

SCAPPOOSE PUBLIC WORKS ADVISORY COMMITTEE

Public Works Conference Room

34485 East Columbia Avenue

Tuesday, October 30, 2012 at 7:00 p.m.

Call to Order

Mayor Burge called the meeting to order at 7:00 p.m.

Roll Call

Scott Burge ~ Mayor, Lisa Smith ~ member/citizen, Mark Reed ~ Councilor, Joe Lewis ~ Water Plant Supervisor, Darryl Sykes ~ Water Plant Operator III, Kevin Turner ~ Wastewater Operator III, Doug Nassimbene ~ Utility II Operator, Carmen Kulp ~ member/Planning Commission and Jon Hanken ~ City Manager. Rick Weber ~ member/citizen arrived at 7:33 p.m.

Excused: Barb Hayden~ member/citizen and Marty Baldwin ~ member/citizen (due to not getting notified)

City Manager Hanken explained what you have before you is kind of continuation of conversations that this committee had a couple years ago. He explained we are beginning to work on our budget for fiscal year 2013/2014 and looking at the projected expenditures and anticipated revenue right now he is projecting a shortfall of approximately \$690,000 in the three water funds. He explained he just received the information related to what the PERS increase will be for the City of Scappoose in terms of percentages and have done some rough calculations to come up with a dollar figure. He explained City wide we are anticipating a PERS jumps of \$182,000 and he doesn't want to focus on this that the reason why we are doing this is because of PERS. He explained when he looked at these figures in terms of projecting shortfalls what he was looking at was what we are currently expending versus what we are getting in. He explained when we start looking at next year's budget his advice direction to all department heads is flat budgets, meaning the dollar amounts total are not going to exceed last year's budget. He explained as you look at the various funds, Fund 40 is the General Water Fund and we anticipate revenues of \$1,125,700 and there are expenditures at \$1,478,980, that anticipates a shortfall of \$353,270. He explained Fund 50, which is the Water SDC Fund, we anticipate \$22,191 and expenditures of \$306,963 for a shortfall of \$284,772. Fund 89 is the Airpark Water Line Fund, anticipated revenues of \$74,941 and expenditures of \$126,033 for a shortfall of \$51,092. He stated again calculating out the total in terms of revenues and expenditures and that gives the anticipated shortfall of \$689,144. He explained one of the things we looked at in terms of if we wanted to increase revenues to equal expenditures we would be looking at increasing our revenues by 56.4% , we realize that is not going to happen. He explained one of the things, we go back to and this was one of the discussion points when this committee met, is looking at basically a \$15 a month increase in what he is going to call the fixed cost. He explained in 2009 the committee talked about this and the numbers that we are throwing out in terms of the \$15 are the same as in 2009 realistically the only difference is back in 2009 we had some \$700,000 worth of carryover funds however over the couple of years revenues never came in to equal the expenditures so are

beginning cash position has dwindled considerably. He explained if you look at the current budget we are operating under \$75,000 in a contingency line item. He stated believe me we are doing everything we can to hold the cost on the expenditures but we are operating a water department. He explained having a contingency that low really causes problems when we start talking about doing repairs or doing needed service. He explained one of the things that we do need to continue to budget for is for capital improvements. He will say in that 1.4 million dollars that he discussed as expenditures there is \$300,000 worth of capital improvement work. He explained he is a firm believer in terms of a budget and in terms of having a water department you have to budget monies for capital improvement so there is that dollar figure associated with that.

Darryl Sykes went over his handout regarding rate history and rate study adjustment comparison. He explained they went back and were kind of basing this off of the rate study that was done in 2002. They looked at the project numbers that were given by the firm that did the study for the City, what his advice was, taking in consideration our long term planning and our water master plan and these were the numbers he had outlined here. If you look back in 2003 our base rate has been \$15.70 they based it on an average of 7,500 gallons, that's average monthly household usage. He explained if you look in the next column that is the commodity rate. He explained we have had a couple of increase; in 2006 we had a three cent per 100 gallons increase and then again in 2012 we had a five cent per 100 gallons increase. He explained you can see what the projected monthly rate would be per service and then if you look at the next column that was basically the increases that we did have, it was the percentage increase. He explained the rate study he had put down the rate studies recommendations and just kind of did a comparison. He explained the study ended in 2011 so for the last years it reflects zero percent because he just went with the current rate. He explained if we multiply that with the number of services that we currently have within the City, you'll see the funds generated, the actual funds are in the first column, the next column are the study funds that would have been generated had we followed the rate and the last column shows the revenues that were not collected by not following the rate study. He explained the bottom column, the rate history, that's basically when staff came to Council in 2010 for a \$15.70 base rate with a .33 per gallon commodity rate and so they just kind of projected that out had we followed staff's recommendation in 2010 and if you look to the far right that kind of gives you the revenue that would have been generated by that recommendation.

