

City of Rainier
Commercial Sewer Rates Public Hearing Minutes
July 1, 2013
Rainier City Hall
6:00 PM

Mayor Cole called the meeting to order at 6:09 PM and stated rather than a work session a public hearing would be held regarding the commercial sewer rates.

Council Present: Mayor Cole, Sloan Nelson, William Vilardi, James Bradfield, David Sills, Judith Taylor and Steve Massey.

Council Absent: Scott Cooper.

Staff Present: Debra Dudley, City Administrator/Finance Director/Recorder.

Mayor Cole opened the hearing and stated testimony would be limited to three minutes to give everyone an opportunity to speak and once everyone had testified who wanted to there could be a second time to testify if time allowed. Mayor Cole stated several months ago Council established a sewer EDU committee and the goal was to produce easily understood and equitable rates among commercial users, rates based on consumption and rates that were developed to provide consistency between users. Mayor Cole announced there are 116 commercial users, 33 accounts would see a decrease, 50 accounts would either see no change or a change of under \$5 per month, 6 accounts would see an increase between \$5 and \$10, 12 accounts would see an increase between \$12 and \$22 per month, 6 accounts would see an increase between \$30 and \$48 per month, 6 accounts would see an increase between \$60 and \$100 per month, and 3 accounts would see an increase of over \$200 but less than \$330 per month. Mayor Cole stated these figures did not name the customers on the account. Mayor Cole stated several members of the committee were in attendance. Prior to public testimony the committee members were given an opportunity to comment. Council member Nelson declared an actual conflict of interest because he has commercial properties. Committee Chairperson Michael Carter stated the committee worked hard and the goal was to develop a fair and equitable rate structure with rates based on consumption and the committee wanted to make it easily understood as some of the options were difficult to understand. Skip Lahti was on the committee and stated he was representing El Tapatio. Bradfield said that it seemed everyone worked together. In the beginning there were a lot of issues to refine and once that was accomplished everyone seemed to be working on their parts and together. He appreciated everyone. There were differences of opinion from time to time but they got worked through to address the issues. Sills stated the goal was simplicity and fairness, pay for what you use. Dudley introduced Trudy Pritchard, the City's Clerk who assisted with the analysis. Pritchard explained the process used to compile the scenarios by stating she

used all the live data out of the billing system, put it into test with different rate structures to ensure the same bottom line that was in the live system. There is a certain amount of revenue coming in with each live billing and the total revenue in test needed to match. Dudley added they ran 6 to 8 scenarios, tried to keep it simple, and each was consumption based which is what the committee had come up with. Pritchard added, account numbers and names were excluded during the process.

Mike Avent asked if the plan was adopted by the work committee and Dudley stated it was and this proposal was drafted because the committee identified that they wanted to go through a consumption based scenario. Dudley stated the information provided included the top 15 users that would be experiencing a reduction and it included the top 20 users that would have an increase and that information is summarized. There are a total of 116 commercial accounts and the information provided identifies the various changes to those users. Dudley stated that over a month ago every commercial user, including customers with multiple properties, received a letter from the City identifying the rate structure and to date the City has received one response from the letters and that was from an individual who should have been classified as a residential user rather than a commercial user. Avent stated he thought this meeting was more of a work shop to participate in and this was the first time he had seen the formula. Dudley stated the letter sent to all the commercial users also stated what the proposed rate structure would be.

Mayor Cole opened up the hearing.

Mike Avent, CPD, said the proposed rate structure still has flaws in it and isn't sure what the ultimate goal is, if consumption is going to be rewarded or penalized, and asked what is the capacity of the plant. Does Council want more capacity used or conserved because the plant is almost at capacity? Dudley said she could get back to Avent on that subject. This was public hearing and the public was allowed to provide testimony and address any concerns. Avent added that he is thinking that if the goal is to create consumption then the user who is using more should not be penalized and that is something that should be had before coming up with the rate structure. Avent added if the goal is to reward people who use less he understands that. Avent gave an example that Vance Terrace Apartments has 21 units and one meter under this system and if he owned the apartments his rate would be taken from almost .03 cents to almost double and he would put 21 meters in and that would mean 21 meters would have to be read and 21 more bills and he would get the better rate. Dudley advised Avent he was incorrect and the reason they are looking at a new rate structure is to repeal the EDU structure, currently Vance Apartments is paying for approximately 18 meters so he's paying for more than one meter. Under the current EDU rate structure the residential multi-dwelling units pay 85% of the total number of all units so that means we were out counting doors and if you had more than one unit

