

# WATER/WASTEWATER TASK FORCE MEETING

## DRAFT MINUTES

March 20, 2003  
11:30 a.m. - 1:30 p.m.  
Room 325 - Civic Center

### 1) **CALL TO ORDER**

The meeting was called to order by Councilor Wes Bennett, Task Force Chair.

### 2) **INTRODUCTIONS**

Introductions were made. Members, staff, and citizens were in attendance as noted below.

#### **Members Present**

Councilor Wes Bennett, Chair  
Councilor Bruce Rogers  
Steven Anderson  
Steve Travis  
Charley Waters  
JB Summers  
Jack Lowery  
Wendy Kroger  
Rob Kissler (representing Keizer Councilor Moir)

#### **Members Absent**

Mayor Janet Taylor  
Councilor Dan Clem  
Patti Milne, Marion County Commissioner  
Jacque Moir, Keizer Council President  
Eleanor Miller  
Vacant, Polk County Commissioner  
General Public Representative

Staff present included Tim Gerling (Public Works Director), Peter Fernandez (Assistant Public Works Director), Paul Eckley (Operations Services Manager), Jon Ellis (Assistant Finance Director, Dave Hauser (Chief Accountant).

Consultant Debbie Galardi was also in attendance to present an overview of COSA for new members and rate increase information.

### 3) **CITIZEN INPUT**

None.

### 4) **MINUTES**

Minutes of February 20, 2003, were approved as written.

## 5) **COSA OVERVIEW and RATE INCREASE INFORMATION**

Jon Ellis presented overheads of background and history of the COSA. Detailed discussion which followed included the opportunity/challenge for the City, cost/revenue trends, an overview of the cost-of-service rate development and methodology, and proposed water and sewer rates for July 1, 2003. The overall goal of the presentation was to help the Task Force understand the need to “stay the course” of the 2001 rate program and for orientation of new members. Master plans were developed over the years and the Task Force has been reviewing all processes since 1993. Jon presented brief information on trends/projections, the “revenue drivers,” last 10 years and 20 years out. Included was information on capital projects being continually reviewed. Jon gave an example of how they are changed and information on other efforts to control costs. Cautions include the fact that the projections presented do NOT include: probable additional costs to comply with more stringent but as-yet unknown federal and state regulatory requirements related to clean water and endangered species matters or full costs of stormwater master plan projects. There is also a need to continue to monitor water consumption patterns. We are assuming 1 percent growth every year in consumption. Historically, the actual trend has been 1.65 percent over the last ten years. Jon presented some history of rate increases and an example of balancing rate requirements.

Debbie Galardi was introduced to cover the study objectives. Information regarding the objectives is included in the material handed out at the meeting. She presented an overview of cost-of-service rate development. As a result of the study, a number of factors contributed to wastewater equity shifts between classes and the same for water. The rate design step involves addressing pricing policy issues.

Jon continued with fiscal year 2001-02 Model vs. actual consumption, water consumption history, and the proposed rate slope. He also presented 2003 projected a rate scenario. We want to continue July 1, 2001, rate slope for the third year, of 8.3 percent water and 8.9 percent sewer. With changes in the CIP, the financial plan still meets the bond coverage and the cash reserve requirements. This is a very tight model, but we still meet it. We currently continue to meet the DEQ timeline agreement.

Other issues included the implementation of sewer commercial sub-classification (waiting implementation of new billing system); continuation of close monitoring of consumption needs (very tight margins); continuation of assessment of possible rate relief programs for low-income users; and assessment of financial impacts of possible rate relief for food processors and other high-volume industrial users.

Jon stated that we should “stay the course,” continuing along the same rate slope, implementing year three transition rates. We should update the following next year: cost of service factors, usage characteristics, and cost/revenue projections.

The schedule for review and approval of revised water and sewer rate schedules for 2003: April 28, staff report and public hearing; May 12, Council deliberation and adoption of rate schedules; July 1, effective date of revised rates. The rate resolution has to go to Council before July 1 for implementation.

Steve Travis would like to know how much money is being accumulated. Tim stated that a year-end summary is published in the budget every year. Right now there is \$28 million in the fund. The 45-day reserve is \$4.3 million. Last year, through the budget process, they opted to change the calculation of franchise fees. Debt service will be included in the franchise payment this year, none next year, then the following year another debt service may be added. The CIP handout shows bond information, it gives you the ten-year CIP and then the second half shows the financing - how they are being paid for. We are issuing \$75 million in debt in 04/05.

What does the group want - go ahead with April 28 as the public hearing and the report to Council or is more work needed? Is everyone comfortable with the recommendation of 8.3 and 8.9? Jack Lowery thinks we should go forward, but if there are a lot of objections, come back to the Task Force. Councilor Bennett stated that it is hard to be comfortable. Steve Travis at this time stated that the food processors are concerned about a lot of things - obviously, the \$125,000 for the Environmental Learning Center that was taken out of the fund originally was a big concern because they did not feel it was the correct thing to do. Food processors are in tough shape and are concerned about the 3 percent franchise fee that became 5 percent that was taken out and designated for repairing streets. It stayed that way for a few years and there were a couple million dollars a year going toward street repair and this was a designated amount of money for this purpose. Then recently, the franchise fee is now being put in the General Fund, nothing to do with wastewater, nothing directly related to street repair, and the street repair money has dropped to about 35 percent of what it was. Obviously, when you increase the rate to 11 percent and it doubles every five years and we are continually going to build this fund - if we were paying 5 percent and it went to streets or the budget, then we are paying 5 percent, but now we are going to double that in five years for food processors, we are paying twice as much, it is not being held in the fund anymore - it did not cap as the amount of money that was being taken out and the City General Fund just gets more and the fund doesn't grow as much. Food processors do not feel that is in their best interest. We have a big chunk of money sitting there and, based upon some of the recent things that have gone on (the \$125,000, the 5 percent coming out and going into the general budget), The food processors have basically said they don't trust the City watching over the money and they will fight any increases going forward. They don't feel the money is being spent correctly, monitored correctly, or taken care of. JB Summers said that the \$125,000 really opened up the door to the franchise fee, looking at everything the City does with a scrutiny that is really hostile. Don't want to have a hostile relationship with the City. It is a shame that this \$125,000 that means nothing on the bill seems to mean so much to so many food processors. It was in a meeting of the Task Force that the commitments to use the franchise fees for fixing the streets in the City. It was in this meeting where they said they would not rob the fee funds in

order to pay the general budget costs. I am one of the first to recognize that the City needs a pile of money to operate, but at the same time, I think the City has to demonstrate to industry that they are taking the same type of bites that food processors are taking. That is, bites in no increases in wages for two or three years at a time, cutting back in people not 5 and 10 percent, but 20 percent until you return to the profitability side of things. I want to represent the Task Force properly to the group; I want the group to represent itself properly to the Task Force. Charley Waters stated that this is hitting everyone hard, not just the food processors. Wendy Kroger stated that it would be very important to this Task Force to be able to make a recommendation to Legislators and Council and it seems one of the pieces should be to "stay the course." The strength we have as a group is its longevity and its diversity. We understand that it is a long term. This is not an immediate process. It is really important to understand that we have asked the City for its support in this - biting the bullet to go to equitable, pay-as-you-go user fees. But if we start giving out bits and pieces and giving away franchise fees because we need it now, as opposed to "well they can recoup it somehow in ten years when they will need it then, we need to craft a recommendation that puts all of that together so that City Council and the budget committee can understand that we do agree with the rate slope, that we do agree that we have to have this as something that goes forward equitably for all users and that we can't have people "nickel and diming" and pulling things out. It would seem that now is the time to craft that recommendation. Jack Lowery would also craft into it the same recommendation to put back the \$125,000 and to also put back the original use of the franchise fee to go toward the streets to reestablish confidence of the food processors. You have to look at the long-term. Steven Anderson agrees there is a need to do this for the longevity of the community.

