

Infrastructure Advisory Committee (IAC) Meeting Summary		Sept 13, 2011 2:00PM - 5:00PM
		City of Bend, Boyd Acres Training Room
Facilitator: N/A	Note taker:	Adele McAfee
In attendance Committee Members: Casey Roats, Ray Auerbach, Frank Turek, James Gattey, Andy High, Tom Stutheit, and Nancy Loveland		
Absent with prior notice: None		
COB Staff: Tom Hickmann, Jeff England, and Adele McAfee, Steve Eby, Sonia Andrews, Paul Rheault, Patrick Griffiths, Jon Skidmore		
Consulting : Deb Galardi. Galardi Consulting		
<i>Meeting Summary</i>		
Agenda item: Welcome		Presenter: Frank Turek

The committee introduced themselves and welcomed the new committee member Tom Stutheit.

Agenda item: Extra Strength		Presenter: Sonia Andrews, City of Bend Finance Director, and Deb Galardi, Galardi Consulting
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Extra Strength

Sonia Andrews, City of Bend Financial Director opened the discussion by explaining that some businesses are assessed an extra strength charge based on what the business discharges to the City's sewer system. During an internal audit it was found the formula the City had been using was in error which resulted in the city refunding fees that had been collected. The formula has been updated and the new methodology will be presented to the IAC committee for input.

Deb Galaradi, Galardi Consulting, explained the sewer methodology has not been updated for many years. The cost structure is being updated to reflect costs as the City incurs them, quantity allowance, and assessing if everyone is being charged who creates an extra strength. Paul Rheault, City of Bend Public Works Director added two points for the committee to consider in the discussion: City Council wants rates to be equitable across the City, and the wastewater facility is designed for certain amount of pollutant flow or extra strength.

Ms Galardi explained the current rate structure charges, where all residential customers are charged a flat charge, commercial customers are charged the same base rate plus a volume rate. The base charge includes the first 1,000 cubic feet (cf). If you are an extra strength customer you pay an additional fee per unit. There are currently 15 businesses that are extra strength customers. They include Deschutes Brewery, Mission Linen and some grocery stores. Rates are based on rate study guidelines, which start with an evaluation of the system

and cost factors. The cost factors are identified as system design requirements and regulatory requirements. The requirements establishes what the City needs to operate the wastewater system.

Mr Rheault explained how the waste are treated at the wastewater facility from the beginning at the headworks building, clarifiers, aeration tanks, secondary clarifiers, digesters, disinfection and how these steps are related to the extra strength costs. Specifically, Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) and assigning a dollar amount to the nitrogen component. In addition, Capital improvement costs at the plant and collection costs are also included. Ms. Galardi explained the financial plan estimates costs over 5 to 10 year period, customer service cost, and what is needed in addition to the flow and load operating costs. The cost structure is important because if the costs are going to be allocated equitably to customers the cost of treating a BOD or suspended solids is established. There are some industries that produce above domestic strength such as the food industry.

As an example, Ms Galardi used the City of Redmond's expanded strength base rate structure. The base rate structure classifies customers into low, medium, high and very high strength customers. In different communities she has seen from 3 to 8 classifications. The City does not have a report because there are some administrative issues that need to be worked out such as the frequency of sampling, and the frequency of updating the rates.

In answering a question from Jon Skidmore, City of Bend Business Advocate, Mr. Rheault stated the cfs of the waste figure is based on the average water usage during the winter quarter. He said that they work with various industries through the Industrial Pretreatment Program and monitor their operations through the program's "right to access". When new industries comes to town or there are upgrades to their facilities, the City requires the installation of a sample port.

In response to a question raised by committee member Nan Loveland, Mr. Rheault stated that some of the breweries in town are not on the list because they do not have a discharge of 1,000 cfs during the average winter quarter. As an example of how the current system is inequitable he stated that a brewery could discharge only 500cfs even if it is highly concentrated they still would not be charge.

Policy

Cost Structure – The current rates are based on 35 cents per pound of BOD suspended solids. There are preliminary results suggesting the BOD costs are going to be higher and TSS cost will be lower. The city is not in a position to assess for a nitrogen component. However, it still a cost that needs to be recovered. There are other utilities recovering it through the BOD costs.

The recommendation from staff and the consultant will be to continue to charge BOD and TSS. These will be updated through cost allocation and communicate future nitrogen costs but continue to recover the nitrogen costs through the BOD costs. This will cause the BOD cost to raise significantly. There is concern when the rates are modified there will be some customer bills that will go down and others will go up.

Ms. Andrews stated the current methodology is so outdated that it is not equitable. She said the City is sensitive to the current economic climate. If there are no changes it remains inequitable and outdated. She opined that it might be phased-in.

Tom Hickmann, City of Bend City Engineer stated there is no complete hydraulic model of the treatment plant in answering a question from committee member Casey Roats.

Ms Galardi explained the process in which the consultants use understand which cost are attributed to water quality, and plant balance in order to measure what is coming into the plant. That will determine the cost responsibility.

Ms Galardi stated that nitrogen is a new component that will need to be considered.

