

# City of Salem Public Works Department

## Water/Wastewater Task Force **Minutes**

March 18, 2004  
11:30 a.m. - 1:30 p.m.

### **CALL TO ORDER**

Vice Chair JB Summers called the meeting to order at 11:40 a.m.

### **INTRODUCTIONS**

Introductions were made around the table. Attendance was as follows:

#### **Members Present**

Salem Mayor Janet Taylor  
Salem City Councilor Kasia Quillinan  
Keizer City Councilor Jacque Moir  
Steve Anderson, General Public  
Steve Travis, Food Processing  
JB Summers, Chamber of Commerce  
Eleanor Miller, General Public  
Jack Lowery, General Business

#### **Others Present**

Debbie Galardi, Galardi Consulting  
Craig Smith, Consultant, Food  
Processing Industry  
Mark Fields, East Salem Water District

#### **Members Absent**

Salem City Councilor Bruce Rogers  
Salem City Councilor Wes Bennett, Chair  
Patti Milne, Marion County Commissioner  
Charley Waters, SNI

#### **Staff Present**

Tim Gerling, Public Works Director  
Peter Fernandez, Assistant Public Works Director  
Paul Eckley, Operations Manager  
Jon Ellis, Assistant Finance Director  
Ryuji Torihara, Management Analyst  
Mike Gotterba, Emergency Management Coord.  
Steve Downs, Chief Utilities Engineer  
Judy Postier, Recording Secretary

### **CITIZEN INPUT**

No one present from the public to speak.

### **MINUTES**

The minutes from February 2004 were moved and approved as presented.

### **SUMMARY OF MEETING WITH FOOD PROCESSORS**

Tim gave an overview of the meeting staff held with the food processors. That meeting was arranged to provide an opportunity for the food processing industry to ask questions of City staff to address their concerns regarding the current COSA update. One of the major concerns was capital construction costs - what will expenditures look like for the next five to ten years. Tim asked the folks present from the food processing industry how they felt the meeting went. Steve Travis commented that it was a good meeting as he came away with a better understanding of the COSA process and was

now in support of the 75/25 split discussed last week. One of the positive things is they are finding savings going through this process, and everybody is working together to find additional money. JB Summers commented that they came away a more unified organization with a desire to copartner with the City in working toward solutions. Tim agreed and commented that presenting a unified front to the regulatory agencies and people who can provide funding is in the best interest of the City and food processing industry.

### **COSA SYSTEM ALLOCATION MEMORANDUM**

Debbie gave a presentation on the COSA update technical elements (handout on file). Highlights included how allocation to individual systems is calculated, future plans to develop a separate system of stormwater rates and charges, revenue requirements and financial plans, operation and maintenance costs, and input variables. These aggregate costs get distributed to utility functions, joint and specific categories, and service parameters, and ultimately get distributed to customer classes. Rates are designed to recover those costs. The next meeting will be used to view what some of the preliminary results are in terms of the distribution of costs among classes and how it compares to what we are doing now.

Debbie further reviewed Cost of Service Rate Development, and the Cost Allocation Analysis for FY2003/04 COSA Update (handouts on file) with the Committee. Highlights included major system costs and their respective operation and maintenance costs, Capital Costs, debt service allocations, joint and specific allocations, and service characteristics.

Comments and questions following the presentation included the following areas. Steve Travis asked, as far as residential is concerned, how are I/I costs determined, and what part of that is food processors' or industrial's. Debbie replied that they haven't gotten there yet, but this gets us to the allocation percentages and what slice of the pie goes is linked to weather costs. We will then take that slice and allocate it based on the number of customers in the class. Jack Lowery asked any idea of the range of new expenses in the stormwater rates. Tim replied that the recommendation was to not go to a separate rate structure yet, but should have good statistical sampling for percent impervious surface by user type over the next 18 months to 2 years. The statistical analysis needs to be solid and defensible, then we need to do a "mini-COSA" identifying which cost drivers in the stormwater system are you going to allocate to what type of customers, and how do you handle peaks, averages, and billing. Once those things are all together, staff needs to go to Council with a work plan, with serious public discussion beginning in about three years.

Kasia Quillinan asked how the maximum peak factor of 1.93 was calculated. Debbie replied that it is the systems maximum daily use, calculated from records of system production. Paul added that it is the ratio of water used on a summer maximum day compared to the water used on average.

JB asked if the original model will be used, or will it be partially or completely reevaluated during the update process. Debbie replied that when functional categories are added, the model will be adjusted accordingly, otherwise the original model will be used. The input can change but the structure will remain essentially the same. JB then

asked if the stormwater issue will require another COSA. Tim replied that staff hopes to do it in-house with expert advice on the side. We have the basic framework for the model, so it should be relatively easy to convert it to stormwater issues. Debbie commented that the model was designed to accommodate these types of changes and additions.

## **TREND LINES**

Jon Ellis gave a presentation on the Trends in the Financial Plan costs (handout on file). Highlights included the discussion of the major components – changes in CIP costs, debt service, pay as you go financing, estimated revenues, and operations and maintenance controllable and noncontrollable costs. Jon commented that these numbers are estimates, and will require further refinement, but the trends will stay the same.

Comments and questions following Jon's presentation included the following. Craig Smith asked how many years forward staff looks when making their projections. Tim replied that staff looks with certainty at 5 years, and more generally for 10 and 20-year projections. Kasia asked why the capital improvement costs are going down over the long haul. Tim replied that it involves continuous negotiations with DEQ on trying to get exactly what we have to build to comply with the 2010 deadline. We have been able to reduce the required peak flow rate to a lesser amount which allows us to build smaller facilities, and some phase two projects can be pushed out further for construction. Jack asked what the new projected date is for the 10-year demand and having it all done. Tim replied that DEQ is holding to the 2010 date for having this completed. They are showing some flexibility in the target amounts to meet for 2010 though, so we have been able to defer the second phase of the downtown interceptor project. Mayor Taylor commented that technology changes may have an impact on costs over the 10 years. Peter added that the City's decision making has impacted costs with choices such as changing the design of the PEFTF from underground to above ground, resulting in significant savings. Jon added that there are two other factors involved in the downward turn of costs – SDCs, which will be used to pay for some of the projects, and project savings.

Jon provided information regarding historical water consumption, projected needs through 2014 (handouts on file), the impact on revenue, and the possible variables that have an impact on rates. This element is the major driver that finances capital improvement projects. Tim added that the consumption drop in FY 03-04 can be attributed to SUMCO closing. We have reduced our expectations of how much revenue will be coming in, and we have built our financial plan on the assumption that we will be making less money.

Steve commented that it appears that we will not have the opportunity for rate reductions over the next 5 years - at 8.9 on sewer, that cost will double every 7 years. Tim replied that if we have to stay on 8.9, that will be the case, but staff will work to bring that number down. Jon added that there are a number of factors that are not reflected in these documents and that staff is not ready to lock down any numbers at this point.

### **AGENDA ITEM ADDED – CODE AMENDMENTS**

Peter Fernandez provided a review of the Salem Revised Code amendment process for Chapters 70, 72, and 73 (handout on file). The proposed changes support this group's work in updating the sewer and water requirements. Peter asked the group to review the proposed amendments and be prepared to comment on them at the next meeting.

### **ADJOURN**

The meeting adjourned at 1:35 p.m.

These minutes are not verbatim. They have been transcribed from tape recordings made at the meeting. The tapes are available for review for one year in the Public Works Director's Office.

Respectfully submitted,

Judith Postier  
Staff Assistant