

Clean Water Services

Clean Water Advisory Commission

Meeting Minutes

July 17, 2013

Attendance

The meeting was attended by Commission Chair Tony Weller (Builder/Developer) and Commission members Molly Brown (District 2-Malinowski), Alan DeHarpport (Builder/Developer), Lori Hennings (District 1-Schouten), Erin Holmes (Environmental), John Kuiper (Business), Mike McKillip (District 3-Rogers), Art Larrance (At-Large-Duyck), Judy Olsen (Agriculture), David Waffle (Cities), and Jerry Ward (Agriculture), and Clean Water Services District General Manager Bill Gaffi.

Commission members Stephanie Shanley (Business), Richard Vial (District 4-Terry), and Sandy Webb (Environmental) were absent.

The meeting was also attended by Su Midghall (DHM Research) and by Clean Water Services staff members Karen DeBaker (Communications Supervisor), Mark Jockers (Government and Public Affairs Manager), Kathy Leader (Finance Manager), Gerald Linder (General Counsel), Mark Poling (Business Operations Department Director), and Diane Taniguchi-Dennis (Deputy District General Manager).

1. Call to Order

The meeting was called to order at 6:33 PM by Mr. Weller. The meeting was held in the conference room at the Clean Water Services Administration Building.

2. Review/Approval of April 17 Meeting Notes

Mr. DeHarpport moved to approve the minutes of the meeting held April 17, 2013. Mr. Waffle seconded. Motion passed.

3. Customer Values Survey Results

Ms. DeBaker and Ms. Midghall shared results (*presentation attached*) of a recently-completed customer values survey conducted by DHM Research using a new online interactive engagement tool, Westside Voices. Westside Voices has about 1,700 “subscribers” and staff hopes that will increase to about 5,000 by the end of the year. Westside Voices allows participants to respond to questions on various issues at their convenience and allows Clean Water Services to stay in touch with them about other issues, follow up with additional questions, and provide results to them. The tool is mobile-friendly and about 15% of respondents used a mobile device. Washington County is using Westside Voices on some issues, which increases contacts and further broadens the potential audience for Clean Water Services.

The survey assessed what citizens value about the area’s water resources and what they

expect of a water resource agency. The biennial customer values survey has been done by telephone for years, but this is the first time it has been done using an online tool. Public meetings, community events, and other methods are used in addition to the survey to gather information about customer values. There were 944 participants in this year's online survey. Study results have been presented to the Clean Water Services Board of Directors and leadership team.

Mr. Jockers explained that this survey is a companion to the biennial customer satisfaction survey, which identifies important functions of a water resources agency and measures Clean Water Services performance in those areas. Results are then plotted into quadrants of high importance/high performance, high importance/low performance, low importance/high performance, and low importance/low performance to see where improvements or education efforts are needed and to help frame future survey questions to assess effectiveness of those efforts. The results of this citizen values survey will be similarly analyzed and used as a baseline for future surveys.

Presentation highlights and comments (from Ms. Midghall unless otherwise noted) included:

1. One concern with online surveys is whether participation is skewed; the customer values survey participant demographics closely match service area demographics.
2. Survey results for perception of water quality and connection to water resources mirror those of others around the country. A separate study by DHM shows that the top 10 values of Oregonians around the state are related to nature and natural beauty. These basic values rarely shift.
3. Although the sense of connection to water resources is currently neutral, it has greatly increased since 2002. We ask people to invest in the Tualatin River and we want to be sure they are aware of it and feel connected to it. (Jockers)
4. The highest value for rivers in general is for drinking water, but for the Tualatin River specifically, the highest value was for fish and wildlife habitat and open space/natural areas...suggesting that citizens may not realize that the Tualatin is a source of drinking water.
5. "Protecting public health" has consistently been a top-rated function of a water resource management agency. It is rare to get a rating of "very important" from even 50% of respondents; "protecting public health" was rated "very important" by 85%.
6. Public health and other values were rated of higher importance than "reasonable rates."
 - 6.1. This might be because rates in the Clean Water Services District are lower than in surrounding areas, this year's increase was smaller than in previous years, less worry about household expenses because of a perception that the economy is improving, and/or because of slight differences in survey questions from year to

- year (various).
- 6.2.** As we move forward and as (drinking) water rates increase, sewer rates will likely get lots more attention, too (Gaffi).
- 7.** Almost every participant had an opinion on every question—“I don’t know” is usually 8-10% of all responses in surveys but was only 3% or less on most questions in this survey.
- 8.** What was the leadership team’s reaction to the values reflected in the survey and their alignment with the Clean Water Services mission? (Waffle)
- 8.1.** Even though these were good results, the Board wanted to know what we need to work on—for example, should we work on improving that neutral feeling of connection with the Tualatin River? (Jockers)
- 9.** It’s good to think about correlation to mission and keep results in context so we’re not seen as taking on something that we shouldn’t be doing. It may be a tension point to be seen as an “environmental activist” agency when the mission is to comply with federal discharge permit regulations. (Weller)
- 9.1.1.** The reason we have those permits and other regulations is to protect public health and protect the environment—that *is* the mission. (Gaffi)
- 9.1.2.** We could use a map to better tell that story—show where we could have spent large amounts of money at a few treatment plants to meet permit requirements but instead invested a smaller amount of money all around the watershed and not only complied with our permit requirements but enhanced the river and surrounding areas at the same time. We could show 10-year shots of planting areas, conveyance systems, etc. (Weller, plus several others in agreement with further publicizing this message)
- 9.1.2.1.** Clean Water Services just released an RFP for videography services; perhaps this could be incorporated? (DeBaker)
- 9.1.3.** People have a hard time connecting the Clean Water Services “dirty water” direct mission with the agency—they see a greater connection between natural areas, keeping streams clean, improving water quality, etc. and the agency. The high value attached to these things gives Clean Water Services a good foundation for further explaining the “dirty water” part of its mission.
- 10.** Were survey responses identified as to participation through Opt-in, Westside Voices, etc.? (Hennings)
- 10.1.** Yes, and the responses were comparable.
- 10.2.** It’s important to keep in mind that which people get the survey, how they get it, and who chooses to respond can affect the results (various).
- 10.3.** Need to think about whether we want invitations to show that the survey is for Clean Water Services—some show that information and some don’t. (Weller, Brown)

4. System Development Charge Financing Policy Review

Mr. Poling and Ms. Leader provided background information (*presentation attached*) on sanitary sewer SDCs (System Development Charges). Clean Water Services spends about \$50 million annually on capital improvement projects to ensure adequate sanitary sewer capacity. The SDCs collected are used primarily as reimbursements for completed capacity projects but are also used to fund new projects to serve anticipated growth. The Board has charged the Commission with assisting in a policy review with recommendations by next spring as to whether/how Clean Water Services should extend financing (payment over time) for SDCs to industrial and commercial customers.

Clean Water Services currently offers financing for some residential SDCs, as required by state statutes. Residential financing is intended for individual property owners and is not available to developers; they include the SDCs in their own financing for their overall project and pass the cost along to home buyers. Residential financing is most commonly used for single-family homes in LIDs (Local Improvement Districts, formed to connect an entire existing neighborhood to the sanitary sewer system), but has recently also been used with multi-family dwellings and the residential portion of mixed-use developments. The SDC for a residential unit is \$4,800, but a LID usually also includes hook-up fees and other costs that can bring the total to \$10,000-\$12,000 per home. The Clean Water Services financing period is generally 10 years because of these additional costs. The total residential amount currently being financed is well under \$1 million.

Mr. Linder explained that under state statutes, an agency *may* also provide for financing of industrial and/or commercial SDCs, according to whatever ordinance it adopts and taking into account the fiscal impact on the agency. Ms. Taniguchi-Dennis noted that most industrial or commercial SDCs are at least \$100,000. Mr. Poling shared a graph showing the District's SDC revenue was about \$5 million for fiscal year 2012, and nearly \$20 million for fiscal year 2013 (which included two unusually large industrial payments and a payment from the City of Portland for flows from the Fanno Creek Pump Station). The District shares SDC revenue with the cities (except SDCs collected directly in unincorporated areas) and receives a greater share of SDCs collected from industrial customers.

