

ROCKWOOD WATER P.U.D.
MINUTES, REGULAR MEETING OF THE BOARD
NOVEMBER 15, 2006
Rockwood Water Boardroom

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

Staff present: Harvey Barnes, District Manager (DM); Kerry Aden, Administrative Secretary (AS)

Guests present: Doug Ramaker, Pat Brown, Colleen Lisoski, Roger Korvola, George Swint, Adam Swint, Christine Swint

President Stephen McElroy called the meeting to order at 7 p.m.

APPROVAL OF THE AGENDA

President McElroy asked if there were any changes or additions to the agenda.

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

APPROVAL OF THE CONSENT AGENDA

Herb Brown moved to approve the consent agenda. **Don McCarthy** seconded the motion. **The motioned was approved; none opposed.**

APPROVAL OF MINUTES

Herb Brown moved to approve the minutes from the October 25th, 2006 regular meeting. **Larry Dixon** seconded the motion. **The motion was approved; none opposed.**

APPROVAL OF THE BILLS

Herb Brown asked if the Ward-Henshaw Job 240 Pay Estimate on page 3 was the pump station project. **DM Barnes** replied yes.

Larry Dixon referred to line item Golder Associates, Inc. Groundwater Permits on page 2 and asked how many permits we were doing. **DM Barnes** stated we were extending two groundwater permits and one surface water permit. **Larry Dixon** asked if each was submitted independently. **DM Barnes** replied yes.

Stephen McElroy asked for clarification on line item Murray, Smith & Assoc., Inc. Hydraulic Model Conversion on page 5. **DM Barnes** explained it was a computer model that shows all of the pipelines, pump stations, and valves in our system and what would happen if we inject or we increase flows in a given location. We use it in sizing new pipes and predicting where growth will exceed existing capacity of the system. Also, in the long term, we will use it should we have a contamination issue. We can use the model to decide which valves to close and which parts of the system to isolate. **Stephen McElroy** asked if it was a pretty big computer program. **DM Barnes** replied the entire program was a little over \$12,000. It is a very detailed computer model.

Sandra Ramaker asked if the charge on page 2, IBM Notebook Computer was to replace a laptop or buy a new one. **DM Barnes** stated we replaced one that had stopped working.

Herb Brown moved to approve the bills. Sandra Ramaker seconded the motion. The motion was approved; none opposed.

REVIEW AND APPROVAL OF AUDIT REPORT

Roger Korvola from Talbot, Korvola & Warwick, LLP Certified Public Accountants & Consultants gave an overview of their audit report. He began with a three page letter and stated they agreed with the estimates and methodology used by management. There were three audit adjustments made as a result of their procedures. Two were regarding the recording of capital assets, which is normal. Mr. Korvola also explained there is a new government accounting pronouncement required to be implemented this year. It is a requirement regarding the accounting and financial reporting of the impairment of capital assets. There were no disagreements with management or difficulties encountered during the audit. Mr. Korvola mentioned segregation of duties as an item where improvement could be made; however, he acknowledged the District has a small staff and segregation of duties is difficult to achieve. He mentioned three items where improvements could be made to improve controls. The accounting system does allow for Exception Reports and could be utilized more than in the past. He also mentioned mandatory vacation policies could be implemented. He lastly mentioned the review of journal entries should be documented.

Mr. Korvola then went over the handout containing graphs and the audit report. Total revenues increased approximately \$375,000 from 2005. Expenses decreased by a little over \$300,000. As a result, net income increased by almost \$700,000 per year. Mr. Korvola then asked if there were questions. **Don McCarthy** asked about the reviewing of journal entries and who should perform the review and how often. **Mr. Korvola** replied it should be done on a monthly basis by DM Barnes or a person other than the report preparer. **DM Barnes** stated it could be two of them reviewing, but generally it would be him. **Don McCarthy** asked if it had been done in the past. **DM Barnes** stated he has not reviewed all of them in the past unless there were difficulties, but this issue has never come up before. The most difficult improvement to make will be the mandatory vacation time issue. **Larry Dixon** asked what caused the 61% increase in personal services shown in Exhibit 3. **DM Barnes** replied there were three things which increased the cost of personal services. One was the Union salaries increased by 2½%, our premiums for health insurance increased, and the Public Employees Retirement System issues.

Colleen Lisoski asked about the financial report reviewing process. **DM Barnes** responded we only have two people in our accounting division that does the entire payroll and the entire accounting for the District. It is very difficult to make sure an employee is gone for an entire accounting cycle. Our accountant does the payroll on occasion and our payroll person does the accounts payable on occasion. Our challenge will be to time vacations as such, so key employees are gone at a particular time. This issue will take some review from the Board about the policies. **Colleen Lisoski** asked if an employee had to be on vacation to go through all of their things to see if there was something wrong. **DM Barnes** replied no. He spot checks all sorts of things on a regular basis and on a random basis. **Colleen Lisoski** asked if we looked at this regularly once a year or twice a year. **DM Barnes** responded no, it's purely random. **Colleen Lisoski** asked if the auditors were suggesting we do that twice a year. **DM Barnes** explained the intent of implementing mandatory vacation by key employees would force us to have other employees do the work. **Roger Korvola** stated that's basically the comment. When somebody's on vacation and another person does that person's job, that's often times when you discover fraud. **Sandra Ramaker** asked what affect changing this policy would have on the

Union contract. **DM Barnes** stated you couldn't change that until the contract expires, although, the employees affected by this policy change are non-Union employees.

Herb Brown moved to approve the audit report. Don McCarthy seconded the motion. The motion was approved; none opposed.

PUBLIC COMMENT ON NON AGENDA ITEMS

Doug Ramaker commented on the billing process and sending late notices out and our policy of giving 48-hour notices by hanging door hangers on doors. He gave an overview of our current policy and our previous policy. Mr. Ramaker stated in the beginning we were putting out 30 to 40 door hangers. Now we're averaging 140 to 160 door hangers a week. This takes two people between 3 and 3½ hours to do. Mr. Ramaker suggested we mail out the 48-hour notice instead. Mr. Ramaker asked the Board to review their current policy. **Herb Brown** suggested **DM Barnes** review the policy and make a recommendation. **DM Barnes** stated he has reviewed it. We have had an increasing number of door hangers we put out. We're not sending out door hangers to generate revenue. After looking at the last billing, 85% of the late notices were paid after door hangers were hung. Instead of turning off 140 customers, we turned off 20 or 30. **DM Barnes** stated it would be hard to project when a mailed notice would arrive, and we would end up shutting off more customers. Another late notice in the mail won't do any good. **Don McCarthy** mentioned 95% of the customers who have their water shut off are the same every two months. **Doug Ramaker** stated when we mailed the late notice and then the termination notice; we still had the same amount of people being turned off; between 15 and 25 people per week. **DM Barnes** disagreed, he stated he understands it takes time, but we should warn them. The customer is charged \$7.50 if they receive the door hanger, so they are paying for it. Rockwood has changed over the last few years. It's not the same customer base. The customer base is much more transient. It takes time and costs money, but it's successful. **Doug Ramaker** mentioned people get used to receiving the door hangers, so they wait until the last minute to pay their bill. **Stephen McElroy** asked if we should hire another person in order to free up these two employees. **DM Barnes** replied no, it's only a half a day a week. **Don McCarthy** asked if we could use three different crews. **DM Barnes** stated sometimes we do. **Don McCarthy** stated Powell Valley had the same problem. **DM Barnes** stated we're usually caught up in the next day or so. **Herb Brown** stated we will have discussions about it. **Colleen Lisoski** asked if we could hire a senior citizen for half day a week. **Don McCarthy** stated they will be confronting people who are not paying their bills. **DM Barnes** stated it doesn't matter who we hire, it is still an expense. **Colleen Lisoski** stated if we hired a senior citizen, we would not be covering their insurance. **DM Barnes** stated there are all sorts of remedies. We don't want to set a policy where we hire only one age group. **Herb Brown** said there is an expense in traveling around the District and learning the District. **Colleen Lisoski** stated it won't cost so much if the person is on retirement. **Herb Brown** stated we would have to pay for their mileage and furnish them with a pickup. **Colleen Lisoski** asked if we had to furnish them with a car. **DM Barnes** answered yes. **Pat Brown** stated she would like to remind the Board they have a contract and can't take work away from the Union contract employees. **DM Barnes** stated that is a negotiable item, but it may not be an issue if that person joins the Union and pays the Union dues. **Sandra Ramaker** asked **DM Barnes** to do some more research on it and bring back to the Board. **DM Barnes** stated he will report on the number of door hangers over the past year and the success rate. He will also look at other districts and see what their success rates are. He will provide a report in January.

PROJECT UPDATE

DM Barnes reported the 30” pipe tap in the underground is back working on the stretch between Division Street and Powell Boulevard on Battaglia. They will be finished by the end of December. Then we’ll get that last piece of pipeline on our system hooked up.

The pump station out back should start up November 28. We will have a meeting Friday or Monday with the team leaders to generate a punch list to make sure we know what has to be done before start up. The pumps are installed now. The piping is being installed now. Electrical work is moving along. PGE will be out Monday to install the transformer and meter and do the final hook up on power.

The crew is working on another replacement project in the neighborhood. Things are going fine.

FOR THE GOOD OF THE ORDER

Sandra Ramaker mentioned a free conference program is available for the SDAO conference in February for someone who’s never attended the conference before. You need to ask for them if you want to register someone for the conference. **DM Barnes** asked if all of the Board members have attended an SDAO Conference. He also stated we have some employees that may benefit from attending

Sandra Ramaker showed the latest issue of the AWWA journal which has started a new program for advertising water. It says, “Do you know how often you turn me on?” It tells you about the value of water. **Sandra Ramaker** suggested we could add it to our newsletter or future mailing.

Sandra Ramaker mentioned there will be a sub-section meeting tomorrow. One of the things being presented will be our connection with Gresham. The meeting is at Gresham Water at 11:30 a.m. **DM Barnes** stated he will do part of the presentation with Mike Grimm, City of Gresham and Murray Smith. It will be a two-part presentation on the design and selection of material type and the renovation of pump station and production wells.

DM Barnes mentioned Gary Roberts’ retirement party on November 30th at 5:00 p.m. at the Stagecoach Saloon.

DM Barnes stated we have been working on extending our water rights, and it has been a long process. We have been working on it since 1997. We are pretty certain we have an agreement with Oregon Water Resources to extend one permit; the permit we have fully developed. We will get the other one extended as soon as we get through the process, which is fairly long. We filed a protest on the proposed final order Oregon Water Resources issued us on the permit. We thought it was too restrictive and could devalue our investments in the long term, so we protested that. We have an offer from them generally retracting all of the things we were concerned about. We think on this one permit that we’ll have that extended in the next couple of weeks or so. Then after we get it extended, we will certificate it to prove we can put it to beneficial use. Then we won’t have to extend that one anymore. Then we will work on the other water rights to extend those. The extension date goes out to 2047.

EXECUTIVE SESSION

President McElroy adjourned this portion of the Regular Board meeting to take a five-minute break and convene the Executive Session in accordance with ORS 192.660 (2)

(a) To consider the employment of a public officer, employee, staff member or individual agent.

(h) To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

President McElroy re-convened the Regular Board meeting at 8:28 p.m.

President McElroy reminded everyone that the next meeting will be on Wednesday, December 13th at 7:00 p.m.

ADJOURNMENT

Herb Brown moved to adjourn the meeting. Larry Dixon seconded the motion. The motion was approved; none opposed.

The meeting was adjourned at 8:31 p.m.

Secretary