

OAK LODGE

WATER SERVICES

OAK LODGE WATER SERVICES Minutes Budget Committee Meeting – 6:00 p.m. April 10, 2018

Board of Directors - Members Present:

Nancy Gibson, President
Susan Keil, Vice President/Secretary
Lynn Fisher, Treasurer
Jim Martin, Director
Kevin Williams, 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
Jason Rice, District Engineer
David Mendenhall, Plant Superintendent
Kelly Stacey, Finance Director
Todd Knapp, Field Operations Superintendent (absent)
Tommy Brooks, District Counsel, Cable Huston LLP

Budget Committee Present:

Paul Gornick, Budget Committee
Dave Phelps, Budget Committee
Terry Gibson, Budget Committee
Steven Cade, Budget Committee
Eugene Whitley, Budget Committee
John Klum, Budget Committee (withdrawn).

1. Call to order

Pledge of Allegiance was said by the Budget Committee and all present. Budget Committee Chair Steven Cade called the meeting to order at 6:00 p.m. and stated John Klum was absent and the Board of Directors appointed Terry Gibson to the committee.

2. Public Comment

There were no members of the public present and no comments.

3. Select North Clackamas County Water Commission Budget Committee Volunteers

Finance Director Kelly Stacey requested three appointees to participate in the NCCWC Budget Committee meeting on April 26, 2018 at 5:30 p.m. at 14496 SE River Rd. Three volunteers included Dave Phelps, Paul Gornick and Terry Gibson.

4. Follow Up Information

Finance Director Kelly Stacey presented that the Budget is a plan – a plan which can change based on unexpected issues like bid amounts for projects coming in lower or higher, rates on goods or services changing and unanticipated expenditures or revenues. Changes increase the importance of contingencies, which are appropriated. Reserves are unappropriated.

Contingencies can be approved for specified categories like personnel services, materials and services, and capital transfers within and up to specified amounts in each category. Reserves are amounts set aside in each area for use in future years, and no amount can be drawn from that amount except in extreme circumstances (currently OLWS reserves). Eugene asked if dollars can be moved between line items within the category of materials and services and staff replied that yes, if the total amount remains within the category's limit and complies with category goals.

Finance Director Kelly Stacey reiterated that everything within the Capital category is an appropriated amount and includes, for example, repairs and maintenance to District buildings and vehicles. Contingency is also an appropriated amount which needs approval from the Board if it needs to be spent throughout the year. Reserves is an unappropriated amount set aside for future use. She reinforced the importance of contingencies in order to help stabilize rate increases in relation to upcoming projects and system improvements.

Finance Director Kelly Stacey asked Technical Services Manager Jason Rice to elaborate on the proposed budget for the Capital Improvement Plan (CIP). He highlighted the differences from the CIP last year to the coming year and assured the Committee that the District, though busy, will be able to accomplish the currently outlined projects.

Committee members asked if the proposed projects on the Budget were on the current and/or prior CIP or would the CIP need to be updated upon the approval of this budget. Staff responded the list is a 6-year look ahead and all of the projects come from a current and/or prior CIP. Each year the project list might change based on updated water/wastewater master plans, but overall the list is already outlined. General Manager Sarah Jo commented the District is a capital-based utility and needs ongoing infrastructure updates. Committee members asked for a copy of the slide that was being presented and staff responded yes, they would provide a print copy immediately and updated versions would be in upcoming OLWS Board Packets.

Finance Director Kelly Stacey presented information about rate increases for combined services, with the current average 2-month bill, based on 6 ccf/month (ccf = hundred cubic feet of water), of \$162.20 going up to \$168.72. This represents a 4.02% increase across combined services: watershed protection increase of \$0.32; wastewater base charge increase of \$0.76; wastewater consumption charge increase of \$0.15; water base rate increase of \$0.65; water consumption rate increase of \$0.04.

The personnel services allocation is split 32% evenly between water and wastewater, 22% on collections, and 14% for watershed protection. These are allocated from three sources of revenue: drinking water, wastewater, and watershed protection. Funds for administration and management are drawn from the sources of revenue, for example evenly for the General Manager or for other managers it is based on number of personnel per division, like the Payroll and Human Resources Manager.

5. Discussion

Committee chair highlighted the Budget revisions had changes highlighted. Question on page 25 about the highlighted portion – what was the change? Staff responded the highlight should have been for the bottom line of the Water Reclamation Facility. If the Budget Committee voted during the meeting, the current revised version was correct.

Budget Committee members asked about the overall budget being 15% more than last year, or 4.5% higher – he understands some of that is from the movement of capital project costs being moved into the future, and some of it is from rate increases, but where is the rest coming from?