you paid additional base rates. Dudley added that under this scenario the EDU customers, not exclusively but for the most part, would see a reduction in their total bill, even though they are at a higher consumption rate. Avent purported that under this plan, if Vance Apartments creates 21 or 18 separate units and meters, he is going to save money on his bill. Dudley said that was not correct because he was going to be paying a per meter charge for every meter of \$42.25 per meter per month. Avent stated that he would be penalized for using one meter with 21 separate accounts. Dudley clarified the reason for the new rate structure is to eliminate the EDUs and Avent said he was aware of that and thought the City was interested in building a system that was fair and equitable. Avent said they might be better under the new system but it is still not fair and equitable on the per use basis.

Skip Lahti, speaking on behalf of Alcazar LLC who runs El Tapatio, stated they support the fair and equitable goal but do not want to see their rates go up and the system proposed is not fair and equitable. It is penalizing people that have higher usage. Lahti said that in the case of El Tapatio, by having an escalated rate structure, he believes the purpose of that is to encourage conservation but businesses like El Tapatio do not have a choice. The rate structure is not going to change their behavior. It is just going to cost more because they are a big user. Lahti added that commercial businesses that have multiple-dwelling units, but only one meter, would be penalized. Lahti stated if those were all individual residences they would all be at a lower rate.

Mayor Cole asked that the math be done for clarification. An unidentified voice commented that for 18 units paying 18 base rate fees would be $18 \times \$42.25 = \760.50 so you would have to figure out the consumption. Avent said you would have to add in the cost of the meter. Mayor Cole said that the consumption of Vance Terrace Apartments is 20,100. Dudley said that particular property will see a reduction of over \$600 per billing cycle. Mayor Cole advised that if Vance Terrace put in a meter per unit it would not be 18, it would be 24. Avent asked if it was the goal of the Council to raise the rate or to pay for the service, because Vance Apartments would be penalized because he has 24 different accounts.

Lahti added that if it is a single rate the people who use more pay more but escalating it is simply a penalty so although the system is replacing the EDU's it is not better but it is different. Lahti said he believed the tiered structure for the rates is to bring in enough revenue to help pay for the water system and if that is the reason you have to look at all the users in the system and the total cost of the system, not just commercial users.

Avent said he looks at some of the businesses that might start going back the other way and what is going to happen in a few years from now when the City has lost another business due to the rates. Avent said he can see some kind of increase but to raise it to 0.075 is too much and the

people who are paying a lot will be penalized by stair stepping the increase and penalizing them could cause them to go out of business. Avent said he thinks it should be determined what it takes to run the system and then come up with a residential and commercial rate.

Jan Moon, Oliva Bros., asked to hear from other council members regarding the justification. Vilardi commented it appeared it was a tiered structure based on the more you use the more you pay but it works toward the system. Moon said she agreed with Avent and wants to figure out what the system cost to run. Vilardi stated that users who use more of the system cost the City more. Avent stated that the high users were being penalized. Avent said he was not going to be effected by the scenario but did not want to see the same mistakes that were made in the past and would suggest taking more time to determine a real reflection of cost so everyone can be within 10% or 15% of each other because if someone is paying 100% to 200% more than someone else they are going to be upset and rightfully so.

Mayor Cole said the system cost \$1.2 million to run including the debt service annually and since Mrs. Moon asked for council comments Mayor Cole stated that personally he isn't sure he likes or dislikes the proposal, he thought he liked the other one and was made aware of some negative elements to the other one which is why the committee was formed. He is taken back by Lahti's comments since he was on the committee and now he is stating he doesn't like the proposal which makes it confusing. Mayor Cole said he wished Lahti would have expressed those concerns while the committee was working on the rates. Lahti responded by stating the committee did everything they could to stop him from speaking and he disagrees the committee worked well together. Lahti stated when the committee ended there was not a final proposal given and when he volunteered to write the proposal he did not get any response and the committee just ended. Lahti stated some things were never addressed at the committee level that were agreed to be discussed earlier during committee meetings.

