

Infrastructure Advisory Committee (IAC) Meeting Summary		Sept 15, 2011 3:00PM - 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, Adele McAfee, Steve Eby, Sonia Andrews, Paul Rheault, Patrick Griffiths, Eric King		
Meeting Summary		
Agenda item: Continued Water Rate Discussion		Presenter: Sonia Andrews, City of Bend Finance Director, City of Bend PW Director Paul Rheault, City of Bend, City Engineer Tom Hickmann

Committee Chair Frank Turek opened the meeting. The meeting started with the continued discussion of the IAC meeting on 9/13/2011. The outcome of that meeting-allocation for part of the Base Rate-was not acceptable.

Sonia Andrews, City of Bend Finance Director, presented the rate schedule current methodology which is a 53/47 split, a proposed split of 60/40; various scenarios were run for the committee to review. She also handed out charts that showed a 40% allocation, 45% allocation, and a 50% allocation. The committee reviewed and discussed the charts.

She stated that Council rejected the 50% recovery because the customers that were using less than 400cf would not see a savings.

In answering a question from IAC committee member Jim Gattey, Ms. Andrews stated that Council sees part of the problem with the model is that people who are using 400cf and less are not seeing a savings and the large users should pay more.

IAC committee member Casey Roats stated he felt 50% is not enough and would like the committee to consider a 70/30 split. He said the City is facing a 67 million dollar debt and is going into a cooling period. He believes that Council does not have flexibility. Savings to users who use 400cfs or less need to be removed. It is an anomaly and has no science to back it up. The point he would like to make to the Council is that they do not have that luxury. He stated that his tariff rates are approved by the Public Utility Commission (PUC). The PUC old rates showed smaller users paying less and bigger users shouldering the expense. The committee would be failing in its duty if it asked for less than 70/30. This could provide stabilization that

would see the City through a cold and wet season or when usage is cut back. The other direction is against industry standards. Comparably, the PUC is allowing his company a 71/29 split which is very standard. Municipalities with the lack of an Infrastructure Advisory Committee fall behind because these decisions are made by consumers.

Mr. Roats stated he would like to put a motion on the table to ask for more than anything that has been discussed. This would serve as a starting point and the Council could “beat it down from there”.

IAC Committee member Andy High second the motion. Mr. Gattey and IAC Committee member Nan Loveland verbalized their support.

Answering a question from Mr. Gattey, Ms. Andrews stated that interest rates would not go down because the City has a stronger fixed rate than variable rate. The City sells most bonds through a competitive market. If the City were to sell right now, it would command a low rate.

Mr. Turek stated if the goal is conservation, then the City should implement block rates and, if use goes up, a more expensive block would apply. Raising the rates a little bit may get an initial drop, but it would come back up again. He has also seen a subsistence volume of water included in the base rate. It would take some of the burden off the low water users. Production costs make up the volume rate, and capital improvement and maintenance are part of the base rate.

Mr. Hickmann handed out the Council’s objectives (from a previous Council) which showed (at that time) they were trying to achieve conservation.

Mr. Roats stated the Public Utility Commission would never allow his business a double digit rate increase. He further observed that because the Council objectives came out of a consumer-based body, it is a case of “having their cake and eating it too”. Fixed costs are going up.

Mr. Hickmann said the former rate committee spent a lot of time looking at different rate structures. The spectrum began with budget-based rates where a threshold is set, and, if the consumer exceeds the threshold, they pay a punitive premium rate. This achieves revenue stability, but the City is not ready for this. The other end of the spectrum is to push everything to conservation.

Ms. Andrews suggested taking Council through some education about rate structures. City of Bend City Manager Eric King opined that the Council is looking to the IAC committee to provide a strong recommendation.

The committee considered various splits, considered the information presented through the handouts, and discussed ramifications to household rates and business rates and relative impacts on both.

Mr. Gattey stated he thought the recommendation should come out of a technical discussion and leave policy questions to the Council.

IAC committee member Ray Auerbach discussed the Council objectives. He opined that the discussion was lacking in an equitable philosophy.

Mr. Roats stated the committee's discussion is putting the City in a place where it can pay the bills and build a water system. It is the Council's concern if the rates are equitable. Mr. Roats moved to hold at a minimum 50% with a long term plan of moving forward. This amended his previous motion.

Mr. King recommended that the committee go to the council with a recommendation that the committee would revisit the issue and continue its discussion, including further data analysts.

Mr. Turek thinks there is an inequity in the water system. There are four pressure zones and two of the zones require booster pumps. Those customers pay the same as the customer who reside at the bottom.

City of Bend City Engineer Tom Hickmann recapped the discussion: the committee agreed on going from 400 to zero allowance with the rate remaining the same for now, but this issue warrants further study.

Ms. Andrew stated that the recommendation must be revenue neutral. If you just remove the quantity amount and leave the rate the same, the City would be collecting too much.

Mr. Gattey questioned if things were going to remain the same when financial impacts have already been identified.

Ms. Andrews asked the committee to consider making the rate changes, once they are established, to be effective next July. She explained there would be advantages to a block increase instead of several incremental increases.

Mr. Turek thinks this is a policy discussion and not a technical discussion. Mr. King agreed, but stated that behind the recommended policy is technical data that the committee is in the position to understand.

Mr. High moved (amended and restated by Mr. Hickmann) to "provide a recommendation to support Council decision to move from 400 cubic allowance to zero allowance but table item until item 2 is resolved. Item 2: IAC does not support Council's decision to shift more revenue to the volume component of the rate and recommends determining a fixed cost that meets Council objectives." Casey Roats seconded the motion.

The group discussed the Council objectives and where the objectives should be considered in the discussion/recommendation. There was a discussion about whether the objective was to meet revenue stability. Ms Andrews suggested the objective be "to reliably meet the needs of the City's water system".

The committee discussed different methods to determine a fixed cost. Mr. Turek stated the committee is in agreement that shifting to the volume is not a technically sound principle; the committee does not have the data to evaluate which cost should be production and which costs should be volume and determine the fixed costs. He suggested the committee recommend table this discussion.

Ms. Andrews told the committee the rate discussion includes a breakdown of the water system detailed line charges.

Staff will draft a recommendation based on the motion so the committee can edit. The draft recommendation will be sent out by Friday. The final document will be emailed over the weekend so it can be ready for Monday.

The issue of unoccupied homes was raised and whether the committee should consider if this should be included in the recommendation.

After the discussion, Mr. Turek called for a vote which was unanimous in support of the motion.

Committee members Ray Auerbach, Frank Turek, and Andy High will present the recommendation to Council.

Mr. Hickmann gave the committee a quick update on the Surface Water Improvement Project. There will be a resolution for the purchase of steel for the six miles of pipeline.

The meeting adjourned at 5:00 PM.