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MINUTES

A REGULAR MEETING of the Sunrise Water Authority Board of Commissioners, to be held on Wednesday, December 28, 2011 AT 6:00 PM at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Ernie Platt, Chair; Ron Blake, Vice Chair; Terry Roskey, Secretary; Judy Grycko; and Mike Kuenzi.

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Dan Fraijo, Operations Supervisor; Christin House, Customer Service Supervisor; Tim Janssen, Staff Engineer.

Visitors Present: Barbara Kemper, Patricia Holloway, and Grafton Sterling, CRW; and Warren Mitchell, CRW Ratepayer.

1. CALL MEETING TO ORDER

The meeting was called to order at 6:01 PM.

2. INTRODUCTIONS & WELCOME OF VISITORS & FLAG SALUTE

Introductions were conducted.

3. PUBLIC COMMENT

4. APPROVAL OF AGENDA

Hathhorn stated that the executives session segment of the agenda should be amended to allow for discussion of issues related to the Gentry account, so it should reflect that the discussion is also authorized by ORS 192.660 (2)h, to consult with legal counsel regarding legal rights and duties related to litigation or litigation likely to be filed.

5. PUBLIC HEARING ON ORDINANCE 2011-02, AN ORDINANCE OF THE SUNRISE WATER AUTHORITY RATIFYING THE INTERGOVERNMENTAL AGREEMENT FORMING THE CLACKAMAS RIVER WATER PROVIDERS CREATING AN INDEPENDENT ENTITY PURSUANT TO ORS 190.085. FIRST READING, BY TITLE ONLY.

Platt explained the process required for adoption of ordinances. He asked Hathhorn to review the specific ordinance before the Board.

Hathhorn commented that the ordinance before the Board is for the formal creation of the Clackamas River Water Providers.

Platt opened the public hearing and asked for any comment on the ordinance.

A motion to read the ordinance by title only was made by Roskey and seconded by Garbarino.

Hathhorn read the ordinance by title only.

Platt stated that the ordinance would have its second reading at the next meeting.

6. CONSENT CALENDAR

Blake pulled agenda item 6.2 for individual consideration.

A motion to approve the consent calendar consisting of the items listed below was made by Grycko and seconded by Kuenzi. Motion carried unanimously.

6.1 Approval of

6.1.1 Minutes of November 9, 2011 Meeting

6.1.2 Minutes of November 16, 2011 Meeting

6.3 Approval of S&S Annual Maintenance Contract

6.4 Acceptance of Water Mains and Related Facilities for Ells Estates Subdivision

6.5 Acceptance of Water Mains and Related Facilities for Beautiful Savior Lutheran Church Fire Service

6.2 Approval of Expense Report for November 2011

Blake commented that a lot of work is being done on the equipment at various locations. He wondered if it would be advisable to look around for a single company that could provide all of the required services at a lower rate.

Fraijo commented that he is in the process of looking at that subject with various vendors and the City of Milwaukie.

Roskey asked if there were plans to replace the dump truck. Hathhorn commented that it will be discussed later in the agenda.

A motion to approve Agenda Item 6.2, Expense Report for November 2011, was made by Blake and seconded by Roskey. Motion carried unanimously.

7. DISCUSSION

7.1 Urban Services Agreement: Happy Valley and CRW

Hathhorn commented that this agreement was initiated as a result of the City of Happy Valley pursuing annexations in some areas currently served by CRW. In the formation of the Sunrise Water Authority there is language that indicates that Sunrise will be the water provider for Happy Valley wherever the City may grow, creating the potential for conflict when the City moves into areas already served by another water provider. This could create a scenario of forced withdrawal from CRW. As there has been no indication that there is an interest in pursuing that avenue, it raised the need to consider formally creating an urban services agreement that will clarify those issues. Rather than being a 190 Intergovernmental Agreement it would be controlled by ORS 195.

Hathhorn commented on the section of the agreement related to service to areas being annexed. This draft contains provisions that if the service is currently provided by one provider, service should be continued by that provider, or if the territory is partially within a service providers jurisdiction or adjacent to a service area, the providers will work with the City to extend services, and if the annexed territory lies within both territorial boundaries, then the City will select the provider for that parcel.

