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MINUTES

A REGULAR MEETING of the Sunrise Water Authority Board of Commissioners was held on Wednesday, April 28, 2010 at 6:00 pm at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Bob Frentress, Chair; Ron Blake, Vice Chair; Jeanne Anspach, Secretary; Judy Grycko; Bob Garbarino; Ernie Platt and Terry Roskey.

Staff Present: John Thomas, General Manager; Daryl Zinser, Assistant Manager; Lin Rigutto, Finance Director; and Tim Jannsen, Staff Engineer.

Visitors Present: Cheryl McGinnis, Clackamas River Basin Council; Myron Martwick, Oak Lodge Water; Barbara Kemper and Patricia Holloway, Clackamas River Water; Dave Blair, Allan Mackey, Janelle Sisson, Lynn Cutsforth, and Gary Shell, citizens.

1. CALL MEETING TO ORDER

2. INTRODUCTIONS & WELCOME OF VISITORS & FLAG SALUTE

3. PUBLIC COMMENT

4. PUBLIC HEARING ON RATE INCREASE

4.1 Public Hearing on Rate Increase

The public hearing on the rate increase was opened at 6:05 pm.

Rigutto and Thomas presented information regarding the proposed rate increases. He stated that the Staff had started looking at the financial impacts the economic downturn and related slowdown in development would have on Sunrise. Sunrise took action at that time by reducing expenditures through program and staffing reductions and a rate increase in 2009-2010. Projections for 2010-2011, included an anticipated rate increase in 2010-2011. The projections were that the cash carryover from 2009-2010 would be about \$1.5 million. Projections were that maintaining the changes into 2010-2011 would result in about \$1.5 million balance in all funds, which is less than ideal for an organization the size of Sunrise. Actual numbers have been more positive, resulting in a projected ending all funds balance of about \$2 million. This is due to several issues. Water sales and meter sales were both higher than projected and vacant positions remained unfilled.

Thomas commented on changes in the proposed budget and the net impact to the projected all funds balance at the end of 2010-2011 with the proposed rate increase would be \$1.9 million.

Rigutto commented that the Board had made a decision several years ago to proceed with smaller annual rate increases up through about 2010 rather than large increases on a longer interval. Due to the economic conditions, the increases are going to need to be continued until such time as the economy stabilizes. In addition, bond resolutions bind Sunrise to raising rates in order to meet bond covenants as necessary, or it will be done for us.

Rigutto outlined the historical rate structures and the rate increase trends. She discussed the components in the rates and the cost increases to Sunrise driving the need for a rate increase.

Rigutto also discussed the components incorporated into the service charge and the hard cost increases to Sunrise. The proposed service charge, based on cost analysis should be \$10.95 per month on the bi-monthly billings. The Board determined to make the adjustment gradually, starting with an increase to \$9.50.

Rigutto presented information demonstrating sample impacts to individual rate payers. Thomas pointed out that Sunrise is in roughly the 70th percentile in comparison to water rates charged by other local water suppliers and that Sunrise's service charge is in the 25th percentile by comparison.

Platt asked what the amount of reserve that Sunrise is required to maintain. Rigutto stated that Sunrise ideally should maintain cash reserves above \$2 million.

A customer stated that he was under the impression last year that the need to cover the debt would be covered by the last rate increase. He asked if this was going to be an issue that continues to come up every year. Frentress and Thomas explained that Staff was clear during last year's presentation that there would need to be a rate increase this year to reach the stabilized condition that is now present. They indicated that there were certain expenses that had been eliminated from last year's budget that need to be included again and some costs that have to be considered, such as succession planning. Thomas stated that if things continue as they are or improve, there may not be a need to look at additional rate increases next year. The exception to that would be the service charge, which needs to be increased to a point where it reaches full cost recovery.

The customer questioned why rates are so high, based on the fact that his brother in California pays less than we do here, where water is abundant. He suggested that Sunrise should be benchmarking their rates against a larger, more national pool. Staff explained that there are variables that affect how rates are calculated in various areas and invited the customer to provide his brothers in formation for a rate comparison.

Mr. Mackey asked if fixed income customers have been considered in the rate increase discussions, considering that retirees are not getting COLA either. He also inquired if there was another way to structure the charge so its not so dependent on construction.

Frentress provided the customer with some perspective on the issue related to reliance on construction for funds. He explained that infrastructure has to be constructed in advance of development, and borrowing to do so was necessary. System Development Charges are collected after the construction of the infrastructure, so those funds are not available to construct the infrastructure.

Thomas commented that it is reasonable for Sunrise to take a look at what might be done to consider the fixed income seniors. Roskey commented that one of the reasons that the service charge has only been increased partially is because of consideration to fixed income residents.

Frentress commented that he honestly believes that Sunrise has been extremely aggressive in seeking cost savings. Staff has been reduced by almost 30% for instance. He thinks we've done the best we can to reduce costs.

