

**OAK LODGE SANITARY DISTRICT
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING
April 10, 2007**

CALL TO ORDER

President Paul Savas called the Regular Meeting of the Board of Directors of Oak Lodge Sanitary District in Clackamas County, Oregon to order at 6:42 p.m. in the District office, 14611 SE River Road, Milwaukie, Oregon.

PERSONS PRESENT

Declaration of a Quorum: Directors present were Paul Savas, President; Doug Woods, Vice President; Dave Seigneur; Chuck Petersen; and Elton Storment.

Staff present were R. Kent Squires, General Manager and Secretary of the District; Clark Balfour, Attorney for the District; Brett Arvidson, Manager of Planning and Engineering; and Faith Paddock, Assistant to the General Manager.

OTHERS PRESENT

Leonard Waldemar, 5025 El Centro Way, Milwaukie, Oregon 97267
Jerry Foy, 15242 SE Fair Oaks Drive, Milwaukie, Oregon 97267
Mike Grant, 13704 SE Maloy Street, Milwaukie, Oregon 97222
Jim Martin, 15163 SE LaBonita Way, Milwaukie, Oregon 97267
William Wild, 2633 SE Tarbell Road, Milwaukie, Oregon 97267
George Payne, 16950 SE Shadybrook Drive, Milwaukie, Oregon 97267
Hunter Coleman, 15644 SE River Road, Milwaukie, Oregon 97267
Jim Knapp, 4401 SE Risley, Milwaukie, Oregon 97267
Thelma Haggemiller, 3405 SE Westview Road, Milwaukie, Oregon 97267
Doug Naef, 11085 SE 21st, Milwaukie, Oregon 97267
Gary Floyd, 6007 SE Aldercrest Road, Milwaukie, Oregon 97267
Jack Perry, Operations Manager, Oak Lodge Sanitary District

CONSENT AGENDA

President Savas called for discussion and approval of the Consent Agenda.

President Savas requested that the Board defer approval of the March meeting minutes until later in the meeting or until the May 8, 2007, Regular meeting.

M/S Seigneur/ Defer approval of the March 13, 2007 Regular Meeting minutes; the March 13, 2007 Executive Session minutes; the March 15, 2007, Pre-Budget Submittal Budget Committee Meeting minutes; and the March 22, 2007 Work Session minutes. There was no second to the motion; however, the question was called with unanimous decision by the Board to defer approval of the meeting minutes.

*Note: There was no further discussion during the Regular meeting

regarding the approval of the March 13, 2007 Regular Meeting minutes; the March 13, 2007 Executive Session minutes; the March 15, 2007, Pre-Budget Submittal Budget Committee Meeting minutes; and the March 22, 2007 Work Session minutes.

MONTHLY REPORTS: President Savas called for discussion and approval of the Internal Monthly
Acceptance Reports.

Internal Reports Director Woods complimented staff on the number of feet of sewer lines cleaned for the month of February 2007, and asked questions related to the expense report. Specifically, Director Woods asked about equipment for the inspection of sewer lines and the purchase of a small diameter TV camera.

M/S Woods/Seigneur Approve the March 2007 Internal Monthly Reports. The question was called and the motion passed unanimously.

PUBLIC COMMENT
PERIOD There was no public comment.

CORRESPONDENCE
REVIEW There was no correspondence for review.

DIRECTORS REPORTS:

CLACKAMAS COUNTY
COORDINATING
COMMITTEE: President
Savas President Savas reported that at the last C4 meeting discussions primarily centered on a presentation given by Brian Newman and Michael Jordan from Metro regarding the "New Look Program".

CLACKAMAS COUNTY
SERVICE DISTRICT No.
1 COMMUNITY
ADVISORY
COMMITTEE REPORT:
President Savas President Savas did not attend meetings of the Clackamas County Service District No. 1 Community Advisory Committee last month; therefore, there was no report.

JENNINGS LODGE
COMMUNITY
PLANNING
ORGANIZATION (CPO) Director Woods was not able to attend the Jennings Lodge Community Planning Organization (CPO) meeting last month.

REPORT: Director Woods

ANNOUNCEMENT

*President Savas then announced that the Board would defer Agenda Item No. 7 Ordinance No. 76 – First Reading until later in the meeting. The Board then moved to Agenda Items No. 9 and No. 10 for discussion.

FISCAL YEAR 2008
CAPITAL
IMPROVEMENT FUND
BUDGET DISCUSSION:
Kent Squires

Manager Squires stated that at the Special Meeting of the Board of Directors on March 22, 2007, the Board requested staff prepare a discussion paper. The discussion paper was to include details and information about each of the significant capital improvement projects included in the 2007-2008 annual budget. Further, the Board requested that the discussion paper include information about the risks to the District should they choose not to proceed with the recommended improvements, and if there is potential for these needed improvements to become stranded investments.

There was a discussion among the Board and Manager Squires related to the prioritization of the capital improvement projects and if the District could defer construction of some needed improvements. Risks involved in taking such an approach were also discussed.

Manager Squires suggested that the Board not remove the current capital improvement projects from the 2007-2008 budget so that the District can have the flexibility to plan appropriately for every eventuality. If these projects are removed from the proposed annual budget and there is equipment failure, it is likely money would not be available until the 2008-2009 annual budget period for the needed repairs. Depending on future decisions by the Board regarding the pre-design and design phase of the treatment plant under the Master Plan, the Board has the ability to make decisions at the time of purchase whether to approve the expenditure or defer a particular project until a later date.

Director Seigneur asked when CH2M Hill consultants would be able to provide the final draft of the Master Plan document. Manager Squires answered Director Seigneur stating that he expects the final draft document to be complete by the end of May 2007.

President Savas expressed his concerns related to the budget and previous discussions about cutting back spending on capital improvement projects to avoid future stranded investments. Further, President Savas asked if staff has reviewed the budget and determined other areas where cuts could be made to curtail spending. Manager Squires answered President Savas, stating that the District makes every attempt to be prudent with the public's money. The District spends money to provide staff with the tools and equipment they need to provide effective and efficient service. There is no "fat" built into the Oak Lodge Sanitary District budget.

President Savas further expressed concerns with how late in the year the Board begins budget discussions and the difficulty in having only a few weeks to review the proposed budget document before the budget meeting in May. Is it possible to begin the budget process sooner?

Manager Squires discussed with the Board the internal process for constructing the annual budget; the timeline, and staff's involvement in collecting the necessary data needed to create a budget. Manager Squires further explained how staff arrived at the overall estimates and projections for 2007-2008 in the areas of operations, materials and equipment, labor, and administrative costs. Manager Squires stated that to begin the budget process sooner than January or February each year would result in less accuracy in terms of projected estimates and less accuracy in terms of quantifying future needs.

There was discussion between Director Seigneur and Manager Squires related to Oregon Statutes and if there are limitations on the amount of money that can be carried over from year to year in the reserve fund.

Manager Squires and President Savas talked briefly about the significant expenditures outlined in the proposed budget that were discussed at the March 15, 2007, Pre-Budget Submittal Budget Committee meeting, and the risks to the District if the hydrocleaner, raw sewage pumps, disinfection system, and the biosolids building cover were not purchased and/or constructed within the next fiscal year. Once again, Manager Squires did not recommend removing these items from the budget.

There was no further discussion regarding the fiscal year 2007-2008 Capital Improvement Fund Budget.

MEETING MATERIALS-
MEETING
PREPARATION
DISCUSSION: President
Savas

President Savas expressed his concerns related to receiving certain meeting materials for the Board meetings and work sessions either late or not in enough time to review the information before having to make decisions on important subject matters. Director Woods agreed with President Savas stating that he too feels the meeting materials a times are disseminated late and sometimes given to Board members at the start of the meeting instead of being mailed or emailed out to the Board ahead of time. Both President Savas and Director Woods used the March 22, 2007, Board Work Session as an example of where the Board was asked to select and approve a preferred alternative for wastewater treatment in order to assist CH2MHill in the completion of the final draft Master Plan document. Concern was expressed regarding the lack of information disseminated to the Board prior to the meeting. As a result, some members of the Board were unclear as to the purpose of the meeting and felt that if the meeting materials were sent out ahead of time the intent of the meeting would have been better understood.

