Board of Directors - Members Present:

Susan Keil, President

Kevin Williams, Vice President/Secretary

Lynn Fisher Treasurer

Paul Gornick, Director

Nancy Gibson, Director,

Board of Directors - Members Absent:

None,

Oak Lodge Water Services Staff Present:

Sarah Jo Chaplen, General Manager

Aleah Binkowski-Burk, Human Resources and Payroll Manager

David Mendenhall, Plant Superintendent

Kelly Stacey, Finance Director

Jeff Voreis, Accountant

Todd Knapp Field Operations Superintendent

Rob Moody, Jr., CPA Consultant, Marina and Co.,

Budget Committee Present:

John Klum, Budget Committee

Amanda Gresen, Budget Committee

Dave Phelps, Budget Committee

Fred Swingle, Budget Committee

Terry Gibson, Budget Committee (alternate),

Budget Committee – Members Absent:

Ron Weigel, Budget Committee

Peter Winter, Budget Committee (alternate).

**Pre-Meeting Discussion/Update**

Board President Susan Keil opened the meeting with a request for an update on the Backflow Prevention Testing Program. General Manager Sarah Jo Chaplen updated the Board and Budget Committee about the informational letter sent to every household in the District. The letter explained the State of Oregon’s annual requirements for testing backflow devices, which help protect the potable water system from contamination by bacteria, chemicals, and other harmful substances. The letter offered customers a discounted rate with a company providing backflow testing, which OLWS was able to set up through a public procurement process. Customers with a backflow testing device can sign up for the program, which is not a revenue stream for the District. If the Board or Budget Committee receives questions from the public, please have them contact Dave Seifert, Cross Connection Specialist with the District. Dave Seifert is working with customers to confirm they have backflow devices before signing them up for the program.

**Budget Committee Meeting Minutes**

1. **Call to Order and Flag Salute**

President Keil called the Budget Committee meeting to order and led the group in the flag salute. She requested a nomination from the group for a chair of the Budget Committee to lead the meeting.

1. **Elect Budget Committee Chair**

**Treasurer Fisher nominated John Klum for the position of Chair of the Budget Advisory Committee. Director Gibson seconded the motion.**

**Ayes: 5**

**Nays: None**

**Motion carried: 5-0**

Treasurer Fisher requested a Secretary be nominated to sign the Budget Document, but Rob Moody stated there is no requirement in State law for a Treasurer, just for electing a Secretary who will sign the Budget Document.

Chair of the Budget Committee John Klum thanked the group for the vote and turned the meeting over to Finance Director Kelly Stacey.

1. **Budget Message – Finance Director Kelly Stacey**

Finance Director Stacey opened the meeting with an updated schedule of meetings. The next meeting will be on Tuesday, April 23, 2019, where District Engineer Jason Rice will present his portion of the Budget proposal as well as an overview of the Capital Improvement Plan. At the April 23rd meeting the group will also take public comment. This evening the group will hear the proposed budget from the managers present at the meeting and then receive a copy of the proposed budget at the end of the meeting. There are four meetings scheduled over the next four Tuesdays, but the last meeting may need to be rescheduled.

She delivered the Budget Message as follows:

 Oak Lodge Water Services is starting its third full year of combined services, which include drinking water, wastewater collections and reclamation, and watershed protection services. The Board and staff continue to work together to provide services and find efficiencies in the way services are provided. The Budget presented before you this evening is a culmination of the Districts’ departments all working together to anticipate and plan for future events including impacts like the Public Employee Retirement System (PERS) increases. The Budget includes a 4.5% rate increase in all three utilities, which are linked to overall level of revenue requirements that must keep pace with the District’s projected operating and capital needs. The multiyear planning has resulted in keeping the rate increase as smooth and predictable as possible. Everything presented in the Budget process, including typical inflationary increases, has led to the proposed rate change, which is not arbitrary but planned carefully. The proposed increase has been brought down from initial proposals of up to 8-9% in the various departments. Compromises were found in order to bring costs down without hindering overall goals. The Budget is complete, physically prudent, and accurate and reflects the priorities that are in accordance with the goals of the Board.

The overall strategies in approaching the Budget were to plan for asset replacement, to help reduce the maintenance and extend the life of equipment, to implement approved District financial policies, to set reserves at appropriate levels, to establish staffing needs, to plan for future anticipated increases in PERS, and to develop and finalize plans for consolidation of the administrative building.