Hathhorn commented that it was his impression that island annexations were not permitted, but the City has a different opinion. The concern is that if the City completes an island annexation where there is no water service, will that commit us to extending a line to provide that service. He stated that the document has been reviewed by both Sunrise and CRW's counsel and the version in front of the Board contains comments by the CRW counsel.

Hathhorn pointed out that there is language in the draft agreement that would prevent the City from charging franchise fees now and in the future. He commented that this is a draft agreement, however he does not feel the City would be willing agree to that provision.

Hathhorn asked that the Board of Commissioners to provide approval for Hathhorn to send this to document as a draft to the City and CRW for their approval. Platt commented that the CRW counsel has reviewed this document but the Board has not seen it yet.

Platt commented on the annexation process in general in order to give the Board some perspective on the annexation process. Platt asked if adoption of this agreement would place the County Commissioners in the position of checking to see if annexations are compliant with the agreement. Hathhorn stated that he was not sure about that specifically. He stated that he knows that the City has to make a formal report on urban services when they perform an annexation. The City is really looking for is to have service predetermined in order to simplify the annexation process to the level of simply checking a box that water service is available.

Blake commented that he reads part of the agreement to allow the City to select any service provider they prefer for those areas to be annexed that are not currently within a

service jurisdiction. Hathhorn explained that the language in the agreement is drafted to prevent Sunrise or CRW from being forced to extend mains to areas not currently served. Blake made the point that it could allow Happy Valley to select a provider other than CRW or Sunrise and that it should be narrowed down to selecting one or the other of Sunrise or CRW. Hathhorn thought it a good point and will make changes accordingly.

Kuenzi commented that legal counsel may want to take another look at section 5.1. He stated that there's been some debate as to the ownership of some of the roads within the City of Happy Valley, so it may be debatable if they have the legal authority to grant access to particular roads.

A motion to authorize the General Manager to proceed with sending this draft agreement to the other involved entities with the proposed amendments to section 5.1 and 5.2 was made by Blake and seconded by Garbarino. Motion carried unanimously.

7.2 Backflow Program: Equipment Removal

Hathhorn commented that he has been working on efficiency of labor and linkages to level of service. He discussed the three full time equivalent positions that are dedicated to backflow testing and meter reading. He stated that he has been looking at how resources are used to affect our business and the question has become whether the cost of the labor, related overhead and risk related to workers compensation is the most effective use of those resources for completing those functions.

He stated that he has engaged in a conversation with the field staff related to the backflow devices that have been placed in the system as the result of an earlier decision to prevent backflow into the system. The majority of the devices are related to accounts that already have a backflow device installed on their irrigation system, both of which are required to be tested. The operations group evaluated the risk associated with either removing the devices or replacing them with single check devices and determined that there is limited risk associated with removing or substituting single checks. Significant amounts of money are spent on the labor and capital to maintain and test those devices and the resources focused on other business functions. The ops group looked at replacement with a single check and at abandoning them in place. He stated that the bottom line is that the amount of risk reduction is not worth the investment in resources, which could be used to address other operational issues that provide a higher level of service or value, such as hydrant and valve maintenance. The cost associated with abandoning the double checks in place would be the stranded investment cost of \$964,000. The annual savings in testing costs would repay the entire stranded investment cost in about 8 years. He stated that over time the Authority will be money ahead to abandon those backflow devices in place.

Blake commented that the reason that this practice was started was a main break occurred and a hose was stuck in a bucket of fertilizer. Hathhorn commented that event occurred in the mid-west. He also commented that when the original back flow rule came out, there was a fear that the State was moving to point of use requirements and that the decision was made to move in this direction to take care of the problem for the

customers by doing it for them. He stated that the decision making environment has changed from that time.

Kuenzi commented that his understanding is that Hathhorn is making an operational decision within the budgetary framework of the organization, so is there a policy issue associated with this that he is asking the Board to address. Hathhorn commented that there is a risk component to this discussion, but that he is largely discussing it with the Board because of the history at Sunrise, where the Board and Management has had a closer relationship on issues of this nature.

