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MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners, to be held on Wednesday, March 23, 2011 at 6:00 PM at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

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

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Tim Jannsen, Staff Engineer; Dan Fraijo, Water Distribution Superintendent; Christin House, Customer Service Supervisor; and Kim Anderson, Government Relations Manager.

1. CALL MEETING TO ORDER

Called to order at 6:07 PM.

2. INTRODUCTIONS & WELCOME OF VISITORS

Visitors present: Leo Gentry, Leo Gentry Nursery; and Myron Martwick, Oak Lodge Water District.

3. FLAG SALUTE

4. PUBLIC COMMENT

5. CONSENT CALENDAR

A motion to accept the consent calendar was made by Anspach. The motion was amended by Blake to include only agenda items 5.3 and 5.4. The amendment was approved by the maker of motion. The amended motion was seconded by Roskey. Motion carried unanimously.

5.3 Approval of Pay Estimates to GSI Water Solutions

5.3.1 #44 for Work Related to ASR

5.3.2 #19 for Work Related to Water Rights Transfers

5.4 Acceptance of Improvements of Improvements for Sunnyside Heights Commercial Site

Grycko pulled items 5.1.1 and 5.2 for individual consideration. Roskey pulled item 5.1.2 for individual consideration.

5.1 Approval of Meeting Minutes of:

5.1.1 February 9, 2011

Grycko stated that she attended the meeting.

5.1.2 February 23, 2011

Roskey stated that on page 3, it was actually Chris Olson who resigned and that a different person replaced him.

5.2 Approval of Expense Report for February 2011

Grycko asked about the payment to SDAO.

Roskey asked what the charges were related to the repairs on the Go-4's. Staff stated that the Go-4's are reaching the end of their useful lives and are requiring repairs on an ongoing basis.

A motion to approve 5.1.1 and 5.1.2 as amended and 5.2 was made by Grycko and was seconded by Platt. Motion carried unanimously.

Hathhorn commented that it would be appropriate to bring item 6.4 forward on the agenda since there is a visitor present specifically for that item. The Board agreed to move item 6.4 forward on the agenda.

6. DISCUSSION

6.4 Reconciliation of Under-Billed Accounts

Hathhorn explained that the circumstances surrounding the disconnect between actual billings and how the accounts were billed and clarified that the problem was related to an inputting error related to the location of zeros in the initial entry into the system. He explained that this incorrect input resulted in underbilling the account by a factor of 100. This was not discovered by the internal flags in the system because the billings are not cross correlated to changes in revenue. These errors were discovered inadvertently during other work, initiating further inquiry by Staff. As a result other accounts were discovered. According to an inquiry with legal counsel, Sunrise has the right to go back as far as 6 years to collect for water that has been used. Hathhorn commented that there are several questions around ethical issues and Authority responsibility due to the extended time frame during which the error went undetected.

Gentry commented that they are a good customer of Sunrise and has always paid their bill on time. He commented that during these economic times this bill was obviously a

shock. He expressed the feeling that it is stretching it to extend collections back to 2008. He doesn't dispute the fact that the water was used.

Platt commented that the bill before them averages to about \$5,000 per month, wouldn't Gentry have had some responsibility in noticing a 100 fold drop in his bills compared to previous years. Gentry commented that since they now recycle water and there were some cooler seasons involved they wouldn't have necessarily been tracking that specifically.

Blake commented that in the past with leak situations Sunrise has forgone operational markup to the water and has allowed the customer to pay the wholesale rate for the water consumed.

Hathhorn commented that it is important for the Board to discuss both a discount rate and a repayment schedule that could be applied equitably to all customers.

Platt suggested that the Manager be authorized to have a conversation that has as a principal that the rates be reduced in correlation to the reductions that are usually granted in the case of leaks and that the manager have the discussion with Gentry related to a reasonable time frame might be.

Roskey suggested that perhaps all customers affected should be charged at the tier one rate for their entire bills.

Gentry suggested that the Board needs time to discuss it amongst themselves, but he commented that he hoped they would take into consideration the economic conditions and the need for the business to continue operations.

Gentry departed the meeting.

The Board briefly discussed approaches to dealing with the issue.

Staff informed the Board that Gentry's previous bills were often in the neighborhood of \$40,000 during the summer prior to this error occurring and during this time frame some bills were only \$9.50.

Platt suggested that there might be a few possible options to consider for reaching a settlement on these bills. 1) charge full bills at tier one rates, 2) treat all as leaks would be treated and discuss appropriate time periods for repayment based on the magnitude of the bills. The Board discussed what might be appropriate time frames for repayment, some Board members favoring a maximum of one year and some in favor of a longer period due to the magnitude of the bill for Gentry. Some Board members expressed concern that if something specific was done for Gentry it could be viewed as unfair if the same solution is not applied to all others.

Garbarino asked how many of the properties have changed ownership. House stated that only one account has transferred ownership.

House commented that with leak adjustments the calculation is related to previous averages but that in other circumstances the tier one rate is charged for the full billed amount.

