

**BOARD OF COMMISSIONERS RATE HEARING
HYBRID MEETING: IN-PERSON ~ VIRTUAL MEETING VIA ZOOM**

Thursday, March 14, 2024, 6:30 p.m. ~ Corbett Fire Hall 36930 E Hist. Col. Riv. Hwy

BOARD MEMBERS PRESENT: In-Person: Michael Arion, Dan Graff, Kelly Piper, Angie Kimpo

BOARD MEMBERS PRESENT VIA ZOOM: Sara Grigsby

BOARD MEMBERS ABSENT: None

STAFF MEMBERS PRESENT: District Manager Ana Linden, District Clerk Heather McGivney, DRC David Jacob

AGENDA

1. Call to Order – Board President Kelly Piper called the meeting to order at 6:30pm.

2. Roll Call – All Board members were present.

3. Approval of the Agenda – Board President Kelly Piper moved to make an amendment to the agenda. The decision regarding a proposed rate resolution will be made at the April, 16, 2024 Regular Board Meeting. Angie Kimpo moved to approve the amended agenda, Michael Arion seconded. *(motion passed 5 yes votes: M. Arion, D. Graff, S. Grigsby, A. Kimpo, K. Piper; 0 no votes)*

PUBLIC HEARING

1. Consider Proposals for Water Rate increases including Base rates, Usage rates, and Fees

A. Summary of Proposal – District Manager Ana Linden said that the Board of Commissioners has instructed us to look at water rates and fees every year at a time that coincides with the Budget cycle. This will let us keep a closer eye on rates and fees, and therefore, we hope any adjustments will be smaller than in the past. There are a few fees that the District would like to adjust including the High Efficiency Toilet credit, as well as the Private Fire Line fee. Ana presented different rate options, and we believe that any Resolution will be passed at the April Regular Board Meeting.

Ana explained our revenue sources:

- The Corbett median household income is \$108,971. Therefore our median income is too high to qualify for many grants.
- We get property taxes in the amount of \$0.5781 per \$1000 assessed value, but to raise the tax rate we would need to get approval/votes from the community. Similarly, a bond would need to go to voters.
- We could get a Congressional appropriation from the State or Federal government.
- Loans are a possibility, but our revenue to expense ratio must be (>1). Our current loan will be paid off in December 2025.
- Ana explained we are looking at rate revenue because rates are more in our control.
 - The District hired Pace Engineering for a rate study in 2021.
 - Base rates are reliable, because all customers pay it, regardless of use.

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 1

- Tiered water rates are not as reliable but generate significant income from high water users. However, it also encourages water conservation, so it is hard to predict the amount of revenue.
- They recommended a mix of both base rates and tiered water rates as it is popular and easier to acclimate.
- Tim Tice from Oregon Association of Water Utilities said they do rate studies for \$5,000.
 - Ana asked Tim his opinion about tying rates to inflation. He said that he strongly favors that idea. Tim likes to base rates on what is required in a prioritized capital improvement plan. We don't currently have a plan (though we hope to receive a grant which will help develop one) Tim suggested basing rates on the average inflation from the past 5 years. Tim advised keeping at least \$500,000 in the bank minus tax revenue (so approximately \$300,000 in our case).
 - Ana asked other districts for their advice, and Wade Hathhorn of Sunrise Water District gave great feedback. District Clerk Heather McGivney and Wade had a very productive meeting where Wade explained his philosophy. He said to figure out the reliable income and variable income.
 - Reliable income is derived from average winter rates, when people are inside and not using extra water for gardens or crops. We can assume that the winter rates are the steady income that we should be able to count on all year. He suggested that this reliable income should cover 80-90% of operating expenses: personnel and materials and services.
 - Variable income is the amount of water sold in the summer months when people are using additional water for outside uses. This is variable, because unpredictable things like weather can influence the amount of water used during the summer. Variable income also includes property taxes. Subtract out the reliable income, and this is the amount that should be used to cover capital improvements and debt coverage.
- Based on expenses for the current Fiscal Year, Ana projected the total revenue needed for Fiscal Year 2024-25 is \$1,135,000. To calculate our reliable income (during the winter months), Ana found that 50% of customers use 10 units of water or less, and 75% of customers use less than 15 units. Dan Graff asked Ana if she looked at the usages from prior years to see if they were similar. He asked her to look through prior years to have more of an average.
- Ana explained that our base rates are based on size of meter. Most customers are on a ¾" meter. She looked at the revenue generated from these average winter water usage rates. The total revenue, based on winter rates extrapolated for the full year, is around \$861,507, or about 78% of our projected operations and maintenance.
- We looked at the rates of some other Districts around the state. Corbett Water District's current rates fall somewhere in the middle, though we have far fewer connections than some of the Districts that can charge cheaper rates. She calculated the amount of pipe that each customer is supporting in their system and found that CWD customers each cover significantly more feet of pipe. In other words, we have a large amount of pipe relative to our number of customers, so each customer must cover the cost of maintaining more of our system compared to other Districts.
- Sara Grigsby asked if the shortfall that Ana is projecting would allow us to do all of the projects that we say we need to do? She's thinking of our current financial reports, and where we are not spending on projects that we anticipated doing this year. Ana answered no, this figure is just for operating expenses: Personnel and Materials & Services. Capital Improvement projects would come from the variable income (the less dependable summer usage). Angie Kimpo asked where we would address Capital projects? Ana replied that we address this more in the Budget cycle, but we should keep those projects in mind while considering rates.

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 2

- Ana went over the Capital projects that we have done so far this year, extrapolated to the end of the Fiscal Year, plus our debt. When we project the variable income against this, there's a surplus of approximately \$120,000. Michael Arion pointed out that this surplus will increase in two years because the debt obligation will be completed.
- Ana explained the challenges facing our Operations and Maintenance in the next year: we will have additional training responsibilities, we are playing catch-up on many projects, and she believes that we are currently understaffed. Paid Leave Oregon is a new obligation that all Oregon employers will have to work around, we have a GIS database that we want to build ASAP, and we need to account for inflation. On the maintenance side, we have a lot of service lines that need attention, and we need to finish projects.

Presentation of rate increase options:

- Increase the base rate. Right now, we are charging \$2.25 per gallon per minute capacity. We could raise that to \$2.50 or \$3.00 per gallon per minute capacity.
- Increase the top tiers of cost per unit. The per unit rate would raise at a lower number of units, for example a new rate at 15 units vs 20 units. Angie asked how this would affect our average consumers? Dan responded that the national average is for one person to use 100 gallons of water per day, so multiply 100 gallons per day by the number of people in your household.
- Ana went over the projected revenue that each model would raise. She reminded the Board that we are looking for approximately \$47,000 to manage the projected shortfall for Fiscal Year 2024-25.
- Ana reminded everyone that our goals are to have a reliable and resilient system for current and future residents, to retain a well-trained staff, to do our projects the right way, to achieve an industry standard fire flow, and to make CWD an attractive place to manage. Sara asked what we imagine the goals are from a customer perspective? Ana answered that we don't want to raise rates, and that it is hard for customers who are struggling. We want to meet the needs of the customers and the District in as fair a manner as we can. Heather answered that she thinks the customers would want a resilient water system that works into the future with minimal disruptions. Sara responded that she agrees that a reliable and resilient water system is probably the biggest goal for the customers.
- Ana showed the current fees, and the fees that she proposes to add. Ana wants to adjust the current High Efficiency Toilet rebate to \$250 from \$100. She also proposes that Private Fire Lines should pay \$400 per month.
- Kelly talked about the fees that they want to add to encourage Cross Connection program compliance.
 - The Cross Connection program is mandated by law, and it is our responsibility to know which potential hazards exist in our system. The survey that we sent out multiple times had a low return rate. To convey that the information is mandatory, the Policy committee wants to change to the word "survey" to "registration." Going forward, we will send out an annual registration on July 1 that is due on August 1. August 5 – 10, we will send out an automatic phone call to those who haven't turned in their form. On August 15, we'll assess a \$75 late fee. The bills will go out in late August, and if the customer returns the registration by September 30, the late fee will be forgiven. At the end of October, when the next bill goes out, another \$75 fee will be assessed. Again, if the customer returns the registration by November 30, the fee will be forgiven. During December, customers will get a 48 hour notice posted at their residence saying that we will inspect the property for hazards and a \$150 fee will be assessed. The registration for that address will be filled out by the backflow specialists that perform the inspection. Angie is worried about a possible weather event during the inspection period in December. Dan clarified that this is still a proposal. He also asked for the ultimate goal. Ana answered that we need to