Mr. Poling said recent inquiries about financing for industrial and commercial SDCs moved the Board to ask for this policy review, but the Board does not necessarily want to change the current policy. Mr. Linder said the Board wants the Commission to explore the idea of financing for industrial and commercial customers so they can address future financing questions by customer class rather than case by case. He added that the state statute addressing financing is open to multiple interpretations, which gives the Commission great flexibility to determine what makes sense for the District.

Commission members responded to some of the policy questions outlined in Mr. Poling's presentation:

1. Amount Financed

1.1. Cities collect the SDCs; their views must be kept in mind. (Gaffi)

1.2. City concerns might be addressed if customers could pay the city's share as a

- down payment and finance the rest through Clean Water Services. (Olsen)
- 1.3. We are asking the public to take a risk (if we offer financing) for the benefit of a private company. (McKillip)
 - 1.4. Could reduce risk by financing only up to 50% or some other specified amount. (DeHarpport)

2. Eligibility

- 2.1. What are the possible customer classes that we might consider for financing? (Hennings)
 - 2.1.1. The four classes are Industrial, Commercial, Multi-Family, and Residential. (Poling)
 - 2.1.2. Industrial and commercial are the Board's interest at this time. The Commission may propose ideas for additional classes or subclasses to the Board and can recommend financing SDCs for one, some, or all. (Linder)
- 2.2. Is the class definition restricted to zoning on the property? What about nonconforming uses...allowed uses...conditional uses? (DeHarpport)
 - 2.2.1. Tying class to zoning would be complicated as every city defines things differently. (Weller)
 - 2.2.2. Write it to apply to anyone who is paying a connection fee; don't try to designate/define based on zoning or use. (McKillip)
 - 2.2.3. "Anyone who is paying a connection fee" could then apply to developers. (DeHarpport)
 - 2.2.4. Would expect/recommend that you would need a specific definition. (Linder)
- 2.3. How are churches, schools, hospitals, parks, and others classified? (various)
 - 2.3.1. All are examples of entities that could be recommended for inclusion if Board felt that Commission should consider them. (Linder)
- 2.4. We don't consider credit-worthiness for residential financing because we are required to provide it (Poling), but that would be important if we are extending financing to non-residential customers—at least look at the company's Dunn & Bradstreet rating. (DeHarpport)
- 2.5. A tension point could be that helping big businesses which might be perceived as less needy could be discouraging to small businesses which could use the help and which you might really want to encourage. (Weller)
 - 2.5.1. A financing program should have some accommodation for smaller, harder-to-finance businesses vs. those who don't really "need" it. (Olsen)

3. Interest Rates

- 3.1. Think about whether interest rate should be "encouraging" or "discouraging," and whether Clean Water Services should use a financing program as a source of revenue. (Linder)
- 3.2. Should different classes have different rates? (Poling)
- 3.3. Rate should be variable to protect against changes in rates over time. (DeHarpport, Weller)

4. Timing and Term

- 4.1. A 10-year term (for industrial and commercial classes) seems risky—that company might not be around in 10 years. Four or five years would be better. (Kuiper)
- 4.2. Ten years is fine. (DeHarpport)
- 4.3. Staff would prefer a tangible trigger for beginning the finance period, such as when the building permit is issued, or a specific time period from some other project milestone. (Poling)
- 4.4. SDC should be paid at time of permit vs. upon occupancy. (DeHarpport)
- 4.5. Purchase of temporary capacity could be another tool for commercial/industrial customers—the City of Portland recently paid \$7 million to Clean Water Services for temporary use of sanitary system capacity. (Taniguchi-Dennis, Poling)

