

MINUTES OF THE REGULAR MEETING OF THE MEDFORD WATER COMMISSION

December 17, 2014

The regular meeting of the Medford Water Commission was called to order at 12:22 p.m. on the above date at the Medford City Hall Lausmann Annex, Room 151/157 with the following commissioners and staff present:

Chair Jason Anderson; Commissioners Cathie Davis, Lee Fortier; Leigh Johnson

Manager Larry Rains, Deputy City Attorney Kevin McConnell; Deputy City Recorder Karen Spoons; Administrative Coordinator Betsy Martin; Principal Engineer Eric Johnson; Finance Administrator Tessa DeLine; Public Information Coordinator Laura Hodnett; Water Quality Director Rosie Pindilli; Operations Superintendent Ken Johnson; TS Administrator Kris Stitt

Guests: Medford Councilmember Bob Strosser; Ashland Public Works Director Mike Faught; Central Point Mayor & Liaison Hank Williams; Central Point City Manager Chris Clayton; Eagle Point Public Works Director Robert Miller; Phoenix Mayor & Liaison Jeff Bellah; Perry Sneed, Medford Mayor Gary Wheeler

Commissioner John Dailey was absent.

2. Pledge of Allegiance
3. Approval or Correction of the Minutes of the Regular Meeting of December 3, 2014
The minutes were approved as presented.
4. Comments from Audience
 - 4.1 Eagle Point Public Works Director Robert Miller stated that it had been a few months since he was in attendance and was here to observe.
 - 4.2 Medford Councilmember Bob Strosser stated that it was good to be here through the years as liaison to the Medford Water Commission.
5. Written Communications
 - 5.1 Quarterly Letter to the Mayor and City Council
The letter covering the fourth quarter of Fiscal Year 2013-14 was presented to the Board. The report was delayed due to impacts of the financial software upgrade project. The Commissioners approved, the Chair will sign the letter, which will be forwarded with the relevant attachments to the Mayor and councilmembers.
6. Public Hearings
 - 6.1 Consider Resolution No. 1565, A RESOLUTION Prescribing and Establishing Rates for the Use and Sale of Water From the Municipal Water System of the City of Medford, Oregon, Within and Without said City, to Intermittent Users, and to Special Outside Customers, Repealing All Prior Rates in Conflict Herewith and Providing that the Increases as Set Forth in the 2014 Cost of Service Analysis Shall Become Effective on March 1, 2015, and Thereafter

Public hearing opened.

Central Point City Manager Chris Clayton stated that he submitted written comments as follows 1) Interim increase is too high 2) impact of Medford not using MWC billing 3) rate study is needed 4) rates impact conservation and 5) across-the-board increases. He requested that the increase be done after their new budget cycle, which would be in July. He also made the comment of "unjust enrichment".

Central Point Mayor & Liaison Hank Williams stated that he hoped there would be a true wholesale rate for water and commented that many retail customers have lower rates than they do; he would like to see this addressed through the rate study.

Phoenix Mayor & Liaison Jeff Bellah stated that he would consider this a historical study increase; he expressed concern with the 7.5% increase becoming a new base vs. a rate increase such as 3%. He talked about the cost of water in Phoenix compared to rates for Medford residents. Mr. Bellah would like to find out how the costs came about once the rate study is completed and asked for a smaller rate increase at this time.

Public hearing closed.

Commissioner Johnson stated that he was not comfortable with the 7.5% increase. He remarked that it will take some time before the study is done; he was not opposed to a reasonable increase such as 5%.

Commissioner Anderson stated that Mr. Johnson was not in attendance at the December 3 meeting where staff presented a study session on proposed interim rate increases. He stated that if we continue to do nothing we will actually lose money, hence the reason why the Board was presented with rates at the 7% range. Mr. Anderson noted he was not opposed to the 5%.

Manager Rains noted that the rate study is about half completed.

Commissioner Fortier stated he would feel more comfortable with the 5%.

Commissioner Davis did not like to pick a figure out of the air and requested comments from staff.

