

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
JUNE 24, 2010

MEMBERS PRESENT:

Lon Kellstrom Mayor
Bill Merrill Councilor President
Sharlene Weed Councilor
Jerry Bogart Councilor

ABSENT:

Pat Thompson Councilor

STAFF PRESENT:

Eileen Stein City Manager
Lisa Young Finance Director
Brad Grimm Public Works Director
Eric Porter Comm. Dev. Director
Kathy Nelson City Recorder

GUESTS:

Deb Galardi Galardi Consulting

The meeting was called to order by Mayor Kellstrom at 6:00 p.m.

A. Utility Rate Study: Phase II

Deb Galardi, Galardi Consulting stated her PowerPoint presentation would address the preliminary findings for Phase II of the water and sewer rate study. She stated the discussion would focus on accomplishments, challenges, opportunities, and bill and rate comparisons.

Ms. Galardi reviewed the Phase I changes that included a rate reduction for all wastewater customers and the initial step of a multi-year rate increase for water customers. She described current challenges for the City's utilities; they included a reduction in revenue in both the Sewer Fund and Water Fund due to vacancies and conservation efforts by users as well as a significant reduction in development driven revenue. She added there are no financial reserves in the Water Fund while both the sewer and water systems require capital investment to ensure continued service reliability. She added that additional security is also necessary to qualify and cover debt financing.

Ms. Galardi discussed incentives related to water rates the City can use to encourage additional conservation efforts by customers that are consistent with the City's new Water Conservation and Management Plan. She recommended a rate structure where the average use residential customer will see a gradual decrease in their monthly service charge and large users will be paying a more equitable share for their use. She displayed a water rate comparison sheet for other Oregon cities that demonstrated Sisters currently provides a very generous amount of water for its monthly base charge compared to other cities. She provided samples of what typical monthly bills will run over the three year proposed rate increase for small, average and large users for both residential and commercial accounts.

Councilor Merrill stated even though it is a difficult economic climate at present, to not consider raising rates due to the economy isn't reasonable as the financial market likely won't get better for another four to five years. **Ms. Galardi** agreed stating last year's water rate increase had not

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
JUNE 24, 2010

addressed anything but the immediate issue. **Manager Stein** stated she would like to get to the point where the utility accounts have financial reserves much like the one created for the General Fund with this year's budget.

Ms. Galardi discussed sewer rate equity as it relates to determining nonresidential equivalent dwelling unit (EDU) rates. She recommended consideration of basing EDU charges on actual use as opposed to the current method where EDU's are based on the average water use from January through March of each year. She explained how the proposed rate structure would capture the costs associated with the increased sewer system use related to summer tourism. A rate comparison demonstrated that non-residential customers in other communities are paying higher sewer rates than Sisters residents.

With regard to future planning for the Water Fund, **Ms. Galardi** recommended the City do the following:

- Continue to phase-in annual rate increases.
- Phase-in rate stabilization reserves.
- Use interfund loans to fund capital projects until capital reserves have reached an appropriate level.

There was discussion on the methodology for determining what portion of a project is funded by operating expense versus system development charges (SDC's). Finance Director Young noted that most Capital Improvement Projects (CIP) are SDC funded.

With regard to future planning for the Sewer Fund, **Ms. Galardi** recommended the City do the following:

- Phase-in revenue increases with changes to rate structure beginning in FY 11/12.
- Reduce reliance on SDC's for future debt.

Ms. Galardi stated the City needs to reduce its reliance on SDC's to fund debt service in order to maintain the reserves it needs. She stated improvements need to be constructed ahead of development.

Councilor Merrill observed the significance for most of the proposed changes are to non-residential users. Councilor Weed stated she would like to have more discussion about the expenses in the utility funds before she is comfortable with any rate increase. The **Council** agreed and asked that additional financial detail on the current funding gap be provided in the next workshop.

B. City Manager Update

Due to lack of time there was no City Manager update.

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
JUNE 24, 2010

The meeting was adjourned at 6:55 p.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor