

CITY OF WHEELER

CITY COUNCIL – WORKSHOP MINUTES

June 5th, 2024

Call to Order

Mayor Kemp called the meeting to order at 9:00 AM.

Roll Call

Present onsite:

City Council: Councilor Deanne Ragnell, Councilor Heidi Stacks, Councilor Gordon Taylor,
Councilor Karen Matthews, Mayor Clif Kemp

City Staff: Pax Broder, Phil Chick

Guests: Garry Gitzen

Present via Zoom:

Guests: Anna St. John

New Business

Manzanita/Wheeler IGA for Water –

Pax gave a PowerPoint presentation on the IGAs that he made from the best information available at the time. *A copy is included in the Agenda Packet.*

Councilor Matthews asked how much time Phil spends going to the well site. Phil replied that he had only been up to the well site one time (with Pax and Mayor Kemp when they received a tour from Dan Weitzel.) Councilor Matthews then asked how much time Phil spends interacting with Dan. Phil replied that they interact weekly for mutual benefit. Phil said his time in Wheeler is just focused on Wheeler's distribution system. He may contact Dan when the City needs information about the well site for grants and loans. Councilor Matthews stated we pay part of Dan's costs when he is at the well site, but the time Phil spends is all here in Wheeler so there is no cost share on Phil's time.

Councilor Ragnell indicated that if Dan spends 1/3 of his time at the well site, he can only spend 2/3 of his time in Manzanita. Wheeler is a smaller town than Manzanita, and Phil is using all of his time to take care of issues here. Since Manzanita is a bigger town, does 2/3 of Dan's time cover him being able to take care of Manzanita? Councilor Stacks mentioned that Manzanita has additional Public Works employees that are able to take care of the City's needs.

Councilor Stacks asked who had the responsibility for the water lines on Ridgeview. Phil replied that Wheeler is responsible for it. The way the agreement is written, Manzanita owns the water pipe along the Highway but Wheeler maintains it. Everything past that meter is our responsibility (except for Paradise Cove, who has responsibility to maintain their system past their City of Wheeler meter). Mayor Kemp asked if Wheeler has had any repair expenses on the pipe along the Highway that Wheeler has to maintain per the IGA. Phil wasn't aware of any expenses related to this.

Mr. Gitzen questioned what the original loan balances were for the construction of the well field. Pax said we are still paying off three USDA loans that were for construction of the well site. The original loan amounts (combined) were a little over \$1.1M. Those loans have a maturation date of 2044. Mr. Gitzen asked what the yearly payment was. *Pax later confirmed that the 24/25 Adopted Budget includes \$34,494.00 in principal payments and \$26,731.00 in interest payments for these loans (combined).*

Mr. Gitzen said Manzanita is paying \$185,000.00 total per year (though he was unsure if that included the Filtration Plant on Anderson Creek.) “If they are being charged \$9.00 per 1,000 gallons that is \$180,000.00 dollars per year that they are taking over the same amount of water we are taking.” We should be sharing the system, not exploiting the system. In 2004, Manzanita was taking 65% of their water from Anderson Creek. By the end of 2005 they were taking 10% from Anderson Creek. In 2004 they were taking 35% of their water from the wells, but by the end of 2005 they were taking 87-88% of their water from the wells. They are exploiting our water system. They aren’t using Anderson Creek or the filtration system over there. Wheeler must protect the aquifer, “that’s what the government says.” Manzanita should use Anderson Creek which is just dumping into the ocean. These numbers came from Manzanita’s Water Master Plan from 2006 from their website.

Councilor Ragnell stated that Manzanita’s 2021 Water Master Plan Update says “*the 2006 Water Master Plan included recommendations for upgrading the Anderson Creek surface water sources that were Manzanita’s primary water source at the time. In 2006, the well sources primarily supplied the City of Wheeler and parts of the joint water system other than Manzanita. Recommendations for improvements to the Anderson Creek supply system were not implemented and the supply system has deteriorated further.*” The study goes on to state “*since the completion of the 2006 Master Plan, the City has experienced several issues that suggest an updated to the current plan is warranted. These include: a proposed large development that may have significant impacts on the water system which has raised significant concerns regarding potential water supply impacts and infrastructure needs to accommodate the development.*” This development is 70 acres and includes 320 single residences. The study goes on to say “*the water supply infrastructure that collects and conveys surface water from Anderson Creek to the City’s treatment plant has largely failed. Manzanita now relies exclusively on water from the wells.*” The study proposes a new backup well near the treatment plant, transferring some of Manzanita’s water rights to that well, and connecting it to the treatment plant. This well would cover 35% of the current daily demand in Manzanita.

Councilor Matthews asked for clarification on how much water Manzanita was historically getting from Anderson Creek. Councilor Ragnell stated that in 2005 it went from 78% down to 10%. Prior to 2003 it was 100% Anderson Creek. The 2021 update states that presently 100% of Manzanita’s water is from the wells. Councilor Taylor asked if the system on Anderson Creek is repairable. Councilor Ragnell replied that they let it go for 20 years and would be very expensive to fix.

Councilor Ragnell said that instead of continuing to maintain their equipment, Manzanita jumped on Wheeler’s well water. There needs to be a discussion about the water itself. It is a commodity,

and it is worth something. Wheeler is about to have a bigger health center here and this is major thing to be sure we have water for. The way it is going, there is no cap on the amount of water coming out of the well. What if “sharing” means sharing the water instead of sharing the costs. If Wheeler uses 20M gallons, let’s say sharing means Manzanita gets 20M gallons for free, and over that amount it would be a charge per gallon. If Wheeler charged them \$0.01 per gallon for their excess 90M gallons, Wheeler would get \$900,000.00. This could be a tiered price system where the price per gallon increases over a certain quantity of water. There needs to be some way to put a stop or a restriction on the total water Manzanita takes out. They have a voracious appetite in Manzanita to keep expanding and expanding.

Councilor Matthews said that if Wheeler paid half of all well site operations, our cost would go up significantly. Councilor Ragnell agreed but felt this could be offset by charging Manzanita a consumption charge for their use of water beyond what Wheeler uses.

Mr. Gitzen mentioned that Rockaway Beach and Nehalem were considered as part of the original Regional Master Plan, but they chose not to join in. He asked how the water would have been divided between communities if they had joined in. If the water was distributed equally and conservatively, Wheeler would be making an additional \$900,000.00 but if we were sharing equally that would be split with Manzanita as well. He stated there were two letters to the editors (of the local paper) in his name, but only one was actually submitted by Mr. Gitzen.

Councilor Matthews stated that Manzanita may choose to get water from elsewhere, but if so, she questioned how Wheeler would get water. Manzanita owns the part of the distribution system from the well to Hemlock Street.

Councilor Porter said creek water is way harder to process than groundwater. Wells will eventually run out or they have to be redrilled and pipes have to be moved. He felt that someone should probably be drilling another well so if something happens there is still a backup source of water for the communities. It is important to be thinking about the future and to have a backup plan for water access. Manzanita is going to need a backup system too if they are going to add 300 houses on top of what they’ve already got.

Councilor Matthews said Wheeler does need to value the commodity, but she knows there are a lot of expenses involved and potential for changes that may or may not be to Wheeler’s benefit. She stated that “we are all in this area together and have a municipal co-existence.” Dan Weitzel has the brains and expertise to oversee the system. She questioned what would happen if Dan were to leave. Phil said that historically Wheeler hasn’t had someone at the same level of certification as Dan (though Phil himself does have it). He cautioned that neither of them will be here forever though. Dan has 27 years of knowledge and experience.

