

WEST SLOPE WATER DISTRICT

Regular Board of Commissioners Meeting

July 15, 2015

Meeting Summary

CALL TO ORDER

Present: Commissioners Charlie Conrad, Micky Hoffman, Noel Reiersen, and Bob Rieck

Absent: Commissioner Donna Davis

Management Staff: General Manager, Michael Grimm; Finance and Customer Service Manager, Heidi Starks

Chair Charlie Conrad called the Regular meeting of the West Slope Water District Board of Commissioners to order at 5:04 P.M., Wednesday, July 15, 2015.

OATH OF OFFICE

Commissioners Hoffman and Reiersen were administered the Oath of Office to the West Slope Water District Board of Commissioners by Chair Conrad for terms beginning July 1, 2015 and ending June 30, 2017. Commissioner Rieck was administered the Oath of Office by Chair Conrad for a term beginning July 1, 2015 and ending June 30, 2019. Since Commissioner Davis was absent, the oath of office will be administered to her during the regular board meeting August 19, 2015.

PUBLIC COMMENTS/COMMUNICATIONS

Mr. Grimm stated three customers have walked into the office in the past month to pay a water bill and asked the question: "Does the West Slope WD offer consumer rebates for the purchase of water efficient clothes washers and/or toilets?" The Board will consider a discussion on this topic at a future meeting after staff has had a chance to research other systems who currently have a rebate program.

CONSENT AGENDA

Mr. Rieck made a comment about Agenda Item 4.2 Disbursements regarding check #16909 (the register should show payment to HDR Engineering for SDC Study not SCD Study). Chair Conrad asked if the District should continue membership with LGPI (Check #16912 was paid to LGPI for annual membership renewal). Chair Conrad stated LGPI helped with hiring the new general manager and wondered if the services were still needed. Mr. Rieck and Ms. Starks explained that LGPI had services the Board/District would continue to use during the coming year (such as overseeing position job descriptions, salary/compensation package comparisons, etc.). Previously, a pro-rated amount was paid for membership. Chair Conrad would like to see the

District continue its membership for at least another year and at that time discuss as a Board the membership's value. Mr. Reiersen made a motion that the consent agenda be approved as presented. Commission Rieck seconded the motion, and it was approved unanimously.

WATER DEMANDS AND WATER PURCHASES

Mr. Grimm provided background for the District's water purchase contract with the City of Portland Water Bureau (PWB). The main background points of the contract discussed were as follows:

- West Slope has a guaranteed minimum purchase agreement (GMP) for 1.4 million gallons per day (MGD). Additional information: West Slope is billed monthly for water consumed. Over the course of the year, West Slope will purchase a total volume of 511 million gallons (MG) whether all of that volume is actually taken by the District or not.
- For 92 days between July 1 and September 30, the District is allowed a 1.21 peak season factor which allows the District to purchase 1.69 MGD during this 92-day period without penalty. Additional information: From a billing standpoint, the District is allowed to purchase a total of 155.48 MG during this 92-day period without penalty.
- PWB allows wholesale customers to purchase 10% more water above the peak seasonal demand rate without penalty. That is, the District may purchase up to 1.86 MGD without penalty. Additional information: The District is allowed to purchase a total of 171.43 MG (10% above 155.48 MG) during this 92-day period without penalty.
- The District is allowed a 3-day peaking factor of 1.46 or 46% higher than the GMP of 1.4 MGD. The peak 3-day demand (the highest 3 consecutive day average) is 2.04 MGD.
- PWB allows wholesale customers to exceed the peak 3-day demand value by 20% without penalty. Therefore, the District may purchase an average of 2.45 MGD for 3 days without penalty.

For the month of June 2015, the average daily demand was 1.98 MGD. For the first 14 days of July 2015, the average was 2.36 MGD. Based on weather forecasts for a summer with higher than average temperatures and lower than average precipitation, it is estimated the average daily demand for July and August will be between 2.1 and 2.3 MGD. The District is seeing some customers with \$400 and \$500 water bills, and District staff have made courtesy calls to many of those customers to soften the "sticker shock blow" that will come with seeing the bill in the mail or on a bank account statement.

Due to extremely high consecutive daily demands in late June and early July, the District exceeded the peak 3-day demand limit of 2.45 MGD as the District purchased an average of 2.58 MGD for 3 consecutive days. PWB will calculate the penalty based on the amount of water used and the infrastructure used to deliver the extra volume of water, and the penalty will be assessed to the District as a surcharge on the monthly wholesale water bill. Exceeding the peak 3-day demand also raises the peak 3-day 5-year average (the average of the peak 3-day demands over the last 5 years). The 5-year average is factored into the wholesale water rate as well.

