

MINUTES  
City Council Work Session  
April 29, 2024  
Page 1

MINUTES

CITY COUNCIL WORK SESSION  
COUNCIL CHAMBER, CITY HALL  
APRIL 29, 2024  
9:00 am

**PRESIDING:** Mayor Richard Mays

**COUNCIL PRESENT:** Darcy Long, Tim McGlothlin, Rod Runyon, Scott Randall, Dan Richardson

**COUNCIL ABSENT:** None

**STAFF PRESENT:** City Manager Matthew Klebes, City Attorney Jonathan Kara, City Clerk Amie Ell, Public Works Director Dave Anderson, Community Development Director Joshua Chandler, Deputy Public Works Director Eric Hanson, Water Distribution Manager Jerry Anderson

**CALL TO ORDER**

The meeting was called to order by Mayor Mays at 9:00 am.

**ROLL CALL OF COUNCIL**

Roll Call was conducted by City Clerk Ell. Long, Runyon, Randall, Richardson, Mays present. McGlothlin absent.

**PLEDGE OF ALLEGIANCE**

Mayor Mays invited the audience to join in the Pledge of Allegiance.

**APPROVAL OF AGENDA**

It was moved by Randall and seconded by Long to approve the agenda as submitted. The motion carried 4 to 0, Randall, Long, Richardson, Runyon voting in favor; none opposed; McGlothlin absent.

## **DISCUSSION**

### Water Utility Financial Analysis Presentation and Discussion

Director of Public Works Dave Anderson introduced the work session to council. He explained work was being done to update the City's 20-year Water System Master Plan (WSMP) which will; project future water supplies and demand, evaluate existing infrastructure, develop a capital improvement plan to maintain the existing system and develop new systems to meet future water demands, all while complying with new and anticipated drinking water regulations. The master plan will include a financial plan to meet the operational and capital needs of the water utility.

Anderson stated they would be seeking direction from Council which concepts would be supported and which should not be pursued further. The team will go back and draft financial scenarios using this direction. These will be presented to Council at the next scheduled Water Master Plan work session.

Anderson introduced presenters Brian Ginter and Emily Flock from Consor Engineering, hired by the City to update the Water Master Plan and Deb Galardi who would be responsible for developing the financial plan.

Ginter presented an overview of the presentation using slides (see attached).

Ginter explained the reason why a WSMP was being updated; it is required by the State of Oregon, it identifies short- and long-term needs, and improves a level of services to customers. While an update is required every 20 years, it is more typical for communities to update every 10 years. He shared the 4 parts that would be included in a WSMP; plan foundation, system analysis, capital improvement plan, financial analysis and WSMP report.

Flock gave an overview of the City's current surface water supply system, the groundwater supply, and distribution system. She noted in addition to the five current reservoirs and three pump stations there were two additional proposed reservoirs and an additional proposed pump station. There were about 90 miles of pipeline in the current system and over 90% of this pipe consisted of cast iron or ductile iron. She showed the age and locations of piping in the City.

Mayor Mays noted there appeared to be unknown age pipes presumably in the older parts of the City.

Anderson confirmed these unknown pipes were often in the oldest areas of the City.

Flock then reviewed historical and projected annual demand by residential and non-residential

## MINUTES

City Council Work Session

April 29, 2024

Page 3

consumption. She said the projections were created using PSU (Portland State University) population projections along with commercial and industrial information.

Anderson noted the projections from 2006 almost hit the actual demand recorded today. He said when they were creating a water master plan in 2006, they had not known what type of industries would be coming into to develop on the port. They had used an estimated industry allowance to make predictions as well as a weather allowance for projected increased use of water due to hotter summers. He said they would be using the best information available to make to the water demand projects for the next 20 years.

Ginter noted there were both 20- and 50-year forecasts. The requirement was to have a 20-year plan, but there were benefits to also preparing for the longer 50-year term.