5. Other Considerations

- 5.1. The bigger the project, or at least the more capacity required, and the farther from the treatment plant, the more need for some protection for the District in case the project isn't completed or the company doesn't last long enough to pay off the SDC. That's a lot of stranded capital, although eventually it will be used/paid for by a new business. (Poling)
- 5.2. So offering financing wouldn't cost the District money in the long term (assuming all obligations were paid) but in the short term the District would have to borrow money to build the needed capacity that otherwise would have been funded by the SDCs that were financed instead of being collected up front. (Hennings, Taniguchi-Dennis)
- 5.3. Usually the capacity is already built, so the debt is already there, but if you are delaying the income stream to pay for it you might have to borrow more in the future to continue building capacity. (Weller)
- 5.4. District should encourage development—industry brings jobs, adds to tax base, etc. (DeHarpport)
- 5.5. What about defaults? (McKillip)
 - 5.5.1. Maybe 2% are slow/no pay but any owed amount plus interest is collected if/when the property sells. (Leader)
 - 5.5.2. Should incorporate a way for Clean Water Services to get paid if debt on the property is restructured. (Weller)
- 5.6. Would financing of non-residential SDCs affect the city's share of revenue or cause the city budgetary hardship? (Brown)

Mr. Weller noted that the group's thinking had jumped at least one meeting ahead and that there will be future meetings to work out details if it is decided to offer financing. He asked Mr. Poling to provide examples of industrial and commercial SDC amounts to help Commission members better understand the risks and possible budget effects.

5. Announcements

Mr. Jockers reminded all that the meeting date has been changed to the second Wednesday of the month. The next meeting will be August 14.

Ms. Taniguchi-Dennis would like to organize a small group of Commission members to help work through a variety of issues related to SDCs and planning, building, and paying for regional stormwater management facilities in North Bethany. This work will have implications for similar areas, such as Cooper Mountain and West Bull Mountain. Mr. Jockers said staff will talk with the Board about this in the next month or two and may want to incorporate Commission expertise along with other public outreach. He will email updates.

Mr. Jockers will also email results of about 60 in-depth stakeholder interviews conducted by DHM in January/February.

Mr. Jockers said the annual public open house and tour at the Durham AWWTF (Advanced Wastewater Treatment Facility) earlier today was well-attended. The open house and tour at the Rock Creek facility will be next Wednesday.

Mr. Weller asked for a report on the D&C (Design and Construction Standards) update to be included in the August meeting agenda.

6. Adjournment

Mr. Weller adjourned the meeting at 8:27 PM.

(Meeting notes prepared by Sue Baumgartner)



Clean Water Services Customer Values Survey

PREPARED FOR
Clean Water Services
June 2013

www.dhmresearch.com



Methodology

- Online survey
 - Outreach through Westside Voices, Opt-In, CWS newsletter, emails, social media
- N=944
- Conducted May-June, 2013
- 5-8 minutes (41 questions)

DHM Research | CWS Customer Values Survey, May-June 2013

Survey demographics

Length of Residence		Gender	
Less than 5 years	12%	Male	42%
5-9 years	15%	Female	53%
10-19 years	28%	Education	
20+ years	45%	High school diploma or less	3%
Age		Some college	17%
18-24	1%	College degree	34%
25-34	8%	Post graduate	38%
35-54	39%		
55-64	28%		
65+	18%		

DHM Research | CWS Customer Values Survey, May-June 2013

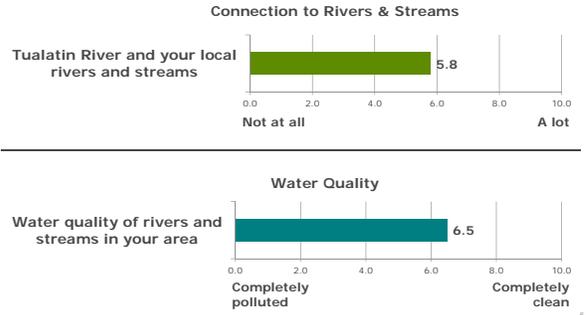
Survey objective

- 1) To assess customer values about rivers and streams
- 2) Determine customer expectations for water resources management utility

DHM Research | CWS Customer Values Survey, May-June 2013

VALUES ABOUT RIVERS AND STREAMS

Residents feel neutral about their connection to local rivers and streams and consider water quality to be fair.



