



**BUDGET COMMITTEE
[REMOTE] REGULAR MEETING MINUTES – 6:00 P.M.
APRIL 30, 2020**

Budget Committee – Members Present via Zoom:

Kevin Williams	Board of Directors
Paul Gornick	Board of Directors
Mark Knudson	Board of Directors
Susan Keil	Board of Directors
Ginny Van Loo	Board of Directors
John Klum	Citizen Representative
Amanda Gresen	Citizen Representative
Robert Weber	Citizen Representative
Ron Weigel	Citizen Representative
Joseph Healy	Citizen Representative

Oak Lodge Water Services Staff – Present via Zoom:

Sarah Jo Chaplen	General Manager
Jason Rice	District Engineer
David Mendenhall Plant	Operations Manager
Aleah Binkowski-Burk	Human Resources/Payroll Manager
Todd Knapp	Field Operations Manager
Brad Lyon	Field Operations Supervisor
Laural Casey	District Recorder

Visitors and Consultants – Present via Zoom:

Rob Moody	Merina & Company, LLP
-----------	-----------------------

1. Call to Order

Chair Klum called the meeting to order at 6:03 p.m.

2. Meeting Facilitation

General Manager Chaplen welcomed everyone and asked District Recorder Casey to facilitate a roll call. District Recorder Casey facilitated the roll call of Budget Committee members, staff, and consultants.

General Manager Chaplen overviewed the general protocols of a virtual meeting due to the COVID-19 pandemic.

3. Presentation of the Capital Improvement Plan

Financial Consultant Moody overviewed the clerical adjustments made to the Proposed Budget at the request of the Budget Committee. He explained insurance cost discrepancies as identified by Citizen Representative Healy in the prior meeting. Citizen Representative Weber

asked if the personnel services and benefit cost numbers were correct in the Proposed Budget. Financial Consultant Moody confirmed and stated some adjustments needed to be made to reallocate costs across funds and divisions.

Director Van Loo asked for an answer to her question from the prior meeting regarding Other Purchased Services. Financial Consultant Moody explained the line item covered services provided by the City of Milwaukie and the City of Gladstone for District customers. Director Van Loo and General Manager Chaplen discussed the boundaries of the District and what entities provided service to customers.

Director Van Loo asked if Records Management would be a one-time or ongoing cost. Human Resources Manager Binkowski-Burk answered that the ten thousand dollars was an estimate of costs related to managing the District's records projects and that each year would have a different estimate. Director Williams asked if the Technical Services building could be used for records storage. General Manager Chaplen noted there were several options being looked at. District Engineer Rice explained the need for some records to have off-site storage and how housing the records at Technical Services would take away a public meeting room. He shared the history on the line item that had originated in his budget for fiscal year 2020. District Engineer Rice summarized the work to be done by staff with the ten thousand dollars and the cost savings to be found by not contracting with a third party.

District Engineer Rice detailed the four areas which are funded by the Capital Improvement Plan's (CIP) budget. He discussed the process of budgeting for projects many years in advance and overviewed how a project is placed on the CIP, detailing the importance and value of master plans. District Engineer Rice overviewed the Watershed Protection projects and the proposed Stormwater Master Plan. He summarized the proposed Wastewater projects and the upcoming Sanitary Master Plan. General Manager Chaplen clarified that there would be more projects upon the completion of the Sanitary Master Plan. District Engineer Rice confirmed and explained how each year would vary but that the bottom line and process would not fluctuate much. He overviewed the Vehicle Program and the cost savings found through the program. District Engineer Rice overviewed the Drinking Water projects including the Water Resiliency Plan due in 2021. He detailed the placeholder for projects to be identified upon the completion of the Water Master Plan.

Citizen Representative Weber asked if the budgeted costs related to the master plans was for consultants. District Engineer Rice confirmed. He noted the District's practice to use in-house skills whenever possible.

Citizen Representative Weber remarked that many of the projects seem to be necessary or have multiple benefits to the District. He asked which projects have undergone a cost-benefit analysis. District Engineer Rice overviewed the projects in which an analysis is completed. Plant Operations Manager Mendenhall mentioned the programs that pay the District for projects to be completed.

Citizen Representative Weber asked what the vehicle replacement schedule is based on. Field Operations Manager Knapp answered that the District's inventory is evaluated each year based on State guidelines of age, miles, and maintenance costs.

Citizen Representative Weigel asked about the secondary clarifier project, specifically if the primary clarifiers were previously rehabbed. District Engineer Rice stated the Plant does not have primary clarifiers. Citizen Representative Weigel asked why both clarifiers were being replaced in one year. District Engineer Rice explained the Plant has four clarifiers, two of which were new with the Plant.

Citizen Representative Healy stated the future year numbers all seemed to be in current dollars and as they are calculated in the financial software in future years, they would look different. District Engineer Rice confirmed that the numbers are revisited each year to take inflation into account. Director Knudson asked if there was an inflationary rate built into the financial rate model. Financial Consultant Moody confirmed the existence of a simple model.

Director Knudson asked if the Budget anticipated a one hundred percent completion rate of the funded projects. Financial Consultant Moody and District Engineer Rice confirmed. District Engineer Rice stated his goal is to complete every project. Director Knudson stated there was some inherent conservatism in the ultimate completion rate of District projects. District Engineer Rice confirmed the existence of contingencies and stated that it was better than requiring more supplemental budgeting.

Director Knudson asked if a regional decant facility has been discussed. District Engineer Rice explained various options open to the District and regional partners. Director Knudson asked when the facility would be planned for. District Engineer Rice stated a timeline was difficult to pinpoint, but that he would continue to have conversations with regional partners based on District site plans.

Director Knudson spoke about the importance of field crew data gathering and asked if they were assisting with the lateral repairs project and inventory planning. District Engineer Rice confirmed conversations with Field Operations Manager Knapp regarding the best way to accomplish the project and data gathering.

Director Knudson observed that the Water Resiliency Plan could identify areas of need and wanted the Budget Committee to understand that the estimate is best case due to required projects found in the Water Master Plan and the Water Resiliency Plan. District Engineer Rice agreed.

Director Keil compared the current fiscal year and proposed budget numbers for the Capital Fund noting the difference in ending balances. District Engineer Rice explained the year-end balance for fiscal year 2020 as a product of liquid reserves set aside for new building planning.

Director Keil asked what percentage of planned projects are completed and what percentage of capital funds are not utilized each year. District Engineer Rice stated that some projects are budgeted for knowing there is a chance it will not be completed in the fiscal year, which gives

the District the opportunity to budget and set rates accordingly. He noted the infrequency of the scenario as well as the Board's authority to approve or deny projects even after they have been budgeted for. District Engineer Rice stated the goal is to have a one hundred percent completion rate. Director Keil indicated the issue was about budgeting for more than what can be accomplished. District Engineer Rice explained the calendar that displays every project being completed and that while projects can be taken off the list, it does not indicate they do not need to be completed. Director Keil noted she is accustomed to a more robust asset management system to aid in prioritizing projects across the three service areas. District Engineer Rice noted the District does not have a Sanitary Master Plan to weigh assets against each other, but efforts are being made to get the District there. Field Operations Manager Knapp added that the new certification system will provide prioritization of the sewer system. District Engineer Rice noted the District's system is not sophisticated enough to compare the different service systems against each other. Director Gornick noted the estimated Capital Outlay fell well below what was budgeted for and asked if the funds were shuffled to the reserves. Financial Consultant Moody confirmed that in prior years the ending fund balance rolls into the beginning fund balance of the next year. Director Keil asked why all three funds exhibit this. District Engineer Rice reiterated the previous fiscal year's goal to give the District the most flexibility when buying new buildings or land.

Director Keil asked how large of a property is required for a decant facility and why the process would not be facilitated separately from a new administration building. District Engineer Rice agreed that many factors would need to be weighed. Director Keil asked that the next CIP have a Business Case to analyze cost benefits of projects. General Manager Chaplen agreed on the importance of having a complete analysis across the utilities and touched on the evolution of the decant project. District Engineer noted that the decant project is in the CIP, but not in the Proposed Budget for the coming fiscal year.

Director Van Loo asked what material the aeration basin baffle wall would be made of. Plant Operations Manager Mendenhall answered that it would most likely be a perforated fiberglass wall.

Director Van Loo asked if the blue van identified in the CIP was new. Field Operations Manager Knapp said it was not. District Engineer Rice clarified that the picture is of the vehicle to be replaced and discussed how vehicle replacement is assessed.

Chair Klum asked when any capital projects identified in the Water Resiliency Plan would need to be completed. District Engineer Rice explained that the document identifies the projects but that there is no requirement to complete them.

Chair Klum asked if the Pump Station 5 project would replace the generator. District Engineer Rice stated the goal of the program is to identify the needs of the pump stations and the generators would only be replaced if it was necessary. He explained various pump station issues and the goal to spend less over time. Plant Operations Manager Mendenhall added that due to their age, the pump stations do not meet confined space entry standards and the program's focus is on safety compliance.

Chair Klum asked if the Water Master Plan is completed. District Engineer Rice stated the final chapters are being reviewed. Chair Klum asked about the timeline for the Sanitary Master Plan. District Engineer Rice stated the Proposed Budget would allocate funds for the plan to be completed by June 2021.

Chair Klum commented regarding vehicle replacement, stating that years and mileage are not always reliable, but maintenance costs are usually a good indicator.