A customer asked about the 30% increase in costs for water testing and who receives the benefit of that additional expense. Staff commented that Sunrise has to respond to whatever testing requirements are dictated by the State and Federal Government. Janssen stated that the increase in this budget is primarily due to the fact that the wells in the Sunrise system are required to go through an extensive testing process every three years, and 2010-2011 is the year in which it must be done.

A motion to close the public hearing on the rate increase was made by Grycko and seconded by Roskey. Motion carried unanimously.

4.1.1 Adoption of Resolution 2010-01, an Increase of Rates

A motion to adopt Resolution 2010-01, approving the water rate increase of Sunrise Water Authority, was made by Grycko and seconded by Garbarino. Motion carried unanimously.

4.1.2 Adoption of Resolution 2010-02, Setting Service Charge Rates.

A motion to adopt Resolution 2010-02, approving the service charge increase of Sunrise Water Authority, was made by Grycko and seconded by Anspach. Motion carried unanimously.

5. CONSENT CALENDAR

A motion to approve the consent calendar consisting of the items listed below was made by Blake and seconded by Grycko. Motion carried unanimously.

- 5.1 Approval of Minutes of March 10 and March 24, 2010
- 5.2 Approval of Expense Report for March 2010
- 5.3 Approval of Pay Estimate #11 to GSI Water Solutions for Work Related to Water Right Transfers
- 5.4 Approval of Pay Estimate #35 to GSI Water Solutions for Work Related to ASR

6. DISCUSSION

6.1 Clackamas River Basin Council Presentation

Thomas stated that he wanted to make a few comments regarding 6.1 and 6.2. He stated that the participants in the Clackamas River Water Providers have recently met to discuss participation in the group. The issue doesn't appear to be money, but in how the group has been managed. The CRW manager has requested that the group consider their concerns and how they might be addressed. If CRW stays at the table, it could impact the conversations the Board has had about 6.1 and 6.2.

Cheryl McGinnis, the Executive Director of the Clackamas River Basin Council, presented information on the objectives and mission of the CRBC and the projects in which they participate. Some programs that were highlighted were youth education programs, public outreach programs on watershed health including a voluntary pesticide and herbicide reduction campaign, culvert removal and side channel improvements, tree planting programs, and a new water quality monitoring program for chlorophyll along with a cooperative effort to consolidate data gathered by USGS, WES and CRBC in a useful format.

Kemper and Halloway both expressed support for the work CRBC does and the beneficial impacts it has on downstream water quality.

6.2 Cost of Water Resource Protection Participation

6.2.1 Regional Water Providers Consortium Dues

Frentress stated that the Board has discussed this issue before. A motion to authorize the Chair to sign the letter to the Regional Water Providers Consortium requesting readmission to the group was made by Grycko and seconded by Platt. Motion carried unanimously.

6.2.2 Clackamas River Water Providers Budget

Thomas commented that the key issue is funding of the budget within the Clackamas River Water Providers in the absence of the approximately \$50,000 that represents CRW's portion of the costs. If CRW is to leave the group it will have a significant impact on the Water Provider's. He commented that the total impact is not known. There is a possibility that the funding may flow to CRBC and the monitoring program directly from CRW if they do not participate in the CRWP.

Thomas stated that the next program that the CRWP needs to undertake the development of a watershed protection program. This program requires not only substantial funding, but credibility. He stated that if all of the providers are not participating then the credibility of the program will be undermined.

Roskey asked what the Clackamas Water Providers had done to cut costs. Thomas stated that the budget is very bare bones without any fluff in it. The programs and projects in the CRWP budget are necessary programs.

Halloway commented that Thomas has worked diligently to address the operational concerns that CRW has had. She commented that some of the misunderstanding has been because there is an insistence on the part of the CRWP that the joint funding agreement and the CRWP are linked, although they are actually discrete agreements.

6.3 Convene As Contract Review Board

The Board convened as the Contract Review Board.

6.3.1 Acceptance of Manager's Findings Relative to Sole Source Contract for Personal Services Contract for Legal Services

Thomas stated that the protocol being used here is reflective of public contracting policy previously adopted by the Board of Commissioners.

A motion for the Contract Review Board to accept the Manager's findings relative to a sole source contract for personal services was made by Platt and seconded by Anspach. Motion carried unanimously.

The Contract Review Board was closed.

6.4 Award of Contract for Legal Counsel of Record

A motion to award the contract for professional services for legal services to Cable, Houston, Benedict LLP and authorizing the General Manager to execute the contract was made by Platt and seconded by Grycko.

Platt asked for confirmation that the billing rates shown on the attachment were actually for 2010-2011, as both columns were labeled in the same way. Thomas stated that the exhibit would be corrected.

Platt amended his motion to clarify that the charges in the second column were for FY 2011-2012 and that the last sentence previous to the rate chart would be changed to read, "...June 30, 2012,...". The second agreed to the amendment. Motion carried unanimously.