City Manager Hanken explained when we start looking at how our finances are and how they are situated now, we are in dire straits in the water fund. He explained the \$15, if the recommendation is presented is adopted does not cover the entire shortfall. The City of Scappoose, in terms of the budget that we'll be doing would still be transferring about \$250,000 from the General Fund basically to cover the SDC cost in terms of the bills. He explained we recognize what we need and were not going to make that step in one step. He explained we want to go back to numbers that were recommended in 2009 so that at least for many people they are comfortable with the numbers that are being presented, they may not be happy with them but again they are still the consistent numbers in terms of this is what we need.

Lisa Smith stated let's talk about that SDC Airport Water Line. She stated the payment of those is driven by something different from Fund 40. She stated Fund 40 is driven by users buying

water and everything that is in that is taking caring of existing water system, taking care of the Federal requirements, all those things and so we have a \$353,000 short fall. She stated the other two are kind of a different breed of cat. She explained Fund 50 SDC's we are paying debt out of that, we go back and get the money out of the Water Fund if the SDC's are not there and SDC's are driven by development. She asked are we seeing any predications at any point in the five year window, any time within the next two or three years to indicate there is going to be any kind of housing improvement?

City Manager Hanken replied no.

Carmen Kulp asked how about industrial or commercial.

City Manager Hanken replied nothing. He explained what you are going to get now in terms of people asking are those buildings in terms of what's already here in terms of what's available. He explained in terms of future development, in terms of construction of anything out at the airport you are looking five years out. He explained as far as the housing there are no permits being generated, there is no discussion related to doing phase two of any subdivision.

Lisa Smith stated now Airpark Water Line, something else happened there. She stated that is going to be a debt now on the Water Fund, there's not going to be anybody paying to connect.

City Manager Hanken replied the Port of St. Helens in terms of the revenues pays the \$74,000. He explained we have the other \$51,000 and for the sake of discussion and consistency the City of Scappoose has been paying that \$51,000 for years, it's always come from the Water Fund, there's always been a transfer to cover that one.

Lisa Smith asked didn't that expire, isn't that not realistic to expect?

City Manager Hanken replied it was one of those where you had the forgivable loan.

Lisa Smith asked how much longer is that loan for the City.

City Manager Hanken replied approximately 2017, 2018.

Carmen Kulp asked about Fund 50.

City Manager Hanken replied they are capital improvements that were made to the storage reservoir, the water plant and under the SDC's that's reimbursable.

Lisa Smith stated to be able to deal with more growth when it comes and then it didn't.

City Manager Hanken stated you are 25 years paying on those. He explained the one thing too is when people ask what is the possibility of refinancing those. He stated one of the things you have to remember is four million of that is at 1%.

Mayor Burge stated so pretty much what you are saying is this increase would cover Fund 89 and Fund 40.

City Manager Hanken replied right and the General Fund still needs to make a transfer to the SDC's to cover. He explained he thinks we are, in what he is going to call in a little bit of a bind, and he knows Councilor Reed had some conversation with some people at the League at Oregon Cities conference related to some possible financing projects that we have related to water. He asked him if he would like to give everyone an overview on that.

Councilor Reed explained he just kind of talked to the Rural Development and they have all of our statistics there and what he originally asked them was regarding financing for the water and sewer line being moved for \$750,000 plus, whatever that amount will be. He explained they looked our information up and basically said we are ineligible for any grants and possibility ineligible for any loans because of the fact that our average household income is around \$58,000 and the second part of that was because our water rates were just too low comparatively speaking. He explained if we could get a loan for that kind of money they actually had a 40 year loan of, he thinks. 1.25%.

City Manager Hanken replied he thinks the point there is again looking at if we needed to do some sort of emergency work, emergency loan the funding agencies are going we probably aren't going to get a loan or you are probably going to have to make a significant adjustment to your rates in order to qualify for that.

Rick Weber arrived at 7:33 p.m.

Lisa Smith explained there are three different problems that she feels they need to resolve. She explained we have got to do something with the water fund because the water fund isn't paying for itself and it should be even. She stated the other two items we may be able to look at in the way that the ordinance or resolution is crafted time limits because those aren't always going to be in play or always charged. She stated if we are able to say we are adding this much to your bill every month, and she doesn't know what the numbers are, but we are adding this much to your bill every month because we have to pay this \$51,092 that goes away in 2018, that charge will go away in 2018. She explained it gives you some options to approach the community with something else at that time.

