

Sewer Infrastructure Advisory Group Meeting Summary	November 15, 2012
	4:00-6:00 p.m.
	Bend Park & Recreation, Riverside Community Room
	Note taker: Adele McAfee
<p>In Attendance:</p> <p>Committee Members: Andy High, Casey Roats, Lynn Putnam, Mike Riley, Dale Van Valkenburg, Craig Horrell, Steven Hultberg, Charley Miller, Steve Galash, Stacey Stemach, Bruce Alyward, Sharon Smith, Pam Hardy, Rob von Rohr, Wes Price, Nathan Boddie,</p> <p>Absent with prior arrangement: None</p> <p>COB Staff: Tom Hickmann, Paul Rheault, Jon Skidmore, Aaron Collett, Reese Moody, Colin Stephens, Brian Rankin, Sonia Andrews</p> <p>Others – David Prull, Sally Russell, Rondo</p> <p>Facilitators: Libby Barg (Barney & Worth)</p>	

Action Items

1. Determined Affordability Goals
 - a. Use the total cost of Bend’s utilities—water, sewer, stormwater—to measure affordability.
 - b. Work to ensure needed sewer projects are completed at the lowest practicable cost.
 - c. Use creative funding / financing strategies and project scheduling to minimize impacts on Bend ratepayers.
 - d. Activate Bend’s utility assistance program to reach eligible low income, elderly and disabled households.
 - e. Ensure all classifications of sewer ratepayers pay a fair share of costs.
2. Council update on December 5th. Discussion on three priority areas and financing
3. Provide advisory group with more information on percentage of customers are participating in the discounted rate program.

Agenda Item: Welcome and Updates

- Committee member Craig Moore has resigned
- UGB /Growth management 101 went well. It was an open house format.
- Next meetings: Dec 20 at BPR / Jan 17 – Council Chambers / December 5th City Council work session

Agenda Item: Meeting Goal

- Sewer system funding and financing
- Financial Policies and Principals
- Affordability

Agenda Item: Video presentation

- Paul Rheault presented a video about broken sewer line Wall St / Olney. Clay pipe on Olney. This incident was reported to the State.

Agenda Item: Sewer System Funding and Financing

Presentation on sewer financing and how it is funded; Discussion of how sewer finances stand, Rates, and how the city funds capital and operations.

- SIAG questions:
 - Why is a franchise fee for the road charged to the sewer fund?
 - How was it decided what the variable charge would be?
 - Is there a plan to update the extra strength charge?
 - Steering committee asked for the amount of the city's financial commitment to date.
 - Does the model factor in the continued increase of the consumer price index?
 - How close are SDC in covering costs?
 - 66% percent of revenue is generated by residential accounts does that represent capacity and usage of the system?
 - How far out do the capital master plans go?
 - Is there any downside to do a 20 year plan and update?
 - Has there been consideration to implement SDCs in areas where the infrastructure will cost more and less in areas where infrastructure will cost less?
 - Can rate structure be skewed to have nonresidential make up more of the difference?
 - Comment on Council financial policies - Building a reserve is critical (operating and capital)

- Summary of feedback:
 - Billing: Summarized how charges are computed for residential and non-residential.
 - Volume
 - Add on charges - Extra Strength Charges
 - 3% Franchise Fees – Goes to Street Construction Fund
 - Franchise fees are charged to utilities for working in the City's right of way.
 - 23% of revenue comes from non-residential
 - Reviewed revenues amounts collected and expenditures, debt principal and interest
 - Collecting more in rates because of rate increases for the treatment expansion and collection system.
 - There is a misallocation of cost between residential and non-residential the methodology will be updated during the work being done on the extra strength charge.
 - Mixed and volume has a rate model which calculates rate and revenue requirement. The cost allocation is revenue neutral and it shifts the cost and does not change the rate model.
 - Advisory Board will be making a recommendation regarding extra strength charges to council in May or June. They are looking how to retool this program.
 - Reviewed current revenues
 - Debt Coverage ratio –This is important allows the city in managing sewer system allows to issue debt at a lower rate. The city has an agreement with the bond holders that we will maintain a 1.25 minimum debt coverage ratio.
 - The city has a policy that it requires the city to plan above 1.5
 - Moody is the City's rating agency.
 - Debt Outstanding:
 - 18.1 million in revenue bond issued in past year for past improvements.
 - Obama Stimulus recovery zone bonds
 - DEQ for the expansion of treatment plant. (38.8 million) only drew a portion (1.7 million)
 - Reviewed history of Rate increases.
 - Reviewed estimated rate increases - Two scenarios
 - If City completes treatment expansion and immediate fixes only
 - If the city proceeded with the interceptor and treatment expansion projects.
 - The 10 year model factor in inflation increases

- Reviewed a comparison a snap shot in time of what Bend's utility rates look like in comparison to other cities.
- Reviewed funding and finance memo
 - Sources for funding sewer systems
 - City financial policy adopted by council
 - Rate Model
- Committee reviewed the Council's financial policies on sewer financing
- A 20 year plan becomes inaccurate
- SDCs need a fair and equitable rate structure is what you are putting in the system. It is a rate to pay your fair share.
- Affordability: Every community determines what is affordable. EPA has determined a national affordability measure of 2.5% of median household income for each utility. Fitch ratings combine sewer and water at 2% or 1% for each utility. Bend is at 1%. Bend has a 50% discount for senior or disabled or low income.
 - Other communities have affordability programs that partner with other community groups.
 - Prioritizing projects how much money is there to work with what is affordable How does group work to determine what is affordable . Timing determine now or work when you determine what the project is
 - The first three project had hard time to when there were no costs attach. Does the committee get involved with budget.
 - Committee to consider discussion with council on how to pay for projects beyond using rates.
 - GO Bonds
 - Public Private partnerships

Agenda Item: Define Affordability

- Determined affordability goals

Meeting Adjourned at 5:50 p.m.