

PUBLIC WORKS COMMITTEE MEETING MINUTES
Tuesday, September 13, 2016, 7:30 A.M. M.T.
**** PUBLIC WORKS HEADQUARTERS ****

Meeting called to order at 7:55 a.m. by Riley Hill, Public Works Committee -Chairman.

Committee members present included Mr. Scott Wilson, Mr. Riley Hill, and Mr. Pat Woodcock (Babcock, Hart - absent).

Others present included Cliff Leeper, Betsy Roberts, Suzanne Mulvany, Councilman Larry Tuttle, City Manager Adam Brown, and Hunter Marrow, Argus Observer.

The press was notified. This meeting was recorded (the tape is available at the Public Works Headquarters); the minutes are on file at City Hall and on the city's website at www.ontariooregon.org.

ADOPTION OF MINUTES – AUGUST 9, 2016

RESOLUTION, ACTION &/OR MOTION:

The motion was made by Mr. Wilson, seconded by Mr. Woodcock to adopt the minutes of the previous meeting, August 9, 2016: Motion passed unanimously (Babcock and Hart-absent).

UPDATES ONLY – NO MOTIONS

BETSY

- **Rate Study Presentation:** *(See slides - attachment A)*
 - This is a Water and Sewer Rate Study. This presentation was presented to the City Council previously and now has a few new slides.
 - Background on Water/Wastewater Plant Capacity (flow graphs).
 - Fund status on both Water System & Wastewater System.
 - Fund Projects: Water, Wastewater, & Utility Capitalization (budgeted & deferred).
 - Rate study Objective & Overview:
 - Objective is to arrive at fair & equitable water & sewer rates that support current and future operations; to support the NPDES process and any variance that we might see.
 - Situation Assessment: Nationally W/WW rates rising faster than inflation.
 - The aging infrastructure has finally caught up with itself; consequently need to make changes and need to increase efficiencies & productions.
 - Also, limits on NPDES discharge permits are getting tighter which means greater technology.
 - Water/Wastewater Local Survey *(new information - requested by Council)*.
 - Facing challenging economic environment.
 - Over last 10 years economic growth was flat & median household income was down.
 - City has not increased water or sewer rates since 2005 (11 years).

***Reminding everybody that the NPDES is a big factor. Getting this permit and constructing whatever it is we have to, will have a significant impact on the Capital Projects for the Wastewater Treatment Plant. We have separated that to some degree because we really don't know what it is going to be. Some assumptions were put in but have backed out on that a bit because if the facility plan is done in a year and we understand more clearly what the permit's going to look like, we can formulate those numbers better. Keep it in mind; should have more information in about a year. ***

- DEQ negotiations uncertain:
 - Currently in negotiations with State DEQ regarding NPDES, National Pollutant Discharge Permit.
 - May seek a variance related to its NPDES arsenic standard.
 - Negotiated permit could result in significant WWTP facilities or operations.

- Rate study consists of several key tasks & assumptions
 - Dennis Jackson puts together this model; has to have all of his assumptions put together. Wanted to show as we go forward in building the excel model what he uses to give the rate recommendations going forward.
- Capital improvement plan – driver of rate increases.
- Both CIP's include funds to gradually replace aging rolling stock.
- Scenarios evaluated for Water & Sewer Utilities financing: *(new information - requested by Council)*.
 - Water -
 - 1) Revenue Bond Financing: \$3m FY2017/18, @ 5%, 20yr repay.
 - 2) Oregon DEQ Financing: \$3m - \$1m each yr. for 3yrs-start FY2017/18, @ 2.29%, 20yr repay.
 - Sewer -
 - 1) Minimum Sewer CIP (not NPDES included)
 - 2) Full CIP: with DEQ-mandated sludge removal & arsenic removal.
- Financial Plan Results –
 - Unbalanced budget & growing deficit is forecast for the Water fund & Sewer fund.
 - Revenue must increase over next 5 years for both.
- New Rate information

Water utility rate increases required

| Year | Without Financing | Scenario 1 - CH2M Financing | Scenario 2 - Revenue Bond Financing | Scenario 3 - Oregon DEQ Financing |
|-----------|-------------------|-----------------------------|-------------------------------------|-----------------------------------|
| | Annual Increase | Annual Increase | Annual Increase | Annual Increase |
| FY2016/17 | 5% | 5% | 5% | 5% |
| FY2017/18 | 32% | 10% | 6% | 5% |
| FY2018/19 | -- | 10% | 2% | -- |
| FY2019/20 | -- | 2% | 2% | -- |
| FY2020/21 | -- | 2% | -- | -- |



Financing through the Oregon DEQ appears to be the lowest cost option.

Sewer utility rate increases required

| Year | Minimum Sewer CIP | Including DEQ Mandated Improvements |
|-----------|-------------------|-------------------------------------|
| | Annual Increase | Annual Increase |
| FY2016/17 | 6% | -- |
| FY2017/18 | 5% | TBD |
| FY2018/19 | -- | TBD |
| FY2019/20 | -- | TBD |
| FY2020/21 | -- | TBD |

The impact of DEQ-mandated improvements will re-examined next year.

LT – Is the recommendation going to be that we raise the water rates and not the sewer rates until you have more information?

BR – No, both of these tables are what we feel like need to happen now.

RH – Are there contracts with the Prison & Ore-Ida that cannot be broken until expired? Because there is about 50%+ of the usage.

BR – Typically they are not locked in on rates, but will have to look up.

- The next Steps will be to prepare proposed rates that will result in the agreed-upon revenue increases required.

● **NPDES Permit Overview:**

| ACTIVITY | BUDGET |
|----------------------------------|---------------|
| Council NPDES Budget | \$ 150,000.00 |
| Phase 1 Permit Activities | \$ 7,315.00 |
| Phase 2 Permit Activities (est.) | \$ 40,000.00 |
| Sampling Plan | TBD |
| Remaining Budget | \$ 102,685.00 |

- Phase I is basically done; Phase II activities would be looking forward at the next steps. Starting into hard negotiations on the variances, etc., which are going to take evaluating our situation, evaluating legal ramifications, etc.
- Permit is good for 5 years when awarded. But because they are so far behind the City has been administratively extended for 7 years now.
- Have had a bit of a shift from DEQ, from the first discussions we had with them. We are looking at a Facilities Plan and looking at options with what we can do.

COMMENTS, ETC.

GENERAL DISCUSSION:

- Last meeting discussion about SRCI siphon meeting (with the Lift station issue)? - No, but is on the list for next meeting. Had to put it off for a bit because of NPDES
- Direction/plan for base line increase ... how do you feel (Committee) about it? Would like a recommendation from PWC.
- To send out e-mail of corrected information on presentation.
- Would like to see \$ dollar amounts on the scenarios.
- Maybe some actual typical household invoices rather than just base amounts (without wells).

ADIJOURN

The motion was made by Mr. Babcock seconded by Mr. Woodcock to Adjourn: Motion passed unanimously (Babcock and Hart-absent).

APPROVED:


Signature _____ 10-11-16
(Riley Hill, Chairman / Bernie Babcock, Vice-Chairman)