

**Funding Prioritization**

**City Council Chambers**

**Note taker: Adele McAfee**

**Committee Members:** Mike Riley, Steve Hultberg, Dale VanValkenberg, Casey Roats, Steve Galash, Charlie Miller, Rob Von Rohr, Stacy Stemach, John Rexford, Lynn Putnam, Nathan Boddie, Wes Price

**COB Staff:** Paul Rheault, Jon Skidmore, Aaron Collett, Tom Hickmann, Carolyn Eagan

**Consultants:** David Stangel (MSA), Angie Sanchez (FCS Group), Doug Gabbard (FCS Group), John Ghilarducci (FCS Group), David Prull (Clearwater Engineering Group)

**Facilitator:** Libby Barg (Barney & Worth), Clark Worth (Barney & Worth)

**Others:** Jim Lawrence, Greg Anderson

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**Meeting Summary**

**Financial Planning Components**

Information presented:

**Financial Plan & Strategy:**

- What are the current obligations
- Incorporating CSMP prioritized projects
- Consider total resources
- Cost of system

**Key Factors:**

- Start with approved budget ( 2013-15)
- Apply various escalation factors – 20 year time period
- Customer account growth
- Existing debt service obligations
- Look at SDC Revenues
- Revenue bond debt
- Minimum operating reserves

**Committee reviewed funding strategy:**

- Higher initial year rate increases
- Even rate increases per year

**SIAG Questions/ Comments:**

**Is debt service included in OM?** *It is included in the financial plan.*

**What is the cumulative plan?** *The amount of funding available for ongoing repair & replacement, and local area improvement projects.*

**Everyone knows we are behind the ball on investing in infrastructure everyone is expecting a jump, 9% doesn't seem like a huge jump.**

The assumptions in the initial rate increase assume it will result in a savings in ten years, this depends on a set of assumption that in 10 years may have changed. If less of an increase is considered in the first year, what sort of things would have changed to make that irrelevant? City council is looking for a recommendation on a strategy. These assumptions could change the numbers that are being presented illustrate what a strategy might look like.

**Is the local area improvement a city council policy discussion?** Yes, there is a lot of discussion that needs to happen. In theory, the model has at the end of 10 years, \$10 Million set aside for local area improvements. The concept is to “get going” on the local area improvements. In a period of 3 years there should be a better idea of what needs to be done. If there is a savings that money could go into repair and replacement.

The reserves will go up quicker. The existing debt service will be paid off during the same 10 year period at the same time rate will be covering the debt. There will be additional cash flow that becomes available in that equation.

The idea of incentivizing is a good.

I support an early jump because there is a lot of money that will be spent upfront. The closer you match the revenue with the expenditures the less you push the costs down the road.

Reserves are important. The rate the reserves are being accumulated it seems that we are taking rate payer money now to solve problem for the future. The current rate payers are burden to put rates high enough to build reserves not to repeat the same situation in the future.

The FCS consultants presented an interactive rate model dashboard that allowed the committee to test various rate scenarios by adjusting:

- Test rate increases
- Growth in customer accounts
- See different interest rate scenarios

### **SIAG Polling:**

When should Bend start saving for local area improvements?

92% - Start saving now

When should Bend start saving for ongoing repair replacement?

73% - Go along with the plan as shown

How should Bend raise sewer rates?

70% - Steeper rate increases

30% - Steady/ gradual

### **Final results on strategy:**

73% Build savings now - steeper rates

18% Build savings latter - steeper rates

9% Build saving now increase rates steady gradual

The June 19 Open House at the River Front Plaza was announced.

Next meeting Sept 25, 2014

No public comment

**Meeting Adjourned 4:36 PM**

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