



**BOARD OF COMMISSIONERS
1850 SW 170th AVENUE
BEAVERTON, OR 97006**

**JULY 14, 2010
REGULAR MEETING & RATE HEARING
7:00 PM**

ALL VERBAL TESTIMONY IS ELECTRONICALLY RECORDED

**ALL WRITTEN PUBLIC TESTIMONY RECEIVED WILL BE
READ BY THE BOARD PRESIDENT FOR THE RECORD**

- 1. CALL TO ORDER – REGULAR MEETING
- 2. ELECTION OF BOARD OFFICERS (MOTION TO APPOINT).....
- 3. BOARD APPOINTMENTS TO COMMITTEES (MOTION)
- 4. REPORTS BY GENERAL MANAGER AND MANAGEMENT STAFF
- 5. COMMISSIONER COMMUNICATION
 - 5.1 -Reports of Meetings Attended
 - 5.2 -Topics to be raised by the Commissioners
- 6. PUBLIC COMMENT:

This time is set aside for persons wishing to address the Board on items on the Consent Agenda and matters not on the Agenda. Additional public comment will be invited on agenda items as they are presented. Each participant is limited to five minutes, unless the Board grants an extension.

CONSENT AGENDA: These items are considered to be routine and may be enacted in one motion without separate discussion. Any Board member may request that an item be removed by motion for discussion and separate action.

ITEMS REMOVED FOR SEPARATE DISCUSSION: Any items requested to be removed from the consent agenda for separate discussion, will be considered immediately after the Board of Commissioners has approved those items which do not need discussion.

- 7. CONSENT AGENDA ITEM
 7.1- Regular Meeting Minutes of June 16, 2010

BUSINESS AGENDA ITEMS:

Time will be set aside for public comment for each business item. Each participant is limited to five minutes unless the Board grants an extension, or the agenda item is noted for a specific amount of time for public comment.

OPEN RATE HEARING

- 8. PUBLIC HEARING FOR PROPOSED RATES IN ACCORDANCE WITH ORS, CHAPTER 264.312 FOR THE PURPOSE OF CONSIDERING RATES AND CHARGES TO CUSTOMERS FOR WATER SERVICES PROVIDED
 - 9.1 - Presentation by Chief Financial Officer, Bernice Bagnall
 - 9.2 - Written testimony is read for the record
 - 9.3 – Citizen public testimony is heard

CLOSE RATE HEARING

- 9. RESOLUTION 7-10, ESTABLISHING RATES, FEES, AND OTHER CHARGES FOR TVWD; DECLARING EFFECTIVE DATE AND OTHER MATTERS RELATING THERETO (MOTION TO ADOPT).....
- 10. ADJOURNMENT

TUALATIN VALLEY WATER DISTRICT
BOARD AGENDA ITEM

MEETING DATE: July 14, 2010

TITLE: Election of Board Officers

ITEM: The Bylaws of the Board of Commissioners, Section 2.2 Officers, lists the officer's positions as President, Vice President, Treasurer, Secretary, and Acting Secretary. This section of the bylaws states that the term of office shall be for a one year as provided in ORS 264. Members may serve an office for more than one year, but no longer than three consecutive years. At the first regular meeting in July of each year, the Board shall elect from its members the officers for the ensuing year.

Current Officers and Positions (2009):

- President, Richard Burke, (third term)
- Vice President, Commissioner Jim Duggan (third term)
- Treasurer, Commissioner Dick Schmidt (third term)
- Secretary, Commissioner Marilyn McWilliams (First term)
- Acting Secretary Commissioner Jim Doane (third term)

STAFF RECOMMENDATION: None.

BUDGET IMPACT: Funds have been budgeted for reimbursement of Board members in accordance with Section 1.6 of the Board Policy Handbook.

