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MINUTES

A REGULAR MEETING of the Sunrise Water Authority Board of Commissioners, was held on Wednesday, June 22, 2011 at 6:00 PM at the City of Happy Valley Annex, located at 12915 SE King Road, Happy Valley, OR 97086.

Board Members Present: Bob Frentress, Chair; Ron Blake, Vice Chair; Jeanne Anspach, Secretary; Judy Grycko, Ernie Platt, Terry Roskey, and Bob Garbarino

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

Visitors Present: See Attached Sign in Sheet.

1. CALL MEETING TO ORDER

The meeting was called to order at 6:00 PM.

2. INTRODUCTIONS & WELCOME OF VISITORS

Chair Frentress conducted introductions of the Board of Commissioners and Staff. The public in attendance also introduced themselves.

Frentress offered the opportunity for the General Manager to present additional information regarding the condition of Sunrise and the factors leading to the rate increase proposal before the Board for consideration at this meeting.

Hathhorn presented information regarding the financial profile of the organization including information on revenues from rates and Systems Development Charges, the expenses for operation, operational cost reductions, and the unfunded costs related to system renewal and replacement. He discussed the infrastructure assets and the aging portions that need to be replaced that date back to prior to 1960. He illustrated how the revenues and expenses have trended to date and how the lack of cash reserves impact the ability of the organization to provide safe reliable service. He also described the impacts that the current operating situation has had on the levels of service being delivered by the entity.

Hathhorn presented information on the historic trends on revenues and described the factors that have affected revenues. He also discussed the trends in operating

expenses, both the items beyond the control of the organization that have increased and those items that the organization has been able to control and those actions that Sunrise has taken to minimize increases in operating expenses which has resulted in a 20% reduction in expenditures, including a 30% reduction in staffing levels. He commented that there is essentially no more left to cut from the budget without impacting the service provided.

There was some discussion with audience members regarding the impacts of staff reductions and benefits on the operating expenses and questions regarding efforts made to minimize the increasing costs of benefits or efforts to shift costs of benefits to employees. Some discussion occurred regarding the hard costs of materials and increases in those costs. Hathhorn commented on the actions Sunrise has taken to reduce costs on projects by taking on some of the work for procuring materials directly.

There was some discussion regarding the bond issue and associated debt and how much of the expenditures were for existing rate payers and what portion was associated with construction for new development. Hathhorn commented that he did not have that breakdown available. Discussion ensued regarding the growth projections that led to the construction of infrastructure and the associated bonded debt and the responsibilities of the organization to meet particular requirements by law.

A member of the audience asked about Hathhorn's background and history with the organization. Hathhorn commented on his background in the engineering consulting field. An audience member commented that his short tenure with the organization essentially meant that he had inherited the problems of the organization. Hathhorn commented that he viewed the position as an opportunity to bring his experience in the corporate world to bear on resolving the issues that were present and accepted the position knowing that these problems needed to be resolved.

An audience member asked about the process for the rate increase. Anderson discussed the options the Board has available to address the rate increase and potential ramifications with the Board's decision on action. Rigutto elaborated on the options the Board has in relation to action on the budget and its relation to the proposed rate increase.

An audience member asked if the increase was in fact a three pronged increase. Staff explained how the increases would work and confirmed that it may appear as such to rate payers. The audience member stated she still did not understand the relationship between expenses, revenues and the SDC revenue reduction. Frentress stated that it was necessary to actually formally open the public hearing on the rate hearing.

Frentress explained the ground rules for the public comment section of the public hearing, and commented that based on the number of individuals expressing an interest in commenting on the rate increase there will be a limitation of public comment to three minutes.

3. FLAG SALUTE & PUBLIC COMMENT

The Board dispensed with the flag salute in order to expedite the meeting.

4. RATE AND BUDGET HEARINGS

4.1 Public Comment Received Related to the Potential Rate Increase

4.2 Public Hearing on Rate Increase Proposal

4.3 Public Hearing on the Budget for Fiscal Year 2011-2012

The public hearings on the Rate increase and Budget were opened concurrently at 6:33 PM. He commented that when individuals are called to speak they should come to the front table and state their name and address for the record when they begin speaking.

