

***CANBY UTILITY
REGULAR BOARD MEETING
JUNE 14, 2016
7:00 P.M.***

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - Approval of the June 14, 2016 Agenda
 - Approval of Regular Board Meeting Minutes of May 10, 2016 (pp. 1-5)
 - Approval of Write-Offs
 - Approval of Payment of Water and Electric Bills
- III. CITIZEN INPUT ON NON-AGENDA ITEMS
- IV. RECOMMENDATION Implement Customer Water Filter Promotion – Dan Murphy, General Manager (pg. 6)
- V. RECOMMENDATION Proposed Water Rate Adjustment – Carol Sullivan, Finance Manager (pp. 7-11)
- VI. BOARD REPORT
 - Chairman Comments
- VII. STAFF REPORTS
General Manager Updates
- VIII. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(i) to discuss performance of public employee. Upon completion of the executive session the Board will return to its regular meeting.
- IX. ADJOURN

CANBY UTILITY
REGULAR BOARD MEETING MINUTES
MAY 10, 2016

PRESENT: Chairman Potter; Members Maxwell, Daniels, Brito, and Wagner; Daniel P. Murphy, General Manager; and Barbara Benson, Board Secretary

ALSO PRESENT: Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Dee Anne Wunder, Customer Service Supervisor; Tim Dale, City Liaison; and Mike Greene, Veolia Water

Chairman Potter called the Regular Board Meeting to order at 7:00 p.m.

Chairman Potter presented the consent agenda for approval. Member Brito made the *MOTION to approve the Consent Agenda, consisting of the meeting agenda, regular and executive session meeting minutes of April 12, 2016, write-offs in the amount of \$2,082.35, payment of the electric and water department bills in the amount of \$900,967.08, with carry-ins in the amount of \$42,545.98, for a Total of \$943,513.06. Member Daniels seconded, and the motion passed unanimously.

Chairman Potter asked for citizen input on non-agenda items and there was none.

Finance Manager Carol Sullivan presented the fiscal year 2017 electric and water fund operation and capital budgets for approval. Sullivan began her presentation with the electric budget executive summary that highlighted the proposed changes from fiscal year 2016 to 2017. The electric sales are expected to increase \$807,388, based on prior months and applying a 3% growth factor as well as impacts of the most recent rate adjustment. The total other electric energy revenues are expected to increase by \$6,560 based on the prior months and remaining contract funds from BPA's energy efficiency contract. The budget reflects a total operating revenue increase of \$813,948, which is mostly attributed to the rate increase. The total operating expenses are expected to increase \$146,429 mainly due to adding an apprentice lineman position to the line crew. Operating income has increased \$667,519. The total non-operating revenues and expenses increased by \$28,948 over the prior year due to current interest rates and estimated cash on hand. The capital contributions decreased \$188,936 as a result of the amount of developable land within the city limits becoming limited. Most of the electric hook-ups are expected to be paid in fiscal year 2016. The change in net assets will be an increase of \$507,531. The total end-of-fiscal year 2017 cash and investments is estimated to be \$9,527,772. Sullivan invited the Board to ask questions. The Board asked questions about the replacement of the company van, the added cost of adding the apprentice lineman position, and clarification that the dues for Rotary Club were actually for Kiwanis.

Sullivan reviewed the water budget executive summary and explained the proposed changes from fiscal year 2016 to 2017. The water usage sales are expected to increase \$81,100 based on a 3% growth factor that was incorporated into the budget. The operating expenses are expected

