

Council Present:

Dave Stram  
Jane Vincent  
Brent Gifford

A.J. O'Connell  
Nora Reynolds  
Adam Pelatt

Staff Present:

Jamon Kent  
Roberta Tharp  
Layli Nichols  
Roy Sprout  
Cliff Bellew  
Steve Dobrinich

City Administrator  
City Recorder  
Finance Director  
Public Works Director  
Public Works  
RARE Intern

Council Absent: 1 – Jacob Daniels

Press: 0

Audience: 5

The City Council Work Session was called to order by Mayor Dave Stram at 3:07 PM.

Cliff Bellew introduced Tim Tice of OAWU (Oregon Association of Water Utilities) to present an overview on how water rates are set.

Mr. Tice explained in order to set rates for a community you need to consider three aspects:

- Low end volume user
- High end volume user
- And most importantly, the system itself

Mr. Tice opened the discussion to the Council asking what their concerns were:

- Flat Rates
- Base Rates
- Poverty in our community
- Increase in rates
- Residents on fixed incomes

Mr. Tice reported should the council choose to do a water rate study, he would factor in a comparison to what the state and federal government looks at being a 1.25 percent of the median household income of the area and not to exceed that amount. The same numbers are used for sewer rate studies (1.25 for water and 1.25 for sewer). You don't want to raise the rates so high people move away but then again you don't want your system to deteriorate.

In the years Mr. Tice has been doing rate studies, he has only recommended the reduction of rates one time or to freeze their rates for two years. He feels on a state average the monthly rate of \$65.71 is pretty low.

Brent Gifford entered the meeting at 3:26 pm

Mr. Tice touched on the economic, political, financial and cultural factors that dictate decisions on water master plans and rates. He also spoke about water quality, treatment, distribution, water loss and aging systems.

A discussion ensued on treating low and high end volume users by adopting an ordinance outlining their rates. Hardship rates could be created based on medial level income but the city would need to regulate that citizens who are low income are using low levels of water. Another way would be to set rates based on meter size rather than residential and commercial.

Further discussion ensued about water revenue being used for general fund projects. Money collected for water goes into the water fund; transfers from that fund are presented to the Council for approval. Mr. Tice asked if the water department uses the City Hall building and if so, then yes, some of that money should be used for City Hall.

Mr. Tice explained the process he will use should the Council move forward with the water rate study. He will look at the data and determine what the cost per unit is. Then he will plug in some examples (educational points) and then look at building a multiple tier rate. He will look at the CPI and make recommendations of adjustments after the first twelve months, twenty four months, and thirty six months. A typical formal rate study should be completed about every three to four years. This process would take approximately three to four months.

Layli Nichols reported that as required, the last rate study was completed when the master plan and engineering were being done for the existing plant; 2006 for the water and 2004 for the sewer. The DEQ (Department of Environmental Quality), Rural Development and IFA (Infrastructure Finance Authority) all require a study to be done to assure you will be able to pay for the system.

A discussion ensued about debt service requirements, contingencies, budgeting and funds in the budgets.

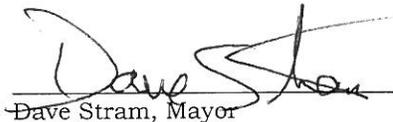
The cost of a water rate study for a community the size of Creswell typically runs between \$18,000 to \$20,000 but because of the simple structure the city currently uses, his fee would be somewhere between \$16,000 to \$18,000. Once the questionnaire is completed and returned to him, he will be meeting with his executive director and staff to look at various timelines to meet. The data that has been sent prior to this meeting looks good and it should be pretty much straight forward. Mr. Tice said a subsequent rate study should run in the neighborhood of \$10,000 but he would be willing to teach us how to complete one.

A discussion ensued regarding a water system analysis and water rates.

**Adjournment**

There being no further discussion Mayor Dave Stram adjourned the work session at 4:57 PM.

  
Roberta J Tharp, City Recorder

  
Dave Stram, Mayor