Ginter continued presenting the analysis components for the master plan which will include reviews of the source of supply, treatment systems, hydraulic capacity, storage volumes, pumping capacity, physical conditions, and climatic/seismic resilience. He highlighted the most critical items for The Dalles were renewing aging infrastructure and continued supporting of community growth.

Ginter explained there currently were four options for expansion of supply that will be reviewed. These included; expanded raw water storage, Aquifer Storage Recovery (ASR) systems, Columbia River water rights, and deep groundwater. He noted it is likely the recommendation would be to use a combination of more than one of the options to meet the projected needs.

Mayor Mays asked if the two new Riverside wells being created in the port area were going to change the ratio of supply that currently is 80 to 20.

Anderson said once the wells were complete the 20% number of water supply from wells would increase. He clarified all of the analysis being done for the 20-year plan included the two new wells.

Richardson asked if ASR was also a factor in the analysis or if it was still an unknown for the City.

Anderson said, yes ASR is an option in the plan. One of the two new Riverside wells is an ASR well that will most likely go online this winter.

Ginter said any work that is dealing with groundwater can not be an absolute given. Uncertainties exist that can only be known once the well is complete and water is being pulled from and put back into the aquifer. These unknowns include; how much water is in the aquifer,

## MINUTES

City Council Work Session

April 29, 2024

Page 4

if the water is at the location being drilled, at what rate the water can be taken without drawing it down too much, is there an ability to recharge the aquifer at the location.

Richardson asked if the water master plan would be completed before the ASR is tested and feasibility is confirmed.

Anderson said the first steps of completing the feasibility studies had been done and the next steps for the Riverside ASR were to finish drilling the well then see how the aquifer responds. The best information says it will be successful. He said testing would be done on the well and wells surrounding to see the effects. He said at least two or three seasons of using the ASR would need to be completed before there is certainty.

Flock noted other parts of an ASR system to consider include the supply of water used to recharge the well and the treatment of that water. The capacity for treatment at the current Wicks water treatment plant would be included in the plan. The tendency for the area to experience fluctuations in run-off amounts would also be considered in the plan as ASR systems typically work better with more consistent water flow coming in.

Klebes asked if the rate at which an ASR well can be recharged was a constraint as well.

Flock confirmed the rate of recharge would be a constraint. The time for water to spread out within the aquifer as well as how fast the water can be treated limits the recharge rate.

Ginter said the Wicks Water Treatment Plant had been well run but it was beyond the typical service life of a water treatment plant and there was a lot of infrastructure in need of replacement. The projected increase in demand and possible use of an ASR would require a treatment plant of greater capacity. More modern technologies would also be included in the plan to address extreme low water temperatures and variations in summer usage.

Ginter explained there was a need for replacing infrastructure and a the plan would be based on addressing the greatest vulnerabilities and taking advantage of opportunities.

Mayor Mays asked if advancements in materials would mean less leakage in the future.

Ginter said cast iron created under varying conditions in different decades had held up differently throughout the years. The pipes from the early 1900's had proven to be some of the most reliable, while 1950's cast iron failed at a high rate. Since the use of ductile iron pipe in the 1980's much had been learned to reduce corrosion and other failure mechanisms. Modern ductile iron pipe systems installed correctly could last 75 years.

## MINUTES

City Council Work Session

April 29, 2024

Page 5

Anderson said the current standards for the distribution system within the City only allowed the use of ductile iron pipes for the mains. There had been no use of PVC or other materials. Transmission lines such as those in the Dog River Pipeline would be assessed at the time of replacement to determine the material that would be most feasible.

Runyon asked if breaks and repairs were built into the master plan budget.

Anderson said the response to breaks would be built into the annual operations budget while the scheduled and planned replacement of major sections of the most vulnerable pipe would be included in the plan. The goal was to create a reliable backbone that would be resilient to things like earthquakes, age, and extreme temperature.

Klebes asked if there was anything that comes into play when choosing the material for the pipe if it was pre or post treatment plant.

Ginter said water quality was not a factor in choosing pipe material. What would drive decisions about materials would be installation conditions, type of joint systems, and pressure conditions.