Platt commented that it was his understanding that the owners of devices were informed that they no longer needed to test their own devices. Roskey commented that there were a few individuals who had said that to individual customers early on, but they were corrected. He also mentioned that there was a charge for this service. Rigutto concurred that it is a component in the service charge.

Blake stated that he recalled that this was adopted by ordinance. Hathhorn stated that a review of Board actions found drafts for that ordinance but there was no evidence that it was ever adopted. Kuenzi commented that if there was no ordinance then this item was more advisory and didn't require Board action. Hathhorn concurred.

7.3 Contracted Meter Reading Pilot

Hathhorn stated that this issue is in the same vein as the back flow issue. A review of costs for meter reading shows that it is not cost effective for Sunrise to continue to read meters ourselves. He feels that going to a third party meter reading company will definitely reduce risks and avoid costs associated with aging meter reading equipment. One concern that was discussed within the operations group was that contract meter readers may not have the level of concern about related service issues that staff would have. Hathhorn discussed the conversations he has had with other managers regarding this issue and the feedback that he has received is that it may be an issue initially, but that over time the relationship develops to a level where it becomes much less of an issue. He stated that will probably be necessary to send staff to meters once a year to look at service issues.

The financial and personnel resources currently committed to meter reading could be directed to meter testing and replacement. He commented that there are quite a large number of older meters in the system that should be replaced, although the amount of water lost to under reading is probably not all that large, it is a better use of resources to proactively address under performing meters. He stated that he is proposing to run a pilot on a couple of select areas.

Blake stated that he recalled that when it was considered in the past, the contractors wouldn't read the rural areas, only the urban areas and that by the time the various charges were added there weren't any cost savings. Hathhorn stated that to his knowledge there is only one firm in the area performing this service and that he would be establishing performance criteria for the firm to meet.

Platt asked if any Board members had further comments or concerns. Kuenzi asked if

the pilot could be conducted within the current budget. Hathhorn confirmed that it could. Roskey asked for confirmation that the Board would see cost figures before any final decision was made to implement this. Hathhorn confirmed that the Board would be informed of the outcomes of the pilots and the final cost calculations.

7.4 Cell Tower Revenue: Fund Vehicle and Equipment Reserve

Hathhorn commented that Sunrise has cell tower facilities sited on Sunrise property, usually by lease, although Sunrise has been the recipient of some facilities due to termination of a lease. He commented that the leases are not a problem of any sort, but that currently the revenue is just rolled into the general fund. He is proposing that the cell tower revenue to fund a vehicle replacement fund up to a set amount. He stated that it is revenue to Sunrise no matter what, but that in his mind he feels that it is a more transparent manner to account for it in this manner.

Garbarino asked how much the annual need is for vehicle replacement. Hathhorn commented that it is an unknown currently, but that there are several pieces of equipment that need to be replaced and this would be a good way to address that.

Hathhorn stated that, in a sidebar, Staff has been in discussions with a firm that is interested in buying the rights to those leases. He stated that he has done some preliminary calculations and that unless the offer is in the range of \$2 million, it is not worth it to Sunrise.

Platt asked if there were any more comments. There were none.

7.5 Redistricting: Draft Zone Map

Platt commented that the narrative in the packet clearly discusses the issue.

Hathhorn stated that the Board has had the item previously. He stated that Staff had taken the Boards earlier comments and looked at various factors, such as neighborhood boundaries to come up with the option before them proposed for adoption.

Platt expressed his opinion that the earlier maps were based on attempting to reach as close to zero population deviation as possible and resulted in very contrived boundaries. He commented that he does not believe that anything is absolutely defined as to what is an acceptable deviation, but that Metro uses 5%. He commented that none of the deviations on the proposed map is over 3% and results in much cleaner lines. Blake agreed.

Platt commented that the only change he would make would be to switch the zone numbers of Zone 1 and 2, so that currently serving Board members will remain with their existing zone numbers.

A motion to approve Board representation zone map number 9 as the zone representation map for Sunrise Water Authority and direct that the zone number stay with the commissioners currently serving and zone number one becoming the vacant zone was made by Blake and seconded by Kuenzi. Motion carried unanimously.

