



**BUDGET COMMITTEE  
[REMOTE] REGULAR MEETING MINUTES – 6:00 P.M.  
APRIL 28, 2020**

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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
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**1. Call to Order**

Chair Klum called the meeting to order at 6:02 p.m.

**2. Meeting Facilitation Protocols**

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. Call for Public Comment**

Chair Klum asked District Recorder Casey if any written comments had been submitted. District Recorder Casey stated there were none.

Chair Klum asked District Recorder Casey if there were any members of the public in attendance. District Recorder Casey confirmed that there was two.

Neil Schulman representing the North Clackamas Watersheds Council thanked the Board for their letter of support.

#### **4. Consent Agenda**

Director Knudson stated the correct name of the AWWA as the American Water Works Association. District Recorder Casey noted the change.

Chair Klum invited a motion. Director Gornick moved to approve the Consent Agenda. Director Keil seconded. President Williams 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, Keil, and Van Loo.

MOTION CARRIED

#### **5. Budget Message**

General Manager Chaplen overviewed current District considerations in place due to COVID-19 and the pandemic's financial implications on the budget. She detailed changes being made in operations to mitigate the spread of the disease as well as the steady continuation of service and commitment to customers.

#### **6. Presentation of the Budget**

Financial Consultant Moody highlighted a broad overview of the Proposed Budget. He detailed stable service levels, anticipated capital improvement projects, a proposed utility rate study, an emergency customer program, and the lack of employee wage cost of living adjustments (COLA) due to ongoing labor negotiations.

Chair Klum asked about how the COLA would be budgeted for if requested in labor negotiations. Financial Consultant Moody stated that a budget adjustment would have to be approved by the Board of Directors. Chair Klum asked if the changes would be made to the operating budget or through a supplemental budget. Financial Consultant Moody explained the change would most likely be made to the budget by moving funds around. Director Keil clarified that the funds generally were found in contingency. Financial Consultant Moody confirmed.

Financial Consultant Moody reviewed the PERS contribution in the Proposed Budget. Chair Klum asked for clarification on how the State's fund matching program worked. Financial Consultant Moody detailed the level of uncertainty on if the program would continue due to the current economic instability. Chair Klum asked if the District's contribution would be available to utilize regardless of the State's fund matching program availability. Financial Consultant Moody confirmed. Director Van Loo asked if the District planned to allocate another nine hundred thousand dollars to PERS. Financial Consultant Moody confirmed the proposal.

Financial Consultant Moody continued to outline the Proposed Budget including increased operating funds, transfers to capital for projects, and target fund balancing. He discussed proposed increases to water and sewer rates and overviewed the rate process.

Director Williams asked if the citizen representatives on the Budget Committee had been informed that the Proposed Budget can be modified by the Budget Committee. Financial Consultant Moody explained the authority of the Budget Committee. Chair Klum overviewed his experience and understanding of the roles and responsibilities of the Budget Committee.

Director Gornick asked whether the Administration Fund was included in the Operating Fund increase. Financial Consultant Moody confirmed. Director Gornick asked what caused the increase in each fund. Financial Consultant Moody explained that each fund would be covered individually. He overviewed the general increase as due to deferred materials and services maintenance, communication and outreach, filled vacant staff positions, and a significant increase to health care costs.

Director Van Loo asked if the Proposed Budget was the most conservative budget that could be put together stating concern about a rate increase while so many people are out of work. Financial Consultant Moody answered the Budget was the most conservative and fiscally responsible budget to provide the essential services to the District's customers.

Citizen Representative Weber asked if the Proposed Budget included the proposed rate increase. Financial Consultant Moody confirmed and explained the calculation of rate increases to determine revenue increases, stating they are not a one-to-one ratio. Citizen Representative Weber asked if the 4.5 increase applied equally across the service charges for water, sanitary, and stormwater. Financial Consultant Moody stated there was a difference between commercial and residential customers. General Manager Chaplen spoke to the average residential customer and the percentage based on average consumption. Citizen Representative Weber added that there may be possible customer confusion regarding the rate increase and what they are billed for.

Citizen Representative Weber asked if the fifteen percent increase was over the budgeted or estimated costs for the current fiscal year. Financial Consultant Moody answered that the increase is over the actual fiscal year costs reflected in the Estimated Actual column. Citizen Representative Weber stated the increase calculated out to be much higher at 28.7 percent. Director Gornick explained the Estimated Actual column does not include unfilled positions, so the number is lower than the budgeted amount. Financial Consultant Moody agreed and noted that the budget line also includes other benefit costs as well.

Director Keil stated going line by line was much easier way to determine if the Budget is the most conservative option. She asked what the correlation between rate and revenue increases. Financial Consultant Moody did not have an exact answer due to the complexity of the calculations. Director Keil mentioned she had many questions after reading the Budget line by line. Financial Consultant Moody stated the management team was available to answer line item questions. Director Knudson spoke about the effects cutting the budget too much would have on the level of service provided to District customers. He outlined the efforts made by the

Finance Sub-Committee to balance a conservative approach to the budget, the District's level of service, and capital improvement projects.

