

MINUTES
City of Newport
Infrastructure Task Force Meeting
City Hall Conference Room "A"
Thursday, September 5, 2013

Task Force Members Present: David Allen, Patricia Patrick-Joling, Mark McConnell, Mark Saelens, and Fred Springsteen.

Task Force Members Absent: Ralph Busby (*excused*).

City Staff Present: Interim City Manager Ted Smith, Community Development Director (CDD) Derrick Tokos, Public Works Director Tim Gross, Interim Finance Director Bob Gazewood, and Executive Assistant Wanda Haney.

I. Call to Order. Allen called the meeting to order at 3:04 p.m. He introduced everyone in attendance and noted that Busby was excused.

II. Approval of Previous Meeting Minutes.

Allen noted that he found only a couple of minor typographical corrections that he would point out to Haney after the meeting. **MOTION** was made by Patrick-Joling, seconded by McConnell, to approve the meeting minutes of August 15, 2013, as corrected. The motion carried unanimously in a voice vote.

III. Projected Infrastructure Needs (Presentation by Tim Gross & Derrick Tokos). Gross used the projector to present some spreadsheets, and Tokos distributed a handout. Tokos noted that as discussed at the last meeting, the City has basically identified its needs through master planning efforts that are being rolled into the Comprehensive Plan. He noted that in 2012, the Transportation System Master Plan was updated, and the Water System Master Plan was updated in 2008; but we don't have current data for sewer, and we don't have a Stormwater Master Plan at all. He said so they have less information on those to share today. Tokos said what he had handed out was basically out of the most current Transportation System Master Plan. The tables that he took out are about the different types of transportation system improvements that are needed in this community broken up by category. He said that basically the way these plans are structured, they go through a public process to identify needs. They are evaluated by qualified consultants, engineers, and the like to see what the system is. Where the needed improvements are will likely where we will see growth. Then projects are broken into high, medium, and low priorities. He explained that if a project is given high priority, it is already needed or we know that it is likely to be needed within 20 years. Medium priority would mean that there is a good chance it will be needed if certain growth happens in a certain area. For low priority, it would be unlikely that we would have to tackle those in the next twenty years unless something unforeseen happens. Tokos said that Gross will talk about the full range and will look at the chart and how he uses it for budget purposes. Allen thought that for each category what determines if it's needed or not could be different. He said 100-200 residents would be huge. Tokos said part of it is where it happens, not so much how many. He said it would be if there is development in a certain area with inadequate infrastructure. He explained that there could be a case where a developer comes in, and we may tackle the high priority and knock out a medium priority that ties in with it.

Saelens asked if Tokos could guess at the current average expenditure for all projects in each of these categories. Tokos said it varies. Funding will be discussed at the next meeting; but he acknowledged that our ability to tackle high, medium, and low priority projects is affected by funding. We are not the only party that is expected to pay for these dollar figures. In the transportation system there is more of an opportunity to partner with others. Other system improvements can be done with the developer. Allen asked for clarification that Tokos is talking about just the Transportation System Plan. Tokos said that is the most current master plan that the City has; so we can show more of a complete picture. He said that Gross has more of the 5-year plan and what will be tackled from budget cycle to budget cycle. Tokos and Gross noted that the Transportation System Master Plan includes the bicycle and pedestrian plan. McConnell clarified that these projects are just the projected enhancements and don't indicate the ongoing projects that we have already. Tokos confirmed that it does not include the maintenance of the system. Gross added that there are a couple of things they do, like overlaying and surfacing streets that are not reflected in this master plan document. He said that master plans are hydraulic or capacity-related improvements like improving intersections or extra accesses. Master plans are infrastructure, sight, hydraulic, or capacity issues for now and the future; and to a lesser extent, deficiencies in capacity or treatment. It doesn't get into the nitty-gritty of maintenance or things wearing out. Gross said that in general the Master Plan breaks projects down into what would be considered up to 5 years versus 10-20 years. He has charted out about 5 years, which doesn't deal with larger transportation issues. As he gets more data, that becomes better; and he can possibly expand into 10 years. Tokos said that his purpose of distributing these tables was not to go through them item by item, but instead to give the context of the bigger picture and how we can tie into it. McConnell agreed that these are only contemplated things, and we don't know where the demand will be.