ADDITIONAL INFORMATION: Greg DiLoreto, (503) 848-3032, greg@tvwd.org

ATTACHMENTS: None

APPROVING MANAGERS INITIALS

GENERAL MANAGER	_____	HUMAN RESOURCES	N/A
FIELD OPERATIONS	N/A	INTERGOV. RELATIONS	N/A
FINANCIAL SERVICES	N/A	CUSTOMER SERVICES	N/A
ENGINEERING SERV.	N/A		

BOARD ACTION:

APPROVED _____
DENIED _____

**TUALATIN VALLEY WATER DISTRICT
BOARD AGENDA ITEM**

MEETING DATE: July 14, 2010

TITLE: Board President Appoints Board Members to Committees

ITEM: Tualatin Valley Water District Board Members serve on various committees within the community, representing the Board of Commissioners. Committee appointments are reviewed annually by the Board President according to the Bylaws, Chapter 1, Article 1.15.40 and appointed at this meeting by the President with the approval of a majority of the Board. Attached is a list of the committees and the Board representative.

STAFF RECOMMENDATION: None. Board direction is requested.

BUDGET IMPACT: Funds are available in 2009-2011 Budget for expenses incurred by the Board in the course of attending the committee meetings.

ADDITIONAL INFORMATION: Greg DiLoreto, General Manager, 503-848-3032, greg@tvwd.org

ATTACHMENTS: Listing of Committees and Current Board Assignments 2009-2010

APPROVING MANAGERS INITIALS

GENERAL MANAGER	_____	HUMAN RESOURCES	N/A
FIELD OPERATIONS	N/A	INTERGOV. RELATIONS	N/A
FINANCIAL SERVICES	N/A	SUPPORT SERVICES	N/A
ENGINEERING SERVICES	N/A		

BOARD ACTION:
 APPROVED _____
 DENIED _____

2009-2010
Board Appointments to Committees

Commissioner Richard Burke

- Willamette River Water Coalition – Alternate
- TVWD Employee Committee - Board Representative

Commissioner Jim Doane

- Joint Water Commission – Primary
- Tualatin Basin Water Supply Policy Steering Committee - Primary

Commissioner Jim Duggan

- Regional Water Providers Consortium Board
- Regional Water Providers Consortium Executive Committee
- Washington County Public Officials Caucus
-

Commissioner Marilyn McWilliams

- Regional Water Providers Consortium Board - Alternate
- Willamette River Water Coalition – Primary
- Metropolitan Policy Advisory Committee (MPAC) – Special Districts of Washington County Primary Representative (newly appointed)

Commissioner Dick Schmidt

- Joint Water Commission (JWC) - Commissioner
- Joint Water Commission (JWC)/ Barney Joint Ownership Commission– Primary
- Tualatin Basin Water Supply Policy Steering Committee - Alternate
- Regional Water Providers Consortium, Executive Committee – Alternate

TUALATIN VALLEY WATER DISTRICT
BOARD AGENDA ITEM

MEETING DATE: July 14, 2010

TITLE: Resolution 07-10: A resolution establishing rates, fees and other charges for the Tualatin Valley Water District, declaring effective date, and other matters relating thereto.

ITEM: This resolution sets District water rates and charges, other than system development charges. For the typical residential customer using 18 CCF (CCF = 100 cubic feet or 748 gallons) bimonthly the proposed schedule of water rates reflects a 1.7% overall increase. Water commodity charges are recommended to increase 1%, and the standard 5/8”meter fixed meter charge 4.5%. About 95% of all residential customers and 90% of District customers, including multifamily and commercial are connected to a 5/8” meter. In addition, fixed meter charges, which comprise a relatively small portion the total water bill, are recommended to increase from 6% for a 3/4”meter up to 57% to our largest meters (10”). These increases are necessary to recover our fixed costs for providing service to those larger connections. About 1.5% of the District’s customers are served by 3” and larger meters. The proposed rate increases are far lower than the 9.25% we had expected to recommend for 2010-11. A combination of a delay in our water supply project and some aggressive cost-containment allows us to recommend a lower increase, even though depressed water demand and the lack of new customers has created a shortfall in water sales revenues for the second year running. The recommended water commodity and fixed charges are in conformance with the Board’s policy directives to establish cost of service rates, provide sufficient resources for District operational and capital needs, including the planned future water supply, and promote predictable and stable rates to avoid unexpected increases.

Staff conducted a cost of service review of other District fees and charges, and recommends increases to some fees including water meter testing, hydrant flow testing, and meter and service installations; primarily recovering our costs for installing automated meter reading (AMR) devices on all new meters. Additional information is included on the attached “Background” sheet.

STAFF RECOMMENDATION: Staff is recommending that the Board approve Resolution 07-10 and the proposed rate schedules attached as Exhibits A to the Resolution effective November 1, 2010.

BUDGET IMPACT: Sets water rates and charges

ATTACHMENTS: Resolution 07-10 & Background

ADDITIONAL INFORMATION: Bernice Bagnall, Chief Financial Officer, 503.848.3017
Tod Burton, Financial Planning & Debt Project Manager, 503.848.3040

APPROVING MANAGERS INITIALS

GENERAL MANAGER _____ HUMAN RESOURCES _____
FIELD OPERATIONS _____ INTERGOV. RELATIONS _____

FINANCIAL SERVICES _____

SUPPORT SERVICES _____

ENGINEERING SERVICES _____

BOARD ACTION:

APPROVED _____

DENIED _____

DRAFT

Rate Resolution 07-10 –Background

For the past ten years, the District has performed an annual review of its revenue requirements. That is accomplished through the use of a 50 year revenue forecasting model that looks at future expenditures and predicts necessary revenue from rates required to meet those expenditures. Once again staff has completed this analysis and has determined that a 1.7% revenue increase is necessary to meet the long term requirements of the District. This result is driven by a number of factors, which are detailed below.

Long-Term Water Supply Plan: No other goal has a bigger financial impact on the District than the selection and development of an expanded water supply source. We have joined other local partners in the Tualatin Basin Water Supply Plan (TBWSP) to expand the surface water supply at Hagg Lake and expand the transmission, storage, treatment and distribution facilities at the JWC. This critically important goal affects virtually every department, and every fund managed by TVWD.

As in years past, the proposed rates continue to support the supply project by funding a portion of the capital improvements identified in the District's 2009-11 biennial budget and six-year capital improvement program (CIP). This project, combined with the need to upgrade or replace four reservoirs and several distribution lines, will continue to put upward pressure on rates for the next several years. However, it will provide us with even more reliability over our water supply and delivery, and ultimately give us more control over our water costs. TVWD plans far ahead to manage capital costs so that the large increase in capital construction costs related to this project can be spread over a number of years and shared with future customers.

This supply planning effort is coupled with ongoing conservation activities and education to use water wisely. Unfortunately, from a water supply perspective, the TBWSP schedule has encountered a number of delays while the partners deal with federal requirements for seismic remediation to the existing dam. These issues have to be resolved before raising the existing dam or building a new one. As a result, the delay means a longer term to save money for the project resulting in a smaller rate increase than previously projected.

Additional Rate Pressures

Recent cool weather patterns and a recessionary economy (combined with our conservation program incentives) have reduced our customers' demand significantly. We have seen a major decrease in the number of new customers moving into the District, and our existing customers are consuming less water all year around. Although it has allowed us more time to resolve the water supply project issues and extend the time before we need to build a new dam, the "down-side" of this reduction in growth and demand is a corresponding reduction in water sales revenues. The nature of the business of providing water is that the great majority of our costs are fixed. Infrastructure already in place has to be maintained, debt service has to be paid, and contract terms to purchase water to meet our customers' needs have to be met. We also have to move forward with other capital projects that add storage and reliability to the water system.

An additional issue that has come to light with the slow-down in growth of our customer base is that the “Fixed charge” portion of our water rates is not fully recovering the actual fixed costs, especially for large commercial and industrial meter sizes. The reduction in water demand and the inadequacy of fixed charge revenues has resulted in a revenue shortfall of \$3.7 million over the past two years in water sales alone.

Interest earnings and system development charge revenues are also far below historic levels, as they are affected by the recessionary economy and lack of new development. TVWD has made every effort to absorb these revenue shortfalls with cost-cutting measures, but in order to remain self-sustaining and prepare for the future we must address the issue of covering our fixed costs by making some modest rate adjustments.