The main areas requiring additional resources have been proposed to plan for the coming year as well as to set OLWS up for future success. The first of these categories are in the financial policies, as focused on depreciation. We have funded the cost of vehicle depreciation and replacement spread across all three utilities. Concerning PERS, the rates increase every two years, with this next year containing an increase. OLWS has an unfunded actuarial liability, and this year we have begun to set money aside to meet that liability in the event that the State of Oregon creates a matching pool to help local entities with PERS funding. The Budget contains a proposal for three new positions, including a District Recorder, an Asset Resource Specialist, and a Field Utility Worker. The building consolidation planning process needs to continue in order to bring the staff from the two buildings on River Road together. The budget contains $750,000 to help with that process. Finally, an Administrative Services fund has been established to help managers clarify their administrative expenses.

The proposed rate increase is prudent and helps keep rate adjustments incremental for our ratepayers. Over time, this will help to keep our rates stable.

Secretary Williams asked whether the District Recorder and the Asset Resource Specialist positions will be management level positions. Finance Director Stacey responded the Asset Resource Specialist position will be represented within the Union. The District Recorder will handle Records Management, including confidential records, so that position will be at the same level as the Asset Resource Specialist but would be a confidential employee.

1. **Department Presentations**
	1. **Finance Director Kelly Stacey – Overview**

She provided a brief overview of all the funds. There will be an Administrative Services Fund which includes Administration and Finance (front staff, billing, budgeting), Human Resources (with District Recorder), Technical Services (permitting, information technology), Fleet Services (fuel and maintenance). Next is a Drinking Water Fund and Drinking Water Capital Fund, wherein the revenue from the sale of water supports the capital expenses like tanks, pipes, pumps, negotiation of cell tower leases, system development charges and installation fees, and capital projects. We have the Wastewater and Wastewater Capital Fund, which maintains and repairs the collections system and the Water Reclamation Facility (WRF) and will include capital projects. The Watershed Protection Fund is set up to maintain the surface water collection system which is owned by Clackamas County but OLWS is a co-permittee with the county on our Municipal Separate Storm Sewer System (MS4) Permit. This fund also includes capital funds and funds for watershed protection and water quality education for businesses, contractors, developers, the public, and youth.

OLWS has two dept service funds: revenue bonds and general obligation (GEO) bonds. The largest portion of these long-term bonds will be paid off in 2030 and 2033. Included in the debt service lines are also two short term debts, one for the leased purchase of the vactor and one for the purchase of the water meters.

* 1. **Aleah Binkowski-Burk – Human Resources/Payroll**

Human Resources and Payroll Manager Aleah Binkowski-Burk emphasized the importance of hiring enough personnel and having them trained and equipped in order to provide good customer service and maintain a high level of safety. In that sense, personnel services are more of a long-term fixed cost and is currently 19% of our budget. She detailed some of the costs that underlie personnel, including social security, Medicare, workers compensation, unemployment, Tri-met tax, and the workers benefit fund. The health benefit charges will be nearly flat for next year. She outlined the human resources budget, emphasizing the separate departments which now include human resources, record keeping and personnel training. She highlighted the importance of interns in workforce development, those from places like the Water Environment Technology program at Clackamas Community College. She mentioned a small line item for on-call and overtime pay to cover emergencies like water main breaks and commented these costs are set by history from the last year as well as covered under the union contract.

She outlined the Public Employee Retirement System (PERS) increases for Tiers I and II from 19.69% to 23.22% and the OPSRP (Oregon Public Service Retirement Plan) category increased from 12.8% to-17.65% of every salary. She explained the differences in categories and costs. We are one of the few employers in the area that do not pay the employee cost share of 6% into retirement savings. Chair Klum asked when the District would have mostly OPSIRP employees and Aleah responded it would be quite a while. Kelly clarified the payments do not stop until those in the agreement pass on. An unfunded actuarial liability exists, and the District will be working hard to receive a State of Oregon matching grant before 2023 when their buy-down program ends. There is $200,000 set aside to begin funding our PERS buy-down if we can get a $300,000 match from the State for the District’s goal of a lump-sum contribution of $1,200,000. The Board asked about how much additional money OLWS pays $2,500 annually for the Benefit Utilization Fund supporting a former staff member going over the maximum benefit amount. Chair Klum clarified whether more staff will start shifting into OPSIRP costs and Aleah responded yes, over time. There was some continued discussion around PERS liability with comments from Rob Moody.

