



**BUDGET COMMITTEE
[REMOTE] ORIENTATION MINUTES – 6:00 P.M.
MARCH 31, 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

Budget Committee – Members Absent:

Ann-Marie Cordova	Citizen Representative - Alternate
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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

Director Williams called the meeting to order at 6:03 p.m. and thanked the Citizen Representatives for their commitment to Oak Lodge Services District especially during the current COVID-19 pandemic. Director Williams also acknowledged the efforts of General Manager Chaplen and District Recorder Casey to facilitate the remote meeting.

2. Meeting Facilitation Protocols

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

General Manager Chaplen overviewed the general protocols of a virtual meeting due to the current COVID-19 pandemic. She detailed preparations made for the facilitation of the Budget Committee Orientation noting that Director Williams will facilitate the meeting and District

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Recorder Casey will work with the member elected into the Chair position for facilitation of the next meeting.

3. Call for Public Comment

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

4. Election of Budget Committee Officers

General Manager Chaplen overviewed the Budget Committee officer positions: Chair and Secretary/Vice Chair.

Director Keil moved to nominate Citizen Representative Klum as Budget Committee Chair and Citizen Representative Gresen as Budget Committee Secretary/Vice Chair; Director Knudson seconded. Director Williams called for a vote and asked District Recorder Casey to conduct a roll call vote. Voting Aye: Directors Williams, Gornick, Knudson, Keil, and Van Loo; Citizen Representatives Gresen, Weber, Weigel, and Healy. Abstaining: Citizen Representative Klum.

MOTION CARRIED

5. Consent Agenda

General Manager Chaplen asked that the Budget Committee adopt the Consent Agenda including the two sets of meeting minutes from the last budget year.

Citizen Representative Klum moved to accept the minutes; Director Knudson seconded. Director Williams called for a vote and asked District Recorder Casey to conduct a roll call vote. Voting Aye: Directors Williams, Gornick, Knudson, Keil, and Van Loo; Citizen Representatives Klum, Gresen, Weber, Weigel, and Healy.

MOTION CARRIED

Director Keil clarified the pronunciation of Citizen Representative Klum's name. Citizen Representative Gresen offered the correct pronunciation of her name as well.

6. Orientation Presentation

Director Williams commended Financial Consultant Moody on his excellent work implementing policies and resolving financial issues.

Financial Consultant Moody overviewed the orientation agenda and discussed the tremendous change within the District since consolidation and the culture of strength that has ensued. He provided a general overview of the current fiscal year including updates on the financial and non-revenue water audits.

Director Van Loo asked if the District had reached out to former employees to prepare for an emergency staffing situation. Plant Operations Manager Mendenhall confirmed that he is in contact with a former employee about the matter. Director Van Loo stated that her husband,

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who worked for Water Environment Services, is willing to help the District in an emergency. Director Keil addressed the financial audit and stated that the District is now following good business practices. Director Williams and Director Knudson agreed.

Director Knudson clarified the amount of non-revenue water that had been identified and the amount that could be recovered. General Manager Chaplen added that no water provider can recover all non-revenue water and that there will always be some level of loss, but that the audits are allowing the District to identify business processes that can be improved upon.

Financial Consultant Moody commented on the financial stability of the District noting that there is no reason for alarm due to the current COVID-19 pandemic. He discussed process refinement and the accounting of everyday processes within the District, as well as overviewed the 2020/2021 budget goals.

Director Keil commented on the current capital improvement bond for the treatment plant verifying that it is being funded by current revenue in the operating fund. Financial Consultant Moody confirmed.

Citizen Representative Weigel asked how the non-revenue water estimation is calculated. Financial Consultant Moody explained how non-revenue water is analyzed and the mixture of different scenarios that can account for the District's current non-revenue water amount.

Citizen Representative Weigel inquired about the exact percentage of District water loss. General Manager Chaplen explained that the American Water Works Association has advised the District to not calculate the straight percentage of loss, but to calculate the amount and source of non-revenue water that is appropriate for the District. Director Keil noted that the current non-revenue water is higher than expected stating that the incoming water meter has been verified to be correct and that the outgoing water meters are being sampled and tested.

Director Knudson asked about the Public Employees Retirement System (PERS) interest rate changes due to the financial implications of the COVID-19 pandemic. Financial Consultant Moody discussed interest rates stating that it is not clear what changes will need to be made. Director Keil asked for clarification to be made on how the PERS interest rates affect the District. Financial Consultant Moody discussed the liability of the District for current and former employees that is actuarially assessed. General Manager Chaplen added that the District's PERS rates are likely to grow due to the various high tiered employees due to the fortunate longevity of District employees.

Director Williams asked if the financial impact of the Water Master Plan would be included in the proposed budget. Financial Consultant Moody stated that the anticipated capital funding is included in the proposed 2020/2021 budget. District Engineer Rice overviewed the simultaneous work on the non-revenue water audit and the Water Master Plan noting that the plan will not be completed until after there have been budget conversations.

