

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
SEPTEMBER 16, 2010

MEMBERS PRESENT:

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

ABSENT:

Pat Thompson Councilor

GUESTS:

Deb Galardi Galardi Consulting

STAFF PRESENT:

Eileen Stein City Manager
Lisa Young Finance Director
Pauline Hardie Community Dev. Director
Brad Grimm PW Director
Liz Majury Finance
Kathy Nelson City Recorder

The meeting was called to order by Mayor Kellstrom at 8:05 a.m.

1. Utility Rate Study

Finance Director Young reported the information in the staff report was a collaborative effort between staff and consultant Deb Galardi.

Mayor Kellstrom stated he remembered a report given to the Council previously that reported how little unaccounted water the City has and asked if that mitigates the need for conservation measures. **City Manager Stein** explained that although the City only has 5% of its water unaccounted for compared to the average of 15% for most municipalities, state law required an adopted Water Management and Conservation Plan (WMCP) in order to secure water rights. **Councilor Weed** asked what the City is required to do and **Manager Stein** replied that there were several unspecified incentives the City could employ such as a water use based rate structure and water conservation kits. She stated one specific requirement the City must have in place before 2015 is a water curtailment plan.

Mayor Kellstrom asked how the recommended operating contingency in *Scenario 1* was determined and Ms. Galardi of Galardi Consulting explained the contingency should provide 30 to 60 days of maintenance costs for a fund. She stated this contingency protects the City from seasonal fluctuation in cash flow and in situations when revenues come in lower than expected.

Councilor Weed asked if any of the projects on the Capital Improvement Plan (CIP) list could be postponed since the City is not seeing the same rate of growth it had for many years. **Manager Stein** replied that the City could do so but stated many of the projects on the CIP list are funded through System Development Charges (SDC'S). **Ms. Galardi** stated it was important for the Council to realize that the current budget does not allow for any capital improvements.

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Councilor Weed asked what was meant in *Scenario 3* when it stated no budget adjustment would be required as \$17,133 of material and services could be absorbed through the daily operations and/or operating contingency. **Director Young** explained the budget would likely be able to absorb that amount without making specific cuts. She added the same situation existed for the \$6,867 budgeted in personal services for GIS work to be performed. **Councilor Bogart** suggested the City use the GIS services the County had offered. **Manager Stein** stated the City could, but the City would still need to pay for those services.

Ms. Galardi stated her revenue estimates had been based on the assumption of a rate increase at the beginning of the new fiscal year in July, and since that did not occur, annual revenue in the Water Fund would likely be approximately \$25,000 lower.

Councilor Merrill asked the rationale for having a base rate. **Ms. Galardi** explained that it is standard in the industry to have a base rate and that some include a minimum quantity of water while others do not. She stated a base rate should cover administrative costs such as billing and customer service and it provides stabilization to revenue. She stated the current trend is to move away from including a minimum amount of water in a base rate and instead charging water users for their exact use. She stated the current amount of water included with the City's base rate is extremely high compared to other municipalities. She informed the Council that 63% of water users in the City never reach the 13,000 cubic feet allotted each month. **Councilor Merrill** stated the 63% of people that can least afford to do so are subsidizing the other 37% of users who use most of the water. He stated large water users are more able to recover the cost of the water. He stated he felt the current rate structure is unfair and supported eliminating a base rate and simply charging customers for their actual water usage.

Ms. Galardi stated the reasoning behind the stepped approach to the monthly water allocation is to allow the large water users time to adjust and to protect the revenue structure for the City. She stated it will allow the large water user to mitigate their use and adopt conservation measures.

Ms. Galardi discussed the options on the sample customer bills water rate study included in the staff report. She explained that lowering the quantity allowance from 13,000 cubic feet down to 10,000 cubic feet would not affect a majority of users. **Director Grimm** stated if conservation measures are adopted and there is less water use, then capital projects can be pushed out to a later time. **Ms. Galardi** explained the model she was working with to maintain the Water Fund included three years of 15% rate increases followed by a 13% rate increase the fourth year. She explained these percentages might need to be revised to account for actual water use. **Manager Stein** reminded the Council that the City has not raised water rates since 1994.