Aleah highlighted the three proposed staff positions, which are a District Recorder, an Asset Resource Specialist, and a Collections Utility Worker. They are based on need and research of other districts of similar size. She provided information on the District Recorder position, which would oversee Data organization, Public Records, retention schedules, and moving to standardized naming conventions and electronic file sorting/storage under the Oregon Records Management solution. This position would also provide executive assistant duties for G.M. Chaplen and Aleah and support the Board. She concluded, the personnel services budget also includes oversight of the policies and procedures, training, risk management, and cybersecurity. She turned the presentation over to Todd Knapp.

* 1. **Todd Knapp – Field Operations**

Field Operations Superintendent Todd Knapp explained the assets contained in the fleet for field operations, including vehicles and equipment used to maintain the system – repairs, replacement, cleaning, hauling, inspections. Proper fleet maintenance supports current operations and extends the life of the assets. The budget is being set up to include a more stable and predictable timeline for vehicle and equipment maintenance and replacement. The Board asked what the equation for replacement was and Todd responded he referred to State of Oregon tables online but then thought OLWS could stretch a few more years of life out of our vehicles if we carefully assess the level of quality rating, particularly if we maintain vehicles properly. The Board suggested referring to the Public Works Association fleet management and replacement tables online.

Todd illustrated OLWS gets water from the North Clackamas County Water Commission (NCCWC), which takes water from the Clackamas River and treats it. OLWS is part owner of NCCWC. He showed a short video (refer to Budget Committee Presentation) about water source, treatment, storage in the reservoirs and water distribution. The group appreciated the illustration. OLWS is very service oriented and works on a 24-hour cycle, serving about 30,000 people with just six water-focused staff. The District system is built for proper fire flow and has a robust backflow testing program and has 107 miles of pipes, mostly ductile as opposed to cast iron. He described the system map and usage, emphasizing the importance of the Valley View Reservoir and feeder pipe. The Water Master Plan will increase positive redundancy for the resiliency of the water system.

He described field operations for wastewater collections, noting 7,100 customers, 100 miles of sewer main, include 2,300 manholes, which are access points for cleaning and inspection, and a crew of just 4 utility workers. Staff have requested a fifth utility worker to provide staffing levels that will keep the system numbers on track with regards to TV inspections, cleaning, sewer locates, manhole repairs, and stormwater catch basin cleaning. Inflow and Infiltration (I & I) is a problem, which includes various sources including rain drains and water from sump pumps as well as groundwater from leaking pipes and laterals. The Board asked how much the flow to the WRF would be reduced if the I & I were reduced, and Todd answered the flow to the WRF on a seasonally dry day is 3.2 million gallons as compared with 16 million gallons on a seasonally rainy day. All water into the WRF needs to be treated, which uses electricity and all the other resources provided in the treatment plant process. Chair Klum asked how to address I & I and Todd highlighted the variety of responses to the issue including trenchless repair technology. Todd turned the presentation over to David Mendenhall.

* 1. **David Mendenhall – Plant Operations**

Plant Superintendent David Mendenhall presented the importance of borrowing water from the Clackamas River for treatment, distribution, use and then wastewater treatment for return to the river. OLWS discharges effluent to the Willamette River and transfers wastes removed from the water to a landfill. The WRF operates under the Clean Water Act’s National Pollutant Discharge Elimination System (NPDES) Permit compliance. OLWS has been in compliance with the permit for 6 consecutive years and has been operating under the same permit since 2009. Although permits are good for five years, the Oregon Department of Environmental Quality has delayed issuing an updated permit for several reasons. The updated permit will include more stringent limits with regards to Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) on the effluent, which we currently meet without added filtration. Someday the plant will need to add additional filtration (tertiary treatment). The WRF budget requirements are fairly level from year to year. The WRF works to be a good neighbor with odor and volume of truck traffic driving to dispose of solids and biosolids. The District operates under the federal “503” biosolids regulations with regards to land application and compliance. Operations and maintenance is significant, including preventative maintenance for the WRF, which is aging. During the coming year they will be working on the grit removal system by replacing and rebuilding it. This year they replaced the screw conveyor lining and the screenings compactor rebuild. Many of the pieces of equipment do not have functional redundancy, meaning that projects requiring parts replacements need to be organized well ahead in order to minimize the amount of time the equipment is offline in the system. The budget contains line items for ongoing maintenance of the equipment.

