

Tualatin Valley Water District



BOARD OF COMMISSIONERS
1850 SW 170th AVENUE
BEAVERTON, OR 97006
WORK SESSION
DECEMBER 6, 2011
6:00 PM

Present: Commissioners: President Dick Schmidt, Richard Burke, Jim Doane, Jim Duggan, Marilyn McWilliams

Management

Staff: Greg DiLoreto, Patty Rupp, Paul Matthews, Todd Heidgerken, Brenda Lennox

Legal

Counsel: Clark Balfour – Cable Huston Benedict

Staff: Tod Burton, Justin Carlton

Consultants: Tom Gould and Joe Healy with HDR

Citizens: None

President Schmidt called the Work Session to order at 6:01 p.m.

CEO, Greg DiLoreto provided opening comments and covered the agenda for the second Rate Study Work Session (the first session took place on October 11, 2011).

TVWD WATER RATE STUDY WORK SESSION #2 (PowerPoint is attached)

Chief Financial Officer, Paul Matthews covered the following:

- Key Elements of the Rate Study (revenue requirements, rate design, and customer impacts)
- Rate Design Goals (what we hoped to accomplish)
- Issues to be Addressed (consider alternative fixed charges, review usage thresholds of tiered rates, discuss charges for fireline customers)
- Water Utility Cost Structure (fixed, variable)
- Tualatin Valley Water District (TVWD) Circumstances (fixed costs are high, variable costs are low)
- Cost and Revenue Structures (graph) (revenue composition comparison)
- TVWD Water Consumption Trends (District population and daily use per capita – gallons)
- Is this the New Normal (reduction in water sales, declines in other revenue, increasing costs)

Tod Burton, Financial Planning Debt Project Manager, and Mr. Matthews answered general questions of the Board in terms of consumption trends, and when “leveling off” may take effect. Mr. Matthews indicated that there does seem to be turn over in fixture units in homes, as well demographic shifts and customer interest in conservation. Mr. Burton mentioned that during the last budget process, the 9.5 hundred cubic feet (CCF) average use was considered, and looking at recent reports (included in agenda packets) these numbers show that revenues are generally matching expectations. He indicated that the decline in water use per capita has leveled out, at least for the first few months of this fiscal year.

Analysis of Tier Thresholds

Mr. Matthews introduced Tom Gould and Joe Healy with HDR, the consulting firm hired by TVWD to perform the Rate Study. Mr. Matthews indicated that staff was looking for feedback from the Board regarding alternatives to be included in the water rate design.

Residential customers are charged higher water rates for exceeding 28 CCF per bi-monthly billing period. All other customers are charged the higher rate for consumption that exceeds 140 percent of their 12-month moving average water consumption. HDR examined the appropriateness of these thresholds.

Mr. Gould provided a review of the analysis. He explained graphs on pages 6 and 7 of the PowerPoint presentation, which illustrates the analysis of tier thresholds for residential and non-residential use. He explained that the bi-monthly peak use had actually decreased from 28, as reported in the last rate study of 2004, to the current analysis of 26.

Mr. Gould and Mr. Matthews provided clarification of the graphs for the Board members. The comparison is the average customer use to the peak use. The peak is 40% greater than the average use.

Review of Rate Design Alternatives

Mr. Healy provided a review of the rate design scenarios. He explained the ultimate goal of the proposed rate design is to meet a revenue requirement target.

Mr. Healy explained how the rate design model works (graphs on page 8 of PowerPoint Presentation).

Mr. Healy also covered the following:

- Rate Design Model Assumptions
- Alternatives Analysis
- Scenario 1* – Status Quo *based on existing financial forecast October 21, 2011
- Scenario 2 - \$2 Fixed Charge Increase
- Scenario 3 - Cost of Service Fixed Charges

Mr. Matthews pointed out that the District incurs costs to meet fire suppression needs of its citizens. Mr. Healy and Mr. Burton explained the scenarios in relation to fireline charges.