Mr. Strosser noted that a gentleman just arrived for the public hearing. Mr. Anderson acknowledged the citizen and questioned if he was here for the public hearing. Perry Sneed stated that he was; Mr. Anderson stated that we are discussing that now and invited him to speak if he so chose.

Mr. Sneed remarked that he has an acre on East Main Street and thought that they are being penalized for trying to keep their grass green. He further said that he has had the MWC evaluation to try to get the usage down and has done everything suggested. Mr. Anderson questioned if that was successful; Mr. Sneed noted that it was but requested a residential rate decrease for those with lots over 1/3 acre. Mr. Anderson appreciated him coming to speak but noted that at this meeting we are not able to go over items such as that but we are in the middle of a rate study.

Mr. Anderson requested Mr. Rains discuss what the fiscal impact would be at a lower rate such as what was requested by Mr. Johnson. Mr. Rains stated that he will attempt to answer that along with the comments from the audience. Pertaining to the letter as presented by Central Point City Manager Chris Clayton, Mr. Rains went over each topic, such as interim increase is too high (although other cities have had rate increases whereas the MWC has not); impact of Medford not using MWC billing (costs never were included in rates for other cities, districts or outside customers); rate study is needed (Mr. Rains wished the study was done as well but expects it to be done by early summer and summer is not a great time to increase water rates); across-the-board increases (it would be three months before it is implemented and it would be a small impact as water usage is used less during those months). Mr. Rains also brought up questions from Phoenix Mayor Bellah such as rate increases (three years of no rates increases); and other city customers pay more than inside customer rates (Mr. Rains provided information on the opposite). Mr. Rains finished remarking on Mr. Bellah's question regarding an interim rate increase being a new base on which future rates will be built upon (the rates that

will be obtained from the official rate study will be based on current data and economic figures and not built on top of past rates). Public Information Coordinator Laura Hodnett explained the homeowner summer rates vs. wholesale rates. She further commented that she did not want to see a large rate increase further down the line simply because it was pushed back; going with a lower rate now will not make the cost go away and has potential to make a larger impact in 2016.

Mr. Anderson questioned the cost of service study handout and stated that he does not remember rate increases over 4%. Ms. Hodnett presented the spreadsheet pertaining to rate increases. Mr. Anderson noted that the difference between a 5 to a 7.5% increase won't be that significant for residential customers.

Mr. Johnson noted that although the increase would not amount to much for a residential customer it's the 7.5% increase that people hear. The 5% increase would get us a step closer until we get the study completed. Mr. Anderson noted that at the December 3 study session the Board was shown that the MWC was running on a deficit due to infrastructure, equipment, and personnel.

Ms. Davis was not sure she was comfortable going with the lowest recommendation by staff.

Motion: Approve Resolution No. 1565 and amending the rate increase from 7.5% to 5%.

Moved by: Mr. Johnson

Seconded by: Mr. Fortier

The Board discussed the differences between a rate increase of 5% to 7.5%. Mr. Anderson noted that the Board could go with two votes for 5% and two votes for 7.5%, therefore he would vote for the 5% to prevent a tie; Ms. Davis stated she would do the same. Mr. Fortier noted it would bring in \$525,000 according to the PowerPoint presentation of last meeting. The Board discussed the rate study.

Roll Call: Commissioners Anderson, Davis, Fortier and Johnson voting yes.

Motion carried and so ordered. Resolution No. 1565 was approved.

Mr. Anderson thanked all those who came forward with their comments.

7. Authorization of Vouchers

Motion: Authorize the Manager and the Recorder to issue check-warrants in payment of invoices for a total amount of \$343,468.59

Mr. Anderson questioned the payment to Mars Company; staff noted it was for the meter test bench.

Moved by: Mr. Johnson

Seconded by: Mr. Fortier

Roll Call: Commissioners Anderson, Davis, Fortier, and Johnson voting yes; Anderson recused himself from the Asante Physicians Partners voucher, Johnson recused himself from the Stanley voucher and Fortier recused himself from the Rogue Disposal voucher. Motion carried and so ordered.

