

MINUTES OF THE REGULAR MEETING OF THE MEDFORD WATER COMMISSION
December 4, 2013

The pledge of allegiance was given.

The regular meeting of the Medford Water Commission was called to order at 12:28 p.m. on the above date at the Medford City Hall Lausmann Annex, Room 151/157 with the following commissioners and staff present:

Chair Jason Anderson; Commissioners John Dailey, Cathie Davis, Leigh Johnson

Manager Larry Rains; Medford Attorney John Huttli; Deputy City Recorder Karen Spoonts; Administrative Coordinator Betsy Martin; Principal Engineer Eric Johnson; Finance Administrator Tessa DeLine; Operations Superintendent Ken Johnson; Duff/WTP Supervisor Jim Stockton; Big Butte Springs Operator Dennis Burg

Guests: City of Medford Mayor Gary Wheeler*; City of Medford Councilmember Bob Strosser; Ashland Public Works Director Mike Faught; Ashland Associate Engineer Pieter Smeenk; Central Point City Manager Chris Clayton; Eagle Point Mayor & Liaison Bob Russell; Eagle Point City Administrator Henry Lawrence; Phoenix Mayor & Liaison Jeff Bellah; Talent Councilmember Darby Stricker; Joe Stahl of RH2 Engineering; City of Ashland employees Julie Smitherman and Greg Hunter

Commissioner Lee Fortier was absent.

*Arrived as noted.

3. Approval or Correction of the Minutes of the Last Regular Meeting of November 20, 2013

The minutes were approved as presented.

4. Comments from Audience

- 4.1 Ashland Public Works Director Mike Faught introduced additional staff from the Ashland water team.
- 4.2 Talent Councilmember Darby Stricker stated that the City of Talent received the draft copy of the new agreement; the agreement has been sent to their attorney to review and they hope to have it completed by the February deadline.
- 4.3 Phoenix Mayor & Liaison Jeff Bellah stated that he wanted to comment on 10.2 and 10.3; Commissioner Jason Anderson said that he will open it up for discussion at that time.

5. Authorization of Vouchers

Motion: Authorize the Manager and the Recorder to issue check-warrants in payment of invoices for a total amount of \$529,673.84

Moved by: Mr. Johnson

Seconded by: Ms. Davis

Roll Call: Commissioners Anderson, Dailey, Davis, and Johnson voting yes; Anderson abstained from the Ipipe Plumbing voucher.

Motion carried and so ordered.

6. Engineer's Report (E. Johnson)

- 6.1 Duff Water Treatment Plant Duff Floc/Sed Basins – Staff and Black & Veatch reviewed the interim 75% plans. Black & Veatch will incorporate the design revisions into the plans. The 75% plans are due from Black & Veatch on January 9.
- 6.2 Duff Water Treatment Plant Emergency Backwash – The punch list items are being worked on and should be completed in the next week.

- 6.3 Duff Water Treatment Plant Raw Water Intake Pumps 1 & 2 – The scope of work has been approved and CH2M Hill will start work on the design of the pumps and controls.
- 6.4 Martin Control Station – The paving is done, fencing and landscaping is under way. The pressure reducing valves were successfully started yesterday; the pumps were checked for rotation and aligned. The pumps are being flow tested today.
- 6.5 Angelcrest Pump Station – Marquess and Associates continues to work on the final design of the pump and controls.
- 6.6 Highway 62 Bypass – The Commerce Drive 10" Water Main Realignment Project was put out for bid. Pilot Rock Excavation was the low quote at \$56,276. Quote results were in the Commissioner's packets. ODOT has approved the quotes and Pilot Rock Excavation has submitted contacts, bonds and insurance forms to MWC. A notice to proceed has been issued and the project is under way. The submittal package for the 14" water main realignment in Hwy 62 has been submitted to ODOT for review and approval.
- 6.7 Vilas Road 16" Water Main Inter-tie – Marquess has revised the water main alignment in Vilas Road. A utility coordination meeting will be scheduled in the near future.

Commissioner Anderson questioned the quotes received for the construction of Commerce Drive 10" Water Main Realignment Project; Principal Engineer Eric Johnson stated that the handouts provided were for information only and that it was in Manager Rains signing authority.

7. Water Treatment Report (Stockton)

- 7.1 Water Treatment Plant Supervisor Jim Stockton presented a handout on Duff and Rogue source production and a summary of water production from the year 2000 to 2013.

Mr. Anderson questioned about comparing average daily temperature; Mr. Stockton noted that he does somewhat but it is hard to take all the variables into account such as rain, temperature and economy.