Gross said that on the utility side of things, what we have are master plans for the water and the wastewater system. The Wastewater Master Plan was done in 1995; before the new plant was constructed. Now that it's completed, the plan is obsolete. The plan didn't cover anything else regarding wastewater in the City. Gross is starting work on a Wastewater Master Plan to cover the next 20 years. It will address hydraulic as well as structural issues. They will be doing both televising and infrastructure ratings, which will be an appendix to the Master Plan. Over the next several years, condition assessments will be done and will be added by addendum. A timeframe will be established for the order of projects. Gross noted that the City has a Water Master Plan that was adopted in 2008 and modified in 2010. This plan identifies projects with a rating of Tier 1, Tier 2, and Tier 3. Priority 1 is needing to be done right now. He noted that a number of those have been completed. Medium priority should be done as funding allows or as additional information becomes available. He said that a number of those have been advanced. The third priority are always driven by growth; only driven by when development occurs in those regions. Gross said that these plans are not very well developed. They are looking from 10,000 feet up and have a lot of assumptions. So, when cost estimates are made, they could be close or way off. Gross explained that the spreadsheet he was showing on the screen and the large version on the table is what he uses day to day to track project costs and projects coming up in the future. He noted that this was attached in the budget document. He explained that it is color-coded; green for wastewater, orange for storm, pink or red for SCADA (fiber optic), blue for water, and the tabs at the bottom of the page are color-coded to match. It is a summary of the Water System Master Plan and lists the projects. In 2008, they estimated the costs on that project, and that is inflated every year on the construction cost index. So each year, when he does the Capital Improvement Plan, he can get a better handle on what the cost will be for that particular year. He looks at how they came up with that cost in the Master Plan. Those things always need to be adjusted. McConnell noted that for the water treatment plant for example, they went for a bond based on the estimate in the plan; and it wasn't enough. He asked for confirmation that Gross is looking to develop numbers that are more useful and that he feels more confident with in case the Council decided to go for a bond to cover projects.

Gross said that the Wastewater Plan no longer works, but we are still going on with wastewater projects. He has them broken down more specifically. He said that the system from Walmart to the north is not working well. They just studied that area of the wastewater treatment system. The report is entitled the Agate Beach System. It shows where there are deficiencies and has relatively confident numbers. The Wastewater tab on his spreadsheet reflects this study. Gross is able to go over the next 5 years and put away money and design what needed to be designed. McConnell asked what a study costs. Gross said the Agate Beach Study was more; it goes through environmental feasibility for a report to DEQ and a lot of up-front design is incorporated. But he would guess in the range of \$60,000-\$70,000. Allen asked, since the committee wasn't looking at this stuff right now, if there could be links on the Infrastructure Task Force web page to both Master Plans, the 2010 reports, the material out of the budget document, and a pdf of the handout. Gross said he would post it on the web page and would email them to the Task Force. He won't post all the reports because they are no longer functional. He said the Water Master Plan is already on the Public Works web page. Allen asked if another link could be made on the Infrastructure web page.

Audience member, Nyla Jebousek, asked how these things that have been figured out will impact the bacteria contamination. Gross said the Agate Beach improvements will not have any impacts on Nye Beach; but it will on Big Creek. He said that Nye Beach is its own issue; that pump station is problematic. He said we are also having a number of cross-connections in storm and sewer. A contractor has done and will continue to do smoke testing. They will come back and identify where they noticed problems and those cross-connections will be eliminated. Allen said that will probably be brought before the City Council. He told Nyla to make sure she was notified so she can be there to listen to the results. Gross noted that Dave Morgan is good about sending Surf Rider the readings. Gross said that it is charted monthly, and he can see an impact of the improvements already done. It looks like less high readings. They found nine major cross-connections and eliminated them. Gross noted that on Labor Day there were high numbers, but he suspects that there were probably RV's that dumped into the catch basins. He said that cross-connections can be fixed. Springsteen asked how he does fix it. Gross said that some stormwater is discharged into the sanitary sewer and some sanitary sewers were connected to storm drains. They are dug up and hooked up to the right place. McConnell said that they were not connected right in the first place. Gross said or as in one case someone designed an emergency overflow that dumped into the creek and the creek dumped into the sanitary sewer. He said they sealed that off. Gross mentioned the SCADA Master Plan projects. In 2012 the plan was done to identify how we could connect the water system into a computer-controlled system. The water treatment plant runs on it. We haven't tied it in wastewater other than the original plant. We will do a similar one to tie in the pump stations. Readings are taken every single week for each one of the 32 pump stations.

