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GARIBALDI CITY COUNCIL TOWN HALL

Monday, July 11, 2011

Community Hall, 7:00 P.M.

I. CALL TO ORDER

Mayor Suzanne McCarthy called to order the City Council Town Hall at 7:01 p.m. Present were Council President Terry Kandle, Council members Betty Thomas, Jerry Bartolomucci and John Foulk, City Manager John O'Leary, Assistant City Manager Mary DeLoria, Bill Fouste, Harold Stern, Joe Wrabek and Wilferd Krein.

II. REVIEW OF WATER UTILITY RATES

O'Leary presented city staff's proposed change to the water utility rate structure to the small group of residents in attendance. Mayor McCarthy then opened the floor for questions.

Among the questions from city residents were queries regarding the cost of producing the city's water and the number of gallons per month produced. O'Leary calculated that the current cost of producing water is approximately \$0.007 (seven-tenths of one cent) per gallon at a monthly production rate of between 2 and 3 million gallons.

Another concern noted was the impact on residential rates. O'Leary noted that for residential customers using 4,000 or fewer gallons per month, there would be no change in their typical monthly bill. For usages greater than 4,000 gallons per month, the overage rate of \$2.75 per thousand gallons would be charged. O'Leary noted that for 60% of residential users, the change in the rate structure represents a change in their water bill of less than \$20 per year. Customers using a greater amount of water will notice a commensurately greater change in their average water bill, with the greatest 5% of water users seeing an increase of \$5 to \$10 per month in their water bills.

O'Leary noted that the reason for changing the water rate structure for residential and commercial users is to bring Garibaldi's rate structure into alignment with rate structures in use by other comparable coastal port cities such as Warrenton, Tillamook, Rockaway Beach, Bay City, and Depoe Bay. He and Cn Thomas stated that the proposed change will not increase revenue, but will provide a rate structure more favorable to commercial development designed to help keep businesses in Garibaldi.

Cn Kandle stated that to his recollection, the council began working on rate restructuring because the council felt that some commercial accounts were paying too much for water, which was a disincentive for locating in Garibaldi. He noted that the staff report said that the only reason for considering a different rate structure was because Garibaldi's rate structure is different from other neighboring communities in similar economic conditions along the Oregon Coast. Cn Kandle stated that he does not think this is a good reason to change the rate structure. He stated that the way the new rate structure is constructed it does not apply a standard structure to all water users, nor does it give relief to the very large water users.

Cn Kandle stated that there is no standard that can be applied to bring the water rate structure in line, and stressed that having a large amount of water available "makes a huge difference." Kandle further stated, "There is no evidence presented here that these rate changes will encourage any prospective water user to locate or remain in Garibaldi. It is pure speculation that it will make a difference." Kandle commented that he "tends to think in general ways" that adjusting rates will make a difference and agrees that the City should make an effort to reduce the commercial water rates. Reading from a prepared statement, he noted that the way the new rate structure is constructed it does not give relief to the very large water users and that 16% of the largest users will experience a rate increase. Kandle stated that the city should be targeting very large commercial users by not raising their rates, but by lowering them because the large volume of water usage has the greatest potential for increasing revenues. Kandle recommended strongly that in order to reduce the rates to the commercial users, the City reduce the cost of the Public Works Department by reducing personnel.

O'Leary noted that the goal of the modified rate structure is to create a continuity of rate structures between Garibaldi and other coastal cities in order to arrive at comparable rates. He noted that the structure is not aligned perfectly, but it is as close as he is able to get with averages and differing rate structures among the compared coastal communities. O'Leary discussed how the rate structure impacts specific 2- and 3-inch water meter commercial users and noted that proposed structure will provide significant savings during lower-use periods to all commercial customers which are not present under the existing structure, while keeping the residential base rate at \$24.50 per month and decreasing the financial demand on those customers who use less water.

Cn Foulk suggested that the City should charge per gallon rather than the current overage rate per thousand gallons. O'Leary explained that this structure would result in a 20% to 30% increase in approximately 60% of the residential bills and a corresponding commercial rate increase of 700% to 900% in possibly 70% of the commercial accounts. The current and proposed rate structures are designed to minimize this type of increase, with the proposed rate structure resulting in larger meters paying even less per gallon.

The group discussed the need to cut expenditures. O'Leary noted that the change

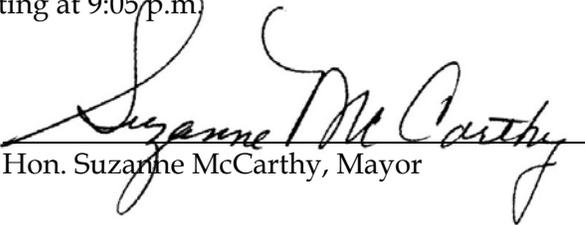
in rate structure is not a single solution all by itself, but merely a component. He further noted that there are several tools the city has available, such as cutting expenditures, increasing the marketability of the community by creating an attractive environment for business and commercial ventures by adjusting the commercial water rates, and setting the rate structure so that seasonal businesses don't have to pay excessive rates in the off-season.

Discussion of creating a special rate for establishing new businesses, perhaps with a 5-year time period. O'Leary explained that the City's agreements for financing with USDA prohibit charging inequitable rates to the city's wastewater utility customers, and that this may also affect the water utility rate structure.

Council and staff discussed how current and proposed rate structures would be affected by increasing costs. Cn Kandle recalled that there was council consensus on an automatic annual 3% utility rate increase. O'Leary explained that future rate increases would be necessary if the City continued to operate the water system at its current service level. O'Leary noted that expenditures could be reduced, and that this action would stabilize rates regardless of which rate structure is used. O'Leary noted that further expense reduction could only be accomplished with reduction in personnel, and the Council agreed that this matter must be discussed in another meeting.

III. ADJOURNMENT

Mayor McCarthy adjourned the meeting at 9:05 p.m.


Hon. Suzanne McCarthy, Mayor

ATTEST:


John O'Leary, City Manager