

QUESTIONS FROM THE BOARD FOR MAY 16, 2023 MEETING

What is the detail from the Special Districts of Oregon (SDAO) about insurance costs increases?

Our health insurance is budgeted at 5% above current rates at the current plan distribution. Over the past year the plan distribution has changed. We currently have a higher number of staff electing the family plan for insurance coverage versus employee only or employee plus spouse coverage which increases the amount we pay for medical and dental. A shift in the demographics of the workforce at OLWS has caused an increase in insurance costs reflective of more than just the carrier increases. For medical and dental we received the final plan cost from our insurance broker in April. The Medical coverage for our Kaiser plan is increasing by 9.3%, our Regence plan held steady. The dental plans increased in a range from 3.9% to 4.6%. As for SDAO general liability which is on a calendar year, the increase starting January 1st which will go through December 31st, 2023, was 13.1% and a similar increase is anticipated for January 1st, 2024.

Our supplemental cyber insurance policy increased by \$3,660 which is reflective of a 46% increase.

For SDAO, Special Districts Insurance Services will no longer be offering their self-funded worker compensation insurance and we will be purchasing our worker's compensation insurance through SAIF. This is a large transition for the SDIS group, and we do not currently have final numbers for the new workers' compensation rates with SAIF which will be effective July 1st, 2023. Our insurance broker has signaled we will be receiving these numbers in June. Based on this information, this budget line was held at prior budget levels.

What is the reason for overtime in administrative functions when we have full staff?

Overtime is budgeted in the administrative services divisions of Finance, Human Resources, and Technical Services for the annual costs of hours worked outside business hours for specific deadlines, such as billing, reporting & audits, and for meeting attendance for Budget Committee and Board meetings. All three divisions have hourly staff that attend after-hours meetings. Administrative staff also attend community events in support of the Board of Directors and Management team.

28th Ave Loop Project: It is stated in the quarterly report that 'complications of pipe routing through the apartment complex are being discussed'. What are the complications and does this mean the timeline of the project is being adjusted?

During the design phase of the project, it was determined that the 'loop' portion of the project that runs through the Miramonte Lodge Apartments increased costs substantially and was difficult to construct. Staff determined that this portion of the project could be performed at a later date. Both the Aldercrest project as built and the 28th Ave project as now designed would set up the 'looped' portion of construction in the future. The remaining 28th Ave project will upsize aged pipe from Park Ave north to Lakewood and Whitcomb Dr as originally intended. The budget shown in the FY23-24 Capital Improvement Plan is for the revised scope of construction for 28th Ave, Lakewood Dr, and Whitcomb Dr. The timeline of this project has not changed. It was determined early in FY 23 that the full budgeted

amount of \$600,000 in FY23 initially planned for this project needed to shift instead to the Aldercrest project because of cost increases in the construction industry.

Milwaukie Intertie Project: It is stated in the quarterly report that ‘preliminary feasibility is complete in conjunction with Milwaukie for the three sites to make a determination of preference’. Can staff explain this in a little more detail and has this caused a delay in the project schedule?

OLWS staff have been working with Milwaukie staff to find the best site that would be mutually beneficial to both entities. The site chosen would be able to serve both OLWS and Milwaukie with the greatest amount of drinking water for each entity. The Capital Improvement Plan from last year to the proposed Capital Improvement Plan this year does show the project moving out one fiscal year. This will allow both entities to seek out funding opportunities now that a site has been determined. A presentation on the initial report from WSC to the OLWS Board will be happening in the coming months.

What costs were reduced to help offset operational and capital spending?

The Budgeting process includes in-depth review of each account within Materials & Services for each fund and division within the funds. Actual costs for two prior fiscal years plus the cost trending for the current fiscal year. During this review, operational savings and prior one-time costs are identified, reducing the account for the next fiscal year. Additionally, inflation has impacted these operational savings, such as in Chemical costs.

The Contingency for Administrative shows no estimate for 22-23. Was the \$788,412 all or overspent? From where does the \$676,293 for 23-24 come? The same question applies to Water, Wastewater, Watershed, Drinking Water Capital Fund, Wastewater Capital Fund and Watershed Capital Fund. Where are the estimates for 22-23? What are the specific sources of funding for contingency for 23-24?

There is no amount estimated for Contingency in the Estimate column. The contingencies were not spent and carryforward to 23-24. The remaining fund balance is instead recorded in the Estimate column in the budget line Unappropriated Ending Fund Balance. For purposes of the question, the Unappropriated Ending Fund Balance amount for each of the Operating Funds are as follows:

Administrative Fund:	1,450,193
Drinking Water Operations Fund:	580,708
Wastewater Operations Fund	535,947
Watershed Protection Operations Fund:	81,121

As an example of where these amounts are included:

\$ -	\$ -	\$ 788,412	\$ -	05-29- Contingency	\$ 676,293
\$ -	\$ -	\$ 788,412	\$ -	9000 Contingency	\$ 676,293
				Total Contingency	\$ -
				Total Appropriations	\$ 5,931,593
\$ -	\$ -	\$ 5,174,515	\$ 4,066,750	Unappropriated ending fund balance	\$ -
\$ -	\$ -	\$ -	\$ 1,450,193		\$ -
\$ -	\$ -	\$ 5,174,515	\$ 5,516,943	Total Requirements	\$ 5,931,593
					\$ -

This also answers the Beginning Fund Balance question. The Proposed/Approved Budget beginning fund balance is the ending fund balance determined based on the Estimate column for the current fiscal year.

The Contingency amount of \$676,293 for the Administrative Fund is determined based on the formula:

Beginning Fund Balance	\$ 1,450,193
Other Revenues & Transfers	<u>\$ 4,481,400</u>
Total Resources	<u>\$ 5,931,593</u>
Personnel Services	\$ 2,676,000
Materials & Services	<u>2,579,300</u>
Total Expenses	<u>\$ 5,255,300</u>
Contingency	<u>\$ 676 293</u>

Operations funds are only funded by rates.

Under Materials and Services for Fund 5 – Administrative Services Fund (page 25), there are large increases in the proposed 2023-24 budget relative to the adopted 2022-23 budget for Contracted Services (\$90,500 => \$462,000). What are the specific new items and their associated costs contributing to these large increases?

Contracted Services increase is due to the following items:

- Lobbying Services \$100,000
- WIFIA Application Services \$100,000
- WIFIA Required Environmental Study \$125,000
- GIS Services (Outsourced-additional level) \$50,000

WIFIA - The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. This is a loan program for local, state, tribal, and federal government entities to borrow funds to complete needed infrastructure improvements. The application process is lengthy, and the services provided would be a hired consultant to prepare the application for OLWS. As part of the WIFIA application, an environmental study will be needed to show the impact of the projects. This is relatively routine when seeking federal funds for infrastructure projects. The environmental study would be performed by the same consultant that prepared the loan application.

GIS Services – With the retirement of staff and reorganization of Public Works, OLWS has contracted out GIS services. The GIS position was re-allocated to an Associate Engineer position to support the Capital Improvement Program. The CIP has a large number of projects that need to be completed over the next 30 years and the Associate Engineer is needed to help facilitate the workload. The GIS position is approximately a half-time position currently that may become a full-time position in the future.