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MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners was held on Wednesday, November 28, 2012 at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Ernie Platt, Chair; Ron Blake, Vice Chair; Terry Roskey, Secretary; Keith Miller; Judy Grycko; Matthew Hall.

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Dan Fraijo, Operations Supervisor; Tim Jannsen, District Engineer; Christin House, Customer Service & Billing Supervisor; Kim Anderson, Government Relations Manager; Cindy Richards, Administrative Assistant.

Visitors Present: Ken Humberston, CRW; Michael Walters, City of Happy Valley.

1. CALL MEETING TO ORDER

Meeting called to order at 6:02PM.

2. INTRODUCTIONS, WELCOME OF VISITORS & FLAG SALUTE

3. PUBLIC COMMENT

4. APPROVAL OF AGENDA

5. APPOINTMENT OF BOARD MEMBER AND ADMINISTRATION OF OATH OF OFFICE

Platt administered the Oath of Office for Matthew Hall.

6. CONSENT CALENDAR

Roskey pulled Agenda Item 6.2 for individual consideration. A motion to approve the consent calendar consisting of the items listed below was made by Blake and seconded by Grycko. Motion carried unanimously.

6.1 Approval of Minutes of October 24, 2012 Meeting

6.3 Acceptance of Water Mains and Related Facilities for Windswept Waters Phase 3A Subdivision

6.2 Approval of Expense Report for October 2012

Roskey asked what facilities Sunrise was leasing from Oak Lodge. Jannsen explained that the lease is for a portion of the capacity in a 24-inch line that feeds Valley View Reservoir from the Oak Lodge Pump Station. A motion to approve Agenda Item 6.2 was made by Roskey and seconded by Grycko. Motion carried unanimously.

7. DISCUSSION

7.1 Cell Tower Lease Evaluation

Platt commented that substantial information was included in the Board packet, and asked Hathhorn if there was anything he would like to expand upon. Hathhorn reminded the Board that they had authorized contracting with Silke Communications to review the Sunrise cell tower leases, with the specific intent to assess Sunrise's position on the existing cell tower leases and identification of issues that need to be addressed. He went on to note that due to the location of Sunrise's facilities at high elevations, Sunrise will be involved in cell tower leases for some time.

According to Hathhorn, the cell tower lease business is complicated enough that they deserved to be looked into further. Roskey asked what kind of profit Sunrise made off leases and if it was worth the cost to maintain them. Hathhorn indicated that the revenue stream from cell tower site leases was substantial enough to merit continuing the business practice and that given the length of the leases Sunrise was committed to continuing the business for some time. Hathhorn indicated that Sunrise staff hasn't the specialized knowledge related to the cell tower site leasing business to handle all facets of the operation without assistance and that Sunrise has the option of using Silke as advisors in the process.

Anderson commented that there's a gamut of services available to Sunrise from Silke based on the need that we define. She added that, as the individual responsible for handling the leases, she needed someone to advise her throughout the process, on a consultant-type basis. Hathhorn commented that with the current leases, the need was not for management but rather someone who would be available as an advisor on an hourly basis. Miller asked staff for their opinion on the future of cell towers and what the end game would be for Sunrise in this area. Anderson commented that time would need to be taken to develop some type of strategic plan that would identify what end game was going to be.

Platt noted that the staff report summarized some immediate actions that were necessary and added that he was impressed with the detail in the report. Platt asked if there could be a conflict of interest in receiving advice from Silke as a consultant when they are also a lessee. Hathhorn replied that the conflict would be minimal. Anderson stated that the facilities that Silke recently acquired are currently used for the school bus dispatch system. Hall asked what maximum capacity was at any site. Anderson replied that towers are owned by other companies so the capacity to add tenants on the towers is outside of our control. She noted that one of the problems with the current leases is

that they did not include a clause allowing Sunrise access to the actual tower facilities, so there is no way for Sunrise to verify how many subtenants our leaseholders actually have on any tower. Blake commented that he recalled that most of the Sunrise leases have a clause for profit sharing on sublease tenants. Anderson agreed that was the case, but noted that in some cases the profit share on subleases was only \$20. Blake stated that some of the existing lease contracts were for 15 year terms with automatic renewals. Anderson informed the Board that if a carrier didn't have a commitment for at least twenty years then they aren't willing to make the required investment for constructing tower facilities.

Platt commented that there is a list of items that need to be taken care of and that Sunrise needs to move forward with getting that done. He added that there were several leases expiring in 18 months and questioned whether Sunrise would consider a standard developing a standard cell tower site lease. Hathhorn stated that legal counsel has been working with Anderson regarding the easement and access issues and will be addressing that issue as well. Platt stated that access could present an issue for security as well.