Gross said that on the stormwater plan, we only have the South Beach district; and most projects have been implemented. The 2004 Stormwater Master Plan was related to Urban Renewal. A storm surge system was put in South Beach, which is working pretty well. This fiscal year, Gross is working on a Storm System Master Plan that will identify capacity and structural issues both for long-term build out and projects that are needed now. He said an example of where there is storm sewer failure right now is at South John Moore Drive and Bay Boulevard. During last weekend's breakage, they found out that the outfall has collapsed and is $\frac{3}{4}$ full of rock. They will dig it up and excavate it. Gross said that he is going after a low-interest SRF loan through DEQ to try to fund that. Before we can apply, it requires a preliminary environmental study. He said he has already had a conversation, and they told us we are eligible but just have to do the paperwork. Gross said that we collect \$400,000 a year in infrastructure fees. That would have to be dedicated for five to six years to pay back that loan.

Gross said that projects come from the Master Plan, and failures get added in as well. He said maybe half of the projects were identified in the Master Plan, and the rest are reactive; like 7th and Iler repair, annual overlay, and replace sidewalks and fill in the gaps where they are missing. Gross said that sidewalk priorities are designed for where they make the most bang for the buck. Right now most safety improvements will be where the most pedestrian traffic is. One identified in the Master Plan is on 3rd Street by the high school and the fairgrounds where it just makes sense to finish that piece.

McConnell asked if Gross had a place where he is anticipating the need for these types of reports to give good solid information. Gross said those reports are identified in the CIP. Every one of the Master Plans are identified in the CIP. He tries to reserve it for physical improvements; but when he has a big-dollar study that is preliminary engineering work for improvements, it lands in here. A large master plan activity is very general in the CIP and then gets more specific and broken out to each project. He noted that the first view of the spreadsheet is how he tracks what has been spent in prior years. There are three funds that we fund projects through. He said that as project manager, he is aware that water capital funds can only be used for improvement of water projects. Traffic system improvements are the same. His spreadsheet tracks how much comes in for a project and how much is spent. For confirmation, Allen asked if, similar to the TSP handout, this CIP only talks about new facilities and not ongoing maintenance. Gross said that was correct. Allen asked Gross if before the end of this Task Force he would be able to have some general numbers that not only speak to the future for transportation in 20 years, water and sewer 5-10 years out, but also the projected cost just to maintain what we have. Gross said that is broken out in the budget, and he can pull that out. Tokos said it will tell us what we are spending but we don't have data on things like pavement condition. Allen said it would give a general idea. Gross said that within the CIP, it doesn't account for some of the breaks; these are planned projects only. But within the operating budget, he puts aside several hundred thousands of dollars to repair things. There is the water operating fund; and when the pump blew out at Big Creek, it was funded through the wastewater operating fund. Allen suggested that rather than predicting the future, Gross could go back 3-4 years to see what has been our ongoing cost for maintenance. He thought Gross could go back and give the Task Force hard numbers; go back 5 years regarding costs for infrastructure so we can factor that in for what we may have to spend. Gross said he could very easily do that. McConnell said that if we just look at what we have been spending, it hasn't been adequate. We are looking at things that need to be done in the future. We also need an idea of what we should be spending. Allen said that Gross could give a recommendation. Gross said the more money that is spent here, the less he spends in operations. He gave an example of televising the sewer system. He said his crews don't have the time to televise 90 miles of sewer. He can hire a contractor to do that in a month, and the cost of doing televising drops. It is picked up on the CIP side. For what we do on the CIP side, we will see the benefit 5-10 years down the road. He gave the example of when Big Creek gets replaced it will be a very expensive capital project (\$50-60 thousand) just to operate that stage. Allen said it is important if Gross can give the history of current operational costs, added to recommended costs, plus future projects. He said that the Task Force will have to look at funding sources; and that information will help make more important policy choices. Gross said those are numbers in the budget; but you just don't know what is going to happen. One year you may have a huge surplus; and you may be in the red another. Saelens noted that there are things out there that we are not dealing with that are not up to snuff but that are not causing a problem right now. If we start inventorying, and did some of those fixes in a given year, then funds can be applied to the next piece; maybe we wouldn't have things blowing out. McConnell agreed that we would have less emergencies. He wondered if there is a way to highlight which emergency costs that were incurred could have been avoided by more routine maintenance. Gross said not on the operations side. McConnell said we should look at the cost efficiency of paying ahead of time with plans and studies versus just reacting all the time.