- Scenario 4 - Cost of Service Fixed Charges with Fireline, Full Fixed Charges with Fireline
- Scenario 5 – 25% Revenue from fixed charges
- Cost and Revenue Comparison by Scenario
- Residential Bi-monthly Bill Comparison

A general discussion took place after the presentation. Cost of service was discussed and the Board expressed their opinions of the scenarios presented. Mr. Matthews and CEO, DiLoreto explained that the cost of future water source had been considered.

In conclusion, CEO, DiLoreto indicated that based on comments from the Board, staff would look at scenarios for the interim step to cost of service, fire flow charges, and to keep peaking factors in mind as suggested by Commissioner Duggan.

Mr. Healy clarified for Commissioner Doane that his firm uses capacity ratios from the American Water Works Association in terms of meter capacities. Mr. Healy said that he would look into the calculation and report his findings at the next work session.

BOARD MEETING PROCESS (PowerPoint slides attached)

Manager of the Office of Community and Intergovernmental Relations, Todd Heidgerken, indicated that during the February 2011 Board meeting, the Board brought forth a Commissioner Topic in terms of the process used for Board meetings. Staff prepared a memo dated March 7, 2011 that provided background for the Board to consider. Feedback was provided by a few Board members on the information provided.

Mr. Heidgerken explained the current process as described in the Board Policy Handbook, Article 1.10.120 "Procedures During Board Meetings". He pointed out that there are items for the Board to consider.

Issues/Opportunities

- ❖ How strict should Roberts Rules of Order (RRO) be applied.
- ❖ Are there meeting procedure changes that can be made that increase effectiveness
- ❖ Be sure that professional impression is maintained
- ❖ Make sure RRO allows for business to be performed efficiently
- ❖ Allow all Board members to have opinions aired
- ❖ Don't allow RRO to hinder the business or become the focus
- ❖ Apply RRO consistently
- ❖ Be sure Board members are provided a good basic understanding of RRO
- ❖ Process of notifying Board members of meeting changes

A discussion ensued amongst the Board and staff. Commissioner Burke pointed out that there have been times when the Board has looked off course, which is not favorable when the meetings are televised. He indicated that there should be some level of consistency, whether it is formal or informal. Commissioner Burke and President Schmidt questioned whether a motion would need to be made first before discussion can take place.

Legal Counsel, Clark Balfour, explained that in the past cities and districts would use RRO for convenience purposes. He pointed out that the Board has the ability to set their own rules with respect to how a meeting is run, as long as it is consistent with state law.

Commissioner McWilliams said she understands how RRO should come into play when there is a large group at one meeting. Commissioner Burke suggested and all agreed that RRO should be used when a controversial topic comes before the Board. Commissioner McWilliams suggested that the Board look at what is being done right and that she appreciated the agenda packets as review before a meeting.

Consensus of the Board was that discussion should take place before a motion is made. RRO would be utilized when needed.

Mr. Heidgerken clarified that the Board does not need to write a formal policy. Mr. Balfour suggested an amendment to the Board Policy Manual that defines how the Board would consider matters during a Board meeting. CEO, DiLoreto pointed out that since this is considered a policy change it would need two readings in order to be adopted.

Other Business

A brief discussion took place regarding fluoride and the recent testimony by opponents at the last few Board meetings.

A brief discussion took place regarding the Portland Water Bureau (PWB) in terms of their recent variance request and the state’s notice of intent to issue a variance to treatment requirements of the Long Term 2 Enhancement Surface Water Treatment Rule (LT2). The Board asked staff to clarify with the PWB how they will keep wholesale customers informed of the testing results.

ADJOURNMENT

Without objection, President Schmidt adjourned the meeting at 7:45 p.m.

BOARD OF COMMISSIONERS
TUALATIN VALLEY WATER DISTRICT

BY: _____
Dick Schmidt, President

BY: _____
Jim Duggan, Secretary

Date Approved: January 18, 2011