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## MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners was held on Wednesday, April 27, 2011 at 6:00 PM at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

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

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

Visitors Present: Mark Pedersen, Tom Ellis, Sarah Tarnovsky, Randy Shannon, and Peter Kreft, Budget Committee Members; and Myron Martwick, Oak Lodge Water District.

### **1. CALL MEETING TO ORDER**

The meeting was called to order at 6:02 PM.

### **2. INTRODUCTIONS, WELCOME OF VISITORS, PUBLIC COMMENT & FLAG SALUTE**

Introductions were conducted.

### **3. BUDGET WORK SESSION**

Hathhorn commented that the absent member of the Budget Committee, Mike Schaufler, had contacted him and expressed his regrets that he could not be in attendance and they engaged in a discussed regarding the information that contained in the packet. Schaufler indicated to Hathhorn that he didn't have any substantial concerns.

#### **3.1 Creating a Sustainable Utility**

Hathhorn discussed the role of the advisory committee and the budget committee.

He stated that the document was provided as background for the members of the Advisory Committee so that they had seen the same information as the Board members.

#### **3.2 Overview of the Draft FY 2011-12 Budget**

Hathhorn stated that the intent of the work session is for the Budget Committee and Board to see and discuss the contents of the budget prior to the Budget Committee meeting where action on the budget is presumed to occur.

Hathhorn commented that at this point expenditures for materials and services have been lower than budgeted and that fact has a substantial impact on the probability that Sunrise will come in under budget for the 2010-2011 fiscal year.

He commented that overall average water usage has fallen by approximately 15%. It is probable that it is related to individuals using less water and the large number of homes that remain vacant.

Hathhorn discussed the projected revenue forecast for the coming fiscal year. He stated that based on the historical meter sales over the past couple of years, the anticipated meter sales have been raised to 100 in the projected budget.

Hathhorn discussed expenses for the organization. He stated that the budget is set at 18 FTE. He discussed the proposed COLA rate of 1.5% and the need for 5.8% increase in order to create a salary pool to allow for several "equity adjustments" to correct inequities within existing pay scales.

Shannon asked if there would be a cost savings by implementing use of the Gramor well. Hathhorn stated that it would reduce the amount of water that would need to be purchased wholesale. Pedersen asked about the extent of the purple pipe system.

Hathhorn pointed out that debt service is about \$2.1 million per year.

He commented that there is a gap between the projected revenues and expenses. Therefore, if the elements identified in the budget are important then a discussion needs to occur related to adjusting rates. In addition, he emphasized that Sunrise's cash position is extremely poor and urgently needs to be addressed. He informed the Board that after conversations with bond agents it appears that Sunrise would be unable to borrow additional funds from financial institutions and any major repair required by the system could pose a problem.

He stated that the options available for raising revenue are adjusting the service charge and changing the rate structure. Hathhorn discussed the service charge rates that would be necessary to reach a total cost recovery level.

Hathhorn commented that he has presented a proposed course of action, much of which is related to discussions with lenders and what they would want to see our financial position look like.

The group discussed the debt service and the number of meter sales required to meet those payments. A discussion also ensued regarding the overall condition of the system and the financial requirements related to rehabilitation and replacement of existing infrastructure, such

as cast iron pipe in inventory, reservoirs in need of seismic upgrading and replacement due to structural issues.

Hathhorn discussed how a rate increase might be implemented by either raising the water rates or adjusting the tiers, potentially adding a fourth tier and/or some combination of those aspects.

Shannon commented that he feels that there is a potential for a double dip in the economy, so the need to have reserves is real. Hathhorn commented that by increasing both rates and service charges, the double dip would be minimized to some extent, because the increase in rate revenue instead of going to increasing reserves would offset the under collection on meter sales.

Blake discussed the option of jumping the service charge to collect actual cost and increasing the middle tier and higher tiers and leaving the low tier unaffected. Hathhorn discussed the affect that would have on the middle tiers. Blake commented that the Board has discussed collecting the real cost of meter reading for a long time and have chosen not to address it to date, so the time has come to quit putting off dealing with full cost recovery. Frentress stated that the Board has wrestled with the issue for a long time and has been reluctant to address it because of the impacts on the lower and fixed income customers. Anspach commented that she understands the sentiment that the Board has to attempting to minimize impacts on the fixed income customers, but that in the long run the Authority is doing itself a disservice by not collecting enough to operate with. Pedersen commented that he understands why the combination of rate and service charge in creases are needed, and stated that he has a preference for the addition of the fourth tier. Roskey stated that he is skeptical that we would reach our goals without including the first tier in the rate increase.

Grycko asked if it was necessary to have a public hearing if only the tiers are impacted. Staff stated that it wasn't technically necessary but advised that it would be a political decision on the part of the Board.

Ellis asked if it would be difficult to justify to the public an increase to the service charge in the rate of about 90%. Hathhorn commented that this change simply collects what is necessary to provide seamless, round-the-clock, safe, clean water. Beyond that issue, he stated that even with the increases Sunrise Water is still in the lower levels compared to other service providers.

Ellis also asked what the dollar value is associated with the 5.8% increase and how would this increase be justified in light of the economy, especially when everyone else is cutting back. Shannon commented that this issue was brought to the Board as far back as 2007 and there was no action taken at that time and salary levels were substandard at that time and have been frozen since. Hathhorn commented that Sunrise has been able to attract some very good talent and that Sunrise has had a very good value on the backs of their employees for some time. He is very concerned that as the economy improves good employees will accept other positions.

There was a discussion regarding the pros and cons of increasing the service charge versus rate increases.

Platt suggested that based on current rate structure the higher end consumers have essentially been subsidizing the lower tier users for some time and that the proposal to increase service charges creates greater equity. He also stated that by decreasing the range of the tiers, it would be likely that even the lowest tier users would pass into the second tier at least some of the time, thus capturing some additional revenue from rates amongst the lower volume users as well. The group discussed the amount of revenue that might be generated by increasing rates in tier one.

Frentress commented that the Board will be giving thoughtful consideration to the issues of service charges and rate increases during the intervening time up to the Budget Committee Meeting on May 25<sup>th</sup> and asked the Budget Committee to do the same.

The Budget Committee members left at 7:22 PM.

#### **4. PUBLIC HEARING ON ORDINANCE 2011-1, CROSS CONNECTION CONTROL PROGRAM PURSUANT TO OREGON ADMINISTRATIVE RULE 333-061-0070. SECOND READING BY TITLE ONLY AND ADOPTION.**

The public hearing was opened at 7:21 PM.

Frentress read the Ordinance by title only.

#### **5. CONSENT CALENDAR**

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

Anspach noted that her name was misspelled on the March 23<sup>rd</sup> Minutes.

The maker of the motion and the second approved the amendment. Motion carried unanimously.

5.1 Approval of Meeting Minutes of:

5.1.1 March 9, 2011

5.1.2 March 23, 2011

5.2 Approval of Expense Report for March 2011

5.3 Approval of On-Call Contractor Selection

#### **6. DISCUSSION ITEMS**

## **6.1 Selection of Contractor for Mather Rd. 24-inch Main Relocation**

Jannsen stated that the work for the main relocation will occur this weekend. He stated that all permits and back-up water supplies in case of troubles have been obtained. Jannsen commented that this project requires a time and material type of application due to the nature of the work. He reminded that Board that Landis and Landis and DM Excavating have both submitted proposals and been approved for the provision of On-call contracting services for Sunrise. Due to the extremely sensitive timing issues with this project and the history with DM Excavating, Staff is proposing the use of DM Excavating for this project. Jannsen stated that the project should be in the \$10,000 to \$15,000 range.

A motion to approve the use of DM Excavating to perform the work related to the Mather Road main relocation was made by Grycko and Second by Anspach. Motion carried unanimously.

Hathhorn commented that due to the precise timing required in the completion of this project it is necessary to have the contract executed immediately and it would be advisable to have the Board delegate that authority to the General Manager.

A motion to delegate authority to execute the contract with DM Excavating for the work related to the Mather Road main relocation to the General was made by Anspach and seconded by Grycko. Motion carried unanimously.

## **7. BUSINESS FROM THE BOARD**

### **7.1 Calendar of Meetings**

### **7.2 Liaison Reports**

Blake commented that the Oak Lodge Board has approved their proposed budget.

Blake informed the Board that the Clackamas River Basin Council has been doing a lot of work to move forward the proposal for the relocation of the manufactured home to CRW site.

Blake shared that during the C-4 meeting County Staff discussed the fiber optic ring that is being installed in Clackamas County. Anderson elaborated on Blake's comments, stating that it is intended to provide reliable high speed internet access to government entities and schools in many of the outlying areas, such as Sandy, Estacada, Mollala and others. The intent is that band width outside of that required for those governmental entities mentioned will be made available to service providers who would then have the opportunity and responsibility to deliver access to other customers in those areas.

Blake informed the Board that the Group of 8 continues to meet and that progress is being made.

Grycko mentioned that the NCCWC adopted their budget last night.

### **7.3 Future Agenda Items**

## **8. BUSINESS FROM THE MANAGER**

### **8.1 Financial Reports**

Rigutto commented that there is a change in the financial report. The graphs normally presented on a 12 month rolling average are now presented on a 6 month rolling average. The data shows up better in this format as it increases the detail level.

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

### **8.2 Cash Flow Report**

Frentress stated that it appears that we are on track to be at the cash flow levels previously anticipated.

Platt asked if permits have been pulled for the multi-family project that is on the books. Staff does not track building permits issued, but that no meters have been purchased for the project yet. Grycko asked the location for that project. Jannsen stated that it will be at Misty and 147<sup>th</sup>.

### **8.3 Agreement for Laboratory Services**

Roskey asked if samples other than Bac-T are going to the original lab. Jannsen stated that Alexin has been processing most of our samples, but that a newcomer to the market, Edge Analytical, has given Sunrise a substantial price reduction over Alexin, so they will receive the majority of samples that don't go to CRW.

A motion to delegate to the General Manager the authority to sign the MOU with CRW for laboratory services was made by Anspach and seconded by Blake. Motion carried unanimously.

### **8.4 Update Water Permit Extension**

Hathhorn commented that the date for filing of final appeals has been moved to June 20<sup>th</sup>. He commented that Water Watch likely has their appeal prepared for filing so it will happen sooner than that.

### **8.5 Update of Reconciliation of Under-Billed Accounts**

Hathhorn commented that his understanding was that Staff was to take a closer look at some alternatives for collecting the under-billed amounts. One proposal was to simply charge for all water at the tier one rate. In relation to the largest account that is part of this process, it would

result in a reduction of about 33%, which would be a substantially greater reduction that other customers would receive.

Garbarino stated that the customer with the highest underpayment knew, or should have known, that he owed for water so he should be offered a repayment schedule of 2 to 3 years at no interest with no reductions. Staff stated that the time frame during which this under billing accumulated was 2 ½ to 3 years. The Board discussed the time frame over which it would be reasonable to collect this money. Blake stated that he doesn't want to set a time frame but to allow the General Manager to negotiate a repayment schedule that is reasonable with the customers who have high balances owing.

Frentress asked if it is even worth the time to negotiate a repayment schedule for underpayments of \$100 or less. The consensus was that for those accounts of \$100 or less, a form letter will be generated informing them that it will be added to their account and the remainder will be contacted by the General Manager in order to negotiate a repayment schedule.

### **Other Items**

Hathhorn commented that the Finance Director has requested that a member of the Board be appointed to review the Auditor submittals. By consensus, the Board appointed Grycko to that task. Grycko asked how quickly she needed to have that done. Rigutto said Tuesday would be fine.

Fraijo delivered a short power point presentation on the Sunnyside Reservoir repair.

## **9. MONTHLY REPORTS**

### **9.1 Operational Reports**

### **9.2 Engineering and Construction Reports**

### **9.3 Government Relations Report**

## **10. INFORMATIONAL ITEMS**

## **11. EXECUTIVE SESSION**

The Board entered Executive Session per ORS 192.502 (1) Communications within a public body or between public bodies of an advisory nature at 8:15 pm.

Martwick, Fraijo, House, Jannsen, and Anderson left at 8:15 pm.

Jannsen and Anderson were invited back at 8:20 pm.

The Executive Session was closed at 8:46 pm.

The public hearing on the Cross Connection Ordinance was closed at 8:47 pm.

A motion to adopt Ordinance 2011-01 was made by Platt and seconded by Blake. Motion Carried unanimously.

A motion to direct the General Manager to carry out the direction given by the Board in Executive Session in relation to Meyer's final pay check was made by Blake and seconded by Anspach. Motion carried unanimously.

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

The meeting was adjourned at 8:50 pm.

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ROBERT FRENTRESS, CHAIR

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JEANNE ANSPACH, SECRETARY