



**BOARD OF DIRECTORS
[REMOTE] REGULAR MEETING MINUTES – 6:00 P.M.
MAY 19, 2020**

Board of Directors – Members Present via Zoom:

Kevin Williams	President
Paul Gornick	Secretary/Vice President
Mark Knudson	Treasurer
Susan Keil	Director
Ginny Van Loo	Director

Oak Lodge Water Services Staff – Present via Zoom:

Sarah Jo Chaplen	General Manager
Jason Rice	District Engineer
Aleah Binkowski-Burk	Human Resources and Payroll Manager
Todd Knapp	Field Operations Manager
Brad Lyon	Field Operations Supervisor
Haakon Ogbeide	Water Services Engineer
Laural Casey	District Recorder

Consultants – Present via Zoom:

Rob Moody	Merina & Company, LLP
Tommy Brooks	Cable Huston, LLP
Laura Westmeyer	Cable Huston, LLP

1. Call to Order & Meeting Facilitation Protocols

President Williams called the meeting to order at 6:03 p.m.

General Manager Chaplen welcomed everyone and asked District Recorder Casey to facilitate a roll call. District Recorder Casey facilitated the roll call of Board members, staff, and consultants.

General Manager Chaplen overviewed the general protocols of a virtual meeting due to the COVID-19 pandemic.

2. Call for Public Comment

President Williams asked District Recorder Casey if any written comments had been submitted. District Recorder Casey confirmed the submittal of over fifty written public comments and the continued acceptance of electronically submitted public comment regarding the publicized rate hearing until noon on June 16, 2020.

President Williams asked District Recorder Casey if there were any members of the public in attendance. District Recorder Casey confirmed that there were two and two more members of the public arrived during Public Comment.

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President Williams asked the members of the public that would like to speak to identify themselves for the record. Neil Schulman and Joe Martin identified themselves.

Mr. Schulman repeated his message to the Budget Committee stating that he appreciated the District's budget process and thanked the District for the ongoing partnership with the North Clackamas Watershed Council.

Mr. Martin asked how inflation affected the calculation of water supply and wastewater. General Manager Chaplen explained the District's use of various materials to complete work, all of which are subject to cost increases, as well as the employee costs involved.

Mr. Martin stated that his impression of the consolidation was that the cost savings would cover future rate increases and asked how much aging infrastructure would be covered by a rate increase. General Manager Chaplen confirmed the ongoing savings of consolidating two utility districts and explained the continual process of repairing and replacing infrastructure. Mr. Martin asked why a pipe rated for one-hundred years would be replaced in fifty years. District Engineer Rice outlined the various scenarios in which a pipe would not last the entire life expectancy including but not limited to electrolysis and ground movement. He also noted projects such as fire flow measures and local agency interties as necessary upgrades to the District's infrastructure. Mr. Martin inquired about the cost savings of using cheaper pipes. District Engineer Rice explained that the cost of pipes and other materials are minimal compared to the other project costs, which are continually assessed for cost savings. General Manager Chaplen added that sewer pipes are buried much deeper than water pipes requiring the assistance of outside contractors to complete work. District Engineer Rice spoke to sewer pipe assessment for damages and the necessary work to mitigate infiltration and inflow. He assured Mr. Martin that pipes are not being replaced solely due to age.

Mr. Martin inquired about the creation of the Emergency Customer Assistance Program noting his belief that there is already a customer assistance program in place. General Manager Chaplen explained the differences between the existing Low-Income Program and the proposed Emergency Customer Assistance Program. Mr. Martin asked why the District would not make an exception to the Low-Income Program to assist the customers in need due to the COVID-19 pandemic. General Manager Chaplen explained the successful implementation of the Low-Income Program and the changing need for customers during this time.

Mr. Martin asked why a rate increase was needed at this time and why the Board was not considering a rate decrease. President Williams spoke to the difficulty of the budget process this year including an initial proposed four and a half percent rate increase. He detailed the efforts by the Budget Committee and staff to reduce the operating budget and spoke to the compassionate motion made by the Board to defer water shut offs. President Williams noted the public comment received by the Board and the upcoming discussions related to water and sewer rates. Mr. Martin noted the difficulty and hardship that rates increase have on those living on a fixed income. President Williams empathized with Mr. Martin's remarks and noted the Board's commitment to keeping operating costs and utility rates low.

3. Consent Agenda

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Secretary/Vice President Gornick asked about the Accounting and Audit Services overage in the General Ledger. Financial Consultant Moody explained that the financial audit was budgeted at a proposed rate, but the final amount was significantly higher due to initial findings requiring more work and the audit firm's approach.

