

# Tualatin Valley Water District



BOARD OF COMMISSIONERS  
1850 SW 170th AVENUE  
BOARD WORK SESSION  
MARCH 5, 2013  
6:00 PM

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

Management

Staff: Greg DiLoreto, Mark Knudson, Paul Matthews, Todd Heidgerken, Patty Rupp

Staff: Tod Burton, Justin Carlton, Jim Meierotto

President Schmidt called the Work Session to order at 6:00 p.m.

**UPDATE ON WATER SUPPLY OPTIONS OUTREACH AND FEEDBACK** (handout attached)

Manager of the Office of Community and Intergovernmental Relations, Todd Heidgerken, provided an overview of the handout "Water Supply Options Outreach and Feedback". He indicated that the material includes a summary of feedback forms received from individual customers, TVWD employees, local organizations and businesses. Mr. Heidgerken summarized the process of the District's outreach activities and feedback received from the District's outreach efforts. Additional efforts for the month of March are planned, with a final report to be given to the Board at the April Work Session.

- 1) General audience-primarily general customers and the public
- 2) Targeted audiences, which received a more-intensive outreach effort
- 3) Personalized audiences such as Citizen's Participation Organizations (CPO's) and open house events for local corporations

Mr. Heidgerken asked the Board to review the feedback to determine if there are any areas that staff may need to provide additional information.

**REVIEW OF FINANCIAL FORECAST** (PowerPoint presentation attached)

Chief Financial Officer, Paul Matthews, explained that the review is a continuation of information presented previously to the Board. He updated key financial measures for the 2011-13 Biennium, indicating Tualatin Valley Water District (TVWD) is starting the 2013-15 Biennium in a strong financial position.

Mr. Matthews outlined the 2013-15 purchased water assumptions that are significant to the financial forecast. He reviewed two categories within the purchased water assumptions, purchased water and pumping power.

Chief Engineer, Mark Knudson, reviewed the Six Year CIP 2014-2019. He reiterated the accomplishments and surprises for 2011-2013.

Mr. Knudson explained the key drivers for 2014-2019:

- Re-budget ongoing CIP projects (\$15.4M)
- Implement water supply decision (\$93.7M)
- Maintain and enhance existing supplies
- Upgrade aging infrastructure and seismic resiliency
- Respond to growth
- Enhance efficiency and safety - AMR

CEO DiLoreto spoke to the Board regarding assumptions that go into the financial forecasts. He indicated that staff arrived at three (3) alternative options to pay for revenue needs. He noted Mr. Matthews would review these options.

Mr. Matthews explained each of the three long-term financial strategies:

- Smooth, even rate increases – 8.45% 2014-2027 and 6.68% in 2028.
- Lower initial year rate increase, followed by smooth increases – lower initial rate increase (5%) in 2014 and then 8.9% 2015-2028.
- Large increases on source selection - lower initial rate increase-5%, with a 30% raise in 2015 and 2016, then dropping to approximately 4.1% thereafter
- Summary of strategies located on page 7.

A general discussion was held between the Board and staff. President Schmidt asked if the rates would continue to fall after 2028. Mr. Matthews stated that the rates would continue to fall after 2028, falling to approximately 2.68%. He noted that new Capital Improvement Projects (CIP) would be in place and other not-yet-identified improvements would reduce the rate.

Commissioner Doane asked if this would involve a 15-year bond and Mr. Matthews responded that it would be a 25-year bond.

President Schmidt stated that there is no difference between 8.45% and 8.8% over the long period, therefore, he prefers either the smooth, even rate increases or the lower initial rate increase as depicted on page 6, (first chart) as the most viable option.

Mr. Knudson and CEO DiLoreto and suggested two other possible models for the Board to consider:

- Begin with a 5% rate increase, then a 15%, then drop back to 5% for 1-2 years, then another 15% increase and then four or five 15% increases spread through that whole period (saw-tooth effect).
- Multiple-year rate increase, lock in a 5-year rate increase every year, establishing where you are going.

Commissioner Doane stated that a problem with locking on a number, there is no headroom for required seismic activity. He suggested a rate increase should be attributed to compliance with seismic standards.

Mr. Knudson suggested adopting a five-year or ten-year rate strategy and a three-year rate increase. He stated that a commitment for multiple years, which you keep reasonably short, must be made; and an overall philosophy must be adopted and communicated on what the District is accomplishing. He stated this does not mean it cannot change in the future; however, you have a game plan for the end results.

Mr. Matthews suggested rate raises on a biennium basis. He explained that an adopted budget would align with the adopted revenue to pay for that budget.

Commissioner Doane indicated that would tie it to the budget. CEO DiLoreto noted biennium rate increases were discussed when the District switched to a two-year budget and decided against changing in the interest of customers.

President Schmidt suggested that a cost of a project be calculated for the Willamette as an example so the value of bonds could be evaluated in order to pay for that project. He asked if the District would invest cash into the project.

Mr. Matthews answered yes the District would invest cash into the project, and his numbers tonight reflect the cash outlay and the estimate is comparable to the cost we had for the 2007 decision, which included federal sharing

CEO DiLoreto remarked that the twin spikes are typically how utilities respond to large projects.

Mr. Knudson explained that the twin spikes are favored, they do not have the opportunity to do the long-term financial planning that is needed. He stated that the District is in a position of doing the planning in the right way, whatever that is and that is what we are looking for.

Mr. Heidgerken reported that recent research, both locally or nationally, by the American Water Works Association (AWWA) on the rate shock issue shows the importance of predictability to ratepayers.

Commissioner McWilliams asked if it was okay to tell ratepayers they are going to have 30% rate increase next year so they can plan for it.

CEO DiLoreto if you go to the shock treatment line, it would be wrapped up as one big rate package for three (3) years. He explained that communications to ratepayers would explain that the first year the rate increase would be 5%, the next year it would be 30%; the year after that it would be 30% and a reason why the District is doing this is to have a water supply for Tualatin Valley Water District for the next 50 years.

Mr. Knudson asked Mr. Matthews what is the timeline for a decision. Mr. Matthews indicated that the rate issue would be visited in May.

CEO DiLoreto addressed the Board and tendered his official retirement letter. He explained that he is retiring as of March 31, 2013. He explained he intends to finish his time with the District on an hourly basis until he completes several items set forth in his letter dated March 20, 2013.

#### ADJOURNMENT

Without objection, President Schmidt adjourned the meeting at 6:52 p.m.

BOARD OF COMMISSIONERS  
TUALATIN VALLEY WATER DISTRICT

BY: \_\_\_\_\_  
Dick Schmidt, President

BY: \_\_\_\_\_  
James Doane, Secretary

Date Approved: April 24, 2013