Deb Galardi of Galardi-Rothstein Group reviewed the scope of the financial analysis framework for the master plan. Work on the financial plan would evaluate if there would be adequate revenue at any point in time. The goal would be to ensure alignment of cash flows with the timing of the plan in terms of capital improvements as well as the demand curves. Systems Development Charges (SDCs) would need evaluation to determine if they will meet some of the cost of the capital improvements. There will be a focus on ensuring equity in cost recovery. Flexibility in Oregon State statutes in relation to setting rates and SDCs would allow the City to integrate local policy objectives and priorities.

Galardi described the process for creating the long-term financial plan. This would be a 20-year cash flow analysis looking at sources of funds, operating expenses, capital funding, and operating & capital reserves. Sources of funding would include cash reserves, SDCs, private development contributions, user rates, and other interest or income. The private development contributions would be mainly for capital improvements. Expenses would include all capital projects as well as operating costs including personnel, electricity, chemicals, maintenance, and contract services. Capital funding would look at how much future capital would be Pay as You Go (PAYG) capital, equipment replacement, and debt service. Reserves would be an important part of the plan to be prepared for balancing cash flow needs. Reserves would be for emergency needs and to use for minimizing the amount of debt that would have to be issued or to minimize the need for increasing rates.

Galardi reviewed the relationship between the City's current operating revenues and expenses.

MINUTES

City Council Work Session

April 29, 2024

Page 6

She noted inflation had consumed more of the rates for operating expenses and left less for capital improvements. The growth in demand was projected to increase leading to an increase in revenues. The question to consider was if rate of growth will align with increases in operating costs. SDCs were currently being used to cover some of the operating costs. The rule-of-thumb and what most lenders require was that revenue from rates cover all operating costs as well as fund routine capital replacement. SDCs were normally saved for larger capital projects.

Anderson noted three years ago in 2021, \$2.3 million from revenue was going into reserves. For fiscal year 2024-25 \$380 thousand was budgeted for this transfer. This decline was due to increases in operating costs due to inflation combined with the fact that revenues had declined slightly. From 1994 to 2006 no rate adjustment was made, reserves were used to cover operating expenses, no capital projects were done and the City was still digging out of a backlog of projects from that time. He said it was prudent for council have enough information to avoid that happening again. In the drafted budget proposal for fiscal year 24-25 no rate adjustment was proposed. This was because this master plan to help council make informed decisions along with the through technical analysis of financial needs was not yet available. Also noted was SDCs had not changed since 2007.

Runyon said with the knowledge of substantial sums of money that would be coming in over the next few years from the Google projects he was not in favor of jumping to increases in rates or SDCs before discussions of how that money would be used.

Anderson said some of those funding opportunities would be discussed during the planning process as well.

Klebes stated growth as a revenue source also involved construction of additional infrastructure that would become a liability that had to be taken care of. He asked for an explanation of how this would be considered in the approach to the modeling.

Anderson said the water master plan would look at potential future water needs inside the Urban Growth Boundary (UGB) area not just the existing city limits.

Galardi said some of the infrastructure to be built by developers later on would become the City's responsibility to operate, maintain and eventually replace. Work would be done on financial planning to determine costs projections for local lines that would be the backbone of the infrastructure. Costs typically would remain fairly fixed and would not change as much as revenues.

Klebes asked if there would be a time in the projections where growth trend lines would level out as capacity is met within the UGB.

## MINUTES

City Council Work Session

April 29, 2024

Page 7

Galardi said yes, from a financial plan perspective it would be more conservative to plan for less growth, while other parts of the plan it would be best to plan for greater growth.

Galardi described factors that would be looked at when creating the cost service analysis including; service types, land use types, specific services and their costs, cost factors that would be common to all, and public fire protection needs.

Galardi said she was requesting council feedback on what types of options they would like considered for rate structures. She reviewed the current rate structure for residential and commercial costs and the outside-city surcharge. Compared to other municipalities in Oregon, for a typical use of 5,000 gallons in a month, The Dalles ranked 10 out of 20. When compared for a use of 10,000 gallons in a month The Dalles shifted to 16 out of 20.

Runyon asked how many people in the City were using 10,000 gallons in a month.

Galardi showed a graph of Residential Account Water Use Distribution by month (see attached slide 22). The monthly mean was 8,000 gallons, median was 6,500 gallons. Approximately 70% of accounts used less than the current minimum of 10,000 gallons based on the monthly average. She said the trends in other cities had been to reduce the fixed minimum amounts as water supplies had become more expensive. When securing state or federal funding, one thing agencies looked at was the rate structure to determine if the City was encouraging efficient use of water.

Anderson said there were three points on the 10K Gallon Residential Water Bill Comparison Graph (see attached slide 25). One, it was very unusual for a fixed rate to have that high of a fixed amount but past councils had chosen to encourage green lawns and watering by having the higher base rate. Second, water rates were very important when trying to secure state and federal funding, this had made negotiating terms for the Dog River Pipeline difficult, it took months of talks as they were wanting minimum fixed amounts of 7500 gallons or less for better terms with a loan rate of 1%. Initially before the challenging talks, the rate for the loan was 2.65% for a 20-year period because of the high minimum fixed rate of 10,000 gallons. Third, customers ask why they pay so much water when they do not use that amount.

Richardson said it may be useful to see what changes in the rate system would look like for the customers especially if there would be greater fluctuation with increased usage in the summer months.

Anderson said it was currently recognizable in the trends of usage changes with the current system. In May bills often were higher as it become warmer and more water was used. Then in June there was a drop as customers adjust water usage to be more efficient.

## MINUTES

City Council Work Session

April 29, 2024

Page 8

Galardi said there were many factors that might impact individual customer bill; overall revenue needs, how costs shift between residential and non-residential, and shifts within classes. It would be important to isolate the impacts and to explain them fully to help inform council's decisions.

Richardson asked at what point council and staff would discuss philosophies for rate structure, and if it was correct over the last 10 years the non-residential growth had made up for the flat rate of change in residential customers. He would like to see where possible the industrial customers shoulder the heaviest portion of the load.

Galardi said they would like direction from council on what types of options to bring back for rate change options.

Anderson said an important part of this financial analysis was to ensure equity amongst customers.

Richardson said he wanted to push back on that and suggest Google subsidize the costs.

Anderson noted all rates adopted would have to apply to all within a class. It could not be different for one user; all industrial users would have to be the same.

Runyon said Google had just provided the City with a well that was going to help the community substantially.

Anderson said that Google was in the process of making \$28.5 million worth of water and sewer improvements.

Galardi said feedback and questions from council were going to help to determine what type of information and models would be included as options for rates in the plan.

Anderson said it would be helpful to have direction from council on whether they wanted to keep the 10,000-gallon minimum quantity or to look at the possibility of changing that.

Mayor Mays asked how confident they were that 10,000-gallons represented an accurate assessment of the current fixed cost. He stated he was open-minded but would like there to be caution for creating great changes in customer bills.

Anderson said he was not confident in saying that quantity reflects the cost of service. He said historically the City was at 15,000-gallons before going down to 10,000 for residential in 2006 or 2007. At that time commercial was also dropped from 10,000 to 5,000. The City used to impose water use restrictions before meters were installed. Since the system had become metered and



MINUTES

City Council Work Session

April 29, 2024

Page 9

there had been a consumption component to billing, there had been no need for restrictions.

Randall asked if the voluntary bill balancing service the City offers that averages throughout the year to avoid high spikes in months of greater use would be impacted by dropping the minimum base amount to 5,000-gallons per month.

Anderson said any new rate structure would still allow for this bill equalization as well as subsidization for low-income that currently exists.

Long asked to also remember recently the City had made landlords responsible for water bills if the tenant did not pay. In addition, tenants paying the water bill of a rental home may not have control over automated sprinkler systems. These types of things needed to be considered for how to create equity for residents.

Anderson said the opportunity with rates is to motivate and incentivize conserving with more control over bills. He understood the challenges of renters need to be considered.

