserve water than having to raise water rates in September to institute the conservation pricing tiered rates. The Clackamas River Water Providers organization puts out a brochure on how to save water and have healthier lawns, landscaping and gardens. South Fork also has a water conservation program which includes promoting the use of water saving devices for showers and the use of modern low-flush volume toilets. West Linn could copy these brochures and distribute them to customers in water and sewer bills.

Karie Oakes, 1125 Marylhurst Drive thanked staff for the information provided to citizens tonight. She is glad to see that conservation is being rewarded and hopes the City does more efforts in education as well. She feels that Councilor Cummings comments are relevant; citizens are going to be asking what they are paying for. She stated in her situation, she and her husband are reconsidering plans they had for their home and in light of today's economic situation. She asked that the City do the same and she would like to hear Councilor Cummings questions.

Ms. Oakes asked if Mr. Seals factored into his projections for rates growth of rate payers, the 18-25% build out coming in the future. Mayor Kovash stated growth is factored in.

John Goodrich, 3170 Cottonwood Court, Chair of the Utility Advisory Board (UAB) reported they met today at 6:00 p.m. and he has information he would like to pass on from that meeting. By unanimous vote 4-0 it was affirmed that the UAB supports water increases needed to implement the 2008 Water Master Plan. There was a vote on a recommended tiered system rate increase and it was undecided. It was felt that City staff and Council has better information and can made that decision with a recommendation. He has been in the business as a drinking water professional since 1979. He and most of the folks who sit on the UAB understand both sides of the water issues. The UAB submitted a memo September 21, 2009 supporting the work being done towards the implementation of the 2008 Water Master Plan.

Council President Burgess asked Mr. Goodrich if there was an opinion from the UAB as to whether there should be a tiered rate, both have a conservation component. Mr. Goodrich stated that they had no opinion on one-tier or three-tiered rate increase. They certainly support the implementation of the 2008 master plan and Council's work towards meeting the goals of the resolution.

Councilor Cummings asked Mr. Goodrich what cities he has represented during his water systems business. Mr. Goodrich stated he worked for California Water Service Company in 1979 that owned and operated 30 city water utilities for the state of California. After that he worked for Santa Clara Valley Water District as the Manager of the Rink and Auto Water Treatment Plant which produced 80 MGD per day serving 13 cities. Currently he is working for the City of Tigard.

Councilor Cummings asked Mr. Goodrich what he thought was the most effective way of addressing conservation. Speaking as an individual, Mr. Goodrich stated the climate here in this part of Oregon is much different than California. The problem seems to be in the peak periods when there is no rainfall, which is about three months out of the year (July, August, and September). A seasonal rate is something some other cities have used. Tigard is in the same process of updating their water master plan; they are not as far ahead as West Linn. Conservation rates will be considered. From a water rate standpoint he feels the three-tiered rate may be difficult for people to have an understanding of what it means to them. West Linn is only one of two cities that have to go before the voters for a rate increase and he feels there is a need to keep the increase as simple as possible (one-tiered option). West Linn needs to do whatever is required to be successful to get a ballot measure through.

Councilor Cummings asked Mr. Goodrich to comment on seasonal rates. Mr. Goodrich stated that he has never been involved with seasonal rates but understands that they create other problems. However it is an option compared to other rates being considered.

Councilor Carson asked if the UAB have an opinion on whether there should be a general concept of a conservation rate. Mr. Goodrich stated from the UAB standpoint, they support conservation. Conservation is a priority. It is Council's decision as to what conservation efforts best represents the ratepayers.

Mayor Kovash closed the public testimony portion of the hearing and opened it to discussion and decision by the Council.

Councilor Cummings reported information was received by Council today that indicates the Bolton Reservoir (currently 2 million gallons) capacity is going to be increased to 4 million gallons. The 2004 water master plan included an increase; however the 2008 plan made it much larger. It states that 30% will be funded by SDC's and she asked if the remaining 70% will be borne by the rates. It has been stated by staff that the proposed rate increase only includes funding for the existing structure portion of meeting projects and all capacity related projects are accounted through water SDC rates charged to developers.

Mr. Seals stated the 70% portion is necessary for West Linn's existing system to build out many years in the future. Mr. Jordan reported the reservoir is currently deficient; it needs to be increased 30% larger to accommodate growth. That 30% is covered by SDCs. The deficiency in the system now needs to be borne by the current ratepayers.

Councilor Carson noted the memorandum of June 17th answers a lot of questions that Councilor Cummings is raising. Staff has addressed those questions. She asked Mr. Seals to comment on how additional rate payers have been factored into the rates. Mr. Seals confirmed that the rate increase includes future ratepayers to build-out. The water master plan lists out the \$33 million of projects; what the \$21 million portion relates to the percentage of that which does not relate to capacity. That figure was determined in a study that was done related to the increase to the system development charges.

Council President Burgess moved to approve Resolution 2010-27, A Resolution of the City of West Linn Council Calling Election to Submit to the Voters a Measure to Upgrade Water System, Increase Safety

of Drinking Water, and Promote Conservation by Basing Water Pricing on Water Consumption per Agenda Bill 2010-06-28-07. Councilor Carson seconded the motion.

Ayes: Carson, Burgess, Mattis, Kovash

Nays: Cummings

The motion carried 4-1.

Adjournment of Business Meeting

Mayor Kovash moved to adjourn the July 06, 2009 West Linn City Council meeting.