Cost Savings: TVWD is fully aware of the current economic conditions our customers face – rising health care and utility prices, low interest earnings on savings, and other adverse factors are affecting our rate payers just as they impact District operations. In addition to spreading our capital supply costs over future years we have also sought operational savings wherever possible. The District has completely re-worked our financial plan and taken a hard look at every aspect of our budget and our contracts. Significant savings have been achieved by reducing pension costs and health care (estimated \$339,000 for FY 2009-10). We have also obtained some one-time savings of \$10,500 by self-paying a portion of worker’s compensation claims. We aggressively search out discounts, grants, and favorable contract arrangements – TVWD staff developed a more efficient method of operating the pumps on our Aquifer Storage and Recovery (ASR) well and received a grant of \$44,840 from the Energy Trust of Oregon, and we were able to reduce our internet connection contract costs by \$12,225 this year.

The single largest operating expenditure the District faces is the cost of purchased water. At an estimated \$7.5-8.5 million, this cost represents almost 30% of the District’s operating budget. We buy water from the Portland Water Bureau (Portland) under the terms of a 10-year agreement, which requires the District to purchase a minimum of 13.2 million gallons per day. Through a combination of carefully managing our peak period operations and supplementing our storage with our ASR well, TVWD had been able to significantly reduce the peak day and peak season “factors” that drive up the unit cost of Portland water. This reduction saves us \$275,000 in purchased water costs this year alone, and will produce additional savings every year. In addition to this, District staff participated in an audit of Portland’s pricing methods and were able to identify a cost allocation change that yielded another \$300,000 in one-time savings for us. The net result of these efforts is that TVWD’s wholesale rate from the City of Portland went down from \$1.06/ccf to \$0.844/ccf. Although much of this decrease is one-time in nature, it allowed us to shave \$575,000 off our recommended rate increase this year. The ongoing savings from having a lower peaking factor help lower future increases, too. The District’s second source of water, the Joint Water Commission (JWC), assessed a rate increase of 3.0% (from \$0.36/CCF to \$0.37/CCF) that added \$122,000 to our annual water cost. Although the JWC rate did go up this year it is still substantially lower than our Portland rate. We seek to keep our total cost of water as low as possible by balancing water purchases to take advantage of our lower cost JWC water supply.

As a result of these cost-cutting and operations management actions we reduced our spending in every budget category during 2009-2010: Personal Services spending is down 13% for the year (mainly due to holding positions vacant), Materials and Services spending is down over 7%, and capital spending was cut in half since we did not need to spend money on the water supply project. We have moved the supply project further out in time in the financial forecast, have drawn upon our reserves, and have reduced the planned revenue increase for 2010-11 from 9.25% to 1.7%.

In light of these current economic conditions, the delay of the water supply project and the aggressive nature of staff in controlling costs, Staff considered recommending no rate increase this year. However, as we looked long term at our revenue forecast, as much as we would like to recommend no increase at all this year, we have to recognize the reality that many of the cost reductions we have achieved are one-time in nature, and we must continue to plan for the future of our water supply. If we fail to increase rates sufficiently to cover our fixed costs this year we will be facing double-digit rate increases in future years.

Billing Impacts of the Revenue Increase

The proposed 1.7% revenue increase translates to a modest rate increase of about 1% for our commodity water charge and a 4.5% increase for our 5/8" fixed meter charge, which will affect about 95% of our residential, and 90%, of all District customers. For the average residential customer using 18 CCF of water on a bi-monthly basis, the proposed rate increase will result in a bill that is \$0.94 (1.7%) higher than their current bill, or less than 50 cents per month. Water usage for any household is affected by the use of water efficient fixtures and practices and the amount of time residents actually spend in their homes.

In addition to the 5/8" meter, we are also recommending increases to District fixed charges for all other meters sizes. As noted earlier, due to slow economic growth we have fallen behind in recovering the portion of our operating costs that is recovered by the fixed meter fees. Fixed charges represent about 17% our annual revenue from water and in general comprise a small portion of the customer water bill as compared to the commodity charge, particularly for the larger meter sizes. Customers with meter sizes of 1" and larger would see a total bill impact ranging from 1.8% to 4.6%. The impact of the water rate increase will also vary among residential, multifamily, commercial and industrial customers depending on their individual non-peak and peak water use.