Manager Squires explained that in the example instance, the meeting date was not confirmed by the Board until late on Friday afternoon, March 16. This resulted in development of presentation materials on the day of the meeting. (Note: The agenda was sent to the Board electronically on Monday, March 19. The agenda included the decision of selection of a preferred concept.) It is sometimes difficult for staff to know exactly what the Board needs, and the Board's expectations are not always clear. When meetings come together very fast staff works as quickly as possible to get the information out to the Board in adequate time. The lack of timely scheduling of this meeting resulting in staff scrambling to publish the proper public notice, meet with the consultant to plan the meeting, and prepare a presentation.

ORDINANCE NO. 76 –
FIRST READING: Kent
Squires

President Savas opened discussions regarding Ordinance No. 76 by asking Clark Balfour, District Counsel, for guidance in better understanding the differences between the Ordinance adoption process and the process of adopting fees and rates by Resolution. Attorney Balfour explained the differences between an Ordinance and Resolution. He stated that there are no risks involved in either case; it is more about lessening the process requirements in order to make rate and fee changes.

The Board discussed whether to keep the current Ordinance process. The Board agreed by consensus to keep the current process and adopt rates and fees by the Ordinance process.

President Savas opened discussion regarding the proposed 15% sewer service charge rate increase to meet the District's short-term needs. There was discussion among the Board and Manager Squires regarding the proposed rate increase. Manager Squires stated staff had used restraint in determining the amount of the proposed increase and that future increases will likely need to be larger.

M/S Seignuer/Petersen Read General Ordinance No. 76 by title only. The question was called and the motion passed unanimously.

Manager Squires read Ordinance No. 76 by title only explaining that, if adopted, the Ordinance serves the purpose of establishing new charges and rates for sewage and the use of the sanitary sewer system. If adopted, the sewer service charge will increase the fixed component monthly charge from \$12.65 to \$14.55 per Equivalent Dwelling Unit, and increase the variable component from \$1.34 per 100 cubic feet to \$1.54 per 100 cubic feet of water consumed as measured during the non-irrigation season.

The second reading and public hearing for Ordinance No. 76 is scheduled

for the May 8, 2007, Regular meeting.

BOARD RETREAT –
DATE TO BE
DETERMINED: President
Savas

The Board discussed possible dates for a Special Meeting Board retreat and selected May 1, 2007, from 12:00 noon to 4:00 p.m. Further, the Board decided to hold an Executive Session on May 1, 2007, from 11:00 a.m. to 12:00 noon prior to the Special Meeting.

PROPOSED
NEWSLETTER ITEM –
APOLOGY TO THE OAK
LODGE RATEPAYERS
REGARDING
CONFLICTING
INFORMATION:
President Savas

President Savas raised the issue of his proposal to print an apology to the Oak Lodge ratepayers for conflicting information regarding the costs of needed improvements at the District's wastewater treatment facility. The Board and Manager Squires discussed the upcoming District newsletter that is expected to be mailed to District ratepayers at the end of April. Manager Squires explained that there is an article in the newsletter related to the master planning effort. President Savas requested that staff make copies of the draft newsletter for the Board to review.

There was a break at 8:07 p.m. in order to allow staff adequate time to copy the draft newsletter so that the Board could review the Master Plan article and offer suggestions and comment.

The meeting resumed at 8:15 p.m.

There was discussion regarding past newsletter articles and how best to convey information to the public regarding the District's current liabilities and the need to substantially increase rates to cover the costs associated with the treatment plant renovation. A discussion between President Savas and Manager Squires ensued relative to what President Savas believes are disparities between the previously published 10-year capital improvement plan and what the District is saying it needs today to renovate the treatment plant. Manager Squires disagreed with President Savas' comments stating that the 16 million dollar estimate referenced in the District's newsletter back in the 2001, when factored for inflationary costs for construction, materials, and labor, the new regulatory standards today, and extrapolated for the 20-year planning timeframe would be relatively close to what consultants say it will cost the District to renovate the plant. That figure is roughly between 45-60 million dollars.

Some members of the Board suggested that the April newsletter include information about how the consultants arrived at the current estimates and why they differ so considerably from past planning estimates published by the District. Manager Squires suggested that the Spring newsletter include an article focusing primarily on the draft information presented to the Board but incorporate additional information on "service" comparisons. Further, Manager Squires suggested that the Board consider a "special" newsletter devoted strictly to discussing the Master Plan, which would speak

specifically to costs, value, and future facilities. The special newsletter could be published within the next few of months.

The Board agreed that a special newsletter devoted strictly to discussing the Master Plan would be a good idea. President Savas stated that he would like the special newsletter to include a section addressing what he believes are disparities in capital improvement cost figures published in the 2005 Spring newsletter and the capital improvement costs estimates known today.

PROJECT STATUS REPORTS

Brett Arvidson, Manager of Planning and Engineering, reported that water sampling continues at River Forest Lake and that there are no new updates for the Board regarding the water quality model of the lake. There was a brief discussion between Mr. Arvidson and Director Seigneur regarding the preliminary information and when the Board might expect some final data on the sample testing. Mr. Arvidson expects the draft report will be available for the Board's review in August 2007.

President Savas asked about the gas spill on the lake that was reported by Myron Martwick, and if the District was able to determine how the gas got into the lake. Brett Arvidson, Manager of Planning and Engineering, reported that the gas was spilled from a local area resident who allegedly accidentally tipped over a gas can while mowing their lawn. Manager Squires reported that Jack Perry and his crew were able to locate the spill area but it was too late to contain any fuel.

Mr. Arvidson reported that the District would open bids on the Pump Station No. 4 project on April 24, 2007.

Mr. Arvidson reported that the District would open bids on the Trolley Trail Bridge on April 24, 2007. This project also involves the purchase of a pre-cast bridge. Manager Squires reminded the Board that the cost of the bridge will be approximately \$27,000.00 and installation must be done during the water work window of time allowable for construction.

Mr. Arvidson reported that the Bar Screen Replacement project Request for Proposals would be advertised shortly. The Request for Proposals for the equipment purchase will be available for review in the next couple of weeks.

Mr. Arvidson reported that the 27th Avenue storm drainage improvements project was combined with the Trolley Trail project for construction efficiency. This is a project off McLoughlin Boulevard and is designed to install 300' of storm drainage. The District will hold an open house on April 17th for area residents to learn more about both projects.

OTHER BUSINESS

Manager Squires stated that the Oregon Department of Transportation (ODOT) would begin the project on McLoughlin Boulevard this year with the curb and sidewalk portion of the project to be completed first. The actually paving of the road is expected to commence next year, which may include the adjustment of approximately forty (40) District manholes. The work required for adjusting the manholes will be charged to the District. The estimated contract price for this work is approximately \$25,000-\$27,000.00. The new storm inlets being constructed for the project are the responsibility of ODOT.

Director Woods and Manager Squires discussed Director Woods' concerns over the substandard work done by ODOT on Hwy 224 and the fact that ODOT paved over manholes on the highway causing flooding issues in certain areas. Director Woods asked if the District could specify certain requirements in the quality of work performed by ODOT under the contract. Manager Squires stated that the District has little to say about the work performed by ODOT; therefore, by the District paying for the manhole adjustments portion of the work under the ODOT contract the quality of work completed is the responsibility of the Oregon Department of Transportation.

DIRECTOR COMMENTS

Director Petersen expressed his appreciation to the Board and members of the audience for their support during this very difficult time after the passing of his wife Florence Petersen.

MONTHLY EXPENSES

M/S Woods/Storment Approve the February 2007 expenses in the amount of \$265,742.79. The question was called and the motion passed unanimously.

RECESS REGULAR
SESSION/RECONVENE
EXECUTIVE SESSION


President Savas recessed the Regular meeting at 8:56 p.m. and reconvened the Executive Session in accordance with ORS 192.660(2)(d) Labor Negotiations; and ORS 192.660(2)(f) Records Exempt from Public Inspection.

RECONVENE REGULAR
SESSION

President Savas reconvened the Regular meeting at 9:10 p.m.

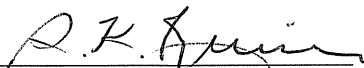
ADJOURN REGULAR
SESSION

There being no further business to come before the Oak Lodge Sanitary District Board of Directors, President Savas adjourned the meeting at 9:15p.m.



Paul W. Savas, President of the Board

Attest:


R. Kent Squires, Secretary