

1 **Finance/Administration Committee**

2 August 26, 2019

3 City Hall Council Chambers, 980 Applegate, Philomath

4 The meeting was called to order by Chair David Low at 6:01 p.m.

5 **1. ROLL CALL:**

6 Committee: David Low, Marion Dark and Chas Jones

7 Staff: City Manager Chris Workman, Finance Director Joan Swanson, and City Recorder Ruth
8 Post.

9 **2. APPROVAL OF MINUTES:**

10 Councilor Jones stated he had not reviewed the minutes and requested to table them until the
11 next Finance & Administration Committee meeting.

12 **MOTION:** Councilor Jones moved, Councilor Dark second, to table the minutes of July 9, 2019.
13 Motion approved 2-1 (Yes: Dark and Jones; No: Low).

14 **3. NEW BUSINESS:**

15 **3.1 Discussion on water rates** – Ms. Swanson distributed a new spreadsheet that Councilor
16 Jones had provided that evening. Councilor Jones recapped his request for additional analysis
17 at the July 9 meeting and subsequent research seeking information about water rate increases
18 and correlating reduced usage. He stated he was unable to locate any supplemental
19 information. He thanked Ms. Swanson for developing the spreadsheet showing gradation of
20 increasing per unit water rates at \$1 increments and directed the Committee's attention to the
21 section he had added at the bottom of the spreadsheet to simulate maximum water fees in a
22 summer month for a residential user based on a varying level of units used. Ms. Swanson
23 explained the basis of the spreadsheet that the goal is for annual revenue that provides
24 \$800,000 towards the water treatment plant financing and \$50,000 for operational needs.
25 Jones: Using 7.5 as average units used, Councilor Jones noted there was not much impact and
26 the least variation of total fee, irrespective of the base charge or per unit charge. Ms. Swanson
27 noted that 8 units is considered a typical average family usage, excluding additional summer
28 usage. Councilor Jones directed attention to the zero usage customer line as an indicator of the
29 base cost for service with no usage. He noted that all of the rates produced the desired revenue
30 outcome with differing levels of uncertainty due to potential reductions in usage. He wanted to
31 base the conversation on what it costs to be hooked up to the system and the corresponding
32 per unit increase would be the rate that needed to be charged.

33 Ms. Swanson stated there are somewhere around 20 customers who use 0 or 1 unit per month.
34 There was discussion about the types of customers who use very limited water. Councilor Low
35 stated that the City is building infrastructure for the entire community and whether you use water
36 or not, everyone benefits from it. He added that every person in the City does have a benefit
37 from the water treatment plant; and we need funds to build the plant. He supported the base
38 rate being the basis for paying for it. Councilor Dark noted that this computation does provide for
39 the infrastructure; it's just a different way to do it. Some people would say that people using
40 more water are putting more wear and tear on the treatment plant. She added that it might be
41 necessary to make changes in the fee structure down the road if reduced summer usage
42 resulted in insufficient revenues. Councilor Jones pointed out that each of the options does
43 provide the required infrastructure revenue.

44 Councilor Dark stated that poorer people probably don't irrigate and wouldn't reduce usage
45 anyway. Mr. Workman suggested that Councilor Jones address the uncertainty levels. Councilor
46 Jones added labels to the options as A) \$4.58 per unit; B) \$5.58 per unit; C) \$6.58 per unit; D)
47 \$7.58 per unit; E) \$8.58 per unit and F) \$9.58 per unit. He stated the uncertainty associated with

1 Option A is the least because it weighs most heavily on a larger base rate for everyone;
2 whereas, as the per unit cost increases, the assumption is the decrease in usage would
3 increase but the uncertainty is by how much. Councilor Jones stated there was insufficient time
4 last spring in the Public Works Committee for this level of analysis to be reviewed, and he was
5 not advocating for any particular option. There was discussion about the rate scenarios and step
6 increases that were discussed in the spring by the Public Works Committee (PWC). Mr.
7 Workman noted that Option B most closely matches the scenario the PWC focused on.
8 Councilor Jones stated that at the time, he didn't exactly understand what he was looking at and
9 now doesn't believe that option to be the most equitable. Mr. Workman questioned if Councilor
10 Jones had a preference in the options now being reviewed. Councilor Jones stated he was
11 focused on what was the most equitable to a user who uses a little bit of water and the value of
12 being connected to the water system. He felt that, based on an approximate \$30 cost just to be
13 hooked up, he would lean towards Options C or D.