PWB and its wholesale customers are navigating aspects of the contract that have never before been tested. Several things have been learned that previously were not widely known:

- The peak 3-day demand limit applies 365 days per year, not just during the 92-day peak season period.
- Contract violations by other wholesale water utilities have an impact on the future wholesale water rate for the District. In short, the more water utilities that violate the

contract limits, the more penalty fines are spread amongst the other wholesale water utilities.

- There are no forgiveness days according to the terms of the contract.

Mr. Grimm discussed some conclusions and potential next steps for the District:

- Over the last 5 years, the District's peak 3-day demands have been between 1.46 and 1.70. The new 1.84 peak 3-day demand will be the highest in the average.
- The key to lowering the wholesale water rates is to lower the peak 3-day average which can only be accomplished by reducing the actual peak 3-day consumption rate each year.
- As stated earlier, staff estimates the average daily demand for the remainder of the summer to be between 2.1 and 2.3 MGD. It is likely there are only 3 factors that will impact that demand/customer behavior: 1) Significant rainfall (not likely according to weather forecast models), 2) Awareness of summer water bills, 3) Exasperation of money and time dedicated to watering lawn and plants with little to no benefit (everything is still brown, so let's just give up ...)
- Purchasing interruptible summer water (IW) can be a benefit to the District operationally and financially ... (new information: ... but IW will not be allowed by PWB to reduce the peak 3-day demand). Purchasing IW can help to lower the total amount of peak seasonal water because IW increases the amount of GMP.
- According to the PWB contract, IW can be terminated by the PWB with very little notice. IW water is also purchased at 45% of the base wholesale rate for the District, and it is purchased at the discretion of the PWB and can be curtailed or terminated with notice from the PWB. Purchasing IW at 45% of the wholesale rate will allow the District to save money now to off-set the cost of a pending 3-day peak demand exceedance penalty and a wholesale water rate increase as a result of a higher 5-year peaking average. The revenue generated and saved now may be applied to lessen the impacts on the ratepayers in the next fiscal year. Ms. Starks pointed out a 3-day peak demand exceedance and a peak season demand exceedance are in fact two separately calculated penalties, and it is in the best interest of the district to ensure we remain within our contractual peak season demand purchase.

Mr. Grimm suggested the Board provide direction to the District on whether or not to pursue purchasing IW for the remainder of July and August. Ms. Starks commented the District needs to sell roughly 14% of the IW volume purchased to break even (that is, cover the cost of IW purchase). Chair Conrad called for a consensus approval of the Board was for staff to continue discussions with PWB regarding the purchase of IW for the remainder of the summer, and the consensus was unanimous among the four board members present.

Mr. Grimm distributed the water bill insert developed by Ms. Starks and our graphics publications contractor (creator of the District's consumer confidence report) to bring a water conservation message to the District customers. The brochure titled "Are you on the path to saving water?" will be inserted in the July water bill. Commissioner Rieck commented the District's website was void any conservation content despite having a conservation tab on the site. Ms. Starks commented the brochure is already on the website. It was oversight by staff not to have any content in this section of the website, and staff is proceeding with building additional content as time allows.

Mr. Grimm also stated the summer's high demands among the wholesale customers will be a key discussion point in the on-going Cost Allocation Audit negotiations.

MONTHLY PROJECTED VS. ACTUAL FINANCIAL SUMMARY REPORT - INFORMATIONAL

Ms. Starks reviewed graphical presentations for operating expenses and operating revenues for June and the entire 2014-15 fiscal year.

STRATEGIC PLANNING IDEAS - DISCUSSION

Mr. Grimm distributed a draft proposal to the Board that was received from Dale Jutila, CH2M Client Services Manager, just prior to the Board meeting. The draft proposal is to begin the discussion and complete the foundational work for a forward-looking strategic plan. For the District to move forward with the strategic plan, the collection of stakeholders (Board, staff, customers) need to be working in an "aligned direction" together. The purpose of the draft details at this point is for information only, but staff is requesting direction on whether or not to continue pursuing this direction with CH2M for discussion at a future Board meeting.

Commissioner Rieck commented that before he could begin to consider a new consultant coming into the strategic plan process, he needs to spend some time processing the draft SWOT analysis compiled by Barney Worth. Mr. Rieck believes the Board should be able to have some internal discussions about the SWOT report given that he was not very satisfied with the draft outcome of the report. Commissioner Reiersen agreed with the level of dissatisfaction and believed Commissioner Davis should have a chance to discuss the report as well.

