

Tualatin Valley Water District



BOARD OF COMMISSIONERS
1850 SW 170th AVENUE
REGULAR MEETING & RATE HEARING MINUTES
JULY 18, 2012

Present: Commissioners: Dick Schmidt, Richard Burke, Jim Duggan and Marilyn McWilliams (Jim Doane was absent)

Management

Staff: Todd Heidgerken, Patty Rupp, Mark Knudson, Dale Fishback, Brenda Lennox, and Paul Matthews

Legal Counsel: Clark Balfour

Staff: Tod Burton, Mike Jacobs

Public: See attached listing

Note: Unless otherwise indicated the term “Motion carried” means the action of the Board of Commissioners was unanimous.

President Dick Schmidt called the Regular Meeting to order at 7:05 p.m.

ELECTION OF BOARD OFFICERS

It was moved and seconded to appoint Commissioner Schmidt to his third term as President. The motion carried. Commissioner Schmidt accepted the position.

It was moved and seconded to appointment Commissioner McWilliams to her second term as Vice-President. The motion carried. Commissioner McWilliams accepted the position.

It was moved and seconded to appoint Commissioner Doane to his first term as Secretary. The motion carried.

It was moved and seconded to appoint Commissioner Burke to his third term as Treasurer. The motion carried. Commissioner Burke accepted the position.

Note: Commissioner Duggan, by default, accepted the position of Acting Secretary.

BOARD APPOINTMENTS TO COMMITTEES

It was moved by Commissioner Duggan and seconded by Commissioner Burke to continue board appointments to committees as status quo. Motion carried.

REPORTS BY CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

Mr. Heidgerken, Acting in Capacity (AIC) for the Chief Executive Officer (CEO), Greg DiLoreto, provided the report

A Work Session is scheduled for August 7, beginning at 6:00 p.m.

Mr. Heidgerken reminded the Board of the employee picnic on Wednesday, July 25 at 4:30 p.m.

Mr. Heidgerken indicated that Chief Engineer, Mark Knudson, would begin his official nine-month assignment as AIC for the CEO on August 1.

Safety Coordinator, Mike Jacobs provided the department report for Customer and Support Services.

REPORTS OF MEETINGS ATTENDED AND COMMISSIONER TOPICS

A report was given by each Board member of meetings they attended for the month. No topics were brought forward.

PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

Bill Osmunson - 25977 Canyon Creek, Wilsonville, OR

Mr. Osmunson came before the Board to express his concerns regarding fluoride. He requested that the Board write a letter to the Food and Drug Administration. He provided a draft copy of what he believes the Board should write.

Allen Tauscher – 8350 SW 191st, Beaverton, OR

Mr. Tauscher came before the Board to express his concerns regarding the placement of his water meter. He explained that the meter is located on a corner where large trucks have a tendency to run over it.

Staff assured Mr. Tauscher that they would look into the situation and get back with him as soon as possible.

Charlie White - 11965 NW Kearney St., Portland, OR

Ms. White came before the Board to express her thanks for including fluoride information in the Consumer Confidence Report, although she expressed her dislike of the language used.

CONSENT AGENDA

It was moved by Commissioner Burke and seconded by Commissioner Duggan to adopt the consent agenda consisting of the Work Session minutes of June 5, as well as the Regular Board meeting minutes of June 20, 2012. The motion carried.

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 (PowerPoint slides attached)

President Schmidt recessed the Regular meeting and opened the Public Rate Hearing.

Staff Report:

Mr. Heidgerken provided a PowerPoint presentation, which covered the following:

- How the District Operates and what water rates pay for
- Keeping costs down
- Why the District is recommending the rate increase
- How the changes would affect our customers
- How the District's rates compare to other water providers
- Rate recommendations for other fees and charges

Mr. Heidgerken indicated that the recommended rate increase meets revenue requirements adopted by the 2011-13 Biennial Budget. It follows the recently completed rate study recommendations, supports the Capital Improvement Plan as well as Board policy goals and financial plans.

Mr. Heidgerken then gave the floor to Chief Financial Officer, Paul Matthews.