Hall noted that there was a spread in the rates, for example Silke's site lease contract was month to month. He asked if there was a reason for the discrepancy. Anderson stated that Sunrise will need to develop a standard format. Hathhorn added that not all lessees were with the same type of communications carrier, but that most were traditional cell towers site leases. Platt asked if Staff needed to add any other specific information. Hathhorn stated that he and Anderson were hoping to discuss terms with Silke for consulting services and come up with a draft contract that included more information including the cost. He commented that the first goal was to figure out Sunrise's liability related to the site leases and bring the findings back to the board. Platt stated that eventually Sunrise may want to look at potential marketing opportunities for future leases. Platt asked for a motion on item 7.1.

A motion to authorize staff to solicit a retainer agreement for consulting services with Silke Communications was made by Blake and seconded by Miller. Motion carried unanimously.

7.2 Happy Valley Request for SDC Credit

Platt stated that the Board had been presented with an introduction to this topic at the last meeting but that the issue was left undecided while staff collected information that was requested by the Board. Platt suggested that staff should provide oral updates and then Michael Walters would speak on behalf of the City of Happy Valley.

Jannsen stated that while researching the issue staff had identified a few information gaps. He said that staff hadn't been able to verify precisely when the original meter was installed, but that the previous billing system, dating back to 1996, showed that an inch and a half meter for irrigation and park use was in place. Jannsen added that the original meter may have been installed in that time period or it may have been installed as far back as the 1980s, but since the billing system records only go back as far as 1996 and the meter books that were used prior to that date have been destroyed, it may not be possible to identify the exact date.

Jannsen stated that in 1996 the SDC was \$1,400 per ERU, and if the meter had been purchased in that time frame then the SDC would have been as much as \$7,000 for an inch and a half meter. He noted that since the meter may have been purchased as far back as the 1980s, no charge would have been collected as SDCs weren't in place back then.

Jannsen commented that in their research, staff found that the meter had been upsized to a two-inch meter in 2002, which is equivalent to three additional ERUs. Using the going rate of \$2,600 per ERU at that time, the minimum payment for upsizing would have been \$7,800. So the total payment from the City for the meter could be anywhere from \$7,800 to \$14,800, depending on whether or not SDCs were paid for the original meter. Platt summarized that the City is now the owner of eight ERUs.

Jannsen commented that the City no longer needs the capacity offered by eight ERUs, and that absent a Sunrise policy on meter downsizing, the issue was brought to the Board. He stated that Sunrise's existing SDC Credit Policy was created to address removal of a meter, not downsizing as the City of Happy Valley is requesting.

Platt summarized that his understanding of the existing policy would permit a one-time credit to either reinstall a new meter on the same property at no charge, or accept a cash payment. Jannsen clarified that the existing policy states that if someone wants a meter removed from an existing tax lot, then the credit generated would stay with the land. The only time that the meter would be permitted to be moved would be if the meter weren't attached to a specific property.

Miller asked if there was a use for the two-inch meter after it was removed. Jannsen replied that Sunrise would reuse the actual water meter. Hall asked what cost would be associated to transfer the meter. Platt clarified that the SDC does not buy the meter itself, but is to pay for the charges of building infrastructure, such as transmission mains and pumping capacity. Miller clarified that he was concerned that as a consequence of downsizing the meter would be worthless and wondered what additional costs could be involved. Platt stated that downsizing the meter frees up capacity within the system, which could be used at other future meters.

Blake asked if Staff had found an actual record of the \$7,800 payment for upsizing. Roskey stated that in his experience, former General Manager John Thomas did a lot of favors for the City. Jannsen stated that Staff has attempted to locate a formal record but has had difficulties in accessing one because the information is contained in a billing system that is no longer in use, though he was personally confident the City would have paid the upsize charge.

Platt asked if Walters had anything to add. Walters acknowledged that the situation was unique for both agencies involved. He summarized that the City has a two-inch meter but that they uncertain how far over capacity the meter was for their needs as they not studied that yet. Walters asked if Sunrise would allow SDC credits to be placed on the open market so the City would have the opportunity to sell them to a developer. He stated that if the City were permitted to sell the credits they would do so, but otherwise the credits were useless as they have no intention of using them on that property and that is what the City is trying to ascertain.

Platt noted that he understood Walters point, but wanted to clarify for the group that the water SDC credits would be different than transportation credits issued by the county, in that the county allows such credits to be put on the market as long as the purchaser uses them in the same system from which they originated. Platt stated that Walters' questions were all issues that the Board hadn't previously dealt with but should be addressed. He asked Staff to confirm that they had been unable to verify if \$7,800 for upsizing had been paid. Jannsen replied affirmatively.

Platt expressed his opinion that credits should only be provided if a meter had been paid for. Walters stated that in his experience over the nine years he had been with the City, meters were always paid for. He asked if the intent would be for the credit to be transferable or if it would be linked to the land. Platt asked when Sunrise began collecting SDCs. Rigutto replied that the earliest documents related SDCs she had found date to 1988. Jannsen stated that the City's existing two credits were granted based on the current SDC credit policy and can be used elsewhere, based on certain conditions, because the original meters were not located on legal tax lots.

Blake stated his recollection is that when Happy Valley Park was originally developed, Sunrise, at that time Mt. Scott Water District, worked with the county and the City of Happy Valley and installed a meter for free because the park was going to need irrigation and the whole community was participating in the project. He added that if the City paid for the meter then they should be able to come up with a record of the transaction. Walters stated that he wasn't sure either party was interested in going back that far in time. Anderson clarified that the payment for the upsize itself occurred in 2002.

As a preface for the whole discussion, Jannsen indicated it was his belief that Sunrise links SDC credits to a tax lot due to the fact that when another person acquires a property – house or otherwise – that they are expecting to have water service. Platt commented that most other jurisdictions that he is aware of link water SDC credits to the land.

Platt reiterated that the question at hand is really if the City can receive a credit for the three additional ERUs acquired at upsizing. Roskey stated that he saw no reason to give the City a credit since it was not Sunrise's fault that the City no longer needed a two-inch meter. Blake commented that he didn't think a credit should be given without proof of a payment otherwise the Board wouldn't be representing the interest of the customers. A discussion ensued on whether any credits issued should be recalculated based on current SDC costs. Jannsen commented that he was having trouble understanding the reasoning to changing the value, since capacity is capacity and an SDC paid in the past purchased a set amount of capacity.

Miller asked for clarification that the discussion is specifically related to the \$7,800 paid for the meter upsized in 2002. He also indicated his understanding that the Board was trying to determine in what form any such credit would be given and the City was requesting it in the form of a credit. Platt indicated that the discussion is largely about the potential for forgoing selling other meters at current rates if another party is allowed to purchase these credits and use them in lieu of paying a current SDC rate. Staff stated that there was no intent to provide a credit in the form of cash. Hathhorn stated that the three ERUs are currently worth about \$20,000. Miller inquired if those credits

would be issued at that value. Hathhorn suggested that a party could take the ERU credits to the open market to determine that value, but Sunrise would simply be issuing the capacity credit. Platt asked Walters what the open market rate was on transportation credits. He replied that they were usually selling at up to \$.90 on the dollar.

Hathhorn discussed the problems that could be associated with an open market for water SDC credits, such as the need to have some control on the location where credits can be used due to system requirements and limitations. He illustrated the difference between transportation credits and water credits by noting that at any location you can simply drive out onto the road, but when you acquire a property there is an expectation that water is available at that specific site.

A motion to table the issue until Staff can locate confirmation of payment for the meter upsizing was made by Blake.

Platt reminded the Board that a motion to table would end all discussion on the topic. He asked if the maker of the motion would consider allowing a motion on action contingent upon confirmation of payment. Blake indicated he would not be in favor of that because he wants it to come back before the Board.

Roskey seconded the motion. Motion carried with Grycko and Platt voting in opposition.

Miller asked if it really mattered whether they paid for the ERUs or not, since a gift is as much a possession as something that is purchased. Blake indicated that in his mind a gift for the public benefit is different. Platt asked, as a general question, if any credits issued should be appended to a particular tax lot. He pointed out that in certain circumstances in the past Sunrise has allowed credits to be moved to another location. Hathhorn indicated that staff does not have knowledge of any public agency that has been granted a credit for ERUs that has transferred the credit to a private entity.

8. BUSINESS FROM THE BOARD

8.1 Calendar of Meetings

Anderson indicated that the Board would need to review Board assignments in light of Halls appointment. Platt suggested that it be considered after liaison reports in order for Hall to get a flavor of the responsibilities associated with assignments.

Platt pointed out the next Board meeting will be held on the third Wednesday of December due to the holidays.