Gross talked about the City's water main flushing. He said that we have a lot of manganese in our water, and it forms nodules on any metal valve, which makes it hard to close. We want to flush to break those nodules off. He said that our flushing plan doesn't work very well. The budget was cut for so many years, that he didn't have the staff to do that program. It is necessary to flush the system to get the iron manganese out of it. He is working on a flushing program. That is an operational exercise that prevents catastrophic failure in the water system. McConnell said that the incident on the Bay Front was a case of preventative maintenance; had we been keeping up with repairs as needed, the catastrophe may not have occurred. He said whatever can be done to track these and make improvements so that you know when you did them; slowly but surely, we will have less incidents.

Jebousek had a question on the presentation. She noted that in the handout on page two where the projects are listed, the second one down says North-South arterial. She wondered if that was Harney; and Tokos confirmed it was. She wondered if that wasn't considered to be geologically unfeasible. Tokos said that it is medium priority. It is not geologically unfeasible; it can be done. It will largely be growth-driven. He doesn't see constructing that without contributions from developers. The terrain makes it expensive. He said that we get contacted by a developer that brought a large track of land into the UGB. They are trying to get that development going; but they haven't been able to pencil out the project because of the cost of road improvements. Jebousek asked if that could be low priority. Tokos said it is what it is at this time. It went through review. The extension of Harney is development-driven, and he doesn't see that happening soon. Allen said that is coming before the City Council for more input if there is more work on that. McConnell said that he thought it was much further east out of the Forest Park area. Allen said the Council has talked about this. Jebousek said that there is some discussion in the handout about pedestrian improvements to San-Bay-O Circle and wondered who she could talk to about that. Tokos said that she can talk to him.

Gross said that as far as how far out he is planning; he said that he is looking at this year; the CIP is next year's proposed projects based on the order of importance estimated from the master planning exercise; then the following year; and the following.

McConnell asked if next year's things are things that Gross knows have to be addressed. Gross said yes; some are adding things that got cut out of the water plan. There were a lot this year that we didn't have funding for. He puts away money knowing that we have a deficient system in different locations that will be identified as we get closer. Allen asked Gross if when he sends the links to the Task Force, he would include the City Council and Peggy Hawker. Gross said he would email what he could; otherwise he will give the links.

McConnell asked what the biggest hole is. Tokos said the condition of the existing infrastructure. Gross said it is when they are fixing a water meter and there are valves not identified. He said they are actively working to map that now. Civil West is furthering that mapping by taking as-builds so that it can be given to any operator and it tells them exactly which valves to shut off. McConnell asked Gross where he is getting the funding for that. Gross said in a number of different places in the water system; engineering and general services. He had some set aside to hire an additional engineer or just contract with a consultant instead. He said that it is so important to have that data. Gross said if he were to pick the biggest hole, it would be knowing where the infrastructure is. Tokos added, not only where it is, but what is the condition of it. Gross said that every time we add a line or roadway or pipe, we need to make sure it meets current standards because in time it will become a maintenance issue. When a large section is all constructed at the same time, it will be reaching the end of its life at the same time. That is what gets awkward. He said that the wastewater system is a big example of that. The bulk of that system was installed in 1955 at the same time; and it was concrete pipe with 60-70 years of life. Patrick-Joling asked Gross if he has reached out to ex-City employees, like Paul Brookhyser for instance. Gross said the mapping was visual, and that is not at all accurate. Now, they have actually shot everything with a GPS instrument. He said that back then they didn't connect sewer pipe manhole to manhole. Gross said they are televising these things and trying to get the dots connected. It is part of emergency response.