Mr. Matthews covered the following:

- Basis for the Rate Recommendation
- Cost- of- Service Rate Study
- Water Utility Cost Structure
- Cost and Revenue Structures
- What are Fixed Costs (pictures on page 6 of PowerPoint showing aging infrastructure)
- Projected Expenditures – Six Year Average (graph)
- Infrastructure Investment (graph)
- Rate Increase Pattern (Annual Percent Increases)
- Managing Long Terms Costs (S&P confirmed the District's AA+ Credit Rating, strong financial performance, history of managing rates annually, stable economic outlook, good economic outlook, good debt service coverage and strong liquidity)
- Typical Household User (2012-13)
- Residential Monthly Bill Comparison (2012-2013)

Mr. Matthews covered other fees and charges:

- Recommended Changes
 - No Changes to Most Fees
 - Removal of meter to enforce payment of bill (increase from \$85 to \$95)
 - Installation/Removal of locking device (increase from \$55 to \$60 for first occurrence)
 - Testing of meters at customers request 5/8"-1" (increase from \$80 to \$95)
 - Removal for testing 5/8"-1" (increase from \$285 to \$290)

- Recommended Changes for Backflow
 - Testing by District Staff (increase \$100 to \$105) No charge for Gold and Silver Plan Agreements
 - Fire Hydrant Permits (increase of \$5 for all permit types)
 - Meter and Service Installations (vary by meter size (\$5 - \$15)
 - Service installations and Dig-Ins are adjusted upward an average of 2.5% to cover labor and material costs

- Staff Recommends Adoption of Resolution 09-12
 - Adopt revised fixed charges as recommended by the rate study
 - Enhance equity and fairness of rates
 - Improve revenue stability
 - Adopt revised volume rates as recommendation by rate study to maintain conservation message
 - Adopt revised other fees and charges
 - Effective date of October 1, 2012

Mr. Matthews concluded his presentation by explaining that public comments received in the form of telephone calls, emails and a written letter, have been provided to the Board. Staff sent a response to each customer. Mr. Matthews summarized these comments, which will be included in the public record.

Commissioner Burke stated that the Board members are ratepayers and reside within the District. The Board is sensitive to raising water rates. He asked that ratepayers become involved early in the process by attending budget and rate Work Sessions in order to be better informed, and possibly offer comments that would help the Board to consider options that may not be considered during these processes.

Public Comment:

Doyle McCrainee – 6682 SW 198th Ave., Aloha, OR

Mr. McCrainee explained that being the only employed resident in his home, the rate increase would cause a hardship to him and his family. He asked the Board to reconsider raising rates.

Michelle Nelson – 80 SW 140th Ave., Beaverton, OR

Ms. Nelson indicated that she would be interested in volunteering and participating in TVWD public processes. She explained that she works at a low paying job, and increases of this nature are hard to absorb. Ms. Nelson said she had lived in her home for sixteen years and her consumption has stayed somewhat the same however, costs are increasing. She stated that people need water; and it is not an option.

Chuck Nelson – 80 SW 140th Ave., Beaverton, OR

Mr. Nelson spoke of the situation of a difficult economy. He requested that the Board absorb the amount of the rate increase.

Kevin McCaleb – 13880 SW Burlwood St., Beaverton, OR

Mr. McCaleb indicated that he was appreciative of the Board for planning for future water needs. He asked if there were differences in the amount charged for residential and commercial customers. Mr. McCaleb also questioned the cost for a customer to request to have their meter tested. He asked if the customer were correct in that the meter was not registering correctly would the fee be waived.

Mr. Matthews explained that there is a difference in the rate design for each class of customers, which was considered carefully in to the rate study.

Manager of Customer and Support Services, Brenda Lennox, responded to the meter question by answering yes, should the customer be correct, the fee would be waived.

Nichole White – 7930 SW 165th Ave., Beaverton, OR

Ms. White asked if there were tours of District Facilities, as she had no idea that the reservoirs even existed. She asked where TVWD receives water. Ms. White asked about Clean Water Services and if they had a similar forum, where testimony could be conveyed.

Commissioner Mc Williams asked Ms. White if she had internet access, and explained that this would be a good avenue to explore that might answer her questions.

Paul Renslow – 7265 SW 158th Place, Beaverton, OR

Mr. Renslow expressed his distrust in government in general. He stated that he was opposed to a rate increase.

Commissioner Burke encouraged Mr. Renslow to examine the budget and to become involved in the District's process. He noted that there are staff members that could help him if need be.

Charlotte Kent -5010 SW 158th Ave., Beaverton, OR

Ms. Kent explained that she was speaking, not only for herself, but also for the young families on SW 158th. She said the middle class has disappeared. She indicated that she is a disabled veteran and living on Social Security. As a family, this is difficult. She asked the Board to reconsider the proposed rate increase.

Kevin McCaleb

Mr. McCaleb asked if the proposed increase was covered in the Ordinance (Resolution).

Mr. Matthews answered that all classes are covered in the same resolution.

Mr. McCaleb asked what avenue he could take to become involved.

Mr. Heidgerken offered that he could call the District, visit the TVWD website, or write a letter; whatever is easiest. Budget Committee meetings are noticed in the local newspaper and posted on the website.

Abbas Shafii – 5010 SW 158th Ave., Beaverton, OR

Mr. Shafii stated that usually the reason for a rate increase is lack of planning and vision. He asked what the life is of a Capital Improvement Project.

Chief Engineer, Mark Knudson explained for Mr. Shafii that pipelines have an intended design life of around 75 years, reservoir (large concrete structures) are also approximately 75 years. Dams are projected at approximately 150 years. Mr. Knudson explained how the planning process takes place. Mr. Matthews explained that the distribution system benefits all of the customer base and not just one particular area of the District. The improvements are calculated by the District's repair and replacement study and reviewed carefully.

Mr. Shafii asked why the District does not encourage its customers to conserve water.

Commissioner Duggan pointed out that TVWD is one of the few water districts in the area that provides incentives for customers to conserve. The block rate shown on the bill is just one example.

Mr. Heidgerken explained that in the near future, there would be a revised breakdown of costs on the water bill that will provide additional information.

Seeing no further public comment, President Schmidt then closed the Public Rate Hearing and reconvened the Regular meeting.

RESOLUTION 09-12 ESTABLISHING RATES, FEES AND OTHER CHARGES FOR THE TUALATIN VALLEY WATER DISTRICT, DECLARING EFFECTIVE DATE, AND OTHER MATTERS RELATING THERETO (SECOND READING AND ADOPTION)

It was moved by Commissioner Duggan and seconded by Commissioner McWilliams to adopt Resolution 09-12, as read by President Schmidt.

Commissioner Duggan offered comments regarding the economy. He explained that although it is unfortunate that the District sees the need to raise rates now, this would avoid larger increases in the future. Investigating future water sources places the District in a position that it would not have to buy Bull Run water from the City of Portland, which is very expensive. Commissioner Duggan indicated that since he was elected to the Board, it had been his goal to assure the District has two reliable water sources.

Seeing no additional discussion, President Schmidt then called for the vote. The motion carried.

ORDINANCE 01-12, AMENDING AND RESTATING SYSTEM DEVELOPMENT CHARGES – SECOND READING AND TO BE READ BY TITLE ONLY

Legal Counsel, Clark Balfour indicated that at the Board meeting of June 20, the Board held its first reading and public hearing for Ordinance 01-12. He explained the corrections and changes since that reading. Executive Assistant, Patty Rupp, then read Ordinance 01-12 by title for the record.

It was moved by Commissioner Duggan and seconded by Commissioner McWilliams to adopt Ordinance 01-12, amending and restating system development charges with the revisions described by Mr. Balfour, and the second reading as required. The motion carried.

INTERGOVERNMENTAL AGREEMENT (IGA) FOR INTERIM WATER SUPPLY IN SOUTH HILLSBORO (AREAS 6A AND 69)

Chief Engineer, Mark Knudson, indicated that in 2002, the District and the City of Hillsboro (Hillsboro) entered into an IGA know as an Urban Services Agreement which established an urban service boundary for each entity. Mr. Knudson explained that SW 209th is the east-west boundary between Tualatin Valley Highway (TV Hwy) and SW Farmington Road. The District has a number of customers on the west side of SW 209th who obtain water service from the District's system located on SW 209th. At that time, it was understood that at some point those customers would be withdrawn and become Hillsboro customers when Hillsboro annexes the area.

Mr. Knudson pointed out that through recent actions by Hillsboro, Washington County and Metro, the areas west of 209th between SW TV Hwy and SW Farmington Road known as Area 6A and Area 69, have been designated urban and have been or will be brought into the Urban Growth Boundary. It is anticipated that Hillsboro will begin annexation of the area soon and construct its water system to serve the area.

Staff from Hillsboro and the Tualatin Valley Water District (TVWD) have developed the IGA included in the agenda packet, to provide for service by TVWD until such a time as the Hillsboro system is built and customer transfer ("cutover") occurs. Existing customers already connected to the 209th facilities will be TVWD customers until cutover occurs. New individual single-family customers will apply to Hillsboro, however will be served by TVWD from the 209th facilities until cutover. They will pay TVWD all applicable TVWD rates and charges. Currently, TVWD has 70 customers in the area. Some of these customers are served as extraterritorial and, ultimately, would become Hillsboro's customers. For larger development, Hillsboro will construct a distribution system to serve any multiple residential developments like a subdivision or any commercial or industrial customer and they will be Hillsboro customers. TVWD will connect to Hillsboro's system with a master meter and provide water according to the water wheeling provisions of the IGA.

