

ROCKWOOD WATER P.U.D.
MINUTES, REGULAR MEETING OF THE BOARD
28, SEPTEMBER 2004
Rockwood Water Boardroom

Board members present: Sandra Ramaker, Herb Brown, Stephen McElroy, Larry Dixon, and Don McCarthy.

Staff present: Harvey Barnes, District Manager (DM); Chris Shaw, Conservation & PR Coordinator (CPRC); Kathy Stine, Administrative Secretary (AS).

Guests present: Fran Hyson, Jeanne Orcutt, Pat Brown, Kim Anderson, Ryan Frank, Frank Gearhart, Clark Balfour, Dean Funk, and Ray Beach.

President **Herb Brown** called the meeting to order at 7:02 p.m.

APPROVAL OF THE AGENDA

Don McCarthy moved to approve the agenda. **Stephen McElroy** seconded the motion. The motion was approved; none opposed.

APPROVAL OF THE CONSENT AGENDA

Sandra Ramaker moved to approve the consent agenda. **Larry Dixon** seconded the motion. The motion was approved; none opposed.

APPROVAL OF THE MINUTES

Herb Brown asked for public comment. No comments were made.

Sandra Ramaker moved to approve the August 30, Special Meeting and August 24, Regular Meeting minutes. **Larry Dixon** seconded the motion. The motion was approved; none opposed.

President Herb Brown introduced Clark Balfour, the Attorney representing RWPUD.

APPROVAL OF THE BILLS

Fran Hyson commented that the legal services expense was a large amount and asked if it was for the month or the year. She asked if there is an itemized statement. **Ramaker** responded the District's Senior Accountant has this information. **Ms. Hyson** requested a copy. **DM Barnes** replied for the month. He stated it was for work completed on the Clackamas River Water (CRW) Annexation materials. **Ms. Hyson** stated she thought CRW would be sharing attorney fees. **DM Barnes** replied no, however, CRW is paying a share of the Integrated Utilities Group (IUG) services charge. **Ms. Hyson** repeated her request for an itemized statement.

Jeanne Orcutt said she had attended the CRW meeting and heard that CRW would be paying for the study. She suggested checking their minutes to verify this. **Herb Brown** said this could be done. He asked for other comments.

Sandra Ramaker asked how many radio read meters the District will purchase. **DM Barnes** replied 10,000 over the next 6-7 years, adding that at least 400 will be purchased this year. DS Baker buys them in bulk quantities.

Don McCarthy moved to approve the bills. Larry Dixon seconded the motion. The motion was approved; none opposed.

Herb Brown introduced Kathy Stine as DM Barnes' new Administrative Secretary and welcomed her aboard. He congratulated Chris Shaw in her new position as the District's Conservation and Public Relations Coordinator.

PUBLIC COMMENT ON NON-AGENDA ITEMS

Fran Hyson referred to the meeting of August 17 she attended at Gresham City Hall regarding the Intergovernmental Agreement between Rockwood Water District and the City of Gresham (IGA). She reiterated her objection to the IGA and expressed concern regarding her comments at that meeting. She felt her views were humiliated by some attendees.

Ms. Hyson encouraged the Board to read a new book called "Every Drop for Sale" recommended to her by a Gresham City staff member.

Jeanne Orcutt asked if RWPUD has received the one time payment of \$415,000 from the Gresham City Council authorized on August 17th, 2004, for one half of the existing treatment facilities. **DM Barnes** answered no. **Ms. Orcutt** asked if RWPUD had filed an application with the Oregon Water Resource Department for sharing Rockwood water rights with the City of Gresham. **DM Barnes** explained it would entail a transfer permit application which has not been submitted. He added that following payment he will apply for the permit.

Frank Gearhart inquired if Board members had read the City of Portland's CIP master plan for the next 5 years? He explained the negotiators of these contracts favor long-term periods and discussed his concern regarding RWPUD participating in a working relationship with them. **Gearhart** elaborated on the Bull Run filtration treatment system as an expensive project. He advised the RWPUD Board not to sign long-term contracts with the City of Portland.

Mr. Gearhart added while attending a meeting, a public citizen asked if the Portland Water Bureau had requested an exemption for filtration from Bull Run. He was told that Commissioner Saltzman had requested one; however, this was not a fact. Commissioner Saltzman requested the EPA to put a provision in the new rules for possible exemptions. **Gearhart** proposed that the Board write a letter to Commissioner Saltzman and the Portland Water Bureau requesting an exemption.

POWER FEASIBILITY STUDY

Mr. Brown asked for public comments. **Ms. Orcutt** commented that the electric feasibility study does not have enough concrete information and the \$10,000 spent on the study was a waste of District funds.

Fran Hyson stated the recent news of an 18% rate increase by Northwest Natural Gas in October, supports looking into the electric study for future generations.

Mr. Gearhart summarized the study as showing which assets and liabilities were involved and the future potential the study could bring. He supported the study and felt the money was well spent; he asked if the study is available for the public. **DM Barnes** said yes.

DM Barnes highlighted key elements of the study. He referred to page 5 which showed assumptions the consultant used for the purchase price of 30% over book value. This would make the purchase

price somewhere in the \$60 million range at the low end and it could go up depending on negotiations. It also looked at a 1.7% growth rate per year, mostly in industrial use and not much residential. The conclusion stated there would be some marginal benefit to the customer of 1% to 13% based over a seven year period. He noted the report has details which are not apparent to the reader.

DM Barnes recommended the Board drop the power issue and outlined his reasons. He referred to the risks noted on page 13, table 4, associated with purchasing poles and wires, and identifying customers. It particularly identifies one large industrial customer with its own substation. RWPUD knows this customer as Microchip, which makes up 22% of the District's business electric load.

DM Barnes pointed out the cyclical nature of certain businesses. The risk being if a District goes into debt approximately \$60 million dollars and a major customer drops off, it is the residential customers who must make up the difference. The loss could extend 30-40 years into the future before the debt could be resolved. The report notes on page 12, the entire Rockwood District is 3.3% of PGE's business. RWPUD's largest customer by comparison is 1/10 of 1% of its business. If PGE loses a large customer it has an inconsequential effect on their business; if RWPUD were to lose its largest customer it would have an enormous effect. Future debt referenced on page 17 lists future capital improvements and how they will be funded: two ways, one half will be debt financed, one half is equity financed using cash for the equity finance. The \$2.5 million per year paid in the beginning would start accumulating at \$1.2 million dollar debt per year, constantly incurring new debt in payment for power.

DM Barnes said if RWPUD acquired power from PGE, it may still need to subcontract with them or other entities. District crews do not have enough resources to restore services under special conditions such as ice storms or other power problems. In addition, the acquisition of poles and feeder wires necessary for feeder transmission power lines into the area from the generation plants would run in the \$60 million dollar range. If feeder wires were rented, the fee would be in addition to the acquisition purchase price.

Sandra Ramaker expressed the study was a wise decision and agreed with DM Barnes' recommendation. **Brown** asked about feeder lines surrounding the border areas of the district. **DM Barnes** replied the District would build their own lines or rent them from BPA, PGE or Pacific Power.

Herb Brown suggested the Board not continue with the acquisition of the system at this time due to the ratepayer's best interest and costs involved with the project.

McElroy was curious in knowing if voters would be interested in carrying that large of a debt. **DM Barnes** replied if one looked at past events, voters have made it clear they are not interested.

McElroy asked if the next step could be holding a public meeting for citizens to spark interest. **DM Barnes** responded, several years back, a similar occasion arose and was advertised to attract public interest. Approximately 30-40 people attended out of a District of 53,000 people; some attendees did not live in the District.

Sandra Ramaker moved to discontinue further discussion on the Power Feasibility Study. Larry Dixon seconded the motion. The motion was approved; Steve McElroy opposed.

ANNUAL POLICY MANUAL REVIEW – BUDGET COMMITTEE POLICY

DM Barnes introduced **Clark Balfour** and asked him to clarify what the law says in reference to Budget Committees. **Attorney Balfour** spoke about the appointment of alternates. He explained that the law does not prohibit alternates and the Board has several options for appointing them.

Sandra Ramaker noted occasionally there are not enough interested parties to fill Budget Committee openings and asked what happens in this situation? **Attorney Balfour** replied a number of cities have the same problem.

Herb Brown asked for public comment.

Pat Brown stated she had previously participated on the Budget Committee. She feels provisions at the present time are satisfactory. She suggested each new incumbent be investigated in an appropriate manner before being appointed.

Ms. Hyson stated she believes a change is needed in the selection process. She noted Board resident Brown is the spouse of Pat Brown. She does not feel it is right to have two members from the same family.

Ramaker, Dixon, McElroy and McCarthy expressed support for alternates.

Herb Brown suggested the topic be discussed at the next Board meeting giving people more time for thought. He recommended having a decision soon since the Budget Committee discussions are in the near future.

Sandra Ramaker moved to table the topic and that board members bring back ideas at the next meeting. Larry Dixon seconded the motion. The motion was approved; none opposed.

CLACKAMAS RIVER WATER ANNEXATION UPDATE

DM Barnes said the annexation will not be on the November ballot. The reason being a question arose regarding boundaries on the last day the resolution was due, so rather than rushing the petition through, it has been reset for the March 2005 election ballot. The District is working on all necessary details for Clackamas County's process in preparation for the March ballot.

In response to previous meeting questions, Clark Balfour outlined applicable statutes regarding location of elections. The only required election to be held is in the affected territory to be annexed. The Board is free to submit any questions they would like to pose to voters, however, there is no requirement. CRW is required to have an election.

Herb Brown asked for public comment.

Ms. Orcutt responded that the confusion came about from an informational handout distributed by Mr. Balfour at a Clackamas River Water District meeting. **Ms. Orcutt** stated she brought this to DM Barnes' attention at a meeting and he replied that it was incorrect. She asked why the District is paying an attorney for incorrect information.

She also stressed her disappointment that RWPUD missed the election on the November ballot due to an issue with the parcels submitted. **Balfour** apologized for any confusion the information may have caused.

Ms. Hyson agreed with **Ms. Orcutt** regarding incorrect information. She pointed out that RWPUD overlooked it and the Manager owes Ms. Orcutt an apology for not resolving this issue at the August 30 meeting.

Sandra Ramaker commented on the context in which Balfour's handout was presented. **Balfour** replied the document was created to address a number of options available to CRW. Referring to the parcels he explained that the boundary description summarized over 100 pages. The information was brought to the county and it was the county counsel who raised the issue of identifying separate parcels of territory. Those parcels could not be stripped from the 100 page description the evening of September 2nd in order to make it in time for the November ballot. He said more work is currently taking place by engineers to have it adequately comply with the statute. The issue will be on the March ballot.

DM Barnes noted that Balfour's handout was originally developed for BRDWA with regard to forming a PUD for the entire Portland area. **Balfour** agreed.

Herb Brown asked for public testimony

Frank Gearhart talked of difficulties for citizens in forming a PUDs and felt the Board's position should be to encourage annexation.

Sandra Ramaker stated she was disappointed the issue failed to make the November ballot and is looking forward to the March ballot.

Herb Brown said regarding all the complexities involved with the project and Mr. Balfour's apology, he felt no further discussion was necessary.

Larry Dixon asked if the reason it did not move forward was because some properties were annexed out of the report. If so, what happens with property between now and then if more is annexed out? At what point does the process end? Is there some way to stop annexation so the entities may go forward with the project from within?

Mr. Balfour responded it's a tough question to the extent if properties are annexed by a city and withdrawn by operational law, they will be pulled out. The final decision is at the time ballots are mailed. The Elections Office in Clackamas County will have tabulated those areas which need to receive votes less than 60 days before the election. The ability for an annexation to occur within that 60 day period is fairly remote.

PROJECT UPDATES

DM Barnes reported the reservoir project behind the administration building is in the finishing stage. The District will be releasing retainage held on projects closing and final payments are being processed. The well and chlorinator projects are close to being completed. The pumps arrived last

Thursday and are expected to be installed tomorrow, followed by testing procedures. DS Baker has various repairs and new services to complete.

Larry Dixon asked if there is any guarantee on pumps. **DM Barnes** said the District has a one year warranty bond.

Sandra Ramaker noted she toured the project with Greg Lindsey and expressed her amazement at the complexity and large scale involved in the project.

BOARD RECESSED FOR EXECUTIVE SESSION AT 8:35 PM

Executive Session 192.660 (2)(b) To consider the dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent who does not request an open hearing. Board reconvened at 9:18 PM.

Herb Brown stated it was the Board's decision that any further comments relating to the complaints filed be submitted in writing, addressed to Herb Brown, President, and Sandra Ramaker, Vice President, no later than October 12, 2004. They may be sent to the District Office or to the Board member's home address. **DM Barnes** specified that letters should *not* be sent to him.

FOR THE GOOD OF THE ORDER

DM Barnes spoke of several good things taking place; Kathy Stine is his new secretary and Chris Shaw will be moving into her conservation position. All projects are lining up satisfactorily.

Larry Dixon asked about a time estimate on having the wells running. **DM Barnes** replied according to schedule, the telemetry tuning will happen tomorrow and within the next couple of weeks they should be pumping water. One drawback connected to this project is new rules required by Homeland Security. One well part is imported and currently detained in customs in New York. It must pass a special set of import inspections before being released.

Sandra Ramaker congratulated Chris Shaw for her good work on chairing the conservation committee. She suggested obtaining a memorial plaque or some form of recognition for commemorating past Board members. She would like to have a plaque for John Vogl and Grant Jennings. **DM Barnes** will look into this idea and share some options at the next meeting.

ADJOURNMENT

Larry Dixon moved the meeting be adjourned. **Stephen McElroy** seconded the motion. **The motion was approved; none opposed.**

The meeting was adjourned at 9:40 p.m.

Secretary