City Manager Hanken replied if you go back to what he wrote back when because he will talk about in 2009 in terms of the numbers; that \$15 was structured as a debt service fee. So again realistically you could take that and say this debt service fee portion goes away or sunsets after "x" number of years and could be revisited. He stated the one thing he will say is if you are going to do that then let's get away from the infrastructure that \$7.70 infrastructure fee because you're already paying on the cost of products and commodity. He stated your meter fee, your base fee is basically \$15.70, you lump that together you have this debt service fee, and he's throwing out \$15, but that was 2009. He stated you need to do something to raise the revenue to cover the Water Fund. He explained you can do the debt service in the SDC's in terms of having that. So again the one that goes away in 2018 you can sunset that particular portion.

Lisa Smith explained all of us, she thinks, sat here a couple years ago and truly did not want to believe that two years later things were still going to not be better. She explained now we have a whole Country who realizes it isn't going to turn around in terms of changing these numbers and the debt is not going to go away. She explained so the sources that we had that were designated to pay for it are not going to return we are saying within the next five years, so we are talking about a plan that addresses the water department needs for the next five years in a time of not too good of economics and when we start to talk about those kinds of numbers. She explained because they are going to be unattractive numbers she is believing she needs to be able to say this numbers going to the water fund, this is what it costs to make water and to keep you water system operating, etc. and some day possibly this comes back that charge isn't going to be on the citizens forever. She thinks it would be nice to be able to say when development turns around in five years or when we believe it is realistic to say then this charge goes away and it goes back to being paid out of the source that it is originally intended to be paid out of.

Carmen Kulp stated with that you are saying expenditures are not going up at least for this fiscal year.

City Manager Hanken replied what he is saying is the department heads are going to have to come in with a flat budget. He stated his definition of flat is total operation expenditures, you cannot exceed. He stated as we talked earlier, PERS Costs you've heard the numbers, the insurance costs, you have all of those. He explained all that labor the department heads are going to deduct that out of their total costs in terms of their budget, that is what they have to work with from an operation standpoint, that is going to be an awful tight budget. He explained next fiscal year is not going to be pretty. He explained we are going to hit what a lot of the larger communities have already gone through, it is going to be ugly.

Lisa Smith stated the saddest part about this whole thing from the perspective of SDC's is that the City of Scappoose did not make any mistakes, they didn't wait until their water system was so stressed that there was nothing coming out of the faucet before they built the capacity for it. She explained that has turned around to bite us a little bit when the growth didn't happen.

Joe Lewis replied he agrees and neither did the folks that did the rate study in 2002 they unbelievably accurately predicted our water system requirements based on the anticipated growth and they did so in the way that's really surprising considering they did it into the future; the next treatment plant, the reservoirs, absolutely necessary and they prescribed a solution to the financing which we haven't moved on.

City Manager Hanken replied you are right, you can do everything right and then the economy tanks.

Rick Weber thinks getting one hundred gallons of water for 38 cents is still a terrific bargain. Lisa Smith asked do we need to figure out some numbers? She asked City Manager Hanken what is he looking for from this particular committee.

City Manager Hanken replied at some point and time we have got to get to numbers. He explained in 2009 we talked about in terms of helping to educating the public he wants to throw out a number that they are familiar with. They may not have liked it in 2009 but the number did not change, in terms of this is what we are hoping to get. He explained from a budgetary standpoint he believes we can work with that \$15. He stated again it is going to be a tight budget, like he said when we put that \$15 out we did not anticipate what PERS was going to do, it is going to be a tight number but he believes we can make that number work. He stated he believes that is a number that the public has heard, it is a number, go back to the Spotlight, they may not be happy about that but they can support that number.

Lisa Smith asked if we can look again in combination with consumption. She still truly honestly believe that people don't conserve water and that's an issue. She explained she has noticed in a lot of the water rate rates that she has looked at in different communities that there are break points, there are tiers in how they charge their water. She explained if you use, for example, 0 – 5,000 gallons a month you pay a certain amount per 100 gallons, is you use 5001-7,500 your water costs more. She explained as your use increases your water costs more. She stated there is an incentive to not use more than the system can generate.

City Manager Hanken replied the only concern he has with the commodity rate is simply because the way our budget sits we need to make sure we are able to get the revenues that we need to pay the loans.

Carmen Kulp replied if you combine.

Lisa Smith replied yes, she is talking about a combined approach, not just talking about the base rate. She doesn't know whether commercial is going to look the same as residential, she thinks that is something we are going to have to look at. She's not sure if commercial has to look like residential.

City Manager Hanken replied he has run the numbers in terms of comparative in terms of cost, that is just one idea. He explained he will go back to if you are looking at a commodity, you are not going to like this idea but he still feels like he needs that he needs to throw it out, keep the \$15 because again you are still not covering everything you need and add to the commodity. He really does want to focus on the \$15 fix that we need.

Councilor Reed asked where the \$15 came from, it doesn't generate enough revenue.

City Manager Hanken replied you have to make increases in steps and again in 2009 when we looked at what our budget situation was at that time \$15 provided us the revenues to cover the funds and still maintain the contingency fund of \$700,000. He explained that didn't occur so like he said the contingency dollars are down to \$75,000. He explained in order to help people understand in terms of the rate increase what he didn't want to do was throw out a different number that was higher than the \$15. He stated what we need is more but if you are not going to get to the \$15 to get to the four hundred and some thousand you are not going to get to the seven hundred thousand. So again the number 15 they have heard about two years ago. He stated they

didn't like it then but maybe they are willing to tolerate it now because they are going back to we didn't change the number we told you this two years. He stated it isn't the fix but it is a good important step.

Lisa Smith asked what does the \$15 generate.

City Manager Hanken replied \$403,000.

Rick Weber stated we talked about a five year plan approach, right now we are just talking about year one correct. He asked if they are going to talk about years two through five at a different meeting or tonight.

Lisa Smith replied she thinks they are going to have to look at phase in. She stated when we make a recommendation this time she would like to see it phased in and she would like to see if for the five years they are talking about and she would like to see it use tiers at least on the residential side and she doesn't have an issue with commercial being different from residential use because it's patterns are entirely different.

City Manager Hanken explained unfortunately you need to make a big jump this year to cover debt to keep things going.

Lisa Smith stated a question that always comes up is will the City be looking at senior discounts. She feels she would rather say "x" this year and here is how it is going to be phased in to the total of....whatever we decide that bottom five years from now projected number needs to be.

Rick Weber replied he would be impressed by that approach too because as a tax payer he wants the confidence of long term plan and he wants some kind of an assurance it is going to be follow and he is going to make his judgment of whether or not it will be cost effective.

Councilor Reed stated \$15 is not going to cut it.

City Manager Hanken stated you have to lay out a plan.

Joe Lewis explained we need \$26 now and that does not include a capital improvement plan, that is just to break even and that would balance the budget. He stated he thinks City Manager Hanken is right when he talks about the capital improvement that water systems need don't finish when you finish paying off the loans on the ones that you currently have. He stated we are going to need different wells, we are going to need another water source.

City Manager Hanken stated you have to replace all your pipes over the time period.

Lisa Smith talked about usage tiers, phasing in the increases, a five year plan, a commercial versus residential, and bonding for future capital improvements.

Mayor Burge stated he thinks that Lisa is dead on there and it is like he said already when we get

done here he wants all of us to be sitting down and looking at the sewer budget. He stated we haven't done a sewer increase for awhile.

Joe Lewis explained the one hesitancy he has about the five year plan is that people see that as an onerous load and he doesn't know how to approach it otherwise reasonably. He stated in the past when people saw the 5, 5,5 and percent going forward forever and ever that really raised the reactions.

Lisa Smith explained she doesn't think the percent of going forward forever and ever probably is a concept that you want to try and put in to place but she does see saying this is the five year plan. She stated after that everything gets reevaluated because maybe there is new growth in Scappoose again.

Mayor Burge explained Pendleton increases 1% every year.

Lisa Smith replied you should sunset it though so it takes Council action again at a known point in the future to look at it again.

Rick Weber stated it's not really fun to look at a five year plan that looks like it's going to be painful but he thinks he would prefer that than to five year of surprises in a row.

Carmen Kulp agrees with that. She thinks if you are telling them you are going to tier it they can do conservation and they will probably be receptive of that.

Lisa Smith explained she would like to get it back somewhere in the center of where it should be, set up for five years, she would like to see usage tiers, she would like to know if that is something they can do. She would like to gently and realistically phase it in, if there is a way to split the difference, if there is a way to know that okay five years from now we probably need \$30 more than what we are getting. She stated we need to break that down to more manageable chunks please. She stated she doesn't have an issue if commercial is handled differently; it is a whole different scenario.

Mayor Burge asked City Manager Hanken if he has direction for the meeting in two weeks.

City Manager Hanken replied yes.

Lisa Smith stated she is concerned about what the total number is, don't get her wrong, she's real concerned. She is concerned about the impact it is going to have on her life personally and on a lot of other people's lives. She is also at this point just needing to see a whole process rather than doing this every two years and trying to figure this out.

Calendar Check ~ Next meeting

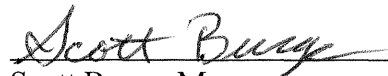
The next meeting will be on Thursday, November 15, 2012 at 7:00 p.m. at the Public Works

Department.

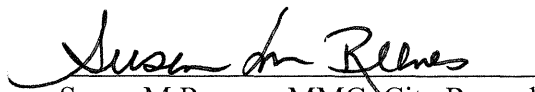
Mayor Burge asked if he can get a copy of the water system pipes broken down by decade not ever year.

Adjourn

Mayor Burge adjourned the meeting at 8:45 p.m.


Scott Burge, Mayor

Minutes typed by:


Susan M Reeves, MMC, City Recorder