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 3

identify hazards, and inspect mitigation efforts like air gaps, etc. Ana went back to the law that we need to have a Cross Connection program, and she found that CWD used to do surveys, so she tried to revive that practice as our program. Dan pointed out that other systems don't have a heavy handed approach to Cross Connection program. He pointed out that of the backflows in the system, we only need 70% compliance. Ana responded that she's just trying to follow the law, and do the job that she was hired to do. Dan said that this issue isn't really a problem if we can maintain 20 lbs of pressure throughout our system. He doesn't like punitive tactics like the one proposed when we aren't fulfilling our end of the bargain by maintaining pressure throughout the system. Kelly asked if there are any consequences for not following the law that says we need to have a "list of premises where health hazard cross connections exist." Ana and Dan responded that there are no consequences, but Ana continued that if someone gets sick, we have to answer for why it happened. She doesn't want to force people to make costly changes, however, our system has many unknowns and she has seen customer meters go backwards, which means that the water is getting sucked back into the main system. Dan said that he's gotten many phone calls from customers about the survey, and asking about the threat of shut off, or people coming on to their land. He pointed out that many people choose to live in Corbett because they want more privacy and control of their property. Ana pointed out that the ability to go on customer's land with sufficient notice is in our policy. Dan said that many larger water utilities don't follow these types of procedures. They have a much more relaxed Cross Connection program. Sara asked if we put into our policy that we will come on the customer's property to inspect for hazards, would it take away the protests if it was just one part of the services that we offered? Dan responded that in the past we had a manager who was very interested in preventing Cross Connection, so he wanted to install backflow devices on customer's property, but the problem with that is that if the District installs them, they must test and service them too. He would advise all of our customers to return the survey with the answer that they have no potential hazards. That would cover CWD's legal culpability. He believes that there aren't any accommodations for the customers in the current proposed process. Discussion ensued about how to get the information that we need, to get the customers to do their registrations, and how to make customers understand the importance of having a backflow device, and provide an incentive to fill out the registration. Dan feels that we need to ask customers to be in partnership, and to provide education. He feels that if we keep working at it over years, we will eventually get all of the information. Kelly proposed that we rewrite the registration form to be more educational and friendly, without all the punitive measures, and see if we get a better response. Dan suggested thinking about if our Cross Connection program needs to include a survey, annual or otherwise. He thinks that we need to write out a plan, and follow it as best we can, as he believes other water utilities do. If we continue with the surveys, send it out once per year with the Consumer Confidence Report, make it as easy to understand as possible, we will eventually get the information that we need. We also need to watch the language that we use in the registration, to make it colorful and simple (perhaps a cartoon), so that people can understand backflow and learn how it affects their neighbors when there is an unprotected hazard.

B. Testimony from the Public

- Community member Eric Eaton said that we had a rate increase in 2022. He believes that tying rates to inflation is a bad idea, as that would make it harder on folks with fixed incomes. He also objects to the idea of charging the Corbett Fire Department for their meter. He thought that the meter was there simply to track usage. CFD uses water to save lives, and he believes that there is no honor in charging for a product that saves lives. He then read a letter from his wife, April

