

Infrastructure Advisory Committee (IAC) Meeting Summary		October 29, 2012
		3:00- 5:00
		City of Bend, Boyd Acres Training Room
Chair: Frank Turek		Note taker: Adele McAfee
Meeting Summary		
In Attendance: Committee Members: Andy High, Casey Roats, Nancy Loveland, Ray Auerbach, James Gattey, Frank Turek Committee Member Absent: Tom Stutheit COB Staff: Jeff England, Paul Rheault, Jon Skidmore, Sonia Andrews, Patrick Griffiths		
Discussion: Chair Frank Turek called the meeting to order and established a quorum.		
Agenda item:	Water Rate Allocation and zero base quantity allowance	Presenter: City of Bend Finance Director, Sonia Andrews
Chair Frank Turek summarized the committee discussion regarding the water rate structure. In June committee met to consider this issue. After much discussion in several meetings, and considering staff 's work on the breakdown of variable/ fixed, the committee felt they could make their recommendation at that time. However, the committee decided to postpone this recommendation and see the proposed rate structure. While waiting for the rate structure analysis to be done, the committee, after further discussion, decided they would prefer to make their recommendation without the dollar amount so the council would focus on infrastructure and other technical issues.		
The City of Bend, Finance Director Sonia Andrews stated it was her understanding the committee wanted to recommend a 86/14 ratio. She referred to Summary of Costs Allocations to clarify with the committee the staff recommendation ratio was 62/38. The 86/14 ratio is represented when all debt service is moved over to a fixed, this is based on an accounting standpoint.		
Based on previous discussions with the committee, Ms. Andrews asked the committee to make a recommendation to the council on the policy of "cost of service" where absentee homeowners would not be allowed to turn off service for a temporary time. The committee agreed rationalizing a temporary vacant or vacant houses are still protected with fire flow at the ready, and a new policy could stabilize income.		
Committee member Andy High would like to see the rates calculated for small, medium and large businesses. He opined, he was surprised that staff did not think debt was a fixed cost.		
Mr. Turek suggested to move all of the debt service variable (2.4 million) from the Staff Hybrid Cost Allocation table to fixed. This changes the ratio to 80 / 20. The committee was comfortable with this shift and will use this ratio for their recommendation		

Committee member Jim Gattey asked if the fixed costs are calculated by meter size, and could a property owner change meter size? City Engineer, Tom Hickmann and Public Works Director, Paul Rheault stated they will check to see if there is a policy.

Committee member Nan Loveland gave an example for this recommendation. This is getting the fire flow to the fire hydrant on the corner and being able to turn on the water anytime you want it. Mr. Rheault added, whether you are using 10 million gallons a day or 5 million it takes the same amount of people using the same infrastructure. Wells are different because of the electricity.

Ms Andrews added the rate structure will look at the cost allocation as a point in time much like the SDCs.

Mr. High stated that we are asking council to debate policy questions that they could ratify or change:

1. Debt is a fixed cost
2. Wells are variable cost
3. Capital expansion is a variable cost

The three categories are :

1. Indirect - administrative costs
2. customer – servicing the customer (sending a bill etc.)
3. meter – fixed capacity costs

Ms. Andrews stated the City's indirect cost includes all transfers (ex: garage and lab) it is more than just overhead.

Mr. Turek stated when the committee was reviewing the indirect column on the spreadsheets the committee was unsure and the staff determined the fixed and variable split.

At the request of Mr. Turek, Andy High restated the policy questions for council on the original 40/60 ratio split:

1. Debt is variable and fixed
2. No 400 allowance
3. Indirect cost divided fixed and variable (water usage)
4. Are wells variable and fixed - (debt service well) 1.4 million
5. Cost of service – fire protection (Snow bird) – readiness to serve Service availability

Ms. Andrews pointed out the 2.4 million includes 1 million for the surface water pipe, this is incorrect and will be taken out, bringing the debt service to 1.4 million.

Mr. Roats opined that he does not agree with the arbitrary nature of rate decisions that attempt to influence behavior while we still have the benefits of the infrastructure.

Staff will look at debt service and get another table to the committee before Nov 7th where debt service related to wells will be divided – what percentage of the capacity is related to fire flow, and what percentage of the capacity is related to production

The committee would like to change the term cost of service to something that is more descriptive

(Service availability, readiness to serve).

Committee member Ray Auerbach, opined changing meter size will be a big issue to some people and would like staff prepared to discuss.

Presentation -

FST - IAC original concerns

FST - What we reviewed in our discussion
(14 page spreadsheet)

Andy – Recommendation - 5 items

Ray - Meter Change out – another policy need to be reviewed in the future

Nan – Service availability

Ray – no 400 allowance

Mr. High would like accounting to prepare the numbers in dollar amount and not percentages. The committee agreed.

The presentation will take place on November 7th at the council work session. Staff will check.
There may be an executive session.

After checking with operations staff regarding changing meter sizes, Mr. Rheault said the most people after hearing the cost associated with the change do not change their meters. The costs are estimated between \$500 - \$700.

There will be a power point.

Ms Andrews will update the allocation spreadsheets with the current budget data.

Mr. Hickmann recommends that the effective date not be the fiscal year as this is not a rate increase. It should be implemented in January and not July.

This is a revenue neutral policy.

Meeting adjourned at 4:30 PM