City Attorney Jonathan Kara asked if there were other state methodologies for water rates that could be shared for council review similar to the Oregon SDC Study.

Galardi said there was a national survey done every other year by American Waterworks Association that looked at rate structures, rate levels, reserves, different practices, and different size of utilities at different parts of the country. League of Oregon Cities completed a water rate study that included data and examples of structure rates including inclining blocks, uniform volume rates, and minimum charges. She said a memo could be created to provide information from these reports to council.

Kara asked for information to include the most commonly used structures for determining water rates and a list of pros and cons for the average citizen as well as the average city government.

Galardi said there were requirements under Oregon Law when implementing new SDCs or changing the methodology. The project list would need to include costs of each project, timing, and how much was related to future growth expansion versus rehabilitation or replacement of existing infrastructure. The methodology would be a framework for determination of the share of growth costs in aggregate and by land use type.

Galardi said when determining SDCs the things that should be considered are; improvements for future capital costs; reimbursement for value of prior facilities; and compliance costs for recovering costs of methodology development, master planning, and SDC accounting.

MINUTES

City Council Work Session

April 29, 2024

Page 10

Galardi noted the City's SDCs had not increased since 2007. She said when compared to a sample of other Oregon cities The Dalles SDCs were the lowest and they were dominated by the Parks and Rec. The current water SDC is about half the state average. Typically, it is around \$5000 per residential unit, the City's is about \$2300. Developers do not care about the breakdown of SDCs only the total, both of which are lowest compared to other cities. There are some cities that do not charge any SDCs as well.

Galardi said the plan would include what could be charged but ultimately the council would make the final decisions. The financial plan would require assumptions about how much revenue would come from rates and SDCs. Direction was needed to determine the design of the SDCs; charges for accessory dwelling units or smaller housing types, charging based on meter size, requirements for non-residential users' higher demand and capacity fire protection requirements.

Anderson said SDCs could be adjusted yearly with CPI to adjust for inflations, this had not been done since 2007. The fees existing now were far below what was justifiable even in 2007. He fully expected coming to council with an analysis saying the City could charge up to an amount. Policy decisions would be made by council to determine if any changes would be made and if annual adjustments for inflation should be included. He said the concerns heard about cost of SDCs came primarily from local developers, those coming from out of town were happy with the lower than state average rates. If developers were not paying their fair share, the costs would go to the rate payers. Home prices are set at market price, a savings in SDCs would not lower the sale prices of homes.

Mayor Mays asked to see more SDCs from cities similar in size and situation to The Dalles.

Kara confirmed they would only be looking at water SDCs.

Runyon stated he supported looking at increasing SDCs first before looking at adjusting rates. He wanted discussion of supplementing funds for major projects using money that would soon be coming to the City in place of increasing rates or SDCs.

Klebes said three different topics would be woven together this year; the water master plan, housing production strategy, and works sessions with Wasco County around planning for strategic investment program and enterprise zone money.

Anderson said other sources of revenue would be considered in this plan as direction comes from Council while working on these three topics.

Long said she was glad to know they would be looking at all the different ways these would be interacting.

Richardson said compared to other sources of revenue, changing SDCs may not have a big impact. He hoped focus would be on the bigger sources of revenue.

Anderson said the methodology for water SDCs would be reviewed. An example of SDCs charged under the current system was a large industrial site who paid \$200,000 for water SDCs based on the meter size while the sewer SDCs were charged by actual volumes to be generated and that cost was in the millions of dollars. The methodology for the sewer SDCs captured significantly larger fees from larger users and was a more appropriate when considering the demands that would be placed on the system. These methodologies would be reviewed for both rates and SDCs

Mayor Mays asked if Galardi had ever done a financial plan that lowered rates.


Galardi said no.

**ADJOURNMENT**

Being no further business, the meeting adjourned at 8:32 pm

---

Submitted by/ Amie Ell, City Clerk

SIGNED:   
Richard A. Mays, Mayor

ATTEST:   
Amie Ell, City Clerk