Finance Director Kelly Stacey responded most of it is from capital. She pointed out the increases on several slides from a previous meeting: personnel services decreased; materials and services increased slightly; capital accounts for 2.5 million of the overall increase. The balance is from the newly added contingency, money the District does not plan to spend, but has allocated to specified accounts for future planning. Question about the total amount allocated: response last year was 29 million; this year 34 million, not counting transfers but counting contingencies. Clarification: budget dollars come from money left over from last year plus income from this year; staff response yes, plus other possible increases. These include the sale of the parks property plus the reimbursement from that property, money counted on the front end from the meter change out program, and money from rate payers from all three categories of water sales, wastewater treatment, and watershed protection. Rate increases will be about \$500,000, or about 4%. The remainder of the budget increase comes from capital projects being rolled forward and income coming from other various non-rate-paying sources. Board clarification that originally all of the money for capital projects came from rate payers and has been carried forward from previous years. Committee members requested for this information to be clearer next time it is presented.

The Board reiterated the importance of the public understanding this budget approach represents the goal of rate stabilization. Committee asked if there is always unspent money carried over – and how much is typical. Staff responded when there is a capital goal the carryover goal is higher. The Board highlighted the budget is the second in the history of the new organization and will not provide historical perspective. The Board reinforced the importance of the reserve by law because of the bond debt obligation requirements being at 115% of overall budget. If the District meets certain best practices including a significant reserve fund and a clear Capital Improvement Plan. General Manager Sarah Jo Chaplen informed the group that the District is unique because much of the infrastructure was built at the same time, which will cause much of the structural replacement to occur near the same time. The Board supported the point that the District should be prudent in how much reserve is carried forward with regard to capital plans per year and not overcommitting. The Board clarified the stated preference of ratepayers that the District save money towards implementing goals instead of going out to bond for capital project implementation. General Manager Sarah Jo Chaplen suggested that the information provided in the new regular updates will allow the Board and Budget Committee to support the District in being nimble and insuring that projects are being accomplished in the best timeframe. It will support transparency and raise visibility for the District's decision-making process.

Budget Committee member Eugene Whitley emphasized the message that the reason the rates are only going up as much as they are is because of the District planning. By accruing funds set aside for specific contingencies, the District is able to stabilize rates. The Board suggested this go into the next newsletter or a newspaper article.

Budget Committee member Eugene Whitley commented on his positive meeting with Jason Rice. He elaborated on the higher level of understanding on the meter reading program – the District will save money and time by making this change. He requested a higher level of detail and explanation on meeting materials. Staff responded that as the teams come together they will be better able to share information with each other, and with the Board, Public, and Committees.

Budget Committee member Eugene Whitley asked for clarification on what "collections" meant; staff clarified it was for the sanitary sewer system of pipes that collect sewage for treatment. Question about whether there will be future transfers from the District's operating funds to the capital funds, and whether they will be variable depending on what is needed by the CIP; staff

responded there would be future transfers, but likely they will be smaller than this initial creation of the contingency funds. Staff elaborated that the project planning will need to be specific based on capital needs and the CIP list will be built in part through the use of Lucity, the District's asset manager. Question about leakage on the water side and whether problem areas exist; staff responded they will check in with Field Operations Superintendent Todd Knapp. Question whether the system has a lot of cast iron piping left; staff responded no, not more than other systems. Board member Kevin Williams thanked staff for their efforts in the good work of putting together the budget information, highlighting the fact that many staff are new. Board member Lynn Fisher thanked the Budget Committee members for their commitment of time, effort, energy, and for their attention to detail. Board member Susan Keil and Budget Committee Member Terry Gibson seconded Director Fisher's comments and gratitude. Positive comment to include charts, formulas, graphs as much as possible in the information. Board President Nancy Gibson commented the Budget Committee members are public representatives and encouraged them to publicly share and advocate on the Budget and on the District with their neighbors and friends in the District.

6. Approval of Budget for fiscal year 2018-2019 or schedule next meeting

Budget Committee member Paul Gornick moved to adopt the Oak Lodge Water Services District Fiscal Year 2018-2019 Budget as revised on April 10, 2018, with a total dollar amount of \$45,236,543.00 million dollars. Budget Committee member Dave Phelps seconded the motion.

Ayes: 10

Nays: None


Motion carried: 10-0

Budget Committee member Eugene Whitley volunteered to assist with the Budget next year. Finance Director Kelly Stacey suggested the District will likely shift the schedule to April/May next year.

7. Adjourn Budget Committee Meeting

Budget Committee Chair Steven Cade adjourned the regular meeting at 7:02 p.m.

Respectfully submitted,



Sarah Jo Chaplen
General Manager

Date: 05/15/2018



Nancy Gibson
President, Board of Directors

Date: 5-15-2018