8. Finance Report (DeLine)

- 8.1 The draft year-end financial statement has been received from the auditors.
- 8.2 Fannie Mae bonds were recently purchased as the MWC had bonds called late last week.
- 8.3 Staff is still focusing on the trial balance and financial statements for the month of July.

9. Operations Report (K. Johnson)

- 9.1 Project crews have been working on the Hwy 62 project which should be completed shortly.
- 9.2 The mag meter is scheduled to be installed on Monday with the representative arriving on Tuesday.

A question came up pertaining to the Talent meter; staff noted that Talent is working on their meter. Joe Strahl of RH2 Engineering noted that there is not as much electronic interference there so they are giving it some time to evaluate if anything else needs to be done. Commissioner Dailey questioned if the same kind of testing was performed as what the MWC did; Mr. Strahl noted that the same test can't be performed there.

10. Manager/Other Staff Reports

10.1 Consideration of Ashland Connection Options

At the last meeting the Board discussed possible interest charges for the Ashland connection. Mr. Dailey had consulted with the Commission's investment advisors, who provided examples of market rates of return on municipal-type investments. The Board discussed graduated or escalating rates over the term of the agreement, which was initially proposed at 20 years. The Board was open to consideration of a proposal by Ashland that would include a market rate of interest. Mr. Faught suggested that Commission staff meet with Ashland representatives again for further review of the options and report back to the Board on December 4. That meeting was held on Monday, December 2; Commissioners John Dailey and Leigh Johnson and Manager Rains attended.

Mr. Faught stated that it was a good meeting; that they are looking at an interest rate, and that a letter of intent would be forthcoming. Mr. Rains suggested that the date of proposed SDC rate change of January 1 be moved to April 1 which would give time for Ashland to work this out. No letter of intent would then be needed. If the Board agreed, the decision would need to be made at the public hearing process next meeting and upon approval of the SDC increases.

Mr. Dailey questioned why you would not want a letter of intent; Mr. Rains noted that he did not feel comfortable doing it before the public hearing. City Attorney Huttl noted that the proposal Mr. Rains suggested would be more efficient without the extra work of two agreements and that there would be a hard date when this would need to be done.

Commissioner Johnson stated that he was comfortable with this and reported that the conversation was amiable during the meeting; Mr. Dailey agreed and questioned if they had talked to their council. Mr. Faught noted that one councilmember had been at the meeting but will bring this up to their council after today.

10.2 Cost of Service Study Update/Focus Group Format Discussion

Mr. Rains provided an update on the status of the Cost of Service Study project, currently underway with HDR, Inc. (HDR). Much data has been given to the consultant. The consultant is reviewing the first technical analysis of revenue requirements. Mr. Rains noted that portion of the study should be ready mid-December. Once staff has reviewed the revenue requirements in draft form it will be distributed to the focus group for general review. Mr. Rains provided copies of communication from two parties pertaining to the focus group meetings and requested clarification on how staff and the consultant should facilitate and achieve this purpose.

Mr. Dailey commented that he believed the reason for doing the study was because the cities had issues, wanted a forum of gaining knowledge of how the study was done and that there was never any intention to make it more than that. He remarked that this is an engineering and financial problem that can be solved for a correct answer and should not be turned into a political process and that we are one of the lowest cost producers in the state.

Mr. Anderson wanted the Board to discuss the focus group. He thought the Board needed to give staff and the focus group direction. He didn't want the focus group sending mixed messages to the consultant about the issues brought forth by the other cities.

Mr. Huttl addressed it from a legal point of view. Currently there are public records law where information can be shared. Any time we raise a rate there must be a public hearing. The City of Medford gives a professional courtesy of contact and information to those that would be affected on their rate increases and he thought it was in that spirit MWC would do the same in their rate study. He does not recommend an additional level of approval by forming a group.

Mr. Bellah would like to encourage clear direction to the consultant. He remembered that MWC went with an inexpensive methodology review of the SDC study last spring but hoped that they would be more complete and extensive in the Cost of Service Study and also be flexible to allow questions to be presented to the consultant. He requested the general questions that Chris Peters of RH2 Engineering presented be addressed. He suggested the legal ramifications that were addressed by the MWC attorney were unnecessary and only wanted one person that could speak for the other cities group.

Mr. Strahl appreciated the MWC taking the other cities request seriously for a full Cost of Service Study as there were technical issues that needed answers. It is important that those issues be resolved and studied. After they are addressed MWC will need to address how this would affect their policy issues. He noted that Commissioner Fortier was at one of the meetings and he too possibly thought the initial ground rules may be too restrictive. The input the other cities are providing will be meaningful.