Ms Andrews stated that with the new proposed methodology the City would go from 15 extra strength customers to 250 extra strength customers. These customers discharge more than 500 mg per liter. Mr. Hickmann identified one of the issues the committee is being asked to consider in their recommendation is whether there should be classifications by industry; and an appeal process. If a business within an industry classification and they disagree there would be an option to pay and arrange for testing to prove they are discharging at a lower classification.

Ms Galardi stated that California has successfully implemented this program based on industry guidelines. Bend has been gathering data on grocery stores already and could begin sampling other industry for actual data.

Committee Chair Frank Turek pointed out that there has not been concentration rates applied to the categories (low, medium, high, extra high). He opined that the City could leave itself open for challenges because there is no criteria assigned. For example, in his experience a business could opt to pretreat their discharge rather than pay a higher category. The policy needs to be flexible enough to allow for this possibility.

Committee member, Jim Gattey stated the goal should be businesses focusing on reduction of discharge. He also added that he has not heard anything addressing the cost for an administrative appeal process. Ms. Andrews stated that the Council suggested when formulating the methodology to factor in some incentives for business to reduce their extra strength.

In answering a question from committee member Tom Stutheit, Mr. Hickmann stated the sampling would not take a long time.

Mr. Hickmann stated the committee has the option of making a recommendation that there needs to be additional data collected before a methodology can be achieved. He added that the appeal should have a strict protocol regarding the monitoring. Mr. Skidmore opined that the BEDAB (Bend Economic Development Advisory Board) advocates for the small business and if the methodology is too onerous for the applicant the policy would be inequitable for the smaller businesses.

Committee member Andy High stated he will need to see the local data before making a recommendation to the Council. A discussion ensued and the committee agreed staff should pull this off the council agenda.

Agenda item: Water Rates		Presenter: Sonia Andrews, City of Bend Finance Director, and Deb Galardi, Galardi Consulting
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Ms. Andrews began the discussion by giving some historical information. In 2007 the City decided to update the water rate methodology. An advisory committee of stakeholders were formed. The council at that time established goals :Stable revenues, predictable rates, equity, and conservation.

The advisory committee recommend a phased –in approach to reduce the quantity allowance and approved Block Rate structure from 600 to 400. When this was brought to the Council there was confusion in the council and in the public.

Today the proposal is to reduce quantity allowance from 400 to zero. This was postponed until now because of the large infrastructure projects and rate increases associated with those projects.

Ms. Galardi explained the current rate as two components – service charge and volume charge. The service charge is fixed and based on meter size . It has two components, customer service cost, and quantity allowance. All other charges are recovered through volume charges.

Ms. Andrews stated she favors more on the meter and fixed charges and less on the volume charge.

Mr. Roats opined that the service charges is antiquated and assumes infrastructure will not wear out ,there is no fire flow and the only expenses is meter servicing. He thinks the 400 cfs should be put in base charge.

Ms Galardi said the recommendation came from another economy, it focused more on conservation and equity instead of looking at a cost accounting fixed variable. The costs would be recovered through volume rate. The first proposal that was brought to the Council had the fixed charge going up and quantity allowance removed . This was unacceptable to council. A compromise was proposed, they acknowledged there is a fixed cost such as fire protection. The proposed rates included all strict cost of service. She referred to the Water Rate Report where the revised rates were compared to current rates including the recent raise. The Council was concerned implementing the increase in rates in summer. Council would consider support if it came later in the Fall.

Mr. Gattey pointed out that there are people who vacate during winter months who turn off their water and pay zero. Mr. Hickmann added that fire protection is provided to house even

though they are not paying. There are reasons to charge even though there is no use of the water.

Ms. Andrews stated that rate increases are done in July. The rate model will be updated so the raise may not be 7% because some of the assumptions have already changed.

In response to Committee member Ray Auerbach request for clarification, Mr. Hickmann stated the Council is considering approving this rate structure. The charge of the committee will be to provide a recommendation to the council in support, or if the committee is not in support they should provide an alternative.

Cost Causation v Cost

Ms. Andrews would be in opposition if the proposal was pure cost causation. Council was leaning towards this but staff advised there is too much debt service. Council understands the risk if consumption goes down the rates will go up because the cost are fixed.

Responding to a question from committee member Tom Stutheit, Ms. Galardi stated that once a new cost of service and cost recovery charge are established everything remains same for the next couple years to assess if it is meeting the cost recovery goals and to re-evaluate investments.

Ms. Andrews stated the financial plan is conservative and there is a stabilization reserve.

Ms. Galardi stated there is a trend for a greater revenue recovery from fixed charges . In general the cities went overboard with conservation and pulled back. There are a number of costs we can move to fixed charges that would be well within industry standards.

Mr. Roats is concerned about “decrease” going into a large debt service.

Mr. High is not comfortable with zero allowance because the residents still receive services such as fire protection.

After a lengthy discussion about the implications of going to 400 to zero allowance the committee voted unanimously in favor of recommending a zero base rate.

The committee does not support the direction council is moving towards emphasizing volume and less on the fixed rates.

Meeting adjourned at 5:00

Other Information

September 15 - continued discussion and recommendation on water rates.