Citizen Representative Klum inquired about the new residential meters asking if non-revenue water has been identified due to the improved accuracy. District Engineer Rice stated that there has not been a clear indicator that the residential meters are the source of significant water loss but noted that testing of the residential and commercial meters is ongoing and more information is being gathered. General Manager Chaplen clarified that only the small meters have been

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replaced at this time. District Engineer Rice indicated that the large meters have been replaced in the recent past [due to the equipped radio read technology] and were much newer than the residential meters. He noted that testing will indicate if large meters need to be replaced.

Director Gornick asked if the capital improvement placeholder was included in the 2019/2020 budget. District Engineer Rice confirmed and explained that the amounts were estimated and that the exact amount is included in the 2020/2021 proposed budget.

District Recorder Casey noticed Citizen Representative Weigel was missing from the meeting at 7:12 p.m. and paused the meeting to facilitate technical assistance. District Engineer Rice updated the Committee that Citizen Representative Weigel had another appointment to attend and Director Williams reconvened the meeting at 7:17 p.m.

Financial Consultant Moody continued his presentation overviewing the long-term projection model being used for years 2021-2026 noting that labor negotiations are not projected.

Director Keil asked what percent of water and sewer revenue is residential versus commercial. Financial Consultant Moody replied that he did not have that information but would provide that answer to the Board.

Director Keil inquired whether there had been a sewer rate study as part of a previous master plan. District Engineer Rice confirmed that a sewer rate study was completed before consolidation and the District would need a new model to accommodate the consolidated funds. Director Keil noted that the model would need updated information, but reflected proper drivers, cost tracking, and allocation methodology. District Engineer Rice agreed that the model would need updated information and that the model would not address the addition of the water fund. He noted that there would not be much difference between updating the old model or creating a new model. General Manager Chaplen added that part of the upcoming Sanitary Master Plan would be to assess what needed to be adjusted. Director Keil acknowledged that there have been organizational changes that need to be addressed but stressed that the methodology of the previous sewer rate study was solid. She called for equally robust surveys for water and asked if surface water was included in the sanitary rate study. District Engineer Rice explained that water, sewer, and surface water were separate funds and explained that the outcome of any discussions with a survey modeler would not be completed before the 2020/2021 budget adoption. Director Keil believed that the model would be helpful in creating an accurate report of all the services the District provides. District Engineer Rice agreed that further discussion would be needed.

The Budget Committee recessed for a short break at 7:34 p.m. and reconvened at 7:41 p.m.

Financial Consultant Moody overviewed governmental budgeting and reporting for members who have not previously served on the Budget Committee including budget law, the purpose of a budget, and the roles and responsibilities of everyone involved in the budget process. He summarized the rules and requirements, discussed internal aspects of the budget and allocating funds, reviewed different budget philosophies, and detailed the sliding scale of trust and control between the Board and staff.

Director Gornick inquired about the transparency of the budget development process before the Budget Committee receives the proposed budget. Financial Consultant Moody agreed that there

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is less transparency before being presented to the Budget Committee noting that the proposed budget is compiled from various sources using a projection model that is presented to the committee upon presentation of the proposed budget.

Financial Consultant Moody spoke to the importance of reviewing trends and capital projects including how each are integrated into the budget. He discussed the reasoning behind the creation of the administrative services fund in the 2019/2020 budget.

Director Keil asked how legal services are budgeted. Financial Consultant Moody explained that legal services are allocated based on the type of service provided by department.

Financial Consultant Moody discussed the year end fund true-up between the water, wastewater, and storm funds. Director Keil asked what needs to be equalized. Financial Consultant Moody explained the calculation and adjustments that occur in a true-up.

Financial Consultant Moody discussed the budget timeline. Director Keil asked when the budget would be available to the public and when public comment would be taken. Financial Consultant Moody replied that public comment would begin to be taken during the April 28, 2020 meeting. General Manager Chaplen answered that the public would receive the budget on or after April 28, 2020. Director Keil inquired when the rates would be adopted. Financial Consultant Moody responded that there have been conversations surrounding rates and potential increases. He noted that the Finance Subcommittee would be discussing rate timelines and while there is not currently a good answer, he noted staff sensitivity to the matter.

Director Knudson noted the importance of understanding the revenue requirements of the budget before adoption and the need to recognize the relationship between rates and the budget. District Engineer Rice added that the rate can be determined by the budget conversation.

Financial Consultant Moody discussed the execution of the budget including monthly compliance and budget adjustments.

Citizen Representative Weber asked if the proposed budget would be provided to the Budget Committee in advance of the next meeting. Financial Consultant Moody confirmed that the proposed budget will be provided in accordance with local budget law and with enough time for Committee preparation.

Director Keil asked that meeting audio recording be available to the Budget Committee members who did not attend the meeting. District Recorder Casey agreed to facilitate the request.

7. Call for Public Comment

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

8. Adjourned Regular Meeting

Director Williams adjourned at 8:23 p.m.

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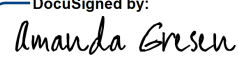
Respectfully submitted,

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John Klum
Chair, Budget Committee

Date: 5/1/2020

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Amanda Gresen
Secretary/Vice Chair, Budget Committee

Date: 5/1/2020