14 Ms. Swanson pointed at that with Option F, with a \$15 cost of service, a low usage customer
15 would be burdening everyone else and paying less than their fair share for a new treatment
16 plant. Councilor Jones wanted to try to identify what is most equitable for a resident in Philomath
17 and noted that to a medium usage customer, there isn't that much variability in the end cost.
18 Councilor Low questioned if there was discussion about increasing the per unit rate by the
19 PWC. Councilor Jones stated that Options A, B and F were the three that were essentially
20 considered by the PWC and what he really wanted to see was a gradation of rates in this
21 format.

22 Mr. Workman asked Ms. Swanson to summarize philosophy of water rate increases in the
23 past. Ms. Swanson stated that the past philosophy has been to keep the base rate as low as
24 possible; but at the same time, have the requirement for each user to pay a fair share. Councilor
25 Dark noted this depends on your interpretation of what constitutes fair share. She added that
26 higher users tax the infrastructure more than someone who uses less. If you use it, you should
27 pay for it. Ms. Swanson suggested that the focus of this increase is the cost to build the new
28 plant and not the cost to produce water. There is a base cost for having the plant sitting there
29 and fair share is the cost to have it there. There was discussion about using more water and
30 paying more in the per unit charge. There was discussion about the social equity of creating a
31 fair base fee that doesn't unduly burden those who have less. There was discussion about the
32 timing of the budget calendar and Councilor Jones felt this type of analysis should have been in
33 front of the PWC last spring. Mr. Workman noted that staff wasn't asked for this type of analysis
34 at the time and there was more focus put on incremental implementation. He noted there were
35 two meetings of the PWC devoted to this topic. Councilor Jones felt that Option B was chosen
36 because it was what was presented. Ms. Swanson noted that Options A, B and F were all
37 reviewed by the PWC. Councilor Jones explained he always looks at the extremes to complete
38 an analysis.

39 Councilor Low questioned if one of these rate options would still have incremental increases.
40 Ms. Swanson explained there would still be COLA increases but the rates being considered are
41 the end-rate scenarios. Mr. Workman stated there could still be an incremental schedule over
42 the upcoming years but these were the rates that needed to be in place at the time of the water
43 treatment plant financing. Councilor Low questioned if staff had any objections to these rates
44 being taken back to the Council. Mr. Workman stated there were no objections but did note
45 concerns about not getting in the habit of regurgitating issues from one Committee to another.
46 He recommended this Committee look at an incremental implementation plan. There was
47 discussion about avoiding changing rates every few months and creating confusion for
48 ratepayers.

1 Councilor Jones expressed frustrations over the calendar the prior spring with the PWC review
2 and budget approval and felt he'd been told the rates could be adjusted later; but when he
3 brought it up in June, he was told it wasn't the right time. Ms. Swanson conveyed that there was
4 a misunderstanding in the process. She described the review process that has been used for
5 many years so she knows how much revenue to put into the budget.

6 There was discussion about tabling this and presenting the new options to the PWC this spring.
7 Councilor Dark emphasized that she felt the City Council had been pushed to accept a rate
8 decision and didn't have sufficient information despite it having been vetted by the PWC. Mr.
9 Workman noted that the rates weren't a unanimous decision at the PWC or at the City Council.
10 Councilor Jones agreed with tabling the discussion until spring. He felt this was the analysis that
11 was needed to keep moving towards the goal. Councilor Low suggested Councilor Jones could
12 take the lead on an implementation plan. Councilor Jones didn't have a strong opinion about
13 implementation method as long as the goals are met. There was additional discussion about an
14 implementation plan. Councilor Dark suggested discussions start earlier, so nobody feels
15 rushed. There was discussion about the difference between last year with a substantial change
16 in the makeup of the Council and this year, where everyone has a year of experience. Mr.
17 Workman agreed that discussions could definitely start earlier this year or could move forward
18 at this time.

19 Councilor Jones suggested choosing one of the options to push forward, so Ms. Swanson could
20 develop incremental increases. There was discussion about using a similar incremental plan
21 that is being used currently and about starting earlier next year. Ms. Swanson explained the
22 benefits of making final decisions later in the spring to have more accurate information about
23 approved development projects. There was discussion about the Committee completing the
24 implementation analysis and making a recommendation to the PWC, instead of the Council.
25 There was discussion about having a recommendation ready by February. Discussion focused
26 on a midpoint between Options C and D, with a zero user rate of \$30 with a \$2.50 per unit
27 increase.

28 **MOTION:** Councilor Jones moved, Councilor Dark second, that the Finance & Administration
29 Committee make a recommendation to the Public Works Committee for next spring that the
30 water rate for next fiscal year be a unit increase of \$2.50 with the required additional flat base
31 fee to reach an increased revenue of \$850,000. Motion APPROVED 3-0 (Yes: Dark, Jones and
32 Low; No: None).

33 **3.2 Randy Kugler Community Hall reduced weekday rate** – Ms. Swanson reviewed the
34 history of the initial rates that were set for Kugler Hall and the four community groups that were
35 initially identified to receive a fee waiver. Since then, Ms. Swanson explained, more and more
36 groups have come forward requesting a reduced or waived fee. She stated that it has been a
37 struggle to come up with a definition for the type of group that should qualify for a reduced or
38 waived fee. Ms. Swanson stated that staff is suggesting a reduced fee for weekday reservations
39 instead of trying to weigh the merits of individual requests. She reviewed the past two years'
40 usage of the building categorized by day of the week. She noted there may be people reserving
41 the hall on Saturday or Sunday who would move to a cheaper weekday, freeing up more
42 weekend reservation space. She stated this year the weekend reservations are on pace to be
43 double those of last year. There was discussion about the challenges of meeting the community
44 need. Ms. Swanson explained the roll of the park caretaker in preparing for reservations and
45 completing the check-out afterwards. Councilor Jones stated he was philosophically opposed to
46 choosing four groups who receive it for free. There was discussion about the groups and
47 notation that the Lions Club made major monetary and labor donations to the construction of the
48 hall. Ms. Swanson stated that, at the time the rates were set, the City had no experience in this
49 type of building reservation. Councilor Jones recommended only allowing the Lions Club to

1 receive free use of the hall. There was discussion about adopting an even lower rate for the
2 weekday mornings than the weekday afternoons to encourage reservations in that block. There
3 was further discussion about a Monday through Friday rate and weekend rate.

4 **MOTION:** Councilor Low moved, Councilor Jones second, the Finance and Administration
5 Committee recommend to the City Council new weekday rates at the Randy Kugler Community
6 Hall. \$20 per block for residents and \$50 per block for non-residents. And furthermore moved,
7 from 8 a.m. to 12:00 noon on weekdays, the rate be reduced an additional \$5 for that block. The
8 reduced rate would not apply on City recognized holidays. And further moved that the existing
9 fee waiver be limited to only the Philomath Lions Club in recognition of their contributions to the
10 construction of the hall. Motion APPROVED 3-0 (Yes: Dark, Jones and Low; No: None).

11 **3.3 Investment Policy review** – Ms. Swanson explained the origination of the proposed
12 Investment Policy was during the prior City Council’s term. She reviewed the timeline involving
13 the Oregon Short Term Fund (OSTF) Board’s meeting schedule, resulting in it now being
14 revisited by this Committee. She explained the State had a model policy and there were certain
15 pieces that were removed or put into the proposed policy for specific reasons tailored to
16 Philomath. She stated the model policy is intended for application by all size entities, from the
17 City of Portland down to organizations smaller than Philomath. She explained that, upon
18 approval, the City would hire an investment advisor to work directly with the Committee to make
19 investment decisions.

20 Ms. Swanson questioned whether the Committee wanted to proceed with the original State
21 model policy or with the policy modified by the 2017-18 Finance & Administration Committee.
22 She stated this policy is more conservative than the State’s policy. Councilor Dark requested a
23 copy of the original State policy. Councilor Low stated the State policy was wordy. There was
24 discussion about the differences between the model policy and the modified one. Councilor Low
25 reviewed the process of the Committee directing a financial advisor to make purchases. Ms.
26 Swanson described benefits of having a professional advisor. There was discussion about the
27 Finance & Administration Committee serving as the Investment Committee. There was
28 discussion about the OSTF Board recommending removal of the Corporate Commercial paper.
29 There was discussion about deleting Corporate Commercial paper.

30 **MOTION:** Councilor Low moved, Councilor Jones second, the Finance & Administration
31 Committee forward the draft Investment Policy, with the change to Page 8 to remove Corporate
32 Commercial paper reference under 2E, to the City Council for their approval. Motion
33 APPROVED 3-0 (Yes: Dark, Jones and Low; No: None).

34 **4. ADJOURNMENT:**

35 **4.1** There being no further business, Chair Low adjourned the meeting at 7:45 p.m.

36 Minutes recorded by Ruth Post, MMC, City Recorder.