Hathhorn noted that a special thanks is due to the County, who did the GIS work for Sunrise.

7.6 Index SDCs: CCI Adjustment

Hathhorn commented that the annual indexing will result in an increase in the SDC Charge from \$6,344 to \$6,713.

A motion to approve the change in the System Development Charge as outlined in attachment 7.6, was made by Blake and seconded by Roskey. Motion carried unanimously.

7.7 Server Upgrade

Hathhorn commented that this item is before the Board because it is outside of the budget. It had been planned to replace these items in a staged manner. As it turns out the existing servers are aged and the service contracts for them are escalating and that all of the servers have reached the end of their depreciable lives. The recommendation is to upgrade all five servers. Hathhorn stated that the Cloud virtual servers looked like an attractive option, but there are elements associated with the Cloud that aren't quite worked out yet, such as some security elements and the large chunks of data that we send during billing file transfers. There is also a problem with Enquesta not being capable of working with the Cloud at this point.

Approval of this option will exceed the budgeted amount for this project. Platt asked how it would be necessary to deal with the \$18,000 overage. Rigutto stated that it would be necessary to do a supplemental budget; she commented that it would have been necessary to do one in any case because of overage in the capital improvement category and in SDC revenues.

Blake commented that he had discussed the issue with his son and had a few comments. His son was of the opinion that five individual servers was a better option to avoid down time associated with relying on a single server that may go down. Hathhorn stated that those discussions had occurred internally. In terms of having five separate servers, there would be an additional cost of about 25%.

A motion to approve the server upgrade and authorizes the expenditure of up to \$33,500 for the project, and to include the related budget increase in this year's supplemental budget was made by Blake and seconded by Garbarino. Motion carried unanimously.

8. BUSINESS FROM THE BOARD

8.1 Calendar of Meetings

Grycko stated that she would be unable to attend the NCCWC meeting on January 24. Kuenzi stated that he would be able to attend.

Hathhorn commented that Anderson needed to get a head count for the SDAO conference. Blake stated he will attend and will attend the preconference session as well. Roskey stated that he is tentatively planning on attending.

Blake asked about the designation as the official delegate. Platt assigned Blake the duty of official delegate.

8.2 Liaison Reports

Blake reported that CRBC's negotiations with CRW have fallen through and that they are now discussing another option with the Girl Scouts for space. Platt reported that he has attended numerous Damascus meetings but that there is nothing to report.

8.3 Future Agenda Items

9. BUSINESS FROM THE MANAGER

9.1 Financial Reports

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

9.2 Cash Flow Report

9.3 Manager Updates

Hathhorn commented that he has hired the alternative HR consultant and she has started work. He stated that the RFP's for the web design have been released and submittals are due in the middle of January.

10. MONTHLY REPORTS

10.1 Operational Reports

10.2 Engineering and Construction Reports

Fraijo reported that the 132nd and King Road project is 99% complete, pending final paving of the cuts when temperatures rise. He stated that the Con Battin project is complete and that the PRV project will start construction in mid-January and be completed by the end of January.

11. INFORMATIONAL ITEMS

12. EXECUTIVE SESSION

An Executive Session of the Sunrise Water Authority Board of Commissioners to be held per ORS 192.502 (1) Communications within a public body or between public bodies of an advisory nature; ORS 192.660 (2)(h), to consult with legal counsel regarding legal rights and duties related to litigation or litigation likely to be filed and per ORS 192.502 (9)(a) Public records or information the disclosure of which is prohibited or restricted or otherwise made confidential or privileged under Oregon law.

The Board entered executive session at 7:20 PM.

The Board returned to regular session at 8:17 PM.

A motion to direct the General Manager and the attorney to proceed with the preparation of an agreement for the settlement of the account of Leo Gentry was made by Kuenzi and seconded by Garbarino. Motion carried unanimously.

Move to adjourn by Grycko and seconded by Garbarino. Motion carried unanimously.

The meeting adjourned at 8:18 PM.

ERNIE PLATT, CHAIR

TERRY ROSKEY, SECRETARY