The **Council** requested additional information on water use. **Ms. Galardi** summarized the requests: 1) three years of historical revenue and expenses for the Water Fund budget, 2) duplicate the information of the transition water plan for the additional two years, 3) calculate the average use of the 63% of users that use under the allotted 10,000 cubic feet and 4) show the

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percentage of revenue from residential versus commercial now and with the future scenario.

Director Young pointed out that lowering the volume included in the base rate and raising rates will not impact a majority of users since 63% do not meet the minimum water use at present.

Manager Stein stated that the longer it takes to implement the new structure the less revenue the City will collect for the fiscal year. She stated the budget will need to be managed accordingly.

Mayor Kellstrom stated with the cost shifting that the new rate structure will bring, the Council needs to make certain it has all the facts to substantiate the decision. He stated he felt the Council should also look at the CIP list and **Director Grimm** provided a brief recap of the upcoming water fund CIP projects, pointing out that a majority of funding for these projects comes from SDC funds.

Ms. Galardi left the meeting.

The **Council** requested the budget reduction from *Scenario 1* also be incorporated into the *Scenario 3* information that will be coming back to them for discussion and **Director Young** stated the information would be included.

2. Preview 9/30/10 Meeting Agenda

Manager Stein previewed the upcoming workshop and regular meeting. She reminded the Council that the meeting of September 23rd was postponed until September 30th due to the League of Oregon Cities (LOC) conference. She stated in view of the conversation at the workshop and remaining questions the Council has regarding raising water rates, the resolution to authorize the rate increase would be pulled from the September 30th meeting.

Councilor Weed stated she wanted to stop the process on the dissolution of the Community Action Team of Sisters (CATS) as she felt there should have been community input regarding the decision but understood that it was too late and the paperwork was already underway. She stated she was sorry it happened and felt the citizens will want the organization again. She voiced her disappointment. **Manager Stein** explained that current organization members felt it was not practical to sustain the committee and the funds left were being eaten up by bank fees and IRS filing fees. She stated CATS board members felt the community collaboration piece will continue and if another project arises, the board felt it would be able to partner with one of the many other non-profits that operate in Sisters Country.

Councilor Weed stated she wanted to add deliverables to the economic development agreement with an independent contractor. **Manager Stein** stated she would forward her request to City Attorney Bryant and asked that any other requests be identified as soon as possible to allow the time necessary for the City Attorney to make the contract as defensible as possible. **Councilor Merrill** disagreed with Councilor Weed stating a services agreement should steer clear of deliverables and the Council should only provide oversight.

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3. City Manager Update

Director Young reported the City, in partnership with Bank of the Cascades and Neighbor Impact, will continue to provide financial fitness classes beginning November 9th.

Manager Stein reported the 2012-2014 Statewide Transportation Improvement Program (STIP) project list is currently being crafted and that there will be no funds available for modernization projects, only maintenance projects. She explained that would mean there will be no funding available for projects related to the Transportation System Plan (TSP) update.

Councilor Weed asked when the feasibility study for roundabouts would begin. **Director Grimm** reported the request for proposal (RFP) would be going out in October.

Councilor Weed asked about the status of the Forest Service property. **Director Hardie** replied that Principal Planner Porter was handling the project and there would be a joint meeting with the Planning Commission on November 4th to discuss the property.

Councilor Weed reported she had joined the Neighborhood Impact Board of Directors. She reported the Head Start Program in Sisters had been cancelled and that currently the six students involved in the program are being bused to Redmond. She stated she felt there are other children in Sisters that would qualify for the program and their needs are not being served.

Councilor Weed reported the Ford Family Foundation is hosting Community Collaboration classes in October and November.

The meeting was adjourned at 9:48 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor