

ROCKWOOD WATER P.U.D.
MINUTES, REGULAR MEETING OF THE BOARD
December 14th, 2005
Rockwood Water Boardroom

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

Staff present: Harvey Barnes, District Manager (DM); Sabrina Walyer, Administrative Secretary (AS)

Guests present: Paul Dayfield, Lee Dayfield, Roger Korvola

President **Sandra Ramaker** called the meeting to order at 7:00 p.m.

APPROVAL OF THE AGENDA

DM Barnes requested to add a discussion about the EPA LT2 rules that will be coming out and a particular action that the City of Portland is planning to take. **President Ramaker** suggested it be added as agenda item 6a.

Herb Brown moved to approve the agenda as amended. **Stephen McElroy** seconded the motion. The motion was approved; none opposed.

APPROVAL OF THE CONSENT AGENDA

President Ramaker asked if anyone had anything to include on the consent agenda. There was no response.

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

APPROVAL OF THE MINUTES

President Ramaker mentioned that there were a few corrections she had consulted AS Walyer about previously. **Ramaker** asked if anyone had any comments regarding the minutes; there was no response.

Herb Brown moved to approve the November 16th minutes as amended. **Don McCarthy** seconded the motion. The motion was approved; none opposed.

APPROVAL OF THE BILLS

Larry Dixon asked about the large expense for the repair of the Vermeer vacuum. **DM Barnes** replied that this is an expensive piece of machinery to fix.

Larry Dixon moved to approve the bills. **Herb Brown** seconded the motion. The motion was approved; none opposed.

PUBLIC COMMENT ON NON-AGENDA ITEMS

Lee Dayfield referred to the letter that her and her husband, Paul Dayfield, had written to DM Barnes. **Dayfield** asked for responses to their questions so that they may be prepared for the January 11th meeting. She said she has a concern about treatment facilities being owned by both

Rockwood Water PUD and Gresham. **Dayfield** remarked that she doesn't understand why we are selling our treatment facilities and questions how this will impact Rockwood's assets in the future.

DM Barnes addressed Dayfield's remarks, saying that he has never given any district legal information out to the public before letting the board members have a chance to review it.

President Ramaker added that discussions regarding negotiations between Gresham and Rockwood have been tabled until the January 25th meeting, and preparations are being made for that meeting. **DM Barnes** added that no decisions have to be made at the January 25th meeting, but questions will be answered there at the advice of our attorney.

AUDIT REPORT AND APPROVAL

DM Barnes introduced Roger Corvolla to the board, the auditor from Talbot, Korvola, Warwick, LLP. **Korvola** assured the board that the audit was done in accordance with the United States standards for the audit process. He explained that four audit adjustments were made concerning the recording of capital assets. Uncorrected mis-statements were reviewed, according to **Korvola**, and there was one adjustment made to accounts payable concerning an amount of \$13,000. Accounting policies and accounting treatments were further items that were looked at, **Korvola** added, and that these have to do with governmental disclosures. There were no disagreements with management during the audit, and **Korvola** said that he was not aware that Rockwood Water PUD shopped for other opinions from competing firms during the audit process.

Korvola referred to the financial statements that were handed out to the board. First, **Korvola** addressed revenues, expenses, and change in net assets. He explained that revenues are down slightly to \$6.7 million, expenses increased to \$5.6 million, and net assets decreased to \$1.1 million. Looking closer at revenues by type, **Korvola** said that water sales have decreased slightly. **Korvola** explained that expenses on materials and services had decreased about by \$14,000. Personal services increased to about \$180,000, and depreciation has remained the same. In looking at capital asset purchases vs. depreciation, he said that this shows Rockwood's spending of cash-type resources and investing those in fixed assets. **Korvola** noted that Rockwood has increased ending net assets. He pointed out that in 2004 we generated over \$2.3 million in cash from operations and this year it was closer to \$1.4 million. He added that this may be due to operating income decreasing, and the fact that we paid down our accounts-payable. **Korvola** referred to the Exhibit 8 pie chart to show how out assets are broken down by capital assets, current assets, and restricted assets.

Korvola concluded saying he would be happy to answer any questions. **Don McCarthy** remarked that his address was incorrect on the audit report, and added that he thinks we are doing a good job.

Herb Brown moved to adopt the audit report. Steve McElroy seconded the motion. The motion was approved; none opposed.

EPA LT2 RULES

DM Barnes explained that these rules refer to requirement of filtration and/ or UV treatment on unfiltered surface water primarily to kill Cryptosporidium. Portland has filed for an exemption with the EPA. If the City does not receive this exemption, they are prepared to move forward with a lawsuit against the EPA. **DM Barnes** mentioned that his opinion is that it will be a waste of money to become part of the lawsuit, and that we should consider building our own UV treatment facility for much less cost. Ultimately it is the board's decision, **DM Barnes** continued, and that he needs to know if Rockwood should be part of this lawsuit. **President Ramaker** commented that she doesn't see the benefit in getting involved in the lawsuit. **Herb Brown** added that it sounds like something we should avoid **Paul Dayfield** asked what the difference is between the cost of

Cincinnati's construction of a UV treatment plant vs. what it would cost for Rockwood to build one. **DM Barnes** answered that he has not been involved in building a UV plant before, but either a direct UV or a membrane filtration plant will probably be required. **Dayfield** asked that if we would be paying operational costs over a long-term period for building a plant, won't it cost more than \$10 million to build one? **Dayfield** also noted that Rockwood's purchasing of water from Portland may affect us cost-wise whether we take part in the lawsuit or not, since it may reflect in our purchase price. **DM Barnes** replied that yes that may happen.

Larry Dixon questioned how, even if we choose not to become part of the lawsuit, we avoid paying for it if the City of Portland will end up back-billing us for it in our rates. **DM Barnes** answered that we want the public to know that we are not part of a lawsuit against the federal government, and that we are concerned with protecting the health of the public. **DM Barnes** continued, saying that the City of Portland's Commissioner, Randy Leonard, has commented in the past that if the City decided to sue the EPA, that Portland will pay for it, not the wholesalers.

Larry Dixon asked that if we became part of the lawsuit, and Portland wins and gains exemption, what would we gain? **DM Barnes** said that the cost of water would stay the same for now, but should the exemption change in the future, Portland will have to come up with the money to build a plant.

Stephen McElroy stated that it seems that we end up paying for the lawsuit one way or another, but that he doesn't think we should become involved.

Herb Brown moved to allow **DM Barnes** to write a letter to Portland reminding them that we wish to be excluded from any cost of the lawsuit against the EPA. **Don McCarthy** seconded the motion. The motion was approved; none opposed.

SCHEDULE PORTLAND CONTRACT DISCUSSION- JANUARY

DM Barnes reminded the board that the issue was raised to have a special meeting to discuss the Portland contract, and that we need to come up with a date. The board members conclusively agreed that January 11th at 7:00 p.m. will work for everyone. **Don McCarthy** asked if this meeting will be open to the public. **DM Barnes** replied yes. **DM Barnes** asked if the board members were interested in having any relative members of the City of Portland to attend the meeting. **President Ramaker** said it would be helpful to have them here to answer questions. **DM Barnes** said that he can arrange that.

Larry Dixon asked if the copy of the contract that we are looking at is the same version that the other wholesalers are reviewing. **DM Barnes** replied that yes it is, and the only difference is that Rockwood has been assigned more water than we actually need for negotiating purposes.

DM Barnes stated that he will talk to a few members of the City of Portland about attending our January 11th special meeting.

JANUARY BOARD MEETING DATE

DM Barnes informed the board that it is policy to pick a January board meeting date at the December meeting. Given that we have the special meeting on January 11th, **DM Barnes** said, it makes the most sense to hold the regular meeting on the 25th. **President Ramaker** agreed.

PROJECT UPDATE

DM Barnes said that they are busy still working on the renovations to the pump station, and it is going pretty well. For the pipeline, **DM Barnes** said it should start early 2006 and he believes there will be a preconstruction meeting next week. He added that we may be renovating the 141st street reservoir pump station sometime next year.

On behalf on DS Baker, who was not present, **DM Barnes** added that since it is a slow time for the crew right now, they are doing a lot of cleaning and maintenance.

FOR THE GOOD OF THE ORDER

DM Barnes reminded everyone of the holiday pot luck that we are having Friday 12/16, and invited the board to be at the gathering at around noon. **DM Barnes** also showed the board that the plaque commemorating the deceased board members has been finished, and he plans to hang it in the foyer.

Larry Dixon announced that he became a grandfather again yesterday, and it is a baby boy.

Stephen McElroy asked everyone to be safe and responsible this holiday season. **Herb Brown** asked about adding Ray Beach to the plaque, or creating another separate plaque to honor the members who organized the P.U.D.. **DM Barnes** remarked that if we could have help with the names, that we could add them to the plaque. **President Ramaker** wished everyone a happy holiday.

ADJOURNMENT

Herb Brown moved to adjourn the meeting. **Stephen McElroy** seconded the motion. **The motion was approved; none opposed.**

The meeting was adjourned at 8:09 p.m.

Secretary