Frentress commented that the Board should have more information on the effects of various solution options before the Board comes to a conclusion and would suggest that Staff do some work on that and bring it back to the Board for further consideration and let Gentry know that was how the Board was proceeding. The Board discussed whether to address the other 37 accounts affected by this now or to hold off. Grycko suggested that a letter should go to the customers affected telling them that an issue has been discovered and that there will be an adjustment coming in the near future.

6.5 Reconciliation of Auto-Pay Accounts

Grycko asked if the issue with the billing system has been resolved. Hathhorn commented that this particular problem was truly related to human input error, but that there are other issues with our billing system that he would like to discuss as a larger discussion later.

Hathhorn explained that the on-line payment system and the billing system don't reconcile one with the other. Since it doesn't work that way the process used to be that the Bank would periodically send us a "charge back" report showing bounced checks, charges against closed accounts and payments declined for other reasons. The bank arbitrarily chose to quit sending those reports. Since there was never a consistent time frame for delivery of these charge back reports it wasn't noticed when they ceased coming; we thought the issues were taken care of. Grycko commented that customers should have recognized this when they reconciled their accounts. Staff commented that many people do not reconcile their accounts. Hathhorn stated that the same principle prevails as it does with the Gentry issue; that they received a product for which they did not pay and Sunrise is entitled to collect the money.

Grycko commented that Staff should be talking to the bank about this. Staff commented that they have and essentially the bank says that they sent notice therefore it's not their responsibility. Hathhorn also stated that the person whose email account was set to receive the notice no longer works for Sunrise.

Platt asked how many of these accounts are no longer active. Staff commented that they are predominantly active accounts.

Hathhorn asked how the Board would want to handle collection of these amounts. The Board discussed the issue and it was suggested that there are some customers who will be able to simply write a check for the full amount and others who will need more time due to the size of the difference.

Platt suggested that if the top three are removed from the equation, then the others might be offered a payment for a set amount for each payment over a year in order to collect the difference. This would be similar to the Equal pay type of scenario offered by PGE.

Platt asked how many auto-pay accounts are maintained by Sunrise. Staff stated that there are about 500 of these accounts. Platt asked what procedures are now in place to assure that this doesn't occur going forward. Staff stated that the email address issue has been resolved and Staff now also actively requests those reports from Key Bank on a regularly scheduled basis.

Platt asked if the auto pay has turned out to be a hassle. Staff stated that there have been a lot of issues that occurred at the same time that resulted in this level of confusion, such as staff turnover, reassignment of staff responsibilities and software issues, and that it is unlikely that there would be such a confluence of issues in the future. Staff also stated that this is a payment option that many customers prefer.

Platt wanted to commend Hathhorn for diving right into these issues. Hathhorn commented that Staff has done a lot of work on these issues too.

6.1 Request for Qualifications for On-Call Construction Services

Hathhorn recapped the actions that have occurred in the past few meetings related to contracting for services. The Board was informed that the item presented to the Board now is the RFQ and contract that would be placed in the Daily Journal of Commerce in order for Sunrise to select up to three contractors to have on a roster to use as work needs to be done.

A motion to approve the Request for Qualifications and Agreement for On-Call Construction Services and direction to Staff to circulate it for general public bidding was made by Blake and seconded by Grycko.

The Board discussed the time frame contained in the contract. Platt suggested that it might be advisable to have a staggered process so that there are always qualified contractors cycling into the roster of available contractors.

Motion carried unanimously.

6.2 Request for Quotes for Materials for the Mather Road 24-Inch Transmission Main Relocation

Jannsen commented that the relocation of the 24-inch water main on Mather is coming up. The Authority has requested quotes from suppliers for materials in advance of the project initiation.

Working with RS Davis has led to the revelation that it is impossible to do traffic control while their facility is in operation. As a result, Davis has agreed to cease operations for one Saturday in order to allow the work to be performed. For this reason it is essential that the materials be on-site, ready to use and that the contractor selected is someone that Sunrise has absolute faith in their ability to get the work completed within the extremely limited time frame available for this process.

Jannsen stated that some of the materials in the proposal may be pulled from the existing stock and that would lower the amount for materials.

A motion to approve the award to United Pipe and Supply, and to authorize the General Manager to sign a contract for the materials purchase for the 24-inch transmission main relocation on SE Mather Road, for a not-to-exceed value of \$12,000 was made by Blake and seconded by Anspach.

Hathhorn commented that Jannsen has done a good job pulling all of the pieces for this project together.

Platt asked about the anticipated amount that may be due the contractor on this project. Jannsen stated that it should be in the realm of \$10-15,000, but it is slightly unknown because of the need for Saturday work.

Motion carried unanimously.

Freness asked where this project is located. Staff explained.

6.3 Request for Proposal for Audit Firm

Rigutto stated that she is compiling a list of about 10-15 firms that will receive this Request for Proposal. She explained that the firm will be selected based on experience and qualifications and that the price will be negotiated after the selection.

Hathhorn pointed out that there are some issues in the RFP that are somewhat open ended.

Platt asked if Pauley Rogers would be invited to respond. Rigutto affirmed that they would. He asked if we would select a few to work with or would the most qualified be selected for negotiation. Hathhorn commented that it is typical with selection of professional services to select the best, attempt to negotiate a contract and if it is unsuccessful move to the next most qualified.

A motion to approve the Request for Proposals for Professional Auditing Services and to direct Staff to send it to selected accounting firms was made by Platt and seconded by Grycko. Motion carried unanimously.

7. BUSINESS FROM THE BOARD

7.1 Calendar of Meetings

Board suggested several changes and additions to calendar.

7.2 Liaison Reports

Blake reported that CRBC is still looking for a new office space. He has met with Lee and presented a proposal for a solution for CRBC at the CRW Board meeting that would involve demolishing the Roberts Road house and replacing it with a manufactured structure that would be donated by Oak Lodge Water District, if CRW would agree to a long term lease. The CRW Board voted to direct Management to work with CRBC on the issue.

Garbarino mentioned that he had attended the CRW meeting. Several of the CRW Board members expressed their appreciation that Sunrise is making the effort to keep channels of communication open with them.

8. BUSINESS FROM THE MANAGER

8.1 Financial Reports

A motion to accept the financial reports as presented was made by Anspach and seconded by Grycko.

Hathhorn pointed out that on page 5, that there is a substantial reduction in the amount of water sales in 2010 and that the pattern has not changed. He commented that this represents about an 18% reduction in water sales and is likely related to the cooler weather in 2010 and the economy. He pointed out the water sales piece is at 71% of year to date to budget and we are 75% of the way through the year, so there is a possible budget short fall. Hathhorn commented that he believes that we will be about at 100% of budget on personal services, but he thinks that materials and services will come in under budget and that it is likely that the difference in revenue will be balanced by the lower costs in expenditures.

Hathhorn commented on how these numbers may be considered during the budgeting process. Frentress commented that when discussing the rate increase last year, it was suggested that it was likely that another would be necessary this year. He asked that Staff provide the Board with information at the work session meeting in April as to whether an increase is needed and if so, what it might be. Hathhorn stated that it hasn't been brought up because he is trying to get a handle on the larger economic position of the organization in order to come back with a complete picture for the Board and what an actual need on the rate increase might be. He stated that work is under way.

Platt commented that we are in fact 67% of the way through the year rather than 71 % as stated earlier. The remainder of the year is not during high consumption months, so it is unlikely that the shortfall will be made up before the end of the year. The estimation is that there will be about a \$400,000 shortfall.

Motion carried unanimously.

8.2 Cash Flow Report

Frentress asked what the previous discussion would do to this. Hathhorn commented that conservative numbers are used based on how expenditures are proceeding and the low likelihood of making up additional revenues, so the ending cash balance is likely a conservative estimate.

Hathhorn suggested that it is likely that Sunrise needs to look at generating another million dollars a year in order to get where it needs to go. The reasons for that number will require a separate discussion. Rigutto commented that there is a large cash outflow in March due to bond payments.

8.3 Advisory Committee

Hathhorn commented that he has approached Damascus about providing an additional name to complete the advisory committee and they have not done so. Since that has not occurred it will be an at large position, so feel free to recommend a name for a quality candidate to Hathhorn if you have one.

8.4 Water Permit Extension Update

Hathhorn commented that he has the exceptions from Water Watch on the Administrative Law Judge's decision. He cautioned that the threat remains that the entire thing gets remanded to WRD for consideration of the climate change issues.

8.5 Happy Valley Annexation Issues

Hathhorn commented that Happy Valley has utilized a cherry stem annexation into CRW's service area along 212. SWA's position is that we are the water provider for the City and it is unclear that Happy Valley shares that belief. It also creates questions related to forced withdrawals from CRW. He stated that a conversation has occurred with CRW that indicated that it is not the Board's intent to force withdrawals from their service area but that there are open issues with Happy Valley that need to be resolved.

Hathhorn stated that there is a need for the Board to call an executive session in the future and have a frank conversation on these issues and that it is permitted under state law and it is likely that an executive session will be scheduled for the next meeting.

9. MONTHLY REPORTS

9.1 Operational Reports

9.2 Engineering and Construction Reports

9.3 Government Relations Report

Frentress asked for clarity on the Clackamas County MPAC and MPAC. Anderson explained the differences between the two. Blake commented that he will be resigning from the Clackamas County MPAC Chair position, as he did not realize at the time that MPAC meetings conflict with Sunrise Board meetings, and that the person in that position must be able to attend those meetings.

Anderson briefly discussed the Governor's proposed budget and the probable impacts on the Drinking Water Program.

A motion to adjourn was made by Grycko and seconded by Anspach. Motion carried unanimously.

The meeting adjourned at 8:10 PM.

ROBERT FRENTRESS, CHAIR

JEANNE ANSPACH, SECRETARY