Mr. Grimm stated stepping back to look at the report separately is a good idea and further discussion about the CH2M proposal should be deferred to a future meeting. Chair Conrad asked the Board if they were interested in a special work session to discuss the report before the regular August 19 meeting. Commissioner Hoffman commented his desire is to address these key issues sooner rather than defer them one or two months in the future. Commissioner Rieck commented having a special meeting would be a benefit to Mr. Hoffman (new to the issue) and the rest of the Board. Mr. Grimm will use a Doodle poll to find a meeting date & time to hold the special work session meeting during the first week of August.

PERSONNEL UPDATE

Mr. Grimm informed the Board the District received five applications for the vacant utility worker position, and the initial round of interviews will take place Wednesday, July 22. The goal is to have a new operator on board during the first week of August. Meanwhile, Bart Johnson hired a full-time limited duration laborer (Joshua Grimm) to assist the operations staff this summer (mid-June through early August) with changing out meters, locating water mains, maintaining District facilities, and clearing / cleaning / repainting the District's nearly 400 fire hydrants. Daniel Gridinar has been predominantly providing instruction to Joshua which has been great experience for Daniel knowing the District will have a new full-time employee arriving in August who will likely need a significant amount of training.

DISTRICT ACTIVITIES

Mr. Grimm briefly reviewed the operations reports including a plan review project update for the Hope Chinese Church / Elks Lodge project. The District has received some very preliminary plans at this point. Mr. Grimm also stated the PWB has posted the analytical results of the combined regional lead and copper testing for May 2015. The 90th percentile for all samples collected is 0.014 mg/l for lead and 0.33 for copper. The regulatory lead action level is 0.015 mg/l, so the regional sampling plan is once again adjacent to the regulatory limit. The only sample collected from a West Slope Water District customer was analyzed at 0.007 mg/l, significantly less than the region wide 90th percentile and the regulatory lead action level.

Mr. Grimm stated the District has been in contact with Randy Stead at S&B, Inc. who is the District's SCADA and telemetry contractor/consultant. Staff desires to be able to remotely interface/access the SCADA and telemetry systems in order to both observe and make changes to operational processes (such as opening or closing valves, acknowledging alarms, or monitoring distribution system parameters) while away from the office property. This feature would be a significant benefit for our on-call, after hours operators to have the ability to see the distribution system conditions and possibly make operational changes to correct problems in a more timely and efficient manner. According to Mr. Stead, our current system has the capacity to perform this way with upgrades to the internet interfaces and firewall protection and our monitoring equipment (such as the purchase of a tablet like the Microsoft Surface tablet). We could also add to the amount of data tracked through our current system such as the water level at the Green Tank and chlorine residuals, temperature, and system pressure readings at multiple points throughout the distribution system. Mr. Grimm will present S&B's upgrade proposal to the Board when it is received.

EXECUTIVE SESSION

Chair Conrad suspended the regular meeting at 7:25 PM to go into executive session pursuant to ORS 192.660(2)(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.

Following the conclusion of the executive session, the regular meeting was reconvened at 7:40 PM. Commissioner Rieck made a motion directing the general manager deliver the settlement letter presented to the Board in executive session to the District customer with the easement encroachment issue. The motion was seconded by Commissioner Reiersen. The motion was passed unanimously. Mr. Grimm stated the letter would be hand delivered in the next 24 hours.

CONTINUED DISTRICT ACTIVITIES

Mr. Grimm informed the Board that KGW TV and KOIN TV requested information on the top ten residential water users in the district between July 2014 and June 2015 as well as the top three commercial water users. Under public records law, the District is required to provide this information to the media and/or the public. Mr. Grimm will make the information available to both stations once the report and some supporting documentation about overall water use has been compiled. There was no timeline for the information mentioned by either station.

COMMISSIONER COMMUNICATIONS

Commissioners Hoffman and Rieck mentioned attending the recent SDAO training along with Commissioner Davis, and both commissioners mentioned how helpful the training was. Commissioners Conrad and Reiersen are registered for the same training later in the summer along with the general manager. Mr. Grimm mentioned SDAO has an upcoming legislative session update at the Holiday Inn Wilsonville from 7:30-9:30 AM, Thursday, August 13. Also, Mr. Grimm will be traveling by plane to Medford for the next Oregon Water Utility Council meeting noting the airfare cost was equivalent to one night's lodging and meals.

ADJOURNMENT

There being no further business to discuss, Commissioner Rieck moved the meeting be adjourned. Commissioner Reiersen seconded the motion and it was approved unanimously.

Chair Conrad adjourned the July 15, 2015 Regular Board of Commissioners meeting at approximately 6:50 P.M.

Respectfully Submitted,



Michael W. Grimm, P.E.
Acting Secretary

Approved:







