

OAK LODGE

WATER SERVICES

OAK LODGE WATER SERVICES
Minutes
Board of Directors – Regular Meeting 6:00 p.m.
May 21, 2019

Board of Directors - Members Present:

Susan Keil, President/Chair (on phone, in meeting live for the Budget discussion on)
Kevin Williams, Secretary/Vice President
Lynn Fisher, Treasurer
Paul Gornick, Director,

Board of Directors - Members Absent:

Nancy Gibson, Director (absent),

Oak Lodge Water Services Staff Present:

Sarah Jo Chaplen, General Manager
Aleah Binkowski-Burk, Human Resources and Payroll Manager
Jason Rice, District Engineer
David Mendenhall, Plant Superintendent (absent)

Kelly Stacey, Finance Director
Todd Knapp, Field Operations Superintendent,

Visitors and Consultants Present:

Julie Desimone, Partner, Moss Adams LLP
Keith Simovic, Senior Manager, Moss Adams LLP
Laurel Stevens, Assurance Senior, Moss Adams LLP
Tommy Brooks, District Attorney, Cable Huston LLP
Frederick Ploog, Local Resident
Glenn Ostapeck, Local Resident
Debbie & Kevin Fillo, Local Resident
Judy Cunningham, Local Resident
Linda Hanson, Local Resident
Rob Struthers, Local Resident
Tina Scholnick, Local Resident
Kathy Landis-Kays, Local Resident
Lara Christensen, Staff, OLWS
Becca Strohm, Staff, Ecology in Classrooms and the Outdoors
Lonny Gerig, Teacher, Rex Putnam High School
Philipp Schwarz, Student presenter, Rex Putnam High School
Faith Vadelund, Student presenter, Rex Putnam High School
Matthew Westergaard, Staff, OLWS
Ed Wilson, Local Resident
Dave Phelps, Budget Committee
Fred Swingle, Budget Committee
Eric Hofeld, Sunrise Water Authority
Gary Barth, Sunrise Water Authority Liaison
Amanda Gresen, Budget Committee
Lita Colligan, Local Resident.

Regular Board of Directors Meeting

1. Call to Order and Flag Salute

Vice President Williams called the meeting to order at 6:00 p.m. and Director Gornick led the pledge of allegiance.

2. Call for Public Comment

Vice President Williams called for public comment. There were many members present from the Concord Oaks Homeowners Association (HOA), and several spoke, starting with Debbie Fillo, who was the first president of the HOA. She presented the Stormwater Facility Retention Agreement between OLWS and the HOA along with the information that residents in the subdivision have been paying an additional fee on their bills to have the facility kept up by the District. Unfortunately, invasive species have taken over the facility and the group was informed that there was not a budget to care for the facility. She mentioned several ideas for systemic ways to care for these water quality facilities in general and encouraged the Board to consider strengthening the water quality program. She mentioned the importance of making sure that resources will be allocated to care for facilities when and if an additional billing fee is assessed, although they understand the fee is not enough to completely take care of their facility. Kevin Fillo spoke, stating the HOA would like more information about the types of maintenance they would be authorized to perform themselves, as well as ways to control the invasive species in the facility. Linda Hanson spoke, stating her concern about the invasive species choking out other plants, and how embedded the roots of the plants are in the facility. She shared information on Black Locust, Japanese Knotweed, and Tree of Heaven and described the extent of the growth of the plants as well as the spread of their seeds. She called for action by the District in supporting the health of the watershed as well as the functionality of their specific facility.

The Board asked about the additional fee applied to the bill and staff responded some accounts pay a water quality fee at 1.5 times the base rate. The Board thanked the group for their comments and responded about their request to have staff research a response to this issue. District Engineer, Jason Rice described the stormwater program and the limited extent of its resources. He mentioned the current stormwater survey and how it will inform OLWS of the level of community interest in restructuring the program and stated that he believes the program needs to be restructured for success.

The Board asked if someone from the HOA could join the OLWS Stormwater Committee and members of OLWS staff and the group agreed. President Keil supported that idea and commented on the District taking short term immediate action to address the issue of the spread of the invasives. She added the District needs to figure out how to restructure the stormwater program for success in water quality.

Local resident and current HOA Board member, Kathy Landis-Kays volunteered to join the OLWS Stormwater Committee (she has provided her contact information), and shared their community group would like to help manage the current situation and asked for the support of the District for their group to perform much-needed maintenance on the facility. Staff responded

the agreement allows the group to act to maintain the facility and offered up the time of the OLWS Pollution Prevention Specialist and the Outreach and Program Specialist to support the group, evaluate the facility and make sure that actions taken would improve the functionality of the facility as well as improve water quality. Staff added that under the agreement, either party can cancel the relationship and end the fee payment on the bills with a 30-day notice. Kathy stated the group would discuss it and let the District know of their decision, but they would likely be taking immediate action to address the issue of the invasives.

Local Resident and HOA member Tina Scholnick commented the contractors who took care of the facility previously did not address the problem of the invasives in an appropriate manner. Staff responded they would follow up to find out why the initial work did not occur as communicated. The Board asked whether we have the staff expertise available to help the homeowners address the issue, or where the expertise would come from and suggested either Clackamas Community College or the Oregon State University's Clackamas County Extension Service. The Board described the process of dealing with certain invasives and elaborated on the type of chemical approved for use near water. The HOA added they also have connections to landscape experts in their network and reassured the group they would be mindful of the watershed level water quality goals in their actions. They thanked the Board for their time.

3. Consent Agenda

- April 2019 Financial Reports
 - Approval of April 2019 Check Run
- April 16, 2019 Board Meeting Minutes
- April 30, 2019 Special Board Meeting Minutes
- April 18, 2019 Budget Committee Meeting Minutes
- April 23, 2019 Budget Committee Meeting Minutes

Vice President turned over the meeting to Finance Director Kelly Stacey who requested questions on the consent agenda. Director Gornick asked why the percentage of personnel services was lower than the target for the fiscal year and staff responded it was because new staff hired did not come on at the beginning of the year, which makes the line item have more dollars left in it than it otherwise would [The percentage spent is lower, therefore the dollars left over at the end of the year is more than initially planned.] Treasurer Fisher asked about the water sales amount for this period being different than the rollup period in the financial reports. Staff responded they would follow up to answer this question. He asked whether H.D. Fowler and James W. Fowler are related, and staff answered they are not. Director Gornick asked for clarification of AKS, and staff responded it is the on-call engineering firm that did the design for the Silverleaf Sewer project. Director Gornick asked what the Ritz Safety LLC payment was for and staff responded it was to purchase davits for confined spaces to bring our confined space entry up to code, and added the payment was matched by a safety grant from the Special Districts Insurance Services (SDIS). He asked if the larger costs for Consolidated Supply were for meter purchases and staff responded yes. There were no further questions.

Treasurer Fisher moved to approve the consent agenda as presented. Director Gornick seconded the motion.

Ayes: 4

Nays: None

Motion carried: 4-0

4. Watershed Health Education Program (WHEP) Student Presentation from Rex Putnam High School Students

OLWS Outreach and Education Program Staff Lara Christensen introduced two students and the teacher, Lonny Gerig, from Rex Putnam's Watershed Health Education Program, and staff member Becca Strohm from non-profit partner Ecology in Classrooms and Outdoors (ECO). She described the complex relationship of the three partners in the education program, which has successfully navigated staffing and non-profit changes over the last six years of the program. The WHEP covers information about the ecology of the Pacific Northwest as well as the whole water cycle messaging and contains both in-class presentations as well as field work with nearly 100 students. She turned the presentation over to Becca Strohm to describe the work and introduce the students.

ECO staff Becca Strohm thanked the OLWS Board for their continued support of ECO, which runs both the WHEP as well as an elementary school program with local school View Acres. She introduced Philipp and Faith, the two students from Rex Putnam High School who gave a presentation about this year's WHEP. The students were very grateful for the WHEP getting them out of the classroom and into a variety of experiences in the natural world, including invasives removal, planting of native plants, macroinvertebrate identification, and plant identification. She referred to their PDF presentation (see packet). Philipp shared the information that he is an exchange student from a big city in Germany, without much experience in the environment. They removed over 1000 square feet of invasive blackberry and planted over 600 plants with their class. Faith described the positive experience of visiting the drinking water and wastewater treatment plants and commented on how well students learn when they get to be out of the classroom and in the real world.

The Board did not have any questions for the group.

5. New Auditor Introduction

Vice President Williams turned the meeting over to Finance Director Kelly Stacey, who introduced the new District audit team from Moss Adams, LLP: Julie Desimone, Partner, Keith Simovic, Senior Manager, and Laurel Stevens, Assurance Senior. Julie Desimone, the engagement reviewer and engagement partner described the audit process, which will involve Scott Simpson, the concurring review partner and quality assurance for the audit and audit plan. He is an external cold reviewer and will sign off on the audit. Keith and Laurel will be onsite conducting the audit. They clarified that they are hired by the Board of Directors and work directly for the Board. Their schedule will include preliminary audit procedures, perform final auditing and test of details, and finally will provide final audit conclusions. Along the way they will provide updates and communication about the process. Keith stated the process goes two-ways and that they expect open communication on both sides. They will issue an audited opinion on your financial statement documents for the District's June 30, 2019 financial statements, which they will present to the Board. They will also issue an additional report on whether the District, as an Oregon Municipal Corporation, is in compliance with the state's requirements to comply for public contracting and procurement processes. He presented an overview and details of the audit process over the next year, which includes several sessions of

fieldwork with testing, surveys and evaluations of risk, internal controls, Information Technology system controls, capital assets management, revenue generation, pension and benefits accounting. Laurel elaborated on the process by describing sampling for potential for fraud, examination of journal entries and details of the timeline. Julie added their auditors have significant experience in auditing and specifically with water/wastewater/stormwater. They will be providing support for the District around the increased accounting reporting requirements.

The Board expressed their support for the new auditor, their process, their commitment to transparency, and their interest in making sure the audit reveals new ways of organizing our systems effectively.

Vice-President Williams directed the group to jump ahead in the agenda to Item #10 Department Reports, allowing President Keil to transport to the rest of the meeting in person.

6. Department Reports

G.M. Chaplen started off the staff reports by announcing the recent letter sent to all district customers alerting them to the opportunity to sign up for the Backflow Testing Program. The program supports a reduced rate for backflow testing and has alerted some people to the fact they have a device that needs annual testing. There has been a variety of responses to the letter and G.M. Chaplen wanted the Board to know there was increased public awareness about the program. There is more information on the website and Dave Siefert has been responding to each inquiry with tailored staff support. Thelma Haggemiller commented the letter should have had more information about what types of appliances (irrigation, swimming pools, hot tubs, etc.) require a backflow device.

- **Finance Report:**

Finance Director Kelly Stacey described items in her staff report, including the details about timing on implementation of the Lockbox system, which they plan on rolling out for the July 1 bill. They will present the Budget for approval at the meeting tonight. She presented information about the Low-Income Program Renewal, stating there are fewer people enrolled in the program than before but there are new people signing up for the program as needed. Staff has been busy responding to backflow questions based on implementation of the new program. The Board asked what BMS stands for and staff responded Bend Mailing Services, which does the District billing.

- **Field Operations Report:**

Operations Superintendent Todd Knapp presented information about the operations team, describing photos of the collections system from his staff report. He highlighted timing on the TV crew work and described the storm system cleaning process. Water use is slightly up. The Water Meter installation will be delayed until September, when the company will return. This delay was part of the overall timeline on the project and brought the costs down significantly. The Board supported the two crews working together and reflected on the positive changes since the merger, and staff added the equipment and experiences of the two crews complement one another.

- **Plant Operations Report:**

Plant Superintendent David Mendenhall was not able to be present for the meeting, but Plant Operator Matthew Westergaard presented David's board report and answered questions. He highlighted the lower inventories of solids and the switch to the new summer permit on May 1st, describing the importance of mixed liquor recirculation for increased seasonal nitrification and moderation of pH. The Board asked what it means when one day the pH was below 6 and staff responded this constitutes a violation of our permit with DEQ. Staff stated that DEQ acknowledged the violation and no further steps have been taken. General Manager Sarah Jo Chaplen mentioned we were able to receive the North American Clean Water Association Peak Performance Platinum Award for the last permit year, but it may jeopardize our eligibility for next year's award. She mentioned the possibility of moving to multiple tests per day, which might show that the single sample "violation" was a blip or aberration. Matthew wrapped up the report by mentioning bib replacement, painting, and cleaning the plant including aeration basin #3.

Budget Committee member Dave Phelps asked what happened to the biosolids truck and staff responded the Central Processing Unit was broken and the truck is fixed and back in service.

- **Technical Services Report:**

District Engineer Jason Rice reiterated the information about the anonymous tip to Department of Environmental Quality (DEQ) about the District's decant facility being out of regulation. He clarified the District was not storing sewage as was stated in the tip, and mentioned the District conducted tests to confirm there were no toxic bacteria in the facility and OLWS would be abandoning the facility for a new future decant. In the meantime, the District is storing soils at the Valley View Reservoir site, which may require a permit from the City of Gladstone and Clackamas County. DEQ closed out the concern with no penalty. Jason spoke to the earlier DEQ event in which a District water main break contaminated Kellogg Creek, and settled on a fine of \$7,800. OLWS will participate in a special program in which we will create a project and fund the project with the penalty. We will have to apply to have the project approved and then we will improve our environment with the penalty (in lieu of). G.M. Chaplen suggested Jason explore adding a similar program to the District Rules and Regulations, by which we could use penalties to create investments within the District. G.M. Chaplen expressed dismay about the violation but also thanked the staff for their work to remedy the situation through surface water protection training for staff, which improved the organization and hopefully lessened the fine.

He asked G.M. Chaplen to comment on the Children's Clean Water Festival. She shared how interesting it was to be a part of receiving hundreds of students into the exhibit hall at Portland Community College's Sylvania campus. She mentioned students being intrigued by the sewer treasures jar and excited to walk away with a water cycle poster. She commented again on the unique nature of working for hours on end to educate students about our message.

Jason pointed out the name change for the North Clackamas Watersheds Council, having dropped the "Urban" from their name. He mentioned NCWC's process to create a stormwater best management practices tool with the help of a Portland State University intern, which they will share with OLWS in June.

He updated the Board on the Boardman Wetland Project, which will enter the sewer repair portion of the project as soon as the season allows. The Board asked when the "dip" near Jennings Road will be dry and staff responded the problem is the area collects sediment from upstream activities, which fills the low area and then causes flooding. While the District has a sewer easement on part of the area to maintain the sewer line, the easement does not allow for maintenance of the wetland in the area. Jason has suggested the contractor will repair the area adjacent to the road up to the level of Clackamas County's requirements, or better, and then he will ask the property owners to effectively manage their wetland property to help reduce flooding in the area. We will have to use code enforcement if they do not respond. He suggested the owners might want OLWS to manage the area in the future, for a fee.

The Board stated the public perception of the flooding is that OLWS has caused it. Staff responded the District replaced the box culvert in the area in the late 2000's but did not raise the road at the time. The responsibility for the issue is on the homeowners for that area of wetland.

Vice-President Williams returned to Item #6 Supplemental Budget, on the agenda now that President Susan Keil has arrived in person.

7. Supplemental Budget 2019 – Resolution No. 19-02

Finance Director Kelly Stacey provided the overview that the District will be transferring \$350,000 from contingency into the Watershed Protection Capital Fund to cover the costs of the Boardman Wetland Project being higher than budgeted because of the changes in costs of materials. Part of the expense will be reimbursed, but we have to appropriate the money in order to spend it, before being reimbursed. The other part of the cost adjustment is for payment of the vector truck. It was originally budgeted in the Watershed Protection Capital Fund, but it should have been budgeted into the Watershed Protection Capital Fund. The transfer covers both of these appropriations under a supplemental budget.

Treasurer Fisher moved to approve the Resolution No. 19-02 approving the supplemental budget as presented. President Keil seconded the motion.

Ayes: 4

Nays: None

Motion carried: 4-0

Treasurer Fisher requested the copy of the Resolution No. 19-02 be adjusted to reflect "Susan" Keil, instead of Sue Keil, and staff responded they would make the changes requested.

8. Budget Adoption FY 2019-2020

Vice-President Williams presented the FY 2019-2020 Budget for Adoption by the group, and the appropriation of funds through Resolution No. 19-03. Finance Director Kelly Stacey requested the Board open a public hearing for any public that wishes to address the Board about the Budget. Vice-President Williams asked if any of the public present had any comments on the Budget. Hearing none, he closed the public hearing. He asked if there was a motion to adopt the budget.

Director Gornick moved to adopt the amounts stated in Resolution No. 19-03 for fiscal year beginning July 1, 2019 in the amount of \$32,894,260.00. President Keil seconded the motion.

Ayes: 4

Nays: None

Motion carried: 4-0

Director Gornick moved to adopt the amounts stated in Resolution No. 19-03 for fiscal year beginning July 1, 2019 and appropriate the funds as outlined. President Keil amended the motion to include the following: "as outlined in the budget, with a total amount of \$33,860,805.00." Director Gornick seconded the amended motion.

Ayes: 4

Nays: None

Motion carried: 4-0

9. Silverleaf Sewer Repair Project

District Engineer Jason Rice stated he wished there had been a second (lower) bid for the project, which came in high. The timing of the project increased the price, and labor is currently difficult to find. The Board commented the bid is about 17% higher than the engineer's estimate. The cost of the manholes was higher than projected. G.M. Chaplen commented on her goal of building up a cadre of contractors interested in working with the District, which may help keep costs competitive. The Board suggested bundling three field projects which will be packaged into one more competitive contract. The Board asked if we have a procedure for weighing unbalanced bids and staff responded for this smaller project there was just one reviewer. The Board encouraged OLWS to market itself to contractors, as well as to be a good partner by being quick to respond and build a good reputation as a partner.

Budget Committee member Amanda Gresen suggested allowing more time on the bid (one month) to allow for more companies to generate a proposal. The Board suggested allowing for a longer bid window on the next project and to accept this bid today.

Treasurer Fisher moved to approve our General Manager to sign a contract with GT Excavating in the amount of \$262,965, for the construction of the Silverleaf Sewer Repair Project. Director Gornick seconded the motion.

Ayes: 4

Nays: None

Motion carried: 4-0

10. Backflow Program Update

OLWS Staff Dave Seifert provided an update on the Backflow Program, allowing the Board to ask questions and give feedback. He sent out the letter and received overwhelming response. The two main topics of concern are the sprinkler systems and the auxiliary water supplies. The enforcement is the next question, being that this is a new approach to the regulation. He has talked with 300-400 people and communicated by email with another 300-400 people and has discovered about 150 people who need backflow devices and/or testing. He commented that he

has just started the work. There are a number of different situations which require more follow up including pumps, wells, and inground irrigation systems. The group discussed program implementation, state rules, minimum standards, and the balance of remaining in compliance with regards to cross connection, plumbing permits, and annual testing reports. We are learning more about the potential for cross contamination and need to decide how to develop the program. The Board discussed the program from different angles and commented the work is to support drinking water protection which should be the main message to the customer. The cheapest way to put in a small backflow device is \$750 and the device itself is \$300. Part of the challenge is that every situation is different and requires detailed resources. The District's contractors also need to understand the importance of excellent customer service (should an OLWS customer end up selecting them to provide their service for installation and/ or testing of the backflow device), in part to maintain the District's reputation. Staff will have to decide how to continue to support the program and the resources OLWS will need to proceed.

11. Call for Public Comment

Eric Hofeld commented on his longstanding positive relationship with the new District auditors, Moss Adams Auditors. There were no additional comments from the public.

12. Business from the Board

President Keil advised to cover the District liaison assignments on a short-term basis and reassess the assignments once we get a new Board member. The most urgent need is to assign someone to the Regional Water Providers' Consortium. Director Gornick would like to attend but Vice President Williams will attend in early June if Director Gornick is unable to attend. The North Clackamas County Water Commission will approve their budget on June 28th and Director Gornick will attend this meeting. He volunteered to take on NCCWC permanently. The Oak Grove Lake Oswego Bike-Ped Bridge task force is new, and Lynn Fisher is on the task force.

Treasurer Fisher missed the Clackamas River Water meeting but will attend the upcoming meeting. He attended the Oak Grove Community Council meeting and heard from G.M. Chaplen about the backflow clarification letter. Noah Hurd, Principal from New Urban High School presented on the high school student population and support programs. The new comic store owner presented on his business, and he handed out postcards for a free comic. Eben Polk from Clackamas County's sustainability group presented and there were a number of LUART presentations.

Director Gornick attended the late April Board meeting of the Sunrise Water Authority, at which they discussed the proposed Budget and approved minutes, there were no members of the public in attendance. The Budget Committee approved the budget for adoption at the upcoming meeting. They approved the consent agenda, discussed a Declaration of Service Restriction (see Board Packet for more information), commented on the summer water conservation messaging, and they have also hired a District Recorder.

Vice President Williams did not attend the Jennings Lodge Community Planning Organization because of the OLWS Budget Committee meeting. He congratulated Directors Susan Keil and

Paul Gornick on their Clackamas County reelection to the OLWS Board of Directors. He was also elected with about 2100 votes.

There was no further Board business.

13. Recess to Executive Session

Vice President Williams recessed the meeting and convened an Executive Session at 8:26 p.m. under ORS 196.660(2)(e) to deliberate with persons designated by the governing body to negotiate real property transactions, ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection and ORS 192.660(2)(h) for consultation with counsel concerning legal rights and duties regarding current litigation or litigation likely to be filed.

14. Executive Session

The General Manager provided an overview of her recommended strategy for responding to threatened litigation against the District.

Chris Duckworth summarized an attorney-client privileged memorandum provided to the Board analyzing the various legal strengths and risks of the threatened litigation.

No decision was made during the Executive Session. The Board reached consensus that the General Manager should follow the strategy presented and bring back a final recommendation for the Board.

15. Adjourned Executive Session at 8:58 p.m.

There was no action taken by the Board and there was no public was present.

16. Adjourn Regular Board Meeting

President Keil adjourned the regular Board meeting at 9:00 p.m.

Respectfully submitted,



Susan Keil
President, Board of Directors

Date: 8-20-19



Kevin Williams
Secretary, Board of Directors

Date: 08-20-19