8. Engineer's Report (Principal Engineer Eric Johnson)

8.1 Duff Water Treatment Plant Floc/Sed Basins – Black & Veatch have submitted the 98% plans and specifications. Staff is currently reviewing the plans.

8.2 Duff Water Treatment Plant Raw Water Intake Pumps 1 & 2 – The electrical transformer has been delivered and installed. The rest of the project is currently on hold awaiting delivery of the variable frequency drive motors in February 2015 and the new pump #2 in March of 2015.

8.3 Duff Water Treatment Plant Filters 5-8 Valve Replacement – All of the 4" valves are on site. The 24" valves have been ordered and should be on site in about six weeks. A bid opening was held December 16; Medford Mechanical was the only bidder at \$99,800.

- 8.4 Vilas Road 16" Water Main Inter-tie – Staff has reviewed the final plans. Specification and cost estimates are currently being worked on.
- 8.5 Avenue H 12" Water Main Replacement – Marquess is working on the final design of the water main.
9. Water Treatment Report (Water Quality Director Rosie Pindilli)
 - 9.1 Consumer confidence reports are required to be sent out annually to all customers; this year staff will make a switch from mailing out hard copies to electronic delivery. Water Quality Director Pindilli explained the process that staff will go through to make these changes.
 - 9.2 There was a hazardous advisory bloom at Lost Creek Lake on December 4. Ms. Pindilli stated that shortly after we receive rain nutrients are washed into the lake and blooms form. This may affect the MWC when the Duff is on line because monitoring may be required.
 - 9.3 The Oregon Health Authority's November issue of the *Pipeline Publication* mentioned that aging water systems are nearing the end of their useful life and many systems have no money set aside for their replacement. The article further stated that water borne illnesses are on the rise and will continue as aging infrastructure continues to compromise our water quality.
10. Finance Report (Finance Administrator Tessa DeLine)
 - 10.1 Mr. Anderson questioned if the Board needed to accept the audit; staff noted that they did not.
 - 10.2 Staff is working on the July through September General Ledger and Financial Statements. While posting journals staff ran into problems and submitted them to the software developers who are researching the issues. These are the same issues that were resolved about 18 months ago. Once the inventory is resolved staff will work on the new budget document draft; Finance Administrator DeLine stated she would like to have this done by the end of the calendar year.
11. Operations Report (Operations Superintendent Ken Johnson)
 - 11.1 Staff repaired a leak on BBS pipeline #1; the road is ready to go and closed valves have been repaired.
 - 11.2 Jackson County is requesting plate locks to be used on streets; staff purchased the first four sets and will continue to purchase more as needed. Councilmember Strosser noted that these are reusable; Operations Superintendent Johnson noted that plate locks are a very good system and in the long run this should save us money.
 - 11.3 Staff repaired a leak on Ohio Street, which is in front of Darigold. The 20" steel line may have to be replaced and will cost about \$60-80,000; this will go out to bid.
12. Manager/Other Staff Reports
 - 12.1 The next Board meeting is January 7 where the study session will be on bi-monthly billing.
 - 12.2 Mr. Rains thanked Mr. Anderson and Ms. Davis for attending the Holiday Party.
13. Propositions and Remarks from the Commissioners
 - 13.1 Mr. Anderson thanked Councilmember Strosser for his service with Medford City Council and liaison to the MWC; Mr. Strosser stated that it has been enjoyable and a pleasure and will miss the responsibility he had in serving the community. Mr. Johnson noted that Mr. Strosser always listened and served the MWC well at the Council meetings.
 - 13.2 Mayor Gary Wheeler stated that he came to see Councilmember Strosser off.

14. Adjourn

There being no further business, this Commission meeting adjourned at 1:12 p.m. The proceedings of the Medford Water Commission meeting were recorded on tape and are filed in the Water Commission's Office. The complete agenda of this meeting is filed in the Water Commission's Office.

Karen M. Spoonts, MMC
Deputy City Recorder
Clerk of the Commission