Councilor Porter said that in the future, they are always going to go after aquifers over creeks. Councilor Ragnell asked what the permitted rate was that can be pulled from the wells. Phil and Mayor Kemp confirmed that Dan had said we currently use less than half of the allocation. Councilor Porter asked if a new well would get a new allowance, or if the allowance was for the whole aquifer. Phil was uncertain but believed there was an allowance for each well. He stated that the well field is heavily influenced by the Nehalem River, so there will be water in the well

as long as that river is flowing. Councilor Porter asked if the water levels are monitored at the well field. Phil said there were tests done early on, but he was uncertain of whether those levels are still being monitored. It would be good to know what the expected lifespans of the existing wells are.

Councilor Taylor was confused on whether the aquifer is finite, or if it replenishes at some rate (and if we know what that rate is)? Phil said it is replenished but he didn't know the exact rate. Dan had mentioned there were tests done early on that involved running the pumps "full bore" and seeing how low the well gets after 24-hours. Councilor Matthews said the rate of aquifer replenishment would likely depend on the season as well, but regardless we shouldn't abuse the aquifer.

Mr. Gitzen said that according to the internet groundwater is a "finite and renewable resource." We don't know how finite that aquifer really is. We have to treat it like it is finite.

Mayor Kemp asked Pax if there had been a study regarding the value of water. Pax mentioned he had stumbled upon one previously but wasn't sure that it was specific to Oregon.

Councilor Stacks asked Mayor Kemp how Manzanita had responded in initial talks regarding the IGA. Mayor Kemp stated that everyone was relatively new in their positions. In his initial conversation with the Mayor of Manzanita, she had no idea that Wheeler was unhappy with the current IGA scenario. She had expressed interest in working together on a resolution. Mayor Kemp guessed that both communities are going to be well served to continue to work together with the facilities we have in place. If we set the value for the water that is the starting point for conversation with Manzanita and their Council. Wheeler isn't in a position to worry about taking over the expense of running the whole system unless there was a really good revenue flow coming back in from Manzanita and other possible users. Mayor Kemp felt there is an opportunity right now to get something done, and it should be pursued that for the benefit of the constituents of Wheeler. Attorneys have all looked at the IGA and believe it is a fair deal. Our Public Works Director feels that it is a good deal. For the future projected consumption, we know Manzanita is going to keep growing and Wheeler is probably going to remain stable. Mayor Kemp stated that he didn't think it is unfair to go to Manzanita and ask for revenue back for the present and future projected usage. This is probably the best opportunity timewise that Wheeler has had in a long time. Wheeler should act before there is a big changeover in Councils (which may happen as a result of the November elections).

Mr. Gitzen said he spoke to a Manzanita Councilor and didn't feel they would be receptive to concessions. They are very adamant about the fact that there is an established IGA in place. Mayor Kemp said he didn't want to make major changes to the IGA because anything too extreme would get tied up forever with the lawyers. But, if both parties are agreeable (and so is the lender), an amendment could be made to the current IGA.

Mr. Gitzen believes that Wheeler is getting a raw deal and feels that everyone knows it. He thinks Wheeler should see what Manzanita wants to offer, and then come back and negotiate some more.

Councilor Matthews said Manzanita won't make an offer. Mr. Gitzen replied that he knows that. He said "if you are negotiating, you offer what you can offer, and that is as much as you can. And then let them say 'no' and then let them come back."

Mayor Kemp stated he doesn't necessarily like to negotiate that way. Wheeler has a pretty good relationship with Manzanita. Mr. Gitzen stated that this is only about the water. It is about Wheeler's survival. He called the Sheriff's Office and they "sent it back to here." Mr. Gitzen then got "baloney" and "double-talk."

Councilor Ragnell asked what Wheeler's revenue was from water sales. Pax stated that this year's budget forecasts \$354,000.00 in receipts. Councilor Ragnell stated that Manzanita's revenue is \$1,631,859.00.

Councilor Stacks said she was concerned that Manzanita didn't inform Wheeler of the change to the chlorine system as the IGA requires. Phil said this may have been a result of the turnover in Public Works staff around that time. Councilor Matthews said the City Manager should still have been notified. Councilor Stacks said that going forward there needs to be a conversation about what needs to happen, and that is what the Mayor is working on.

