

**Utility Advisory Board
Minutes
Tuesday, July 21, 2009**

Members Present: Chairperson John Goodrich; Vice-Chairperson Alice Richmond; William Bennett; Gretchen Katko; Michael Monical

Members Absent: Edward Keonjian; Ray Kindley

Guests: Doug Gardner, Pioneer Consulting Group, Inc; John Collins, General Manger, South Fork Water Board; Residents Lynn Fox, Ed Lindquist, Ernest Delmazzo, Debbie Brent, and Karen Montoya

Staff: Dennis Wright, Engineering Manager; Jim Whynot, Water Operations Supervisor

1. Chairperson Goodrich called the meeting to order at 6pm and introductions were made around the table.
2. Monical moved to approve the June minutes, Katko seconded, the motion passed unanimously.
3. Old business - none
4. Presentation by water rate study consultant, Doug Gardner, of Pioneer Consulting Group, Inc.

Doug Gardner provided copies of the PowerPoint presentation he had made to the City Council on the previous night. He reviewed the findings of the study, showing that current water rates will not generate sufficient revenues for FY 2010 and beyond. He explained the methodology for the rate structure recommendations. He explained that charging for some services that the City is currently not charging for are considered in the study as a source of revenue, and that charging for services such as private fire protection, public fire protection, after hours service calls, administration of the cross connection test program, would ultimately keep water rates down. The Council would need to make these policy decisions. The study includes four rate structure scenarios. Zero consumption is built into the minimum charge for the four scenarios and all will generate approximately the same revenue. Gardner will provide more information and detail on the particular rate structure that the Council selects when the Council makes its decision.

Goodrich pointed out that Gardner was looking for direction from the Council for the next step and that the Board is not making any decisions tonight. He asked for comments and a question and answer session followed, first from board members, then from visitors.

Monical observed that the study scenarios did not analyze the status quo and wanted more information on the percentage increase of the rates. Gardner replied that his goal was to provide the basic information now, providing more detailed information depending upon which scenario the Council prefers. Monical questioned that the bonds are at \$5 million, on three reservoirs, however the Bolton reservoir is \$8 million. Dennis answered that it is a multi-year project with the \$5 million bond taking care of the design and part of the construction. Monical also wants information to evaluate the forecast of conservation on the rates.

Katko wanted clarification on the two funding options discussed, which are a general obligation bond from taxes and a revenue bond based on rates. She also asked for information on meter sizes, which are generally commercial when larger than 1 inch. She asked for seasonal differences in water usage. Whynot replied that winter usage has been 2 million per day, and due to increased outdoor water use, summer is about 7 million.

Richmond asked, if the Council does not approve the recommended increases, what are the consequences to the infrastructure. Gardner replied that the City would not be able to fund the capital items that were addressed in the adopted master plan, reserves would continue to be eaten away, and would eventually undermine the financial integrity of the enterprise fund and the water department. Bennett noted that if the adopted master plan is in today's dollars and the cost will be higher as time goes on.

Collins asked whether the rates will be reviewed or revisited in the future due to legalities, water rights issues, and South Form Water Board (SFWB) rates. Goodrich said that usually the SDC methodology comes with a model that can be updated by staff. Gardner said he can provide a model or spreadsheet, but it does take some skill and time.

Delmazzo asked Gardner if he would provide information about the nearby communities that he had mentioned that had 2 or 3 step rates. Gardner replied that when the Board or City decides on a step rate, then he will compare those rates to the neighboring communities that the City wants to include in the comparison. Delmazzo wanted a meter count to help evaluate the end product. Gardener will put schedules of meter consumption data in format and email to Dennis to be distributed to the Board.

Goodrich summarized the water rate study presentation to the Council on Monday evening. The Council wants policy issues associated with the rates. Goodrich suggested that the UAB make an outline and do some work to provide recommendations to the Council and gather information regarding the impact to the city. The mayor asked that they think outside the box. For the mayor's part and for the maintenance side, he said records will be needed comparing 20 years ago to today:

- Look at trends
- Compare the number of leaks
- Other specific maintenance problems
- Specific problems with specific costs are needed so the Council can get an idea of what it actually costs.

Other suggestions and ideas:

- Get unaccounted for water information
- Get aging water meters information
- Maybe the SFWB needs to accept responsibility for the pipeline to West Linn. Currently water is delivered to Oregon City, and then West Linn has to pipe it over here.
- SF WB can raise rates but WL can only raise rates up to 5%.
- List a SFWB commodity charge on utility bills as a breakout fee, where WL collects the funds for SFWB as a separate fee, maybe with a 1% charge, based on SFWB's increases which are not tied to the City of West Linn.

Goodrich discussed several choices and policy recommendations the Council will make. What's the direction for the rate study? What the rate step will be. What can we afford in the master plan? At this point in time, are they ready to go to the voters for whatever increase is determined through staff and consultant?

He requested that at the next meeting the Board work together to draft the Board's recommendations; a bulleted list or a simple recommendation to the Mayor and Council to direct the consultant to look at a 2 and 3 tiered step rate based on the adopted master plan with the idea of fully funding it through the project term. They could consider meeting in a work session with the Council after the next meeting.

Goodrich recommended that the Board send further questions to Wright.

Wright shared information from last night's Council meeting and his notes and questions on policy issues with the rate study which Councilman Burgess wants to track.

- What sort of policy issues are there with the rate study?
- What to cover with the rates? Do we just cover the master plan or do we provide for excess as a cushion and for the health of the utility, which is something that Doug has built a little bit into the rates.
- SDCs - are they funded or not? Do we do it by debt if they don't come in in time, or do we fund it through an FCC bond, or do we fund it by the rates?
- Who pays what?
- How many tiers?

- How much of the master plan to fund?
 - How soon to fund it? The master plan has a recommended schedule. As a policy decision, do we want to do it at that rate, or do we want to spread it out over a more years?
 - Do we fund from bond, or do we save up and fund the project from a cash reserve that we build up?
 - What is the impact to city facilities (parks) and the impact to the City budget? If we go with a step rate and parks takes a huge hit, the City will have to budget for that?
 - How to implement the increase? All at once or phase it in over a period of years?
5. Information requested by the Board at June meeting regarding scope of UAB and direction from the Council. Goodrich recommended moving discussion of this agenda item to the next month's meeting.

6. New business

Delmazzo spoke on the ODOT/PGE solar project planned along I-205. He listed many concerns that he believes should be addressed before the Council approves the project and believes the project is being pushed through before it has a proper review. There is a start date of August, 2009. Ed Lindquist spoke on the need for a regulator within the city to look at the ODOT/PGE solar project and wants to see a city committee look at the project. The Council already has passed a resolution supporting the project and it will be up for vote at the next council meeting. Members commented that, currently, the project is not a utility issue within the scope of the UAB. Delmazzo requested that UAB request from the Council that they take the lead as the citizen advisory on this issue.

Monical made a motion that the UAB would see if they can be involved in the I-205 solar project. There was no second, motion failed.

7. Chairman Goodrich motioned to adjourn, Richmond seconded, passed unanimously. Meeting adjourned at 8:40pm