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MINUTES

The Sunrise Water Authority Board of Commissioners held a Budget Committee meeting on Wednesday, May 25, 2011 AT 6:00 PM, at the offices of the Sunrise Water Authority, 10602 SE 129TH AVE, Happy Valley, OR 97086.

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

BUDGET COMMITTEE PRESENT: Mike Schaufler, Markley Drake, Mark Pedersen, Sarah Tarnovsky, Tom Ellis, Peter Kreft, and Randy Shannon

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

VISITORS PRESENT: Barbara Kemper, CRW and Myron Martwick, Oak Lodge Water

1. CALL MEETING TO ORDER

The meeting was called to order at 6:03 PM.

2. INTRODUCTIONS

Introductions were conducted.

3. WELCOME OF VISITORS

4. BUDGET COMMITTEE MEETING FOR THE 2011-2012 FISCAL YEAR **BUDGET PER ORS 294.401**

4.1 Election of Presiding Officer – Per ORS 294.336

Platt nominated Schaufler as Presiding officer.

A motion to close nominations and cast a unanimous ballot for Schaufler as presiding officer was made by Grycko and seconded by Shannon. Motion carried unanimously.

Anspach moved to accept the Budget. Motion died for lack of second.

4.2 Public Comment – Per ORS 294.401 (1) (b)

Staff commented that they had not received any public comment regarding the proposed budget.

4.3 Budget Message – Per ORS 294.391

4.4 Budget Presentation and Discussion

Hathhorn discussed the overview of the budget presented on page 7 of the proposed budget. He pointed out that the overall budget anticipates an increase of 7.25%.

He discussed how the personal services change ended up being low; with the death of a staff member off setting most other increases.

Drake asked if the projected 80% increase in fee for service is planned for a graduated implementation. Hathhorn explained that it has not been the recommendation of the General Manager to do so and elaborated upon the reasons why it is necessary, specifically the lack of any cash reserves and the lack of funds available to address immediate needs for capital expenditures. He also commented about the inability of the agency to obtain additional financing.

Schaufler asked if Hathhorn would be discussing the capital needs that he mentioned further into the document. He stated that he would. Schaufler commented that it is his understanding that the increase in the fees would still leave Sunrise in the lower third of water rates in the Portland Metro area. Shannon also pointed out that the 89% increase is only in the service charge and not an increase in the overall bill amount.

Hathhorn discussed the increases in the personal services line item that are largely related to benefits and PERS increases.

Materials and services increases in this line item are largely related to changes in the metering technology.

Hathhorn commented that the increases in capital outlay includes replacing some extremely aged pipe, intertying two reservoirs, and installing variable frequency drives at some pump stations in conjunction with grant funds from the Energy Trust.

Hathhorn pointed out that the debt service continues at previous levels.

Rigutto discussed the transfer line items. The primary transfer is from general fund to System Development Charge (SDC) fund for use in paying debt service and from the general fund to pay for debt service on the 172nd south line project.

Hathhorn commented that the budget has been set to account for the sale of around 40 meters per year and that Sunrise has been selling around 100 annually for the past two years, so the budget has been adjusted to reflect that reality. However, he noted that in order to meet the

debt payment using SDC fund exclusively it would be necessary to sell around 300 meters annually.

There was some discussion about development activity within the service area and the premise underlying the SDC sales projections made in the past.

Schaufler pointed out that these funds are dedicated to building water infrastructure only, not bike lanes or bridges.

Hathhorn commented that the level of service has been maintained. Schaufler commented that he recalls water providers that have postponed fee and rate increases for decades and that they ended up with systems that were falling apart. He is more interested in seeing costs being dealt with consistently as necessary.

Shannon asked when the budget anticipated the rate increase to be in place. Hathhorn stated that it was anticipated for July 1.

Hathhorn stated that the total amount generated by SDC's is calculated based on the current SDC rate, since the annual increase which will be in place for the second half of the fiscal year will not be calculated until January. The SDC rate adjustment is based on ½ of the Oregon 20 year bond rate and the Seattle area Engineering News Record Construction Cost Index, which are released at the end of December.

Drake asked if Sunrise has a replacement schedule for all of their equipment or just the vehicles. Hathhorn commented that at this time only information technology equipment has been handled that way. He discussed the proposal to dedicate lease revenues from Cell towers to funding the vehicle replacement fund.

Hathhorn discussed how operational costs have been held down and that increases are primarily related to capital projects. He stated that there is still a backlog of capital projects that are not funded in this budget and will need to be addressed such as cast iron pipe with a high failure rate.

Pedersen asked about the difference between water sold and purchased. Hathhorn commented that the actual amount of unaccounted for water for Sunrise averages close to 8%. He discussed how unaccounted for water in excess of 10% triggers mandatory actions at the state level.

Hathhorn discussed the \$2 million shortfall in water revenue and its relation to the housing market and the weather patterns in the area. He discussed the possibility of postponing some expenditures if water consumption stays unusually low through the summer period.

Schaufler commented that he has been on the budget committee for eleven years and that decisions were made to take on debt based on what seemed like reasonable projections at the time and then the financial meltdown occurred. He expressed the feeling that even with the proposed increase the water is still a good value.

Hathhorn commented that he had done some research that showed that water and sewer rates could be calculated as a factor of median household income and that they should be in the range of 1-2%. After calculating the average water and sewer

Drake commented that he is new to the Sunrise Budget process and he appreciated the clarity in the budget and how the information in the budget was presented. Schaufler commented that the more pointed the questions the better the product. Shannon commented that the budget assumes about \$600,000 in SDC's but that there is also \$600,000 in contingency so we are covered in the event of a double dip. He commented that the numbers are in line with what had been projected two years ago and his hope is that a change now might mitigate the need for additional increases in the near term. Frentress stated that in relation to SDC's this budget allows Sunrise to maintain the status quo, but if there is another jump in development Sunrise is going to need to build more infrastructure and will need to pay for it somehow.

Schaufler stated his hope that the rate letter includes information about the increased costs, capital investment requirements, economic conditions, weather factors and other items identified in the Creating a Sustainable Utility document. There was discussion about how to deliver the messaging of the rate increases.

4.5 Approval of the Budget – Per ORS 294.406

A motion to accept the proposed budget was made by Anspach and seconded by Shannon. Motion carried with Ellis voting in opposition.

Anspach thanked the budget committee for the hard work they do and the contributions and advice they contribute to the formation of a sound budget.

The Budget Committee was adjourned and the meeting was turned back over to Frentress.

Frentress expressed his appreciation for the Budget Committee Members and the time they take from their hectic lives to assist in the Sunrise budget development process.

The Budget Committee adjourned at 6:55 PM.

ROBERT FRENTRESS, CHAIR

JEANNE ANSPACH, SECRETARY