After deliberation, the Budget Committee agreed to continue the presentation and hold questions and comments until the end.

Financial Consultant Moody detailed the Administrative Services Fund made up of the Finance, Human Resources, Technical Services, and Vehicle Maintenance Departments. He overviewed changes in the Drinking Water, Wastewater, and Watershed Protection Funds as well as transfers out of the funds. Financial Consultant Moody explained the Debt Service Funds including the District's low interest rates because property taxes are not levied. He described the Capital funds for Water, Sanitary, and Wastewater Protection and explained how each are funded.

Director Gornick asked what the increase for contracted services was for in the Administration Fund under Finance and Technical Services. Financial Consultant Moody explained the Finance Department's fund increase included the rate study, the rate relief program, financial consulting services, and the Non-Revenue Water Audit. He stated the Technical Services' fund increase was due to upgrades to both the SCADA and GIS systems.

Director Knudson asked if the rate increase included the impacts of the Low-Income Program. Financial Consultant Moody explained how the Low-Income Program factors into the calculation of rates, as well as an estimate of uncollectible bills due to the COVID-19 pandemic. Director Knudson discussed including the Low-Income Program and uncollectible bills as budgeted items. Financial Consultant Moody explained the local budget law constraints regarding budgeting bad debt versus expenditures. Director Knudson asked if the District could identify them as a reduction in revenue. Financial Consultant Moody confirmed. Director Knudson asked how the Low-Income Program could be identified as an expense.

Director Van Loo asked Director Knudson if he was encouraging a Low-Income Program and a separate temporary program for customer assistance during the pandemic. Director Knudson confirmed his advocacy was for no change to be made to the Low-Income Program. Director Keil asked if the Low-Income Program had remained stable between the current fiscal year and the Projected Budget. General Manager Chaplen and Financial Consultant Moody confirmed and explained the Low-Income Program. Director Knudson explained how including the Low-Income Program and the uncollectible debt would create greater transparency in the Budget.

Director Keil asked about the budgetary increase for staff training in every fund and what the Records Management line item included. Human Resources Manager Binkowski-Burk overviewed the costs associated with the District's current records management facility and increased storage, recall, and destruction costs. She detailed the costs associated with staff training, noting the Linked-In learning membership being utilized during the pandemic to cover subjects the Special Districts Association of Oregon does not provide. Human Resources Manager Binkowski-Burk highlighted the need for more robust training for the incoming Finance Director and other new employees. Field Operations Manager Knapp explained the need for his staff to stay current on their certifications as well as new employees on both the Water and

Collections teams. He noted that the current fiscal year budget did not include much of a budget for trainings and stated the importance of continuing education. General Manager Chaplen added the new PACP training as important as well. Plant Operations Manager Mendenhall overviewed the additional employee being covered by the Wastewater fund and the added Plant Operator trainings for certifications. District Engineer Rice outlined the various employees holding certifications which must be maintained.

Director Keil asked about the increase in costs to purchase water. Financial Consultant Mood explained the line item was based on the North Clackamas County Water Commission's (NCCWC) anticipated sales to the District. General Manager Chaplen provided insight as to how that cost was calculated by NCCWC.

Director Keil asked about the increased maintenance costs reflected across many of the Budget's funds. Field Operations Manager overviewed the various maintenance projects that have been identified in the field. He described the balance between reactive and preventative maintenance in both the water and collections systems. Director Keil asked if the District was overspending the line item. Field Operations Manager stated it has not been overspent and explained that projects have just been scaled back.

Director Gornick noted the discrepancy between the amounts in the maintenance line items throughout the Budget. Financial Consultant Moody stated he would correct those lines in the next version. Director Keil noted a clerical error in the title of page 19. Financial Consultant Moody confirmed the correction.

Field Operations Manager Knapp completed his explanation of maintenance cost increases, explaining that the water meter replacement project as a driving factor.

Director Van Loo asked what the line item for Other Employee Benefits covered. Financial Consultant Moody and Human Resources Manager Binkowski-Burk detailed benefits including long- and short-term disability, life insurance, and administrative flex-spending costs.

Director Van Loo asked what Other Purchased Services in the Wastewater Fund was for. Financial Consultant Moody stated he would get back to the Committee regarding the line item.

Director Van Loo asked where office supplies and fuel/oil are budgeted for. Financial Consultant Moody explained that the items had been consolidated into the Administration and Vehicle Funds.

Director Van Loo asked what the increase in Building and Grounds was for. Financial Consultant Moody stated it was for maintenance and landscaping of District properties. General Manager Chaplen added that the line item included pump stations. Plant Operations Manager Mendenhall noted the current fiscal year's budget underfunded the line item and added that HVAC is now under the line item as well. He stated that projects like a new roof on a small building and a temporary building will be included. General Manager Chaplen included the need to be good neighbors to the customers around District facilities and safety concerns as driving factors for an increase in the line item.

Citizen Representative Gresen asked about the impact of the COVID-19 pandemic on revenue sources like SDCs and whether they have been modified. Financial Consultant Moody stated development is budgeted very conservatively across the funds. General Manager Chaplen outlined the best practices regarding not using SDCs to budget for ongoing operations. District Engineer Rice noted the last two year's SDC revenue had been artificially high due to the development of the Jennings Lodge subdivision and that the District is not fast growing like other communities.

Citizen Representative Gresen asked if the Board Travel and Training budget lines are necessary. General Manager Chaplen explained that funds are budgeted for the entire Board to attend conferences and liaison meetings. Director Keil asked what the current amount was. Human Resources Manager Binkowski-Burk noted the line was moved from the General Administration Fund to Human Resources due to District Recorder Casey's role facilitating Board events. Financial Consultant Moody explained the new lines were a consolidation of various lines across all departments. Director Williams clarified that Board compensation for attending liaison meetings was captured in another budget line. Directors Keil and Gornick agreed the line seemed high. Financial Consultant Moody stated this line could be budgeted for at the discretion of the Committee. Director Keil stated the Proposed Budget anticipates attendance at one hundred meetings over the course of the year. General Manager Chaplen confirmed and spoke to Board attendance at the SDAO conference, noting the change in price each year. Citizen Representative Gresen asked if an analysis of the various conferences that could be potentially deferred due to COVID had been completed. General Manager Chaplen confirmed. Citizen Representative Gresen asked if the amount left was critical certifications. General Manager Chaplen spoke to the high level of certifications needed in the District's operations.

Citizen Representative Weber noted a formatting error on page 25 and Director Gornick stated there was a similar error on page 9. Financial Consultant stated the changes would be made.

Citizen Representative Weber asked about the purpose of the transfers and large contingencies in the capital funds. Financial Consultant Moody explained efforts to smooth the impacts of budgeting large items over several years. General Manager Chaplen detailed the balancing act that takes place while forecasting for long term capital projects. Chair Klum advocated for budgeting large capital projects incrementally and noted the contingency increase in all funds. Financial Consultant Moody overviewed governmental contingency budgeting.

Citizen Representative Healy asked about the Health and Dental Insurance increases and how the various line items are calculated for the Budget. Financial Consultant Moody overviewed how the budget for new positions are approximated. Citizen Representative Healy asked how vacant positions are approximated. Financial Consultant Moody stated he could present a more detailed analysis at the next Budget Committee meeting. Human Resources Manager Binkowski-Burk noted that some positions were budgeted for a full year but were hired halfway through the year. Director Keil stated the insurance increase is horrendous but clarified that the insurance is offered through SDAO is much cheaper than if the District were to provide private insurance. Director Gornick asked if the increase was due to a number of large claim cases. Human Resources Manager Binkowski-Burk confirmed.

Director Knudson noted a discrepancy between the number of employees in the Wastewater Fund narrative and organizational chart. Financial Consultant Moody confirmed the error and the change.

Citizen Representative Healy asked what caused the increase in drinking water costs between fiscal year 2018 and fiscal year 2019. Financial Consultant Moody noted the skewed numbers due to a NCCWC budget true-up credit. Director Williams explained the discrepancy caused by NCCWC standardizing the billing rates for each of the partners. General Manager Chaplen gave historical insight on NCCWC true-ups and detailed the services provided by the partners.

Chair Klum asked about the anticipated consumption decrease affecting District revenue and whether it reflected the decrease of commercial water use during the COVID-19 pandemic. Financial Consultant Moody confirmed.

Chair Klum asked if the Contracted Services on page 12 of the Capital Improvement Plan was for the Water Resiliency Plan. District Engineer Rice stated the budget was for the Stormwater Master Plan and local enhancement programs. He noted he would discuss it at length during his presentation.

Chair Klum asked about the Contracted Services in the Administrative Fund. Financial Consultant Moody explained it was for the Non-Revenue Water Audit, Financial Consulting, and the rate relief program.

Citizen Representative Gresen asked if the increase in the Communications budget line is appropriate for a conservative budget. District Engineer Rice overviewed the various required publications and other commitments covered in the line item. He noted that the line could be reduced but that the public would notice a deficit in services. Citizen Representative Gresen agreed. District Engineer spoke to the value of community partnerships. Director Keil agreed and stated that if the Budget Committee decided the rate increase is too high, that staff should oversee deciding what lines to decrease. Directors Keil and Williams spoke regarding the MS4 Stormwater Permit and the required workload that has resulted in partnerships with other local agencies. District Engineer Rice detailed the added value of those partnerships.

Citizen Representative Gresen asked the District's paperless billing options. General Manager Chaplen confirmed a paperless option and spoke to the different types of customers who utilize the system and those who enjoy visiting the District offices.

Plant Operations Manager Mendenhall circled back to the earlier question regarding Other Purchased Services explaining they were inclusive of services from the City of Milwaukie, Water and Environmental Services (WES), and the Pump Station 6 Survey.

## **7. Presentation of the Capital Improvement Plan**

After deliberation, Chair Klum and General Manager Chaplen decided to defer the Capital Improvement Presentation until the next meeting.

General Manager Chaplen thanked the Budget Committee and Chair Klum thanked the staff's diligence in preparing the Budget.

**8. Adjourn Regular Meeting**

Chair Klum adjourned the meeting at 8:46 p.m.