Staff also conducted a cost of service review of all other District fees and charges. This analysis has resulted in some recommended changes to several of those fees. A summary of the recommendations is given below.

Other Service Charges and Penalties Summary of Recommended Changes

Exhibit A - Other Service Charges and Penalties

After Hours and Weekend Water Service On and Off

The District assesses fees for shutting off and turning on water for non-payment of bills, non-compliance with backflow device annual testing and reporting, and as requested by the customer. We are not recommending changes to these fees. However, we are displaying a change on the rate schedule for weekend and after hours service to show an additional fee of \$45.

Illegal, Unauthorized or Prohibited Use of Water

No change to the fees are recommended. We have added the words Unauthorized or Prohibited to the rate schedule. This will permit the assessment of penalty fees and water usage charges for any use of water from District assets such as firelines and hydrants that is in violation of the District's Rules and Regulations.

Testing Water Meters at Customer's or Owner's Request

Recommendation to increase the cost for removal of meter for testing (5/8" to 1") from \$250 to \$255 based on cost of service.

Backflow Prevention Device Testing

No changes to the Gold and Silver programs implemented May 1, 2009. Customer fees are covering the cost for backflow testing by the independent contractors signed up with the District.

Other Billing Charges (New Section)

We have included new language in Exhibit A to permit the District to assess charges based on the actual costs (labor, materials, equipment, overhead and advance deposits, if needed) for any services performed that are not identified as a specific fee in the fee schedule. This language allows the District to have flexibility to perform additional services at the request of a customer or recover costs for additional enforcement of District Rules and Regulations.

Meter and Service Installation Charges

Meter fees include both the cost of the meter (including the installation of automated meter reading devices on all new meter) and installation. Meter fees are recommended to be adjusted 13%- 32% depending on the size of the meter to obtain full cost recovery of the AMR devices.

Service installations and dig ins have been adjusted to for projected labor and materials costs averaging 2.6%.

Staff Recommendation: District staff is recommending that all Exhibit A rates and charges become effective November 1, 2010, after peak summer water use is over.

**TUALATIN VALLEY WATER DISTRICT
RESOLUTION 07-10**

A RESOLUTION ESTABLISHING RATES, FEES, AND OTHER CHARGES FOR THE TUALATIN VALLEY WATER DISTRICT: DECLARING EFFECTIVE DATE: AND, OTHER MATTERS RELATING THERETO.

WHEREAS, a public hearing was held by the Board of Commissioners of the Tualatin Valley Water District on July 14, 2010 for the purpose of considering increases in the rates to be paid for the purchase of water from the District, and

WHEREAS, pursuant to the provisions of ORS 264.312, notice of said public hearing and the purpose thereof was given by mailing a notice of hearing to the patrons of the district in accordance with the requirement of said statute, and

WHEREAS, based upon the recommendations of the Administrative Staff of the District and the testimony heard, received and considered by the Board from such public hearing, the Board of Commissioners finds that:

- (1) The District purchases most of its water supply for distribution within the District from the City of Portland, Oregon, and acquires substantially the remainder of its supply as a member of the Joint Water Commission, and
- (2) The Board of Commissioners accepts and approves the recommendation of its Administrative Staff that the rates for water purchased should be adjusted in accordance with the staff written recommendation which is a part of the record herein; and
- (3) It is necessary to adopt the rates for water purchased from the District and related rates and charges in accordance with the Schedule of Rates set forth below in order to provide funds to cover the cost of operating the District, and the water purchased from the City of Portland by the District and acquired through the Joint Water Commission.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE TUALATIN VALLEY WATER DISTRICT THAT:

Section 1: Effective November 1, 2010

The rates and charges shown in Exhibit "A" attached hereto and by this reference incorporated herein, shall be adopted by the District.

Section 3:

The secretary of the District be and hereby is authorized and instructed to post a copy of this resolution in a public and conspicuous place at the office of the District

INTRODUCED AND ADOPTED THIS 14TH DAY OF JULY, 2010

TUALATIN VALLEY WATER DISTRICT

BY: _____ BY: _____
Board President Board Secretary

DRAFT