TVWD will be paid a wheeling charge by Hillsboro in that circumstance. Staff anticipates there will be various intertie points with master meters so that even after withdrawal and cutover of all customers west of SW 209th to Hillsboro, TVWD will be able to wheel and provide water to Hillsboro as agreed and also to provide emergency water. The IGA provides for full cost recovery and contains a provision for cost recovery or mitigation of impacts to TVWD's system for providing service to the area.

Commissioner Duggan asked if Hillsboro was aware that TVWD water is fluoridated in this area. Mr. Knudson indicated that this topic had come up and Hillsboro did not seem to have an issue with this.

It was moved by Commissioner McWilliams and seconded by Commissioner Duggan to approve the IGA for interim water supply to south Hillsboro (Areas 6A and 69). The motion carried.

TRANSITION PLAN FOR PARTNERS FOR A SUSTAINABLE WASHINGTON COUNTY COMMUNITY (PSWCC)

Mr. Heidgerken indicated that TVWD had been the lead administrative agency for the last few years. A few months ago, discussion took place regarding the workability of the organization and possible alternatives that might be more effective. They are looking for participation from private members as a possible alternative. Mr. Heidgerken explained that it has been proposed that the current PSWCC IGA be terminated. In place of the PSWCC, Washington County has offered to hire a second sustainability position and focus the duties of that position on the coordination work with the PSWCC partners. Remaining funds that TVWD is holding would be transferred to Washington County. Soon after, the organization would be reformed and TVWD would become a member of that organization.

It was moved by Commissioner McWilliams and seconded by Commissioner Burke to terminate the current Cooperative Agreement for the PSWCC and adopt the PSWCC Transition Plan. The motion carried.

It was moved by Commissioner Duggan and seconded by Commissioner McWilliams authorizing staff to participate in joining the new agency once it is formed. The motion carried.

CONSIDERATION RESOLUTION 10-12 AMENDING RESOLUTION 11-07, WATER SUPPLY IMPROVEMENTS PROGRAM, PHASE 2

Mr. Knudson pointed out that in 2007, the Board approved Resolution 11-07, which provided direction for the District's water supply Improvement Program.

That resolution specifically established that the Board:

- ❖ Approves continuation of the District's policy to pursue multiple sources of water supply and continue to secure water supply from the City of Portland and the Joint Water Commission,
- ❖ Approves the District's participation in the Tualatin Basin Water Supply Project (TBWSP), and
- ❖ Approves dedicating the entire \$12.5 million in the Water Supply Improvement Project listed in the adopted 07-09 Biennium Capital Improvement Plan for use on the TBWSP, and the District at this time will not make any future capital expenditures in the Willamette Water Supply."

Since 2007, significant changes in region's water supplies have occurred, including:

1. The TBWSP has been delayed by at least several years and costs have increased significantly due to seismic concerns associated with the existing Scoggins Dam.
2. Population growth has been slower than anticipated and water demands have been consistently lower than forecast.
3. Costs of the Portland supply option have changed due to changes in Portland's regulatory obligations and enhanced efficiency of TVWD's use of the Portland supply.
4. TVWD, in conjunction with Joint Water Commission partners, have identified potential interim supply strategies that may delay the need for implementation of the District's long-term supply plan.

In light of these significant changes and their potential impact on the costs and feasibility of the District's 2007 Water Supply Improvements Program, a project has been initiated to update the District's Water Supply Strategy. To avoid the appearance of any inconsistency with Resolution 11-07, it is proposed that Resolution 10-12 be adopted to amend that portion of Resolution 11-07 to delete the reference to "and the District at this time will not make any future capital expenditures in the Willamette Water Supply".

It was moved by Commissioner Burke and seconded by Commissioner McWilliams that the Board adopt Resolution 10-12, amending Resolution 07-11, Water Supply Improvements Program, Phase 2. The motion carried.

ADJOURNMENT

There being no further business, it was moved by Commissioner McWilliams and seconded by Commissioner Duggan to adjourn the Regular Meeting at 9:20 p.m. The motion carried.

BOARD OF COMMISSIONERS
TUALATIN VALLEY WATER DISTRICT

BY _____ BY _____
President, Dick Schmidt Secretary, James Doane

Date Approved: August 15, 2012