The Board commented the WRF is seven years old since the upgrade and will begin to show signs of significant wear and tear, even while costs to maintain and repair equipment will increase. David agreed and highlighted the significance of replacing the pumps at the Influent Pump Station in helping to protect equipment later in the system.

David stated on the operations side they are consistently doing process refinement, reducing the solids within the process, and attending to sludge age. They are always looking for better resiliency for higher flows to the WRF. When flows are higher dilution of biological processes can occur, which changes the process, along with increases in temperature. There are six wastewater pump stations which are consistently inspected and maintained, including the large pump at the beginning of the WRF. They are planning for refurbishment of the lift station in the Capital Improvement Plan.

Improvement projects include the installation of an additional Belt Press, which will provide redundancy of sludge treatment. Piping modifications are planned, which will allow aerobic digesters to be taken offline for maintenance. They are conducting an aeration system study to increase efficiency, because the plant was built for added aeration which they should not currently need.

The WRF uses technology for efficient operation, including Hach WIMS (Water Information Management Solution) for tracking plant performance measures, compliance reporting and graphic representation of data. Using a graphic, he illustrated the relationship between seasonal flow with regards to I & I. The WRF also uses SDADA software (Supervisory Control and Data Acquisition) to monitor the entire wastewater system, including all the equipment and pump stations. 24-hour monitoring of the system puts employees on call to ensure permit compliance and public safety. Finally, the District uses Lucity, which is a software for public works and includes tools to manage and maintain assets over time. OLWS has over 950 assets in the WRF and an addition 12,788 assets in the wastewater collections system. The water system also has 11,913 assets, which will be added to Lucity in 2019. One of the proposed staff positions is the System Asset Manager, which will provide expertise and oversight to organizing the entire Lucity asset management system. If the system is built well it will help the District manage organizational knowledge by adding good data to Lucity. The position will streamline and upkeep the physical asset information each time equipment is maintained or replaced which will help with risk assessment, redundancy, and budgeting. The position will support managers with asset management, support scheduling, support capital planning, support the I & I reduction because of data management, and oversee work orders as well as file maintenance of equipment manuals. The Board asked about asset management of the fleet and wouldn’t this data fall under the purview of the new position? Todd and David both responded positively to this suggestion. Rob Moody added if all the initial and ongoing workorder data is entered into Lucity it can help with financial scheduling and budgeting based on reserves, rates, and a financing plan if needed.

* 1. **Kelly Stacey – Conclusion/Next**

G.M. Chaplen commented the budget is a well-researched and thought out commitment to the public of what needs to occur in the next year as well as what will be accomplished. It is an accountability document and a workplan for the management team, as well as a way for the Board to keep track of work the staff completes.

Finance Director Stacey summarized the next meeting on April 23 will be focused on Technical Services, Watershed Protection, and capital improvement projects as listed in the Capital Improvement Plan (CIP). There will be time for public comment before turning to deliberations about the budget as presented. District Engineer Jason Rice will send out electronic copies of the CIP next week and will provide paper copies at the meeting. The Board asked if the 4.5 % rate increase included increased charges at the NCCWC water supply side and Kelly responded the rate increase is based on the average water use per month and balanced over usage tiers as well as the base rates (water, sewer, water quality management). There is also an increase in the cost of water from NCCWC which is factored into the expenses side of the budget but not directly correlated to the rate increase. The components of the rate increase include the cost of water, the CIP, the personnel costs, the increases in PERS, and the building costs. Without those requests the rate would have gone down slightly, which shows the positive effects of the consolidation. The increases allow the District to increase level of service and plan prudently for the future. Without the consolidation, the increases would have increased an additional 7-8%.

The Board clarified if we are saving about $711,000 per year and increasing the rate by 4.5%, we would have been increasing the rate an additional amount without the consolidation cost savings. They asked for clarification about how much the rate would be going up if the District has not consolidated.

1. **Recess Budget Committee Meeting**

 Finance Director Kelly Stacey thanked the management team for their work in developing a strong budget and the Board and Chair of the Budget Committee agreed. Chair Klum recessed the Budget Committee Meeting at 7:44 p.m.

Respectfully submitted,

John Klum Amanda Gresen

Chair, Budget Committee Secretary, Budget Committee

Date: Date: