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MINUTES

A Work Session of the Sunrise Water Authority Board of Commissioners was held on Wednesday, May 11, 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; Judy Grycko; Terry Roskey, Bob Garbarino, and Ernie Platt (arrived at 6:15 PM).

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

Visitor Present: Barbara Kemper, CRW.

1. CALL MEETING TO ORDER

Call to order at 6:05 PM

2. INTRODUCTIONS & WELCOME OF VISITORS

3. FLAG SALUTE

4. PUBLIC COMMENT

5. WORK SESSION ITEMS

5.1 Budgeting & 5.1.2 Rate Adjustment Proposal Review

Hathhorn stated that this was an opportunity to continue conversations about the budget items and what types of cash reserves the Board would be comfortable with developing. His intent is to gather feedback from the Board on the issues before them.

Grycko commented that the salary pool is necessary to provide adjustments that are needed. She stated that there are some capital projects that may not be absolutely necessary at this point, but that it is necessary to address the reserves issue, so the service charges and rate adjustments are needed.

Garbarino commented that it seems to him that the current Sunrise position is a result of decisions in the past that may have been made based on political expediency. Blake concurred, stating that it may not be any easier to implement the proposed increases now than it was in the past, but addressing this issue sooner rather than later should be done. He commented that there are aging pipes that need to be replaced and if not addressed now the replacement will cost more later. He suggested that how the increases are presented to the customers will be important.

Roskey commented that costs should be recovered in the service charge and that after this adjustment further adjustments will be less drastic. He went on to say that the Board's job is to do what is right for the entire Authority and that this is what needs to be done.

Hathhorn presented information showing how various rate change proposals might affect customer bills. He suggested that one option would be to add a fourth tier and shift the tiers downward in the number of units affected. He stated that Staff has looked at ways to minimize the impact to the lowest tier, or basic sustenance water.

Rigutto and Hathhorn discussed the information provided. Hathhorn discussed how the option of not implementing any rate increase at the lowest tier impacts the higher tiers, as the cost burden is shifted. Roskey commented that users are likely to reduce consumption at the higher tiers if they get larger bills, so the additional revenue generated would be short lived before it dropped as a result of that reduced consumption. Hathhorn commented that there has been quite a bit of research done that demonstrates that water consumption patterns tend to be very price inelastic and the drop in consumption may be less than one would anticipate.

Grycko expressed her continued support for the fourth tier. Blake said he could go either way.

Hathhorn addressed the capital projects that have been proposed. He stressed that the cast iron replacement in 132nd and the PRV connection to reservoir 10 are both critical. He commented that the Energy trust project has a timing issue related to grants associated with it. He suggested that the GIS project may have a much smaller actual cost associated with it than what is presented due to recent discussions of cooperation with CRW. He strongly endorses the Staff Development project as being addressed in this budget year and indicated that the Records Management project is already started with a contract employee because it is so vital. He commented that the web site upgrade is perhaps not mandatory, but that there is a need to increase messaging to customers rather than having their only contact with Sunrise being through bills demanding payment.

There was a general consensus to move toward the four tier structure. Roskey commented that part of his concern about the fourth tier is how it will impact those customers that are farming with water provided by Sunrise Water.

Hathhorn stated that another topic for discussion is that Sunrise currently has a differentiated rate between commercial and residential customers. He was conscious of

Roskey's concern while he was developing this proposal and pointed out that with the fourth tier on a uniform rate structure, commercial customers would actually have a lower top end rate. He suggested that users like himself, residential users with peaking factors in the realm of 6 to 6 ½%, really drive the peak.

The Board discussed the theory behind the creation of the differentiated rate structure. Hathhorn stated that while he does not have information in front of him, he does not believe that eliminating the differentiated rate will have a significant fiscal impact. Frentress stated that it seems that there is consensus to move in the direction of a single rate structure but suggested that the fiscal impacts will need to be watched as it progresses. Hathhorn commented that there may be a need as the system grows and changes to consider differentiated cost of service to various service levels.

A motion to change the rate structure from three tiers to four tiers, as presented in the handout was made by Blake and seconded by Grycko. Motion carried unanimously.

A motion to move commercial customers to a standard rate structure in alignment with the residential rates was made by Blake and seconded by Grycko. Motion carried unanimously.

Janssen asked for clarification that the commercial customers will still have a multiplier for the number of units that will be in each tier based on meter size. The Board stated that is their understanding.

Grycko asked if there was a need to discuss the rate increase again, as presented in the rate increase schedule, or can the Board determine to move forward now. Hathhorn stated that he would prefer to have one more opportunity to review all of the numbers, especially in light of the move of commercial customers to a standard rate schedule, so he would like to leave the additional discussion on the schedule for now.

The Board briefly discussed the timing of implementing the rate increase in relation to billing cycles.

5.1.3 Reserves for Debt Coverage

Hathhorn commented that this staff report was provided for information only. He stated that there was no great surprise, but that in working with other bond issuers, it would be extremely difficult for Sunrise to acquire any other debt at this point.

Frentress asked about the situation with the infrastructure in relation to development. He commented that there won't be money available to expand infrastructure at this point, so he is wondering how much growth can be absorbed on the existing infrastructure. Hathhorn commented that Janssen will be assessing the growth potential on the current infrastructure and looking at the points in the infrastructure where there are risk issues and it will be a discussion item at a meeting in the near future.

As a side conversation, the Board asked how the Mather Road main raise went. Janssen commented on the completion of the project.

Frentress asked at what point Sunrise could begin looking at reducing the rate on the debt. Rigutto commented that it would be 2014 but that based on current conditions it wouldn't save any money.

6. EFFECTIVE UTILITY MANAGEMENT

Hathhorn suggested that this item would be discussed at the next work session.

Additional Item

Hathhorn stated that the representatives from Itron met staff for a meeting today. He commented that the FAN system has had issues with reliability and the amount of time required to operate and maintain the system. For instance, replacement is around 8% per year rather than the ½ to 1% that was originally represented by Itron. The number of re-reads each reading cycle is substantially higher proportionately than for manual reads. The equipment has had substantial problems related to weather conditions and topography. As of today's meeting, Itron has proposed that they will replace all 2518 FAN units currently installed with a radio system, including the software and reading devices. Roskey asked how much the radio units themselves would be when Sunrise begins to purchase them independent of this transaction. He commented that he would like to see Sunrise investigate other customer's experiences with the proposed system.

Platt asked what type of system will permit Sunrise to reduce man hours associated with meter reading. Hathhorn commented that the drive-by system has been used for some time in other utilities and that it has been substantially reliable. He also commented that the product can transmit a signal up to every hour.

Garbarino asked what Itron wants from Sunrise in exchange for this. Hathhorn stated that Itron has recognized that Sunrise is, and has been, very disappointed with the product and chose to address the issue before further action was taken on our part.

The Board discussed the expected life of the meter reading equipment currently used by Sunrise.

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

Meeting Adjourned at 7:13 PM.

ROBERT FRENTRESS, CHAIR

JEANNE ANSPACH, SECRETARY