IV. Opportunity to request follow-up information or particular items for review at the next meeting (RE: existing funding sources). Allen noted that at the next meeting, Gazewood will be a more active participant. He asked the Task Force members how they wanted to handle next meeting now that they know what the present and projected infrastructure needs are and have a sense of how certain things are being paid for. Allen said that for the current funding structure discussion, we may have to categorize them by GO bonds, rates, room tax. He said that may be the best way to put our arms around the funding issue. Gazewood said that he hasn't been in a position to give a lot of thought to what we are doing here. He sees the money outlay we have here of \$4.9 million worth of projects. He doesn't know if all that will get done or not. If we spend all that money in this year, we end up with no cash carry over balance. He said we could take part of that and work toward a bond issue to pay off some of those and structure those revenues right now to dedicate for debt service payment in subsequent years. Gazewood said he hasn't given a whole lot of thought to it yet. He will talk to the Financial Advisor.

Allen said what would be helpful for him at least is to get a sense of what is our current funding structure and perhaps where there are deficiencies. That would then play into the next meeting after that, which is future funding structure. He said part of the recommendation the Task Force will be making to the City Council is not only how we are doing it, but is there a better way of doing it. At a future meeting, we are looking at different funding structures and what are some of the things we could recommend other than rate increases. He said that at least we can identify choices. McConnell said he would like to know where money is spent right now and what effect that has on the rest of the budget; on all the other aspects. Gazewood said there are a huge amount of transfers that are set aside from those capital projects; there are big takes coming from those funds. It will affect projects. He said there are errors in the existing budget that he discovered where transfers are going to have to supplement sources just to cover some of those projects designated or decrease appropriations. The other thing, the transfers themselves have been out of balance in terms of total budget combined. Some funds have appropriated monies to go certain ways and then money is allocated to other funds. There are some funds anticipating monies, and some appropriations have never been made. Those will have to be fixed. Data is being put together for that, and he should know early next week. He said in addition, he has department heads wanting a \$450,000 fire truck that are affecting the whole structure of the money being provided here. He said a lot of issues have to be addressed in terms of where you want to get money to continue the projects. If certain monies are designated to rolling stock, it will commit a substantial amount of money for other projects. Allen wondered what kind of direction Gazewood would like. Tokos suggested one around the categories we have been discussing; streets, sidewalks; which is different than the strategy with the total because of the funding. It probably should include parks and public facilities. We just purchased property on the north side. For parks, we have been adding to the system on an opportunity basis. There is more community engagement. Parks is about what the community expects in parks and trails; where the others are more nuts and bolts. Tokos thought that breaking the existing funding down by general categories will be somewhat helpful for choosing different strategies. Gazewood noted that there are dedicated funds that can't be used elsewhere.

Patrick-Joling said that at budget time, they were asking good questions but weren't getting good answers. One critical thing they asked for was if there was a way to look at the budget to see if there is an existing way to figure out a funding mechanism so we didn't have an increase in rates. She doesn't think we have addressed that. The first thing she would like to see is where we are in the existing budget. She knows there are some issues with the budget, and she would like to hear that first. She thought that is a logical piece of the puzzle. Allen said what Tokos suggested is how we budget for paying for infrastructure and how we budget for projects. He asked if Tokos was talking about not just how we budget for projects from the revenue standpoint, but if we can reallocate from one fund to another to supplement infrastructure funding; which might then impact other funds. He said this is not a budget committee meeting, but he thought Gazewood could suggest to the Task Force without going into detail

that there might be some opportunities to reallocate how we are spending in the funds. He said that would be helpful. That is a component of what we are talking about. Patrick-Joling said that we don't know what we have to work with. Saelens said that although we expect problems with the budget, the Council approved it assuming they had what they had. Smith said there is more money in some funds and less in some. Saelens said that could be an ongoing effort to find out what those funds are. He said we could come up with a recommendation; and when we find out, just plug the hole. Patrick-Joling said it doesn't have to be a complete fix, but we shouldn't ignore it.