Rob Kissler asked about franchise fees - off of total resources? Jon Ellis - no, just water and sewer sales, not all revenues. Just total sales inside the City. In 1999, this Task Force recommended that, starting with all bond issues after 1999, we are going to back out the annual debt service amount. We are going to take gross revenues inside the City, debt service amount applicable to inside City usage, not the whole debt service, but prorated, then take 5 percent. Last year, they reversed what was done for bond H and pushed it off to when we start issuing debt to Willow Lake, which is 2004/05 and put it back in the formula then. That would take an extra \$100,000 for the current year, close to \$200,000 the second year, and it would bump up franchise fees about \$200,000/year after Bond I is issued. Then freeze it again. The movement of these funds to the general fund was 1997.

Wendy Kroger made a motion that the Water/Wastewater Task Force recommend to the Budget Committee and City Council that we stay with the rate slope as proposed this year, the 8.9 percent, and that we specify the amount that is being put into the General Fund that the ratepayers did not get to say is okay. The statement should include that the 8.9 and 8.3 is an average and some organizations would have significantly higher increases and give an example. The background needs to be known that we are aiming for actual use. Jack

Lowery seconded the motion. Steve Travis does not support this and JB Summers does not support it. Rob Kissler abstains.

Tim gave an explanation of how the \$125,000 has been handled. When the actual transfer was written, we said the money would not go to the school district until they signed a construction contract to build the environmental learning center and they show that both their original commitment and the \$125,000 match. We got a reimbursement (\$600,000) for building the Natural Reclamation system. \$125,000 will come off the top to replace what was removed from the contingency fund (note: since the meeting, it was learned that the reimbursement can only be used for the Natural Reclamation System at Willow Lake). The following is the motion made by Wendy Kroger restated.

Recommendations to City Council on water and sewer rates for 03/04 and financial stewardship of the water/sewer fund:

The Task Force voted six (6) in favor, two (2) opposed, to recommend the following actions to City Council and/or the Budget Committee:

1. Hold a rate-setting hearing on April 28, 2003, and approve continuing the adopted rate slope for fiscal year 03/04: to increase system revenues by 8.3 percent for water, and 8.9 percent for sewer.
2. Further, to restore customer confidence in the integrity of the dedicated water and sewer funds, we recommend Council take the following steps:
  - a. Water and sewer franchise fees of 5 percent of revenue are currently paid to the General Fund. These fees were originally imposed on the utilities and dedicated to street maintenance as a way of funding repairs for the damage caused by these utilities when sewer and water line trenches are cut in streets. These franchise fees should be rededicated for their original purpose as streets maintenance funds. (The two members voting against these recommendations were in favor of eliminating the franchise fees entirely and leaving the money in the water/sewer fund.)
  - b. The debt-service exclusion policy of not including borrowed revenues when calculating the franchise fee should be reaffirmed.
  - c. The City should reinstate charging all City departments for their water and sewer use.
  - d. The \$125,000 contribution to the School District's Environmental Learning Center that was made from water/sewer contingency funds last December should be taken from some other fund, and the water/sewer fund be made whole.

The Task Force respectfully requests the City Council and the Budget Committee to develop a plan to restore these funds to the dedicated water/sewer fund and

guard against any further attempts to divert funds for purposes other than direct water, sewer, and stormwater system needs.

6) **OTHER**

Next meeting April 17 (April 17 meeting canceled, next meeting will be May 15). Task Force would like an update on Stormwater after budget.

7) **ADJOURN**

Meeting adjourned at 1:30 p.m.

These minutes are transcribed from notes and the tape recording of the Task Force meeting on March 20, 2003, as an overview of the meeting. They are not verbatim. Any attachments are to the file copy only.

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Linda Nelson, Staff Assistant II  
May 6, 2003

Attachments (file only):

- Attendance Sheet
- Presentation
- Water and Sewer Rate Analysis
- Projected Transition/Sample Bill Sheets
- 10-year Forecast