**Canby Utility
Regular Board Meeting Minutes
May 10, 2016
Page 2 of 5**

to increase \$194,068 due to less labor cost being capitalized, testing for water taste and odor, and increased water treatment plant expense. The operating income decreased by \$112,968 due to the anticipated growth factor not covering an increase in operations. The total non-operating revenues and expenses are up by \$25,443 due to higher reserve balances and interest, as well as lower interest payment on bonds. Total capital contributions are increasing \$149,416 due to anticipated system development charges and hook-up fees on current projects that are expected to be paid in fiscal year 2017. The change in net assets reflects an increase of \$61,892 as a result of those fees and charges being paid in the next budget year. The total end of fiscal year 2017 cash and investments is estimated to be \$2,864,913. Staff answered the Board's questions about the need for replacement of a company vehicle, the basis for the assumed growth factor used in budget development, anticipated non-sufficient fund charges that will be passed onto the customer, purchase of a replacement underground locator equipment, and the need to replace/repair failed underground cable during a fiscal year that is not anticipated nor budgeted. General Manager Dan Murphy stated that staff will develop a trend analysis, looking back three to five years, and using that information to decide on a lump sum budget amount for these types of repairs/replacement for future budgeting. Sullivan thanked staff for their effort to help develop the budget. She then recommended that the board approve the budget as presented since there were no changes. Member Maxwell then made the *MOTION to approve the fiscal year 2017 electric and water operating and capital budgets. Member Brito seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Daniels, aye; Member Maxwell, aye; Member Wagner, aye; and Chairman Potter, aye. The motion passed 5 to 0. Chairman Potter and General Manager Murphy commended Sullivan and the management team for their work in preparing the budget.

General Manager Murphy stated he received the architectural design and engineering services proposal from Mackenzie for the future facility on SE 3rd Avenue and Pine Street. The decision to move forward with this phase of the project was approved by the board in anticipation of the sale of Canby Utility's downtown properties. The cost of Mackenzie's services is approximately 6.22 percent of the total cost of the project, which is within the expected range of six to ten percent. The proposal is for a design-bid contract, not a design-build contract. This process will enable the design of the new facility to be completed and ready to go out for bid at such time as the sale of the downtown properties is final. Discussion ensued regarding the difference between the design-bid and design-build concepts, permitting timelines, and the cost of outsourced consultants identified in proposal. Council Liaison Tim Dale shared the city's experience with the cost estimators as it related to design phase for the library/civic center. Dale also noted that the timeline for permitting is determined by Clackamas County and not the City of Canby. Member Daniels made the *MOTION that the proposal for architectural design and engineering services submitted by Mackenzie be approved and the General Manager be authorized to sign a contract for services based on the services and fee schedules listed in the proposal. Member Brito seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Daniels, aye; Member Maxwell, aye; Member Wagner, aye; and Chairman Potter, aye. The motion passed 5 to 0.

Canby Utility
Regular Board Meeting Minutes
May 10, 2016
Page 3 of 5

General Manager Murphy reported that he received a request from the city to sponsor the cost of a drinking fountain in the new library/civic center. The cost of the sponsorship is \$3,600 and Canby Utility will receive recognition for its contribution to the project. Murphy noted that he supports the sponsorship and feels it will be a great way for the utility to contribute to the project. The contribution would be paid for through the water budget. A brief discussion ensued regarding the positive impacts of partnering with the city. Member Daniels then made the *MOTION to approve the expenditure of \$3,600 for the drinking fountain sponsorship in the new library/civic center. Member Maxwell seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Daniels, aye; Member Maxwell, aye; Member Wagner, aye; and Chairman Potter, aye. The motion passed 5 to 0.