Massey stated this was a hearing and nothing has been adopted yet and Mayor Cole stated he would have another hearing if needed. Massey asked for clarification from Avent and Lahti and Avent replied that if you go back and find out what was used the last three years which it would give you what it cost to run 500 cubic feet of sewer. Avent said he, as a business man, does not mind paying a little bit more but not if it is inequitable with some being charged twice the amount they are currently paying. Massey stated the Council is intent on making the rates fair and equitable. Avent said when he previously felt the rate should be based on consumption he did not know there was going to be a 250% difference between start and finish.

Carter stated the committee was not in charge of coming up with a solution, but to come back with a plan, and he felt the committee did that under the mandate from Council. Avent added

there were several different options and he did not hear anything until the current proposal came out. Carter stated the committee made the options and this is the option the Council was going to make a decision on.

Bradfield stated the comment regarding being fair and equitable is justified. Bradfield stated he pays .082 per cubic foot, his rates aren't going to go down and under this proposed system everyone except for four people are going to be paying less than he is and he is willing as a resident of Rainier to accept the fact that the citizens deserve to get a cut but how much. Bradfield is willing to pay \$200 every two months for water because he knows how it works, the system has to make a profit or break even for maintenance and future expenses and that was established in the beginning, they already knew how much money it was going to take to operate. Bradfield stated the only decision was how to cut it up so the businesses are not hurt or take advantage of the rest of the rates in Rainier. Bradfield said they are proposing to terminate the EDU system and divide up as equitably as permitted to give as many businesses as possible a reduction in the full rate unless everybody here wants to pay .082 per cubic foot. Carter and Bradfield both stated it would be very costly. Bradfield said he is willing to pay more because he wants the businesses to pay less, but the EDU system wasn't something designed by current Council. Bradfield read the proposed rates and stated they decrease the rates down per cubic foot except for four customers whose rates would increase and everybody else would be paying a lot less than he is and he accepts that. Bradfield said if the four people who are going to be paying more, which he is assuming they are using more, have a legitimate reason to challenge that then it needs to be discussed. Avent said that Bradfield did not deserve a cut unless he was on the EDU system and the way the proposal reads is not fair if you use more.

Carter added the school is one of the biggest users and would love to have the proposed rate since it would be cheaper. Carter said it was not the committee's intention to hit a customer hard with the proposed rate structure and the intention is fair, equitable and sustainable. Carter stated the sewer has to keep running and they have to maintain the money to keep it going, the EDU system made deals with private businesses and that mess has to end so if the Council makes private deals there is going to be an issue. Avent said you find out your cost per gallon and within 3% or 4% everybody should be paying the same volume for the same movement of their sewer and everybody should be between 5% and 10% of each other, not 250%. Bradfield asked Avent if he wanted to pay .082 and Avent replied he did not care what he was paying as long as he paid the same as everybody else.

Lahti stated the goal wasn't to lower everybody's rates so this proposal is being presented as good because a lot of people are getting their rates lowered but that wasn't the goal, the goal was to make it fair and equitable and in his opinion the proposal is not fair to some businesses. Lahti

said that with some very simple adjustments to the proposal it would be fair and he is not sure why he is sensing the defensiveness for the proposal and it can be made fair without raising some people's rates and lowering others.

Bradfield reminded Lahti he was on the committee and asked who the fairness was for and added he describes fair as businesses getting a cheaper rate but we all discussed there wasn't going to be a perfect parody but most of the commercial rates are down and only a few adjusted up. Bradfield said that the proposal is more fair for most of the businesses but if he was going to be self serving he would have everyone paying the same rate.

Russ Moon wanted to correct Bradfield by stating the EDU committee consisted of Darrel Lockard, Phil Butcher, himself and Bill Vilardi. Vilardi stated Vilardi was not on Council at that time. Moon clarified with Dudley the definition of residential, commercial and industrial rate customers.

Massey stated he wanted considered lowering the rate for increased usage by single family residents during the summer and Mayor Cole and Dudley stated it is based on winter averaging so the residents do not pay more.

Sills asked Dudley if the accounts that would see a decrease were large or small accounts and Dudley stated that most of the accounts that would see a decrease were EDU customers and the consumption went from 95 to 20,000 and 9 EDU customers were large users. Dudley added that if you looked at the top 15 and the bottom 20 customers per the spread sheet the cost per cubic foot, with the exception of 3 customers, is consistent. Sills stated he agreed with many of the comments by Lahti and Council that this is not a comparison against anyone's private property consumption and the fact that some went down is irrelevant. The fact that it is a two and one half times difference one from the other, Dudley stated it was double, he agrees it doesn't cost more to flush 100 gallons versus 1000 gallons and if he was paying .04 per cubic foot and someone else was paying the same price they are still paying more because of the increased usage.

Mayor Cole asked if the committee would entertain the thought of reconvening by themselves taking into account the things that have been said. Carter added that you could take the top tier and make a new category, not have to have a meeting, and it will lower the price and should make everyone happy. Moon suggested to have a leader of the group of the committee that is coming up and he asked if Council got information from a specialist in this area. No one replied, and Moon added that this is City Hall putting all this information together.

Taylor asked Moon if the last time he was on the committee if there was a specialist involved and he said it was someone with over 30 years, Darrel Lockard.

Avent clarified with Bradfield if he had referred to .82 and Bradfield said it was .082.

Carter stated a quick fix would be to do a quick number check to drop it down a certain percentage so the rates would never go above 30% and that would cover about nine of the customers.

Lahti said that is a particular solution but would probably want to go higher and we are here to discuss the proposal and Council is hearing it is not liked and as a member of the committee he can see it is a really close proposal and another adjustment needs to be made and if it meets all of the criteria some rates would go up and some would go down from last year but that is irrelevant and it has to be fair and pay for the system. Lahti suggested moving on to the next proposal.

Someone referred to the analogy used by Sills of 100 gallons versus up to 1000 gallons. The rates change and to a citizen it does not seem fair at all. Carter said there is a lot of logic to the connection fee and all that is on there and there is a base rate and that was a big part of the discussion.

Lahti clarified with Dudley the proposal rate structure involving the tiers.

Mayor Cole said a decision would be made at the regular council meeting on what would be the next steps to take and it wouldn't be a decision on whether or not to accept the proposal. Dudley reminded everyone that it was a proposal and the public was invited to attend for input and the intent was to keep the actual cubic foot charge similar between all and Council recognizes that if the higher end is applied to the middle there will be more of a variance where the low end users will be paying more for their service which is what was hoped to avoid but definitely recognized it appeared that the equitableness with regard to the EDU system was somewhat flawed. Dudley stated public input is welcome which is why there have been numerous meetings and is now open in the public hearing. The numbers can be reworked and several proposals can be presented with all 116 users. Dudley added she does want to point out that of the letters that were sent to every commercial user, with the exception of one individual who was incorrectly classified, City Hall had not received any input and thanked the public for attending.

Avent added that it will be fair if everyone is within 5% or 10% of one another. Dudley asked Avent if he was asking to include the residential customers also and he said it cost \$1.2 million

to run the plant and if you take that \$1.2 and divide it by what you are pushing out that is going to be the cost per cubic foot and it is not known what the cost is. Dudley stated the cost is known. John, a former employee of All Out Sewer and Drain, wanted to know how much revenue was collected from out of towners, the septic users, to make up the \$1.2 million. When the sewer system is built it has to be built to handle the usage. Dudley stated they are being charged .11 per gallon which is significantly more than the residents are paying. Dudley advised John to give her a call and she would provide that information.

Mayor Cole adjourned the meeting at 7:00 PM.

Mayor Cole

Attested: _____
Debra Dudley, City Admin./Fin. Director/Recorder