6.5 IGA with Damascus

Thomas stated that the intent of the meeting is for the Board and Council to go over the agreement and then return to their respective meetings to take final action. Platt asked if there had been any indication if Damascus was receptive to the current form of the agreement. Thomas stated that the indication that he received is that the remaining issue of concern was the length of term of the agreement.

6.6 CRW Discussions

Thomas stated that both parties have agreed to the MOU. Thomas stated that the Manager's are suggesting that the Committee of 8 get together on June 7 to discuss some issues that the Manager's feel need to be addressed by the group.

6.7 Identity Theft Protection Policy

Rigutto discussed the details of the policy presented to the Board. Platt asked how much of the content is new and how much is amended. Staff stated that Sunrise has not previously had a policy regarding identity theft so it is all new.

A motion to approve Resolution 2010-03, adopting the Identity Theft Prevention Policy was made by Anspach and seconded by Roskey. Motion carried unanimously.

7. BUSINESS FROM THE BOARD

7.1 Calendar of Meetings

Grycko reported that the NCCWC will be meeting on the 25th of May to adopt the budget, which is not on the calendar.

Anspach stated that she would not be available to attend the Regional Water Providers Meeting on May 5th. Grycko stated that she would not be able to attend either. Staff stated that a staff member would attend.

7.2 Liaison Reports

7.3 Future Agenda Items

Platt asked if the Board should have a discussion about a fixed income rate program. Thomas stated that he would like to have this considered about part of the budget process. Thomas stated that the need would be to look at what type of criteria would need to be applied to such a program and what the impacts to the cash flow might be.

8. BUSINESS FROM THE MANAGER

8.1 Financial Reports

Grycko asked about the change in the cleaning contract. Rigutto commented that the contract had been reduced to twice a month, but that was proving to be insufficient and that weekly cleaning was reinstated.

A motion to accept the financial report as presented was made by Grycko and it was seconded by Anspach. Motion carried unanimously.

8.2 Strategy for Hiring New General Manager

Thomas stated that the Board had been presented with four options on how to proceed with hiring a new general manager at the previous Board meeting. He proposed that the Board meet in a work session on June 2nd. At that meeting, the Board would be asked to review the strategic plan, defining Board expectations, consider the job description and identifying the characteristics that a candidate should have. He also suggested that the Board would need to consider how committees might be used in the process. He stressed that the screening committee and the interview is going to be critical to who the Board ends up with.

Thomas stated that the initiation phase encompasses all of the ground work for determining what the Board is seeking. The screening process development phase is

critical in that it determines what type of pool of candidates the Board sees. Grycko suggested that at least one other water utility manager involved in the process. Platt suggested that there be at least two and possibly three committees with each committee having different sets of questions. Thomas clarified that in Platt's model there might be a committee to ask about technical water experience, one to discuss political issues, and one to discuss experience in finance and rates.

Thomas stated that during the recruitment phase Staff would need to develop a recruitment package that would include information about Sunrise in addition to information about the position. He commented that he would recommend pursuing a dual track of targeted recruitment and general open recruitment with the intent to have some individuals identified by October.

Thomas reiterated that all of the processes to develop selection criteria and standards should be conducted as a public process. Hallway volunteered that CRW's legal counsel advised the same during their general manager selection process.

8.3 Letter to Oak Lodge

Frentress asked if the issue regarding who should be receiving the letter. Thomas stated that the letter should be coming from Oak Lodge as a signor of the NCCWC agreement. Frentress expressed concern that the third party of the Commission is not party to this exchange. Martwick stated that Gladstone has been copied on the letter so they are aware of the exchange. Thomas commented that the City Manager of Gladstone should be copied on the Sunrise response.

A motion to authorize the Chair to sign the letter as submitted and direct it to Oak Lodge with a copy to the City Administrator of Gladstone was made by Grycko and seconded by Anspach. Motion carried unanimously.

9. MONTHLY REPORTS

9.1 Operational Reports

9.2 Engineering and Construction Reports

Grycko asked if the fence down at 97th and Mather road is going to be fixed. Thomas stated that it was CRW's fence. Hallway said that she would look into it.

10. INFORMATIONAL ITEMS

11. EXECUTIVE SESSION

The Board entered Executive Session at 8:31 PM.

AN EXECUTIVE SESSION OF THE SUNRISE WATER AUTHORITY BOARD OF COMMISSIONERS to be held per ORS 192.502 (2) Information of a personal nature such as but not limited to that kept in a personal, medical or similar file, if public disclosure would constitute an unreasonable invasion of privacy

The Board returned to Regular Session at 8:41 PM.

Thomas stated that Sunrise Staff has been invited to make a presentation to the City Council in early June regarding such things as rate setting and the potential advisory committee format. Thomas commented that it would be advisable to have a few Board members present.

A motion to adjourn was made by Grycko and seconded by Anspach. Motion carried with Frentress and Roskey voting in opposition.

Adjourned at 8:46 PM

ROBERT FRENTRESS, CHAIR

JEANNE ANSPACH, SECRETARY