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 4

Eaton: She doesn't support a rate increase for the following reasons: 1. The Board refuses to look for a qualified District Manager. Our community suffered due to the decisions made by the current unqualified Manager during the January storm. 2. The relationship between Corbett Fire and Corbett Water has been damaged by the current Manager. This is the most important relationship between community organizations. The Board seems to take a laissez-faire attitude toward this problem. CFD has become afraid of using hydrants because they don't want to be accused of breaking a water main. There also haven't been any new hydrants installed in the last six years. 3. She doesn't support the plan, proposed last month, for Hydra Engineering to test sand for use in our slow sand filter ponds. There are other labs, like Rose City Labs, that are very interested in developing a sand testing system. Eric spoke to them last week. She doesn't support any plan that appears to give preference to one contractor over another. 4. She and Eric attended the Post-Storm meeting which was very long and included business that was off topic before getting to the point of the meeting. Many of the comments from the community survey were positive, which makes them believe that they were cherry-picked to make a more positive picture than there actually was, leading Eric to doubt our integrity. 5. There are other water Districts, like Rockwood Water, who have a link on their website connecting to their check register so that customers can see who has been paid and how much is left in the bank. They believe that CWD should do the same, rather than force people to try to keep up with a quick presentation at a monthly meeting. 6. They would like to see a recap of all of the events leading up to the digging of the well, what went wrong, and the amount that has been spent on litigation so far. For all of these reasons, they do not support a rate increase. In response, Heather pointed out that we don't charge Corbett Fire for their water meter, the proposed fee is for private fire lines, like at the summer camp, and other large venues that have their own private line for fire suppression.

- Community member Jeff Aho said that he's trying to understand the rate increase, and the need for it. He objects to the tiered rate structure that charges more per unit for higher use. He's also concerned for folks who have a water leak. They come out with an enormous bill, along with the charges from a plumber to fix the leak. He feels that the most equitable thing to do is a flat rate increase. He hasn't heard a conversation about a rate structure that is sustainable. It feels punitive. He feels the Board has a responsibility to make sure that the District has qualified workers so that the public can feel confident that any rates are going towards the credibility of the District to make good decisions on behalf of the customers. Kelly responded that the 2022 rate increase was larger than anybody wanted because there hadn't been a rate increase in many years. She also explained that they looked very long and hard for a qualified District Manager, but couldn't find one because they couldn't offer enough money.
- Community member Jack Garrison sent in a written statement, which Heather read aloud. He said that as a former Commissioner he does not support a rate increase this year. Previous rate increase revenues haven't been used for infrastructure maintenance or improvements, putting pipes in the ground, working on PRVs, nor purchase of fire hydrants. The Board has approved the expenditure of \$100,000 on building improvements, instead of spending it on 1 mile of 8-inch main line pipe. They've also authorized the spending of \$100,000 on legal fees for the well project, which could have been spent on overhaul kits for all of our PRVs. There have been no new fire hydrants installed since 2015. He believes that any rate increase should be tied to a specific project, like laying one mile of 8-inch pipe per year.
- Community member Barbara Liles said that she's been volunteering with the Water District, transcribing old notes from the 1950s and 1960s so that they will be in a digital format rather than just paper files. One thing that has become clear to her is that this Water District has been a community project, put together by neighbors. Some donated equipment, some donated land, others labor. It is the basis for this community. These people understood that if they built a new water system, they could make the area more livable. It became very clear during the January

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 5

storm that we all depend on the water system. However, the system has been maintained by the seat of our pants, on very little budget, and no one has wanted to pay for it. It also never occurred to her before volunteering that the minute a pipe is put into the ground, the clock starts ticking on its useful life. We haven't been paying for the true cost of our water for years. It is also hard to compare our water system to others because we have so many miles of pipes. The water system is truly a community effort, and the community has expanded as the water system has expanded. More residents have been able to live here as new water lines were installed.

Online comments

- Community member Dave Selden asked if the personnel budget is increasing by 20% and the maintenance budget by 10% in Fiscal Year 2025?
- Community member Claire Clock says that Beverly and Claire Clock support a rate increase due to the costs of deferred maintenance, the need to increase technology including remote monitoring of the water system, pay staffing, and pay for increase in costs. They also advise developing a volunteer program. Other state agencies have volunteer programs which helps to get all of the work done.
- Community member Lauri Aunan supports a tiered water rate increase for higher water use. In some cases, funding for grants and loans requires a tiered water rate structure. She also supports a reasonable rate increase to support clean and safe drinking water for the community. We have an aging water system with deferred maintenance and deferred capital improvements. If we don't pay for our water system, we will have less and less reliable and efficient water, and we will end up paying more for it in the future.

C. Discussion and Questions

- Michael Arion said that we need money because we need a new Geographic Information System, The storm pointed out that we need money for generators, and safety equipment for our vehicles. We need money to stabilize or replace the Larch Mountain reservoir. We need money to maintain our PRVs and to install larger main lines so that we can supply water to the fire department. We need money to acquire land to protect our watershed in the event of a natural disaster. We need money to try for a new well to serve as a secondary water source. We don't need all of this money tomorrow, but we will need it. There are four ways that he knows to raise the money: raise rates, grants (which they are working on), we could get a new loan when our current loan has been paid, and taxes – we could seek a bond. He feels that any recriminations about the past are worthless. We have to work with what we have, and we have to figure out a way to make this about community, so that we're all in this together.
- Angie said that no matter where our priorities lie, whether it's putting pipe in the ground or creating the flow we need to support more hydrants, first we need a prioritized master plan. This would give us a road map for what to do, so that we're not just fixing things piecemeal, or simply running around fixing problems as they arise. We need to really understand the whole system. There are people working on that, but it takes time. Community member Malcolm Freund said that the District has a money management problem. They knew at the time that the master plan was bargain basement, but they spent the money on it anyway, money down the drain. Kelly responded that they couldn't afford a complete master plan at the time, so they purchased the one that they could afford that met the state requirements.
- Dan said that he supported the last rate increase because there hadn't been an increase in a long time, and the District was paying for it with deferred maintenance. They went with a tiered rate because that was recommended, but he doesn't like how it has played out. It feels punitive. We have a gravity fed system, not a pump system. However, some of our current problems, like the Larch Mountain reservoir stabilization was not due to system failure but to poor decisions made during the storm. He believes that we shouldn't associate a rate increase with capital improvements. The master plan that we commissioned was enough to meet state requirements, but not enough to create a prioritized capital improvement list. The Board knew at the time that

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 6

it wasn't enough, but they chose to kick the can down the road. He doesn't want to ask customers for a rate increase until we have a prioritized list of projects that we can present to the community. He also asked if there was anything in CWD policy about the amount of cash carryover into the next Fiscal Year? Ana responded no, which is why she mentioned that Tim Tice recommended \$500,000. Dan thinks that that amount should be a percentage rather than a hard number, and he believes that we should write that down in our policies.

- Sara thinks that ultimately we need a rate increase, but she wants to look at the proposals that were presented tonight. She agrees with what everyone else has said tonight. We need a prioritized project list, and we also have to be mindful of our customers' needs. There isn't a more precious resource than water, we need to pay for it, and we need to make sure it's reliable. We also need to get over all of this stuff about needing employees who will stick around to work here.
- Angie asked for clarity about the process going forward. Kelly answered that the two Budget Committee meetings will occur, and then at the April Board meeting, the Board will have more deliberations and they can propose a resolution at that point. Ana said that the purpose of a Rate Hearing is to present options and allow for public comment on those options. As long as the Board doesn't decide to adopt a new rate that is drastically different than what was presented here, they can vote on it in the future, after the Budget Committee has done its work.

SUGGESTIONS FOR FUTURE AGENDA ITEMS – Kelly asked that Heather put rate deliberation on the April Regular Board meeting, but not a Rate Resolution.

ADJOURNMENT OF MEETING – Sara Grigsby made a motion to adjourn the meeting at 8:26pm. Michael Arion seconded. (*motion passed 5 yes votes: M. Arion, D. Graff, S. Grigsby, A. Kimpo, K. Piper; 0 no votes*) The meeting was adjourned at 8:26pm.

THIS WAS A PUBLIC MEETING

Revised 05/02/24, 4:30pm, pg 7