Allen said how we are paying for things right now for each category is an issue he would like to get more on. If we are talking about reallocating revenue within the budget, one thing up for discussion coming out of water and sewer fee is in-lieu of franchise fee. That was a policy choice the City Council made ten years ago to enhance money going into the general fund. The City doesn't have to do that. We require it of third parties; but the City doesn't have to pay because we use our own rights-of-way. He would like to get a policy from the Task Force if that money should be coming out and going into the general fund when it could stay in the enterprise fund. McConnell said what we are talking about would be as a recommendation for the future. Right now we need to revisit what is happening in the current budget year for the money right now. Allen said we are looking at the current for predictors of the future if we don't make policies. Gazewood said it is predicated on franchise fee money coming in from water and sewer of 5%; but there was no actual resolution that adopted that. Allen agreed it was something that was incorporated in 2001, and there wasn't a formal adoption. Regarding Gazewood's work load, Smith noted that Gazewood has been given the total responsibility of not only figuring out what is going on with the current budget but has also been asked to prepare information for the next meeting and answer Councilor Busby's questions about certain things. Gazewood only works three days a week here in the City. Allen said the Task Force will get more specific toward the end of the meetings. Input of where the money is coming from will be useful when we reach the next stage of funding beyond the present. Gazewood said that is a task that can be accomplished. Tokos said that will be a handful right now. Gazewood said initially what he would like to do is have a conversation with the Financial Advisor on how we could fund these long-term projects with the existing money we have right now. He possibly should know next week.

Saelens said that question number one is how we might pay for some of these things to lower the 15% rate increase. Another piece of that was to examine the current budget closely enough to see if there were items like the franchise fee that could be recovered and used toward the 15% or bolster the funds but be really clear about it being spent on the right items. Allen said that the franchise fee is more a general policy choice. The line item by line item that some were wanting to engage in is not what the Task Force is really here for. Saelens said that the Budget Committee spent a lot of time comparing infrastructure to some other things and considering if all of these were worthy or if some should go by the wayside. Some didn't really have a sense of it and thought maybe it would help if we looked at it in closer detail. Allen thought that was better left for the next budget cycle. Saelens wants to know how things are really getting paid for. He said that is going to help us get there. Allen said that is why we want to get this to the City Council by January for the Budget Committee to process next year. McConnell thought that determining how we approach the franchise fee or whether we borrow money is the Council's job. He said that those are big issues that the Council will have to wrestle with. Allen said the City Council will make choices on the proposed budget, which reflects what the Budget Committee has adopted. We need to get our recommendation to the City Council so that staff can work on it and it can further be set by the Budget Committee. McConnell said that the City Council felt strongly against borrowing money. Smith said that what he is hearing from Gazewood is that we can take out a 20-year loan and be able to accomplish more by borrowing. McConnell said that we need to give the Council good information and strategies, and the Council can say whether it is practical to borrow money or not.

Allen said he was in the minority in raising water and sewer rates. He was the only no vote the first time, and Ralph Busby joined him the second time. He was very comfortable with the Council making that decision. He felt also that it could have been done differently. Allen said that his only goal in putting this task force together is so the next time the City Council is looking they will have a separate body of people that have taken a look at it and helped make a recommendation; just like the Planning Commission helps make recommendations. The Council doesn't have to adopt a recommendation to borrow more and pay less out of water and sewer rates directly; but that is a recommendation this group can make. If the City Council rejects it, that is their choice. Allen said we have experience in this group. He feels that if this group really wants to do its job, we probably should make a recommendation. The City Council can decide if they agree. As part of that recommendation he thinks we should come up with a set of options, but as a Task Force recommend which options we think are better than others and let the Council decide. Saelens thought that it would be nice at some point to look at a graph for the next 30 years; which could help us determine that we will be paying 5% increases and still never get there versus here are some alternatives and what that might cost. Allen said there is a lot of diversity of viewpoints on this committee; and he thinks a better recommendation will come out of it. McConnell said that the Council needs to have a clear idea of what levels of funding are needed because that is kind of a stab in the dark. There has to be more money being spent than has been in the past or maybe the same; but we can't go backwards from the spending levels we have now. Allen said that if we have to spend more the question will be how to allocate that spending, versus rates, versus borrowing. Those are the choices we are going to have to make as recommendation. He suspects that those last couple of meetings will be good discussion on that.

Tokos suggested that as we move into that to keep in mind there is probably going to be a bucket so to speak of areas where you know the City Council will be getting recommendations over the next few years with respect to the storm drainage system, or

the condition of our existing streets, or the condition of our existing water and sewer distribution systems where there is going to be new information that may drive a need for additional funding. Just know that you are not going to have all the answers to every one of these pieces. You want to keep that in mind as you are looking at what is known and balancing that with the fund balances.

Gazewood felt that he had enough information to come back with something at the next meeting.

V. Public Comment. Jebousek said that she would like the Task Force to consider what other rates are in the state. She said she didn't want to end up with the most expensive rates in the state. She said we are getting up around the tenth highest in the state; higher than Portland, Salem, and Eugene. She said they should give some perspective versus we don't want to borrow money at 1% or whatever it is. She said that sometimes leveraging money is a good thing to do.

Patrick-Joling said that she has been calling other cities. Other cities have different mechanisms on how to pay for it. She is trying to get more information on that. Allen said when the Task Force is talking about future funding structures, that might be a good opportunity to put together what she found and get with Gazewood. McConnell said that would be good conversation for meetings five and six as well where we will be discussing options for restructuring. Saelens said that what he felt would be very valuable to a voter, and he doesn't know if we can get there, is when a year from now the amount we need to increase water rates is presented, it would be nice if we could have a little more information to be able to break down something like 5% of the 15% is what we are going to have to have to repair all the structures that we currently have, and the other 10% is toward meeting these capital improvement projects. That way the public has a chance to sort of dissect it. He knows a lot of people out there that would have been much more willing to pay the 15% if they felt comfortable that all of this was going toward repairing what is currently inadequate. McConnell said if you take a look at a community that has really low water rates, you also have to look at that community and ask are they dealing with any of the same type of things that we are talking about; or are they doing any maintenance or future planning.

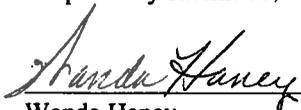
Springsteen said municipalities are making a distinct choice. Do they drive the car until the engine blows up, or do you pay for oil changes? We are in the process of trying to shift over to oil changes rather than buy the motor. Jebousek suggested that Portland, Salem, and Springfield are properly planning. Saelens said that he thought he read somewhere that because of having to cover their reservoirs, Portland would be looking at potential rate increases of 30, 40, or 50 percent. McConnell thought you also have to look at population, topography, rural versus urban, etc. Allen said there might be some comparable communities that might be here on the coast or inland that might be similar in size with infrastructure needs, so it might be advantageous between now and when we make a recommendation to see how they are doing things just to see if we are in the right direction and if things are working in other communities.

Gazewood gave one comparison. He said that one reason Newport might be higher and more in need of infrastructure is that our population is basically 10,000 with square miles of greater than 5 (it was found to be 10.59); while Troutdale has a population of 15,000 and is 5 square miles. We are double that size with lesser population. When you compare our number of physical water accounts and the amount of infrastructure in the ground versus a city with a larger number of accounts, they are generating more revenue because of the higher population base. Also, they have been taking care of infrastructure over the years. He said another thing in terms of rate increases is the number of physical accounts you can get money from. Allen said maybe it would be worth investigating to see if there might be some communities comparable at least in size in square miles and other components. It might help inform us how they are approaching issues; and it can help us in making our decision. He said it can't hurt. McConnell said that the number of accounts and the size of area they are serving is probably more accurate than population.

Gazewood said that SDCs in this economy have taken a big hit; but they are what you used to use to make your improvements added to existing area. He said SDCs should be a two-tiered rate structure; one is for reimbursement as well as an improvement rate. So you get a certain amount of dollars to take care of when you go in to infrastructure to repair existing lines and to do additions to a site. Tokos said our SDCs are structured heavy on improvement and light on reimbursement; but said we can certainly take a look at it. He noted that was the other comparable chart the Council has seen as far as where we stack up with other jurisdictions. He added that if we are more loaded on SDCs, then the developers are going to be coming here complaining about SDC rates rather than the citizens complaining about their water rates. They both have their pluses and minuses.

VI. Adjournment. Having no further business to discuss, the meeting adjourned at 4:35 p.m.

Respectfully submitted,


Wanda Haney
Executive Assistant