8.2 Liaison Reports

Miller reported that CRW held the first meeting with the reconstituted Board. He indicated that one of the new CRW Commissioners was present at Sunrise's meeting. He reported that the general sentiment of audience was really hopeful that the situation would stabilize with the new board members. He reported that they are still struggling with their insurance issues, although they have options for property and automobile, but that they are still facing challenges on liability and personal liability coverage. He stated

that the new majority pushed through action on the rate study, which will have an impact on us. They have also reached a settlement with South Fork Water Board on wholesale rates.

Platt asked Humberston if he would like to say anything. Humberston indicated that it is the hope of the new Board members that CRW can move forward from this point, addressing issues, not continually tabling items, or arguing over things. He commented that he has had an opportunity to read the draft proposal between CRW and Sunrise and speaking for himself only, liked what he saw. He stated that he hoped that the agencies can move forward on that within the next six months to a year. He expressed his hopes for a positive relationship with Sunrise moving forward.

Grycko informed the Board that this will be her last meeting as a Commissioner for Sunrise Water Authority. She stated that she will be traveling extensively and it is not truly representation for the electors if she is missing four or more meetings a year.

A discussion ensued on the process for making an appointment for Commissioner Grycko's position. Anderson commented that any appointment made by the Board would only last until the election in May. She stated that the recruitment process that has been utilized in the past would allow a new appointment at the March meeting at the earliest and that person would then have to run in May. Platt asked if Grycko would consider serving for another month or two. She stated that she would be leaving on December 13th, so that was not an option.

Roskey reported that the Boring Water District is grappling with the new requirements on how to handle concrete-asbestos pipes that are in their system. He asked if Sunrise had received any of that type of pipe in the transfer of the 97th area from CRW. Staff indicated that Sunrise did not. Roskey also noted that there is a bit of asbestos at the Sun Ridge reservoir location.

Platt reported that the Mayor won reelection and that two council seats were won by allies of the mayor and one that is definitely not. He reported that the Mayor had issued a directive to the City Manager that all city staff would copy him on every email generated. The current City Council instructed the City Manager to ignore it.

Platt outlined the current outside meeting appointments for Board members that are affected by the recent changes in Commissioners. After discussion, Platt proposed that Miller become the other representative to the NCCWC and Hall take up the role as alternate to the City of Happy Valley. The Board agreed by consensus with the proposed meeting appointments.

8.3 Future Agenda Items

No discussion on this item.

9. BUSINESS FROM THE MANAGER

9.1 Financial Reports

Miller suggested that he would like to find some time to sit down with Rigutto and get an overview of how the budgeting process works. Roskey, Hall, and Platt all indicated that they would be interested in joining in that discussion. Blake suggested that Staff consider setting that up as a Board budget training session. Rigutto confirmed that staff would set that up. In a related comment, Platt asked if Hall had been on a tour of the Authority facilities yet. He commented that he had found it really helpful in his duties since he now knows the location and type of a lot of our facilities. Hall stated that he had not done so yet.

A motion to accept the financial report as presented was made by Miller and seconded by Blake. Motion carried unanimously.

9.2 Cash Flow Projections

Platt commented that the agency continues to move in a positive direction. Rigutto reported that nine meters had been sold to date for the month.

9.3 Manager Updates

Hathhorn commented that resolution has been reached with Emmert on the incorrect billing issues. A plan for payment has been agreed upon with Emmert and The Woods had been paid for their overpayment. It was distributed according to the direction of the bankruptcy court and they have executed an agreement that states that this is full and final settlement of this issue so they can't come back for anything else later.

Hathhorn discussed the continuing water right permit extension appeals. He directed the Boards attention to a memo from legal counsel regarding the current issues on appeal.

He gave the Board a very brief update on the status of the Tigard/Lake Oswego water partnership and their efforts in that regard and the recent rejection of their permit application to expand the treatment plant.

Hathhorn and Anderson discussed the number of potential connections under the special conditions offered to a select group of property owners with failing wells in the Carver area for connections back in 2006. Anderson explained that only the original property owners at the time are eligible for the special conditions and that those properties that have subsequently had a transfer of ownership are no longer eligible. She stated that the offer was left open ended so there are eight owners still eligible at this time. She indicated that Staff will send letters to the eligible owners to remind them that it is still available. Hathhorn stated that he thought it would be useful to get the issue back in public record so it doesn't fall through the cracks.

10. MONTHLY REPORTS

10.1 Operational Reports

10.2 Engineering and Construction Reports

Platt asked if ODOT is still on schedule for the first phase of Sunrise. Jannsen stated that their goal is still to get the project out to bid in the spring.

A motion to adjourn was made by Grycko and seconded by Miller. Motion carried unanimously.

ERNIE PLATT, CHAIR

TERRY ROSKEY, SECRETARY