Chairman Potter presented a discussion on the taste and odor issues related to drinking water. He provided an overview on the background of what has been occurring for the past three years and current efforts by General Manager Murphy and Veolia Water staff to address the situation. The next step is for the board to determine what the appropriate level of action will be. The high cost to mitigate taste and odor problems that occur intermittently is the greatest challenge. The MWH Engineering study presented the board with options to address the problem that starts at \$1.5 million. The age of the plant is another challenge and although the technology is proven to be effective to treat taste and odor problems, there is no guarantee that the lowest cost fix would work completely with the existing older plant technology. Murphy noted that the presence of Geosmin and MIB in the drinking water this early in the year is surprising since the conditions are not right for algae growth. He believes we are dealing with last year's algae compounds which are being introduced into or stirred-up in the river through high river flows and/or permitted discharges upstream from our intake. Mike Greene, Veolia Water, shared some of the challenges other water providers have faced in dealing with taste and odor this past year. He also noted that the Wilsonville plant was built with the newer technology designed to remove the algae compounds unlike Canby's plant. Greene shared that he has been actively looking into the possible impacts storm water discharge permits, authorized by the Department of Environmental Quality, may have on the presence of the two compounds. The growth of algae in the river is beyond Veolia and Canby Utility's control and therefore the only solution is through treatment. Murphy has considered doing a filter rebate program for customers that would cost Canby Utility approximately \$90,000 and would offer customers a credit to their account upon submission of proof of purchase of a filter system or filter replacement. There would also be some form of a rebate for various commercial businesses like restaurants. Murphy noted that staff could use this program to help educate customers about the master plan to build a new treatment plant and utilize the Willamette River water as a new source within 20 years from now. Member Brito asked if testing has been done on the river upstream from Canby's intake. Greene responded and said that water samples were taken at Goods Bridge and compared against samples taken at Canby's water intake. The Geosmin levels were similar at around 3 ng/l in both locations; however, the MIB levels were non-detectible at Goods Bridge and nearly 8 ½ ng/l at the intake. This indicates that the MIB compounds are being introduced to the river between those two locations. The human sensory threshold for MIB compound is about 3 ng/l. Last summer, the MIB levels exceeded 40 ng/l. Member Wagner asked about the budget impacts for the rebate program. Murphy stated that the cost was not anticipated in the budget they just approved, but

Canby Utility
Regular Board Meeting Minutes
May 10, 2016
Page 4 of 5

will be included in the upcoming water rate study that will be presented in June. Discussion ensued about the water filter program being a one-time rebate or continuing beyond this year.

Chairman Potter and Murphy proposed having two, two-hour informal public meetings for customers to have an opportunity to ask questions and receive information about the taste and odor causes, allow them to express their concerns, educate about our treatment process and the challenges we face in mitigating the problem. The board supported holding the meetings and tentatively planned them for May 26, but the date may change.

General Manager Murphy reported that on May 1, an underground primary failed on 14th Avenue and Maple Street, with a repeat occurrence on the same segment of underground cable two days later. This location will undergo a cable replacement to remove the aging infrastructure. He also reported on May 7, a customer's tree broke and fell across the overhead powerlines at SW 5th Avenue and Fir Street. The weight of the tree also brought down the power pole. Murphy expressed our appreciation to the city's public works department for assisting in removing the tree and assisting our crew in restoring power. The outage lasted approximately nine hours.

Murphy reported that Cemex agreed to allow us to test the discharge water from their pond to check for the presence of Geosmin and MIBs. There were no detectible levels of either compound from their site. Murphy expressed his appreciation for their willingness to cooperate with us in our efforts to find the source of the taste and odor problems.

Murphy reported that the three-year water system sanitary survey inspection was conducted last week by the Oregon Health Authority (OHA). Preliminary response from OHA is that we received a clean report; however, they noted that the water reservoir located on the corner of NW 4th and N. Fir Street is very old and has roof vents need to be modified. They were unable to see the vents without climbing on the reservoir and we were unable to provide pictures of the vents for their inspection. Mike Greene gave background on why this is important to OHA. Murphy noted that he is considering taking that reservoir off line since it provides little use to the distribution system and we have adequate existing storage capacity even without using this reservoir. OHA has also requested we develop written protocols for the operational decision making authority of lower-certified water workers. This was noted at the last survey three years ago but was never addressed.

Murphy reported that Operations Superintendent Larry Hepler has decided to retire effective May 13. He congratulated Hepler on his retirement and noted that we will begin recruitment to fill the position soon.

Member Daniels made the *MOTION to Adjourn the Meeting. Member Maxwell seconded, and the motion passed unanimously.

**Canby Utility
Regular Board Meeting Minutes
May 10, 2016
Page 5 of 5**

There being no further business, the meeting was adjourned at 8:25 p.m.

Gary Potter, Chairman

Robert Maxwell, Member

Jack Brito, Member

Walt Daniels, Member

Todd Wagner, Member

Barbara Benson, Board Secretary

MEMORANDUM

Date: June 14, 2016

To: Board of Directors

From: Dan Murphy, General Manager

Subject: Proposed Customer Water Filter Promotion

Suggested Motion: ***Motion that the board approve the proposed Customer Water Filter Promotion and the requested budget variance to appropriate funds for the costs of the promotion.***

Recommendation: Implement a Customer Water Filter Promotion that will provide a post-purchase rebate of \$25 for residential customers and \$200 rebate for commercial customers who serve Canby Utility drinking water as part of a commercial food service operation such as a restaurant, cafeteria, deli, or beverage establishment. The estimated cost of the promotion is \$90,000 and will require board funds appropriation; this filtration promotion was not budgeted for in FY 2017 Budget.

Objective: Incentivize and promote customers' purchase and utilization of "home" filtration systems as an effective measure for improving the taste and odor of Canby Utility's drinking water.

Program Parameters: Residential customers who present a receipt proving purchase of any home filtration system or replacement filter cartridges for such system will qualify for a one-time \$25 rebate in the form of a bill credit. Canby Utility residential customers who do not receive a monthly water bill due to residing in a rental unit of a large multi-family residential facility that is single-metered for water service will also be eligible for the one-time \$25 bill credit; these customers' electric bill will be utilized for delivering the rebate credit.

Commercial customers will be eligible to receive a one-time \$200 rebate upon submission of proof of purchase of a commercial-grade filtration system or filter media replacement expense for maintenance of an existing commercial filtration system. Examples of such customers are restaurants, coffee shops, delis, hospital and retirement home dining halls, schools, and other such food service operations.

Purchases of bottled water for sale to customers or for personal consumption will not qualify for a bill credit rebate under this water filtration promotion program.

Marketing and Promotion: (1) News Release to Canby Herald (2) Informative Bill Stuffer (3) Reporter News Articles (4) Brochure and WOM at CSR counter (5) Bill Messages



MEMORANDUM

June 9, 2016

TO: Chairman Potter, Member Maxwell, Member Daniels, Member Brito, and Member Wagner

FROM: Carol Sullivan, Finance Manager

SUBJECT: Set Proposed Water Rate Hearing for Rates Effective August 1, 2016.

Suggested Motion: Motion that the Proposed Water Rate Hearing for Rates Effective August 1, 2016 be scheduled for July 12, 2016 using option 3, an overall rate increase of 9.53%.

Recommendation: Management recommends option 3. This option will maintain current reserves, fund \$90K of the one-time promotion for water filters, and will start a revenue stream of \$100K to fund the future project reserve for the Willamette. This rate increase will affect the consumption charge only which does not guarantee fully funding the reserves but will at least start a revenue stream for future water supply. The rationale being if consumption is reduced the future water supply project will be needed further in the future.

Background: Staff has worked through three options for water rate charges. These options are looking at effects over a two year period at which time the rate charges will be reviewed again. Below are the options and their financial impacts:

Option 1- Overall rate increase 0.00%, 7ccf residential bill remains at \$29.33

- Revenues remain as budgeted, rates remain unchanged
- *Operating expenses increase 4% in second year, \$110K*
- *Capital contributions decrease by almost 50% in second year due to reduced amount of developable land, \$188K*
- Current reserves are reduced, \$241K

Option 2 – Overall rate increase 5.95%, 7ccf residential monthly bill increases \$1.26

- Revenues increase 5.95% through consumption charges, \$166K
- *Operating expenses increase 4% in second year, \$110K*
- *Capital contributions decrease by almost 50% in second year due to reduced amount of developable land, \$188K*
- Funding to promote water filters, \$90K
- Current reserves are maintained, \$2.9M

Option 3 – Overall rate increase 9.53%, 7ccf residential monthly bill increases \$2.03

- Revenues increase 9.53% through consumption charges, \$265K
- *Operating expenses increase 4% in second year, \$110K*
- *Capital contributions decrease by almost 50% in second year due to reduced amount of developable land, \$188K*
- Funding to promote water filters, \$90K
- Revenue stream to fund the Willamette Project Reserve, \$100K
- Current reserves are maintained, \$2.9M

Canby Utility
Option 1 - 0.00%
Effective August 1, 2016

Continue at Existing Rates

Existing Revenue Budget FY17	\$	2,784,366
Proposed Revenue		2,784,366
Additional Funds From Rate Adjustment	\$	-
Overall Rate Increase		0.00%

Fixed Charge

Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	100.0% Proposed	Current	100.0% Proposed	Current	100.0% Proposed
5/8" x 3/4"	\$ 19.81	\$ 19.81	\$ 8.43	\$ 8.43	\$ 20.61	\$ 20.61
1"	28.55	28.55	9.96	9.96	36.36	36.36
1 1/2"			11.50	11.50	56.96	56.96
2"			15.71	15.71	126.76	126.76
3"			46.75	46.75	208.02	208.02
4"			58.25	58.25	296.23	296.23
			Per Dwelling Unit			
			\$ 9.00	\$ 9.00		

Volume Rate

Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.36	\$ 1.71	\$ 2.39			
Increase	100%	100%	100%			
Proposed	\$ 1.36	\$ 1.71	\$ 2.39	7	12	Over 12
Multi-Family						
Existing	\$ 1.17	\$ 1.47	\$ 2.05			
Increase	100%	100%	100%			
Proposed	\$ 1.17	\$ 1.47	\$ 2.05	5	8	Over 8
Commercial						
Existing	\$ 1.20	\$ 1.50	\$ 2.11			
Increase	100%	100%	100%			
Proposed	\$ 1.20	\$ 1.50	\$ 2.11	6	13	Over 13
Irrigation						
Existing	\$ 2.16	Note: all consumption is billed at one rate.				
Increase	100%					
Proposed	\$ 2.16					
General						
Existing	\$ 1.33	Note: all consumption is billed at one rate.				
Increase	100%					
Proposed	\$ 1.33					

Canby Utility
Option 2 - 5.95%
Effective August 1, 2016

Increase to Tiered Rates - Maintain Reserves and \$90K for One Time Filter Program

Existing Revenue Budget FY17	\$	2,784,366
Proposed Revenue		2,949,920
Additional Funds From Rate Adjustment	\$	165,554
Overall Rate Increase		5.95%

Fixed Charge

Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	100.0% Proposed	Current	100.0% Proposed	Current	100.0% Proposed
5/8" x 3/4"	\$ 19.81	\$ 19.81	\$ 8.43	\$ 8.43	\$ 20.61	\$ 20.61
1"	28.55	28.55	9.96	9.96	36.36	36.36
1 1/2"			11.50	11.50	56.96	56.96
2"			15.71	15.71	126.76	126.76
3"			46.75	46.75	208.02	208.02
4"			58.25	58.25	296.23	296.23
			Per Dwelling Unit			
			\$ 9.00	\$ 9.00		

Volume Rate

Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.36	\$ 1.71	\$ 2.39			
Increase	113%	113%	113%			
Proposed	\$ 1.54	\$ 1.93	\$ 2.70	7	12	Over 12
Multi-Family						
Existing	\$ 1.17	\$ 1.47	\$ 2.05			
Increase	113%	113%	113%			
Proposed	\$ 1.32	\$ 1.66	\$ 2.32	5	8	Over 8
Commercial						
Existing	\$ 1.20	\$ 1.50	\$ 2.11			
Increase	113%	113%	113%			
Proposed	\$ 1.36	\$ 1.70	\$ 2.38	6	13	Over 13
Irrigation						
Existing	\$ 2.16	Note: all consumption is billed at one rate.				
Increase	110%					
Proposed	\$ 2.38					
General						
Existing	\$ 1.33	Note: all consumption is billed at one rate.				
Increase	109%					
Proposed	\$ 1.45					

Canby Utility
Option 3 - 9.53%
Effective August 1, 2016

Increase to Tiered Rates - Maintain Reserves, \$90K for One Time Filter Program, and \$100K for future Willamette Project

Existing Revenue Budget FY17	\$	2,784,366
Proposed Revenue		3,049,620
Additional Funds From Rate Adjustment	\$	265,254
Overall Rate Increase		9.53%

Fixed Charge

Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	100.0% Proposed	Current	100.0% Proposed	Current	100.0% Proposed
5/8" x 3/4"	\$ 19.81	\$ 19.81	\$ 8.43	\$ 8.43	\$ 20.61	\$ 20.61
1"	28.55	28.55	9.96	9.96	36.36	36.36
1 1/2"			11.50	11.50	56.96	56.96
2"			15.71	15.71	126.76	126.76
3"			46.75	46.75	208.02	208.02
4"			58.25	58.25	296.23	296.23
			Per Dwelling Unit			
			\$ 9.00	\$ 9.00		

Volume Rate

Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.36	\$ 1.71	\$ 2.39			
Increase	121%	121%	121%			
Proposed	\$ 1.65	\$ 2.07	\$ 2.89	7	12	Over 12
Multi-Family						
Existing	\$ 1.17	\$ 1.47	\$ 2.05			
Increase	121%	121%	121%			
Proposed	\$ 1.42	\$ 1.78	\$ 2.48	5	8	Over 8
Commercial						
Existing	\$ 1.20	\$ 1.50	\$ 2.11			
Increase	120%	120%	120%			
Proposed	\$ 1.44	\$ 1.80	\$ 2.53	6	13	Over 13
Irrigation						
Existing	\$ 2.16	Note: all consumption is billed at one rate.				
Increase	116%					
Proposed	\$ 2.51					
General						
Existing	\$ 1.33	Note: all consumption is billed at one rate.				
Increase	113%					
Proposed	\$ 1.50					

MONTHLY CHARGE FOR RESIDENTIAL 5/8" X 3/4" METER

Updated June 9, 2016

<u>City</u>	<u>Meter Charge</u>	<u>Volume Rate Per 100 cubic ft. (CCF)</u>	<u>Apples-to-Apples (Meter + 7CCF)</u>	
West Linn	\$20.45	\$2.35	\$20.45	
Scheduled every January, 2014-2016		(After First 7 CCF)		
Woodburn	\$12.81	\$1.55 / \$2.00 / \$2.74	\$23.66	
No changes since 12-1-06, waiting for water rate study to be conducted				
Canby	\$19.81	\$1.36 / \$1.71 / \$2.39	\$29.33	
Overall 5.95%	\$19.81	\$1.54 / \$1.93 / \$2.70	\$30.59	\$ 1.26 Rate change
Overall 9.53%	\$19.81	\$1.65 / \$2.07 / \$2.89	\$31.36	\$ 2.03 Rate change
Molalla	\$12.80	\$2.81	\$32.47	
15% increase to rates effective July 1, 2016				
Oregon City	\$15.14	\$2.54*	\$32.94	
3% every January		*rate includes: water treatment \$.8666 & water distribution \$1.6755		
Wilsonville	\$20.00	\$3.37 / \$5.64	\$36.85	
Scheduled every January, 2014-2017		(After First 2CCF)		
Sherwood	\$19.49	\$4.04 / \$6.21	\$47.77	
Last increase July 1, 2015				
Aurora	\$10.81	\$6.00	\$52.81	
Nothing scheduled to increase				
The base rate includes a charge of \$9.08 to repay the Water Filtration Unit				