Councilor Ragnell mentioned that in the 1997 IGA there was a Water Board, but it only had 2 members from Wheeler and 3 members from Manzanita.

Mr. Gitzen asked for clarification of a prior statement by Councilor Matthews. She clarified that she her earlier statement was regarding the possibility that Manzanita chooses to go a different route for their water, leaving Wheeler with expenses that would go way up because we don't own all of the distribution equipment that is currently in place. Councilor Matthews stated that with another municipality, we have to go in assuming we have a "win/win" situation. We are neighbors with a shared system, but perhaps we need to figure out a "rebalancing."

Pax clarified that the IGA cannot be terminated within the initial 40 years from the date of the loans, but it can be amended with approval by both parties and the lender.

Councilor Porter said you catch more flies with honey than you do with vinegar. Playing hardball isn't going to do any good, especially with what is written on this contract.

Mayor Kemp asked the Councilor's to send notes to Pax by next week in time for the next City Council meeting. He will discuss it with the Councilors before the next meeting with Manzanita, which will likely be in July. We will present something to Manzanita that will be relatively fair for both parties and will get some revenue sharing going forward.

Councilor Porter asked about the water going to the State Park and questioned if that should be included in the discussions with Manzanita.

Councilor Matthews stated there was no notification of a major change to the joint system regarding the chlorine treatment process, which should have gone to a City Council vote. She also stated that we need more information on well drop-down tests and the life of the wells. She

would like to see the past five years of the State Park's water use in annual gallons and projections for increased usage. She questioned the value of water and whether there is a study available on that in this region.

Councilor Porter recommended reaching out to the Tillamook Water Master. Phil said he could look into it.

Councilor Matthews questioned when the Wheeler USDA loans would be paid off. Pax replied that they mature in 2044.

Councilor Matthews said that another question is who is responsible to maintain the water lines from the station behind Zimmerman up to Hemlock.

Councilor Ragnell asked if Manzanita would lose the water rights to Anderson Creek if they didn't use it for a certain amount of time. Councilor Porter said you lose it after 5-7 years if you don't pull any water (you just need to pull a small amount to maintain the rights). He assumed Manzanita pulled enough water out to protect their rights.

Councilor Taylor questioned why the CO2 Stripping Tower wasn't paid for out of the depreciation and repair fund. Councilor Porter asked what the running total of that fund is. Phil said the depreciation and repair fund was likely put in place at the time the CO2 Stripping Tower was first installed to start building reserves to replace it. Councilor Matthews questioned if the CO2 Stripping Tower was really installed for the pH because she had heard it was installed because of the bubbles in Manzanita's water. Councilor Stacks said there were quite a few discussions about it at the City Council meetings at the time and should be more information recorded in the minutes.

Mayor Kemp asked how the Council felt about reactivating a water board. Councilor Matthews didn't like the idea of Wheeler only having 2/5 seats on the Board. Councilor Ragnell questioned who would have the time and the experience necessary to sit on that Board.

Councilor Porter said that these figures show what it is costing to run the water system as a joint unit. There are a few things you can pick on and change, but you still have to run the operations. His big concern is that there should be a backup water sources and someone should drill another well up there.

Councilor Matthews said that if Wheeler ends up sharing water with Nehalem, then we want a 50/50 split of the revenue. She also questioned why Nehalem's emergency intertie wasn't brought before the Wheeler City Council. Phil said that the Nehalem emergency intertie is to be used on a temporary basis. If it was permanent, both councils would have to approve it, but it is only to be used during an emergency. Councilor Matthews stated that we don't have oversight over that. If we are all in this together, we should all have been able to provide input.

Councilor Porter said that Nehalem now has a backup water source. Wheeler needs to think about one too.

Phil had mentioned there are other well locations in the well field. Pax said they drilled two wells, but they had originally looked at 13 sites where wells could be installed.

Adjournment

Mayor Kemp called the meeting to close at 11:10 AM.

Dated: June 5, 2024

Clif Kemp, Mayor

Pax Broder, City Manager/Recorder

Recorder: Pax Broder