

<b>Infrastructure Advisory Committee (IAC)</b> <b>Meeting Summary</b>		June 18, 2012	
		3:00- 5:00	
		City of Bend, Boyd Acres Training Room	
Chair: Committee Co-Chair: Jim Gattey		Note taker: Adele McAfee	
Meeting Summary			
<b>In Attendance:</b> Committee Members: Andy High, Casey Roats, Nancy Loveland, Ray Auerbach, James Gattey, Tom Stutheit Committee Member Absent: Frank Turek COB Staff: Jeff England, Paul Rheault, Jon Skidmore, Sonia Andrews, Patrick Griffiths Other: Deb Galardi, Consultant, Galardi Rothstein Group			
<b>Discussion:</b> Co-Chair Jim Gattey called the meeting to order and established a quorum. Meeting Summaries were approved as follows: January 9, 2012 moved by Nan Loveland, seconded Casey Roats; March 26, 2012 moved by Nan Loveland, seconded by Casey Roats; April 9, 2012 moved by Nan Loveland seconded by Tom Stutheit.			
Agenda item:	Water Rate Allocation and zero base quantity allowance	Presenter:	Deb Galardi, Consultant, Galardi Rothstein Group, City of Bend Finance Director, Sonia Andrews
<b>Discussion:</b> Sonia Andrews, City of Bend Finance Director prefaced the discussion with an update on staff's efforts to identify certain costs into a fixed or variable category. Staff found that there were many valid arguments to shift costs into either category. They agreed there should be another approach and a decision should be made on what percentages of costs are to the fixed and what percentage of costs are to the variable. Ms. Andrews stated consideration should be given to the impact on rate payers. City of Bend , Water Resource Manager , Patrick Griffiths added that rate stability is a policy objective. Deb Galardi reoriented the committee on the current rate structure. Removal of the quantity allowance will not result in a reduction of the service charge. A number of communities have added new charges such as a "readiness to serve". Ms. Galardi presented a power point – "Water Rate Structure Models and Impacts." Salient points included: <b>Industry Trends</b> – Pre-Recession policy objectives were conservation and affordability with fixed rates that were 20%-30%. Post-Recession there was swing back to revenue stability in response to the conservation. Financial planning tools and rate structure modification are used by many communities. There are trends to move away from minimum charges. Committee member Andy High asked that we look at other communities where the climate is similar to the high desert and not only look at communities where the size is comparable. Committee member Ray Auerbach added that those communities would have different peaking variables. Committee Member Andy High left at the meeting at 3:55PM. <b>Revenue Stability Models</b> – Cost causation, Ms. Galardi presented fees from other communities such as: Revenue Stability, Reliability Fee, and Demand Charge. The Decoupling Model where all distribution costs in a fixed charge. There is some flexibility to keep up with replacement costs. <b>Bends Cost Structure</b> – Bend is similar to every other utility in that the costs are approximately 80% fixed from an accounting standpoint. Ms. Galardi pointed out by Functional Area, Bend is typical in its 30% of the costs are focused on customer and meters. This is the lower limit on how fixed charges are set. Generally utilities do not charge 80% of the fixed charges as the Cost Accounting structure would advocate. There is a difference to make up from the 30% defensible recovery rate of the cost that the cost causation accounting method would suggest. Samples Rates and Bills - the committee reviewed of the impacts of the different rates. Adding charges from the 400 cf will increase the billed consumption 20% then both fixed and volume rates go down.			

The decision of achieving revenue stability is a policy determination. Ms. Galardi pointed out this was achieved in various ways by the community examples presented. The cost causation model will not achieve this, a different and affordable model will need to be considered in addition to a new fee.

Committee member Casey Roats opined that commercial customers have historically subsidized residential customers. In a “for instance” example, he pointed out that residential use require 70% of the infrastructure and service and commercial businesses require 30%.

Ms. Andrews stated she is not convinced that there is data to support the fact that commercial customers are subsidizing residential customers.

A discussion of the various models and distribution fees ensued.

**Agenda item: Update Sewer Infrastructure Advisory Group (SIAG)**

**Presenter:** Jon Skidmore

**Discussion:** City of Bend, Assistant City Manager Jon Skidmore updated the committee on the selection, process and timeline that will be guiding the SAIG. The committee will tackle a growth management strategy There were 17 members selected from the applications.

**Agenda Item: Update Extra Strength Charge Committee (ESC)**

**Presenter: John Skidmore**

Mr. Skidmore passed out the draft schedule. There is a new Standard Operating Procedure the ESC committee will review. He foresees a recommendation to council in the Spring.

**Agenda item: IAC Schedule**

**Presenter: Jim Gattey**

The committee decided they will meet on Sept 25<sup>th</sup> at their regularly scheduled meeting time to further discuss Water Rates and get an update on the Surface Water Improvement project.

Meeting adjourned at 5:15PM