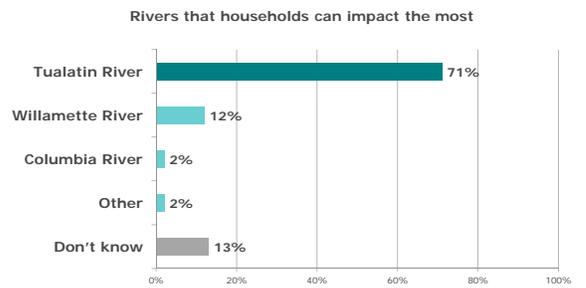
Sense of connection to rivers and streams has improved significantly since 2002.

- 5.8 mean (2013)
- 6.0 mean (2012)
- 3.8 mean (2002)

DHM Research | CWS Customer Values Survey, May-June 2013

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Residents believe they can impact the Tualatin River the most.



DHM Research | CWS Customer Values Survey, May-June 2013

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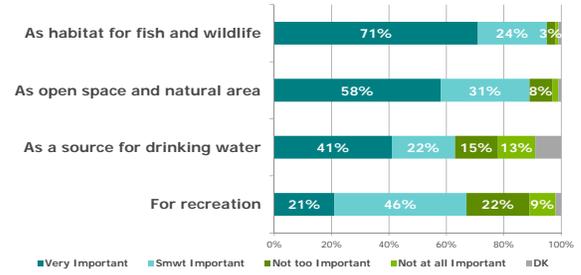
Most important value about rivers/streams (generally) is a source for drinking water.

Values about rivers and streams	Most Important
Source for drinking water (current and future supply)	47%
Habitat for fish and wildlife	19%
Indicator of a healthy environment	14%
Natural beauty and open space	7%
Source of water for farming and agriculture	5%
Natural areas for recreation activities (fishing, hiking, swimming, paddling, bird watching, etc.)	5%
Drain away rain water	3%
Other	0%
Don't know	1%

DHM Research | CWS Customer Values Survey, May-June 2013

For the Tualatin River specifically, the key value is habitat for fish and wildlife.

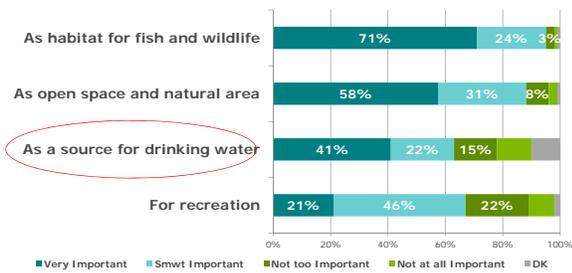
Importance for the Tualatin River and its streams?



DHM Research | CWS Customer Values Survey, May-June 2013

Residents may not be connecting the Tualatin River as their source for drinking water.

Importance for the Tualatin River and its streams?



DHM Research | CWS Customer Values Survey, May-June 2013

There is a growing appreciation of the Tualatin River for its open spaces and natural areas.

Response Category	2013 Very Important	2012 MaxDiff ranking
Habitat for fish and wildlife	71%	1
Open space and natural area	58%	7
Source for drinking water	41%	3
Recreation	21%	5

DHM Research | CWS Customer Values Survey, May-June 2013

What do customers value about the Tualatin River? In their words ...

- "Natural beauty and wildlife habitat."
- "A source of water, drainage and flood control. Provides a habitat for fish and wild life and helps to balance the environment."
- "A place to run - my only form of exercise."
- "Although I don't partake in them I value the recreational opportunities that they may provide me and my kids, if I have kids. But, mostly I value the wildlife that it brings to the area. Of course they provide water and drainage; we couldn't live here without them."

DHM Research | CWS Customer Values Survey, May-June 2013

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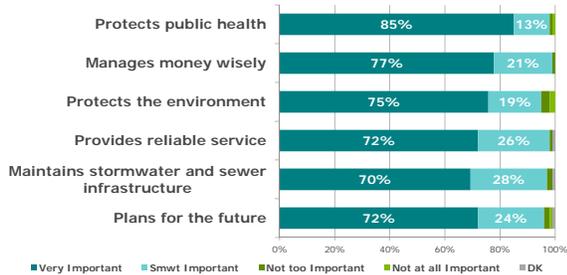


Value About Living in Oregon

Response Category	Total	Metro	W. Valley	Central	Eastern	Southern
Beauty/scenery	21%	21%	22%	17%	15%	24%
Weather/climate	19%	18%	22%	15%	12%	19%
Sense of community/friendly town, residents, people	23%	26%	22%	18%	17%	16%
Outdoors/outdoor activities	11%	11%	8%	19%	11%	11%
Forest/trees	11%	11%	12%	5%	4%	11%
Proximity to coast/ocean	10%	12%	13%	4%	2%	6%
Nature—general	10%	13%	8%	5%	4%	10%
Proximity to mountains	9%	11%	11%	6%	7%	5%

Public health is considered the key area for water resources management.

How important do you consider each of the following by your water resources management utility?

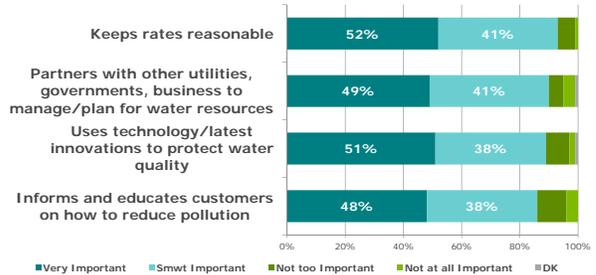


DHM Research | CWS Customer Values Survey, May-June 2013

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Even over rates.

How important do you consider each of the following by your water resources management utility?



DHM Research | CWS Customer Values Survey, May-June 2013

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Customers continue to place greater value on protecting public health over other areas, including rates and reliable service.

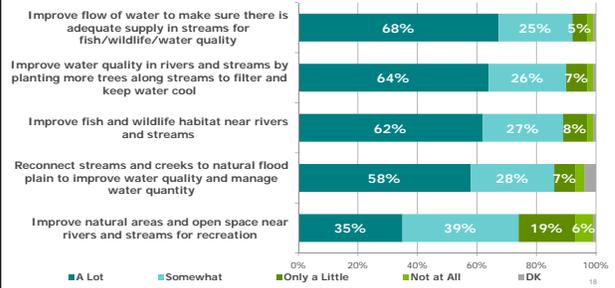
Response Category	2013	2012	2010	2008
Protects public health	85%	92%	91%	90%
Protects the environment	75%	76%	80%	76%
Provides reliable service	72%	88%	88%	85%
Plans for the future	72%	75%	79%	77%
Keep rates reasonable	52%	82%	79%	65%
Informs customers on how to reduce pollution	48%	56%	62%	56%

DHM Research | CWS Customer Values Survey, May-June 2013

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Improvements to fish/wildlife habitat and water quality are highly supported by residents.

How much do you support the following approaches to protect water quality and fish and wildlife habitat?



DHM Research | CWS Customer Values Survey, May-June 2013

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What does water resources management mean to customers? In their words ...

- "Using water wisely, not wasting it."
- "Managing the rivers, planting native plants and shrubs by them, working to keep the river free from pollution."
- "An organization that makes sure our resources for water will stay the same or improve?"
- "Actions taken within a legal and political framework to balance competing uses of water."
- "A bunch of political gibberish."

DHM Research | CWS Customer Values Survey, May-June 2013

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SDC Policy Review

Presentation to the Clean Water Advisory Commission

July 17, 2013



Board Charge to CWAC

- **Should the District consider financing (payment over time) the Sanitary System Development Charge (SDC) for commercial and industrial customer classes? If so, with what terms and conditions?**



Proposed Process

- **Review Information about potential changes and their affects through a "White Paper" format**
 - **White papers prepared by staff and consultants with subject matter expertise**
- **Collect Stakeholder and Public Input**
 - **Cities via SDS and Finance Committees**
 - **Public Comment @ Commission Meetings**




Proposed Schedule




System Development Charges

- Authorized under ORS 223.297 to 223.314 and highly prescribed in use
- Collected for future projects and to reimburse previously constructed system capacity projects and may pay for debt service
- Project Examples Include
 - Dawson Creek and North Plains Pump Stations
 - North Plains East Trunk Extension
 - Rock Creek Tertiary Treatment Improvements
 - Other Improvements (upsizing, etc.)



System Development Charges

- $SDC = SDC_r + SDC_i + SDC_a$ where:
 - SDC_r = Reimbursement for completed capacity projects
 - SDC_i = New projects anticipated to serve growth
 - ◊ Part of a Master Plan
 - SDC_a = Administrative Costs (currently not used by the District)

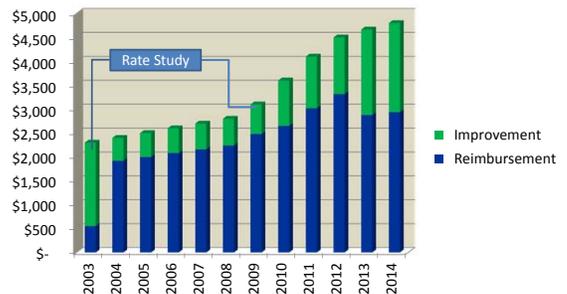


SDC Financing

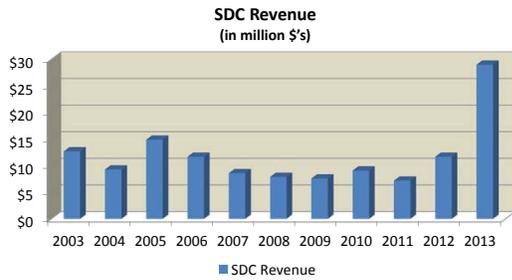
- Current District Ordinance
 - Offered to Residential Property Owners Only
- ORS Requirements
 - Residential Property Owners
 - Multi-family Property Owners
 - Mixed use
 - Commercial and Industrial



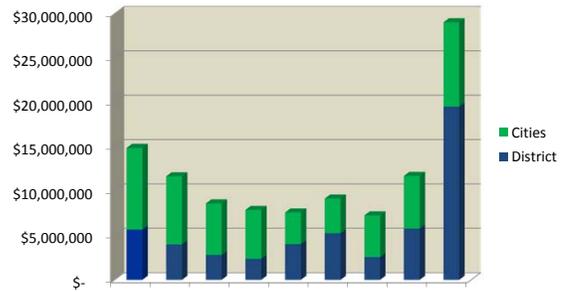
SDC Rate History



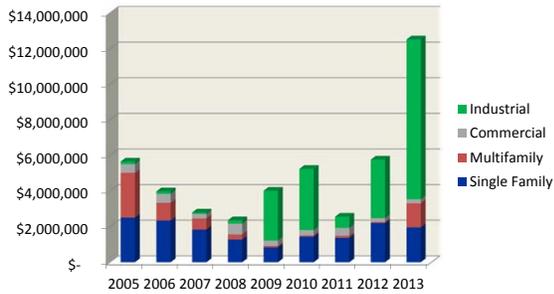
SDC Revenue History



District Share of SDC Revenue Collected



District Collected SDC Revenue by Customer Class



Potential Financing Scenarios

- **Addition of Other Customer Classes**
 - **Industrial** – currently allowed to delay until time of use/discharge
 - **Commercial** – currently due at building



Board Sideboards

- **Maintain Financing by Customer Class**



Policy Considerations

- **Limit Total Amount of Financing (outside of those required by law)**
 - **Set a maximum dollar limit?**
- **Eligibility/Requirements**
 - **Property owners only?**
 - **First Lien Position on the property?**
 - **Due and payable on title transfer?**
 - **Creditworthiness considerations?**



Policy Considerations

- **Eligibility/Requirements**
 - **Interest Rate**
 - ❖ **Current rate is Oregon 10 year AA Bond Rate plus 2% admin fee for residential**
 - ❖ **Rate structure different for different classes?**
 - **Timing and Length of Term**
 - ❖ **Building Permit vs. Occupancy or 18 months**
 - ❖ **5 vs. 10 year financing for different classes**
 - ❖ **Purchase of Temporary Capacity?**
 - ❖ **Down payment**

Policy Considerations

- **Others?**

Discussion



Back up information slides



SDC Collected by Fiscal Year
(in million \$'s)

Fiscal Year	Single Family	Multifamily	Total Residential	Commercial	Industrial	District Total	Cities	Total
2005	2.51	2.51	5.02	0.49	0.14	5.66	9.20	14.86
2006	2.34	1.00	3.34	0.50	0.14	3.98	7.68	11.66
2007	1.83	0.63	2.46	0.25	0.08	2.80	5.81	8.60
2008	1.27	0.29	1.56	0.61	0.20	2.36	5.51	7.88
2009	0.84	0.08	0.91	0.30	2.80	4.02	3.57	7.59
2010	1.44	0.06	1.50	0.30	3.44	5.25	3.90	9.15
2011	1.37	0.12	1.49	0.44	0.64	2.56	4.70	7.26
2012	2.20	0.07	2.26	0.22	3.29	5.77	5.94	11.70
2013	1.96	1.35	3.31	0.23	8.97	19.51	9.51	29.02

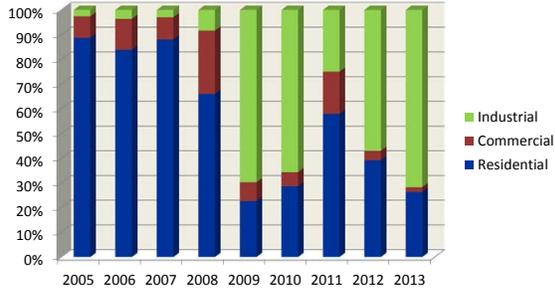


SDC Collected by Fiscal Year
(in million \$'s)

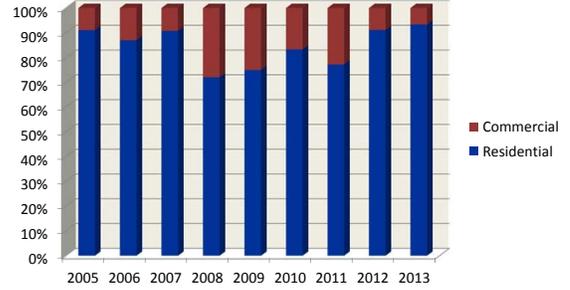
Fiscal Year	Single Family	Multifamily	Total Residential	Commercial	Industrial	District Total	Cities
2005	44%	44%	89%	9%	3%	38%	62%
2006	59%	25%	84%	13%	4%	34%	66%
2007	66%	22%	88%	9%	3%	33%	67%
2008	54%	12%	66%	26%	8%	30%	70%
2009	21%	2%	23%	8%	70%	53%	47%
2010	27%	1%	29%	6%	66%	57%	43%
2011	53%	5%	58%	17%	25%	35%	65%
2012	38%	1%	39%	4%	57%	49%	51%
2013	16%	11%	26%	2%	72%	57%	43%



District SDC Revenue by Class



District SDC Revenue by Class (without Industrial)



System Development Charges Components

- **Collected to fund future (SDCi) projects**
- **To reimburse (SDCr) previously constructed projects that increase system capacity**
- **Costs for Administration of the SDC program (SDCa) is not currently used by the District**

