



# CITY OF EAGLE POINT

*"Gateway to the Lakes"*

OREGON

EAGLE POINT CITY COUNCIL  
17 BUCHANAN AVE. SOUTH, EAGLE POINT, OREGON

AUGUST 9, 2011

## WORKSHOP MEETING MINUTES

### 1. CALL TO ORDER – 6:00 P.M.

Mayor Russell called the workshop meeting to order at 6:00 p.m.

Council members present: Bob Russell, Alan Curriston, Kathy Sell, Ruth Jenks, Jonathan Bilden and Bill Fierke.

Staff members present: David Hussell, City Administrator; Melissa Owens, Finance Officer; Robert Miller, Public Works Director; and Dena Roberts, City Recorder.

### 2. MEDFORD WATER COMMISSION.

Dave Hussell introduced Joe Strahl of Public Works Management, Inc and distributed four hand-outs (Memorandum of August 4, 2011 from Joe Strahl to Dale Shaddox, Memorandum of August 5, 2011 from Joe Strahl to the Cities Water Coalition, Suggested Reductions to MCW Other Cities' Water Rates and Section III "Summary" of the December 2010 Cost of Service Study.) Mr. Strahl began with a review the memorandum he sent to Dale Shaddox of the City of Talent, noting it summarized the rate compromise proposal that is at issue. He then referred to the Cost of Service Study Summary, noting Chris Clayton and Chris Peters had presented that information at a previous meeting with the Eagle Point City Council. Mr. Strahl then identified pertinent information relating to existing and proposed rates. He next brought council's attention to the Suggested Reductions to MWC Other Cities Water Rates and reviewed the document in detail. At the conclusion Mr. Strahl advised the proposed compromise is a \$.06 per 1,000 gallons reduction in rates. And, if the cities agree to a \$.06 reduction the issue of rates will not be brought up again for discussion for 3-5 years.

At the conclusion Councilor Fierke asked whether the 3% reduction in the rate of return is based on 5% or 7 ½%. Mr. Strahl responded 5%. Mr. Strahl further advised that a couple of the commissioners noted they would have considered 4%.

Mr. Strahl advised the goal is to bring the rates between the various customer groups to a more equitable position. He further advised the proposed reduction would become effective in May. He noted the council needed to keep in mind the water commission charges a reasonable rate compared to rates statewide, they have the authority to charge whatever rate they want, and the rate issue will be taken off the table for a while; the commission wants to work on other matters

which will possibly have a bigger impact on the cities. One of the issues is water rights and ownership. Mr. Strahl stated he needed to know if the council strongly disagrees with the compromise. He advised he has spoken with Phoenix and Central Point who have agreed to the compromise and he will be talking with Talent on Wednesday.

Councilor Sell asked exactly what the other cities have agreed to. Mr. Strahl responded they have agreed to a rate reduction of \$.06 per 1,000 gallons of water. Dave Hussell interjected it equates to \$37,000 per year for Eagle Point.

Council President Curriston stated he was agreeable to the \$.06 compromise. He then asked if the reduction would be passed on the Eagle Point customers. Mr. Strahl explained the importance of all the cities in the Cities Water Coalition working together with regard to passing the reduction on or not. He further advised the cities thus far think it will be best to hold the funds and use them for future rate increases. Dave Hussell noted Eagle Point absorbed the first increase and passed through the other two rate increases to its customers. Mr. Hussell further advised the city's water system cash balance is running down. And, there are other large issues relating to the city's debt service which will require the city to increase rates within the next one to one and a half years, otherwise the city will be in jeopardy. Holding the funds will help reduce future impacts. Mr. Hussell noted it would be a \$12.00 reduction to each customer, which isn't all that much but for the city the \$37,000 saved would mean a lot to the water fund.

Councilor Fierke stated he didn't believe the Medford Water Commission would go more than 4% and it isn't worth pursuing. Joe Strahl stated they should not be building capital for something that doesn't need to be built for 10 years; it would have made more sense to bond for the facility. The Medford Water Commission has advised they will consider bonding. He further advised they are having difficulty generating, from their cash reserves, more than 1 1/2%. Therefore, is it fair for them to charge the cities more than they can make on their cash. The rationale for the rate increase last March is not valid if they bond, therefore there could be a further reduction to all groups. Mr. Strahl stated the other issue is conservation; Medford hasn't pursued conservation as the other cities have. This also was not factored into the studies that were done on the future facility. If conservation is factored in then there are potentially enough water rights for another generation. This is one of the policy matters that need to be discussed at the Medford Water Commission's upcoming meeting. Mr. Strahl stated he didn't disagree with Mr. Fierke regarding the rate of return but noted there could be an argument made to reduce it. As much as another \$.05 might be worth pursuing. He explained the Medford Water Commission currently charges 250 basis points over the Federal Reserve rate, which is currently .75. A minimum has been set at a total of 5%; it used to be 7 1/2%. Mr. Strahl concluded by asking the council to think about it and voice their concerns if they had any.

Council President Curriston stated he felt the Medford Water Commission is moving in the right direction.

Councilor Jenks asked if the cities have to sign off on the \$.06 rate. Mr. Strahl responded the cities would not be required to do anything. The Medford Water Commission has all authority but they have asked the cities to weigh in. Dave Hussell noted this is the first time they have asked for the cities' input. They have found some astonishing things in their review and the procedure has been beneficial to all.

Joe Strahl explained there has been no discussion regarding SDCs and there is no proposal this year but there will be in the future. The cities will push for them to do a rate study before rates are changed.

Councilor Sell asked if the reduction would apply year round. Mr. Strahl responded it would.

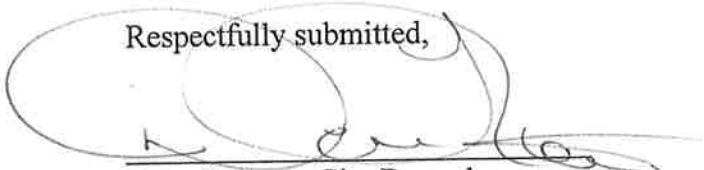
Councilor Fierke asked how the compromise would affect the other issues and whether the Medford Water Commission will they try to take advantage of the cities. Dave Hussell responded it could be viewed both ways: as an opportunity to take advantage or in a positive light that the cities are willing to work with them by compromising. He further stated the other issues of SDCs and water rights are more difficult and much more contentious. Councilor Fierke stated he felt the cities voices need to be heard and they need to be treated fairly on the other issues.

At the conclusion of the meeting council unanimously agreed to accept the proposed \$.06/1,000 rate.


### 3. ADJOURNMENT.

There being no further business to come before the Council, Mayor Russell adjourned the workshop meeting at 6:47 p.m.

Respectfully submitted,

  
Dena Roberts, City Recorder

ATTEST:

  
Robert E. Russell, Mayor