Ms. Stricker noted that they saw this as an opportunity for all cities to discuss issues they had; her perception is that they would talk and MWC would listen. Then when it came to a public hearing it will have been talked through. She commented on the email that Ms. Peters sent.

Mr. Johnson thought they were setting up a process to bring forth a list of questions and concerns that would get answered by the consultant. Mr. Anderson noted that about two years ago there were a few questions that had to do with financial issues, such as interest rate and depreciation. Central Point City Manager Chris Clayton agreed to what he was saying. Mr. Anderson noted that they compromised on the other cities rate at that time. Mr. Anderson thought that when we reached agreement then it was noted by all that a comprehensive rate study would not be brought up for five years, the issue did not go away, hence the comprehensive study being done today. He did not think it was appropriate with what is happening with the focus group concerns as we had given the consultant direction and the group is there to listen and learn. Mr. Dailey thanked Mr. Strahl for his comments and stated that he viewed Mr. Rains' notes of inferred ground rules as correct.

Mr. Strahl endorsed what Mr. Bellah had said. A lot of the technical questions that have been generated are very important and the consultant will be going through those things and wanted those questions to be included in the discussion including the questions pertaining to the AWWA manual. He further stated that the reason why the concessions were made was because of the technical details.

*Medford Mayor Gary Wheeler arrived.

Mr. Bellah was not sure what the issues were two or three years ago. He wanted the consultant to be sure of what has been asked of them and to get our money's worth. He wondered why you would have a focus group if it is only to listen.

Mr. Johnson believed the group was to submit the issues within the realm of what the consultant deals with and if there is disagreement then continue to get information. Let's take the issues, confirm and get back to the Board. Mr. Anderson agreed and requested them in writing. The bigger issue is the comment Mr. Strahl made pertaining to technical issues to be raised by Ms. Peters within the focus group. He assumed that the consultant would bring this information to a Board meeting. Mr. Johnson questioned the committee she is on with the AWWA; Mr. Strahl noted that she is on the AWWA Rates and Charges Committee. Mr. Johnson thought that she is probably better served bringing these same questions to that

committee. Mr. Johnson questioned if he agreed that we should be only addressing those issues that we can take care of, not the AWWA technical questions.

Mr. Anderson questioned when the next focus group meeting would meet; Mr. Rains noted there is not one scheduled as of yet. Mr. Anderson stated that we agreed to the Cost of Service Study to confirm what we do is correct and to address the three to four issues that were brought forward two years ago. Now there are more technical issues that the cities are questioning and questioned where does this stop?

Mr. Rains stated that we could ask the other cities to give us a list of the original few questions, such as rate of return and depreciation, and the consultant can answer as he works through the study. The focus group would still be a listen and learn group. Mr. Anderson noted the rate of return and depreciation topics could have significant Board determined issues and therefore, this should be addressed during a Board meeting. Mr. Rains noted that when it involves more than general responses and a decision is required it would be at a Board meeting.

Mr. HuttI recommended the Board not get into what questions can or can't be answered. The consultant will tell us if the question is within his expertise. Decisions on rates will then be made at the public hearing or on policies at the Board level. Mr. Dailey stated that he had issues with the consultant discussing MWC issues with our customers; Mr. Anderson stated that questions should go through staff. Manager Rains acknowledged he had enough specifics to now direct the focus group as the Board intended.

10.3 System Development Charge Study Correspondence Received By Consultant

A letter from the Office of Mayor Hank Williams of Central Point was recently received by the commission's SDC Study Consultant Tom Gould of HDR. The Commission was not copied on the letter; however, staff was provided a copy by the consultant. The letter critically questioned the methodology study completed by HDR last spring, with specific charges against HDR's professionalism and ultimate responsibility. Staff requested Board direction on this matter along with comments, if any, that should be forwarded to the consultant in reply.

Mr. Anderson thought Mr. Gould should address this if he so desired; Mr. Dailey stated that he read the letter and thought a response would not be necessary and that MWC business should not be discussed with a third party without authorization. Staff acknowledged Board comments and would inform the consultant accordingly.

11. Propositions and Remarks from the Commissioners

11.1 Mr. Anderson acknowledged Mayor Wheeler.

11.2 Mr. Dailey noted that he had a concern with recent media releases and thought there may be implications that MWC was against water conservation; he thought the MWC should inform the public regularly on what we do.

12. Adjourn

There being no further business, this Commission meeting adjourned at 1:38 p.m. The proceedings of the Water Commission meeting were recorded on tape and are filed in the Water Commission's Office. The complete agenda of this meeting is filed in the Water Commission's Office.