Larry Hannon commented that he appreciated the presentation that Hathhorn made but he still doesn't see in the budget why there is a need for this rate increase in addition to the rate increase put in place last year. Frentress stated that the majority of the increase is to be dedicated to replacing and repairing infrastructure that has not been attended to in the past. He went on to state that part of the need is driven by the decision to not increase rates in the past. He also discussed how the debt related to required infrastructure development has impacted operating revenues and the general fund.

Don Sizusky asked how many members were on the Board. Frentress stated that there were seven. He asked if there was some mismanagement involved in this situation. Frentress stated that he did not believe that was truly the case as the Board and Staff responded to the information available. They also discussed the impact of the foreclosure situation has had on water sales revenue.

Lyn Stevrakis asked if there was any way to predict what type of rate increases may be needed in the future. Frentress stated that there was no way to tell for sure because there are so many factors involved, such as the level of development. Hathhorn stated that the major increase this year is essentially a correction to bring the service charge up to the level considered to be cost of service by the entity based on the past experience of the organization.

Chuck Nagle asked if the Board members were serving as volunteers or if they were paid. Frentress stated that the Board members receive \$50 per meeting. He saluted the Board for performing this public service. He stated that his experience watching Corporation Board meetings is that when the officers and the directors miss on their estimations the stock holders demand changes. In his opinion the first misstep was accepting Metro's projections without critical evaluation since they have their own political agenda. He accepts that some of the borrowed funds was used for the treatment plant expansion which benefits everyone but that a large part was related to expansion for anticipated development and now the expectation is that the ratepayers will pick up the shortfall. He feels that government tends to just go get money when they want it because they have taxing authority. He expressed the feeling the list of items to be addressed should be reevaluated and pared down. He also asked if the rates were going to be softened in the future if SDC collections go back up.

Frentress stated that it was always the intent for growth would be paid for by the development that was causing the growth. He stated that the amount of funds pulled from the general fund to pay for the debt service is being tracked and that it is the intent

that when SDC's begin to come in again that that amount will be repaid, and that intent has been recorded and is in the minutes from previous meetings.

Nagle expressed the opinion that the Staff should share the pain with the ratepayers; stating that it is inappropriate for the employees to be receiving full salary and full benefits when ratepayers are being expected to pay more.

Wayne Gossman stated that he likes having water and that it is important but that he agrees that it is a triple whammy to raise rates the way that it is presented. He made his own comparison to the Portland water rates and it appears to him you pay less for water the more that you use that his bill in Portland would be \$54 for his consumption in the highest tier and under the Sunrise proposed rate it would be \$214. He commented that summer time usage hurts. He suggested that the service fee be increased by a lower percentage and increase the rate and leave the tiers alone.

He asked if the Damascus wells are being used and what percentage of water is being used from those wells. He also asked what recourse was available if the community did not like the decision made by the Board. Frenress stated the option was to not reelect the Board member from their zone in the future.

Anspach commented that she was appreciative of the amount of the public that was present at this meeting. She stated that there is rarely any public participation at the Board meetings and that Sunrise does its best to notify the community of the meetings and she would welcome much greater participation from the community in the business of Sunrise on a regular basis.

Steve Marsek stated that the letter announcing the meeting contained a lot of smoke screening. The comparison of only one unit amount was made instead of multiple levels so that it was difficult for an individual to get a sense of the real impact of the increase to them. Using his current bills, his bill will increase by 26% and during the high usage period in August it will double to around \$214. He commented that there was a 5% salary decrease at his company two years ago due to lost revenues. He stated that it needs to be kept in mind with public utility is that the core service is to deliver basic water service, that it isn't necessary to be the best utility. He believes that an increase of this size will only contribute to bad money management and tight budgeting should be more of a priority.

Jeri Mandelbahr stated that there should be more information available with real numbers showing where money is currently being spent and how this relates to the increase. She is currently opposed to this proposal and would ask that the Board reconsider. She would like to see more communication with the customers; suggesting a follow up to the letter with more information or additional letters. Hathhorn commented that there has been a long process leading up to this proposal and that all of the information is readily available either through Staff or on the website. Frenress commented that the Board members are rate payers also and don't like paying more either, but that they have access to information that the regular citizen may not. Blake commented that the customer who had just spoken suggested more letters be sent to the rate payers but cautioned that mailings are only used when necessary due to the cost of about \$10,000 every time a general distribution mailing is sent to all the customers. He went on to comment that an earlier customer had suggested that

Metro's projections should have been questioned. He pointed out that Metro's projections were fairly close to accurate right up to the real estate crash, which no one had projected. He went on to state that if Sunrise had not addressed the infrastructure needed that the State would have placed us under mandatory requirements to do so, so the Board and Staff are kind of placed in the middle. As rate payers, Board members don't like paying high bills either and that the Board has tried to keep rates low year after year but that it has reached a situation that it can no longer be delayed.

Anderson commented that, regarding communication, anyone can contact her and have the agendas and packets either emailed or mailed directly to them if they are interested. Frentress commented that if a person requests mailed packets that he would request that they use them, as there is a cost associated with providing that information.

Steve DeAmbrosia commented that Gossman made most of his points for him. He is particularly opposed to the adjustments in the tier structure. He went on to comment that Damascus Water District and now Sunrise suffers from a credibility problem with him to begin with since they made him test his back flow device annually at his cost and sent letters if it did not get done and then Sunrise followed up by charging a dollar a billing period to take over the obligation themselves but then no one has been out to check it since, so now he is paying for service that is not being received.

William Owens commented that he paid his water bill for 22 years before Boring and Sunrise combined and that there was no service charge at all and the rates were really low and that every year since he has had an increase of some sort. He stated that reserve funds cannot be placed in the budget by state law and since he used to work for Bonneville Power Administration he knows how these things work. He commented that the customers could get together and go to the state to have them examine how Sunrise is operated or they could work together on a class action suit to force Sunrise to provide more evidence of how money is being spent. There should not be a service charge. He stated that the rate payers should be told what the rate would be without a service charge and without the tiers changing. He wanted to have more information about the Clackamas Water Authority what the connection is to that group and what other groups and organizations Sunrise pays dues to.

Frentress commented that first; Sunrise doesn't serve Boring that the Boring Water District is a separate entity. Owens corrected Frentress stating that he had been served by Boring Water District. Jannsen stated that on Hacienda he would have formerly been served by the Damascus Water District.

A discussion ensued about the makeup of the Budget Committee and how appointments are made to that body. Frentress discussed the makeup of the Budget Committee during this year's process. Blake commented that it was difficult to get people to volunteer for the Budget Committee and that if he would be interested he should let us know.

Pam Williams stated that according to the information that she received today that if the Board takes action today there can be no appeal to the Public Utility Commission. Frentress stated that he was not certain if that was correct or not. She stated that her letter would stand as her testimony.

Richard Soul stated that he has lived here for 18 years and this got his attention. He stated that he believes that the increase is really outrageous and will heavily impact those on fixed incomes.

Frentress suggested that Hathhorn discuss the components that are included in the service charge. Hathhorn stated that the components have been substantially the same for the past ten years; all the costs that are associated with reading the meter and producing the bills. He stated that this number is essentially the cost for providing this service. Frentress stated that the Board has held off for a number of years in hopes that the housing situation would turn around. It hasn't. He commented that he will argue with anyone who would suggest that the system not be maintained since that threatens the integrity of the system, delivery of water to customers and leads to higher costs down the road.

A customer asked about the requirements section of the budget called contingency that is about \$4 million. Rigutto stated that the contingency is the difference between revenues and expenditures and that it is an entry required by law to balance the budget. He asked if it was a cushion. Rigutto stated that it is money for future or unexpected expenses.

He asked if the water sales amount in the budget included the rate increase. Hathhorn explained that it does include the rate increase; that there has been a decrease in the volume of water sold so the total revenue comes out close to equivalent. He asked about the Budget Officers Projection for revenues that was higher. Rigutto stated that the projected revenues included sources of revenue other than the water sales and that those other items were dealt with as separate line items within the budget.

Earline Bullivack asked how the new schools impacted water service and how water lines are going to be extended to Damascus. Frentress commented that the schools pay a water bill the same as any other customer. She asked how Sunrise would manage if the requested rate increase is not put in place. Frentress stated that the water rates need to be the same for everyone in the service area.

Anspach thanked the folks who came out tonight for participating and Blake invited them to attend regular meetings also. A member of the audience commented that if others had calculated their water bill as some of the audience members had done, there would be more people here. Frentress acknowledged that it is a substantial increase. Another commented that the letter of notification obfuscated the truth. He went on to state that there should have been more information provided about how this was really going to impact individual bills. It is difficult for the average person to figure that out.

Wade Hathhorn commented that on average the impact to the typical customer is under \$6 per billing period. He commented that the notion of using 66 units to calculate the change in bills is far beyond the average rate-payers consumption of around 20 units and that in the winter time it is around 10 units. The assertion was made that it does not cost much incrementally to deliver peak water once the system is constructed. Hathhorn commented that would be a true statement if the rates had been constructed to collect for system replacement over the life of the infrastructure of which 2/3 of the costs are related to accommodating peak demand, which has not occurred.

Frentress indicated that the Board would take a short break. An audience member asked if the Board would vote tonight. Frentress stated that it would.

The rate and budget hearing was closed at 7:45 PM and the Board took a five minute recess.

4.2.1 Consideration of Resolution 2011-01, Setting Water Rate

A motion to approve Resolution 2011-01, Setting Water Rates was made by Platt and seconded by Grycko. Platt commented that his reasoning for supporting this resolution is that the organization is not receiving enough revenue to assure that bills are paid and that facilities are maintained and upgraded and that it would be completely irresponsible for the Board to not approve the rate increase to assure that the system does not fall into a state of disrepair, although he expressed the sentiment that he wished it was not the case, but he feels there is no choice.

In relation to the formation of the fourth tier, he stated that the testimony related to how high bills could get were possibly exaggerated in that very few rate-payers have consumption at the level that was used in the example. Beyond that, comparisons to a system where prices go down as consumption goes up runs totally counter to the premise of conservation. The tier structure is designed to incentivize conservation efforts and in his opinion to do otherwise would create a scenario where it would be necessary for Sunrise to obtain even more resources than it currently must. For this reason he feels that the tiers are essential.

Hathhorn commented that due to the nature of the Division 86 Rules, it is a statutory requirement that the organization use the inverted block rate structure.

The motion was passed unanimously.

4.2.2 Consideration of Resolution 2011-02, Setting Service Charge

A motion to approve Resolution 2011-02 was made by Platt and seconded by Grycko.

Platt stated that this is step that is long overdue and shame on us (the Board) for not taking this action sooner. He stated it has been grossly undercharged for some time. He expressed his hope that this will be the last adjustment of this scale and that increases will be more modest and in keeping with cost of living increases in the future.

Motion carried unanimously.

4.3.1 Consideration of Resolution 2011-04, Adopting the Budget

A motion to adopt Resolution 2011-04, Adopting the Budget, was made by Anspach and seconded by Grycko. Motion carried unanimously.

4.3.2 Consideration of Resolution 2011-05, Making Appropriations

A motion to adopt Resolution 2011-05, Making Appropriations, was made by Anspach and seconded by Grycko. Motion carried unanimously.

5. CONSENT CALENDAR

A motion to approve the Consent Calendar consisting of the items listed below was made by Anspach and seconded by Platt.

Grycko asked if Roskey had made the motion to nominate the presiding budget officer. Platt confirmed that he had made that motion.

Roskey asked who had completed the inspection and who would have done that. Janssen stated that the inspection would have been completed by Meyers back in 2006. Roskey suggested that perhaps it should be re-inspected. Janssen commented that if there were issues with the original inspection that responsibility would lie with Sunrise.

Motion carried unanimously.

5.1 Approval of Minutes of

5.1.1 May 11, 2011 Work Session

5.1.2 May 25, 2011 Budget Committee

5.1.3 May 25, 2011 Regular Board Meeting

5.2 Approval of Expense Report for May 2011

5.3 Acceptance of The Reserve 2 Subdivision

5.4 Adoption of Resolution 2011-03, Transferring Appropriations Within the 2010-2011 General Fund

6. DISCUSSION

6.1 Approval of Resolutions Adopting Policies and Procedures

6.1.1 Policies

A motion to approve Resolutions 2011-06 through 2011-34, was made by Platt and seconded by Blake. Motion carried unanimously.

6.1.2 Personnel Policies and Procedures

Grycko commented that she had detected several typographic errors.

A motion to approve Resolution 2011-36, Adopting the Sunrise Water Authority Personnel Policy Manual subject to her typographic edits was made by Grycko and seconded by Blake.

Platt suggested a friendly amendment to the motion that it be approved subject to edits that are scribner in nature and not substantive. The maker and the second agreed to the amendment.

Anspach stated that she would be voting in opposition of the personnel policy manual as her professional interests were in conflict with the language related to prescription drugs contained in section 8. Hathhorn commented that the language was thoroughly vetted by a labor attorney. He stated that he was surprised by the language himself and suspects that this section may require further amendment in the future.

Motion carried with Anspach voting in opposition.

6.1.3 Safety Manual

A motion to approve Resolution 2011-35, Sunrise Water Authority Safety Program, was made by Anspach and seconded by Roskey. Motion carried unanimously.

Hathhorn thanked the Board for their patience in the policy review process and that he believes that there are some changes that will really help staff perform their jobs.

7. BUSINESS FROM THE BOARD

7.1 Calendar of Meetings

Hathhorn suggested that it was not necessarily a requirement to hold a meeting on July 13th. The Board determined by consensus that no meeting will be held on the 13th.

Platt noted that the Damascus meeting has been moved from the 4th to the 5th.

7.2 Liaison Reports

Blake commented that the County will not permit the use of the donated manufactured home on CRW property. Blake stated that one of the commercial modular unit dealers has a unit available for \$61,000, rather than the \$93,000 that they quoted to another private party customer. The CRBC Board has a special meeting scheduled to discuss the issue later in the week. He stated that a firm has been located that would do all the site work and front the funds to site the unit. The Basin Council can afford a payment of \$650 per month. The Basin Council will be submitting a grant proposal to the Grande Rhonde tribe to attempt to obtain some grant funds to apply to the project.

7.3 Future Agenda Items

Platt asked at what point it is required to address the issue of redistricting. Hathhorn commented that the statute states only that it must be done each time the decennial census is completed, although the census data is still not fully available. The Board conversed briefly about any repercussions related to the timing of completion of the redistricting.

8. BUSINESS FROM THE MANAGER

8.1 Financial Reports

A motion to approve the financial report was made by Grycko and seconded by Anspach. Motion carried unanimously.

8.2 Cash Flow Report

Hathhorn commented that Staff had commented earlier that it was possible that Sunrise would finish the year under the projected expenses. It appears that Sunrise will finish the year about \$350,000 under projected expenses.

Hathhorn commented that the item is here to discuss how the Board would like to proceed with the Manager's review process. He suggested that he would gather some forms and craft a format that would involve both an individual written comment form and a verbal interview processes.

Platt asked if the results of the sustainable utility questionnaire were going to be discussed at a future meeting. Hathhorn commented that it was originally on the agenda for this meeting, but due to the content of the agenda it was postponed to the next meeting date.

9. MONTHLY REPORTS

9.1 Operational Reports

Platt asked what the projection is for the total meter sales for the fiscal year. Rigutto stated that the projection was for 140 meters and the tally is 133 as of now.

9.2 Engineering and Construction Reports

Frentress stated that he feels very confident that the district is in good hands. Grycko moved to adjourn and stated that Frentress will be missed very much. Platt added his thanks for the years of service and that he has done an excellent job guiding the organization.

Anspach seconded the motion to adjourn.

The meeting was adjourned at 8:33 PM.

CHAIR

JEANNE ANSPACH, SECRETARY