Director Van Loo asked how the budget would be impacted if there was no rate increase. Financial Consultant Moody explained how reserves would be utilized to control the increase of routine service costs. General Manager Chaplen added that deferred rate increases would cause higher rate increases in future years. Chair Klum noted that the proposed rate increase calculates to approximately twelve cents per day and asked if twelve cents was worth risking higher rates in future years. He believed more emphasis should be placed on relief for struggling individuals instead of cutting the rates. Director Williams stated agreement with Director Van Loo and suggested discussing a lesser rate increase of two percent. Director Gornick reviewed the rate increases for the previous fiscal years and noted that eight weeks ago he would have felt good about a 4.5 percent rate increase but is very concerned now. General Manager Chaplen overviewed the current government outlook on the economic issues being faced. She predicted that the economic event would be felt for much longer than one fiscal year. Director Knudson voiced concern over setting a dangerous precedent of using reserves or not supporting inflationary rate increases. He suggested making budgetary cuts but was reluctant to cut capital improvement projects due to the huge need. Director Knudson proposed the Budget Committee identify a target rate increase and give staff the ability to make the line item decisions on how to best achieve it.

Citizen Representative Gresen reported on utility rate and budgetary decisions being made by organizations within the same geographical area of the District. She asked for the District to consider a policy regarding low-income bracketing where there would be different rates for each income brackets.

Director Keil stated there are categories within the budget with clear increases, noting that there are some areas that can be cut. She explained her disinterest in the Budget Committee's involvement in deciding which lines should be reduced but stated Board Compensation should be cut in half.

Financial Consultant Moody explained how revenue is calculated based on a one percent rate increase. The Budget Committee deliberated a target rate increase and the budgetary decrease that would be required. Financial Consultant Moody outlined what direction would be needed from the Budget Committee and summarized the two available options: to reduce costs or to reduce reserves. The Budget Committee discussed not reducing capital improvement funds due to the District's need for the projects to be completed.

Citizen Representative Healy asked how the District could help customers in financial distress due to COVID-19 regardless of what rate is decided upon. He advocated for funding more customer assistance programs. Chair Klum agreed. General Manager Chaplen overviewed the

upcoming special meeting regarding a proposed Emergency Customer Assistance Program (ECAP).

The Budget Committee deliberated how staff could methodically reduce budget line items to lessen the proposed rate increase. Staff and the Budget Committee discussed the current funding for the District's Low-Income Program proposed ECAP.

Director Gornick offered setting the proposed rate increase at 2.5 percent. Director Knudson countered with three percent, stating 0.5 percent would be earmarked for the ECAP. Director Van Loo presented a two percent rate increase. Director Williams voices support of Director Knudson's proposal. Financial Consultant Moody suggested the Budget Committee make a motion.

Director Knudson moved to set the target revenue requirement of a net three percent aggregate rate increase across all three utilities with .5 percent earmarked for the ECAP. Financial Consultant Moody asked for clarification on whether the motion was a three percent rate increase for the customer across the services or a three percent increase for water and a three percent increase for wastewater. Director Knudson asked for the current proposed rate increase. Director Gornick stated there was no proposed increase to the surface water rate. Director Knudson stated his motion was for a three percent rate increase for the average residential customer. Director Van Loo asked what the proposed rate increase equated to in dollars. Financial Consultant Moody replied it would be \$4.88 per billing cycle, noting that is every two months for the average residential customer. Director Williams seconded. Chair Klum asked District Recorder Casey to conduct a roll call vote. Voting Aye: Citizen Representatives Klum, Gresen, Weber, Weigel, and Healy; and Directors Williams, Gornick, Knudson, and Keil. Voting Nay: Director Van Loo.

MOTION CARRIED

Citizen Representative Gresen suggested positive communication with customers regarding the Emergency Customer Assistance Program. Director Keil asked that the communication be very specific.

District Engineer Rice asked for clarification on where the Budget Committee was requesting staff make budget reductions. The Budget Committee outlined parameters on balancing reductions within the various funds. General Manager Chaplen noted savings to be found in future years by investing in opportunities like the Public Employees Retirement System side account.

The Budget Committee thanked staff for their flexibility during the Committee's deliberation.

4. Public Hearing

Chair Klum opened the hearing for public testimony.

Chair Klum asked District Recorder Casey if any written comments had been submitted. District

Recorder Casey confirmed there were none.

Chair Klum asked District Recorder Casey if there were any members of the public in attendance. District Recorder Casey confirmed there were none

Hearing no further testimony, Chair Klum closed the public hearing.

5. Committee Deliberation of Budget

Chair Klum restated the Budget Committee's previous deliberation.

It was decided a motion to approve the budget would need to wait until review of the revised budget at the next meeting. The budget approval process was discussed.

Director Knudson thanked the Budget Committee for their engagement and attention to detail. Director Keil directed the thanks to the citizen representatives of the Budget Committee.

6. Adjourn Regular Meeting

Chair Klum adjourned the meeting at 9:11 p.m.