Secretary/Vice President Gornick asked about the General Insurance overage in the General Ledger. Financial Consultant Moody stated the overage was due to an unanticipated flood insurance payment that will be corrected in a budget adjustment in June's Board meeting. Director Keil asked if the flood insurance was mandatory. Financial Consultant Moody confirmed.

Treasurer Knudson commended staff's work to keep the receivables and expenditures on track during this time. He noted the novel idea executed by the Belt Filter Press consulting team and staff to bundle the projects and save District money.

In reference to the SE Old Orchard Court and SE Jade Court Sewer and Water Repair project, Director Van Loo asked if the project had been recently completed or if this project was different from one conducted by the Oak Lodge Sanitary District. District Engineer Rice explained that the TV crew had inspected the main and discovered several deficiencies. Field Operations Supervisor Lyon commented that the two utility districts did have an easement agreement for a project farther down SE Old Orchard Court that Director Van Loo probably remembered.

Director Van Loo asked that the number of members of the public in attendance at the meetings be added to the minutes. District Recorder Casey noted that she would edit the minutes on the Consent Agenda and include the numbers in future minutes.

Director Keil asked about the high expenditure percentage under the Watershed Protection section of the monthly Budget to Actual report. Financial Consultant Moody explained the mathematical calculation of the line item and confirmed that the percentage was correct.

President Williams invited a motion. Director Van Loo moved to approve the Consent Agenda. Director Keil seconded. President Williams asked District Recorder Casey to conduct a roll call vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

4. Public Hearing for FY 2020-2021 Budget

President Williams stated the purpose of the public hearing and opened the hearing for public testimony.

President Williams asked District Recorder Casey if any written comments had been submitted. District Recorder Casey noted that none had been received specifically for the Budget Hearing.

President Williams asked District Recorder Casey if there were still any members of the public in attendance. District Recorder Casey confirmed that there were three.

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President Williams asked the members of the public that would like to speak to identify themselves for the record. Neil Schulman identified himself as representing the North Clackamas Watershed Council (NCWC).

Mr. Schulman stated NCWC's support of the approved budget and the responsible approach to the current circumstances. He noted the importance of the work the District conducts on behalf of watershed protection and thanked the Board for the continued support of watershed programs. Mr. Schulman also stated his support of the Emergency Customer Service Program noting the Board's compassionate response to customers in a time of need.

Hearing no further testimony, President Williams closed the public hearing.

5. Resolution 2020-05 Adopting the Oak Lodge Water Services District Budget for Fiscal Year 2020-2021 and Making Appropriations

Director Keil asked about the interrelationship of the rates and budget. Financial Consultant Moody explained that upon the completion of the public hearing, the Board would deliberate and make a decision regarding the Approved Budget. He noted that adoption of the budget as presented would incorporate the proposed rates that will be adopted at the next meeting. Financial Consultant Moody also noted that should changes to the budget be requested, staff are prepared to discuss the impacts so that an amended budget could be adopted.

Director Keil and President Williams considered the need to discuss rates before the adoption of the budget due to their interrelationship. District legal counsel Westmeyer clarified that the public hearing regarding the District's rates and fees will be held on June 16, 2020 and no action would be taken on the rates during the current meeting. General Manager Chaplen added that any amendments to the budget would be taken into consideration and the proposed rates would be adjusted accordingly. President Williams stated that the Board would like to discuss the proposed rates. District legal counsel Brooks explained the Board was welcome to discuss rates, but that no decisions would be made.

Director Keil stated she had read the submitted written comments and admitted to not fully understanding the economic implications of the pandemic. She spoke to being in tune with the ratepayers. Director Keil stated that she does not think that the District's rates are overpriced and understands the efforts made to be efficient and effective with funds. She acknowledged the status of utility service as a "big bill" and asked for some adjustments to be made to the rate increase.

Director Van Loo agreed with Director Keil. She noted possible confusion between the Low-Income Program and the Emergency Customer Assistance Program. Director Van Loo stated willingness to go back and give the rate increase another look. She acknowledged staff work to reduce the budget several times during the budget and rate process.

Treasurer Knudson appreciated the public comments and outlined concerns in the erosion of the District's position and ability to make capital investments. He agreed with the strategy to earmark a portion of the rate increase for the Emergency Customer Assistance Program

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(ECAP) even if the overall rate increase were to be smaller. Treasurer Knudson offered a one percent rate increase with an additional half percent increase for the ECAP to further reduce the overall increase by fifty percent noting the shortsightedness in not continuing to make ongoing investments in the District's aging infrastructure.

Secretary/Vice President Gornick stated that the District would not want to be financing capital improvement projects with bonding or higher rate increases in a few years. He noted willingness to halve the current proposed rate increase.

President Williams stated what a bad afternoon he had thinking about the daily customer service efforts made by District staff and all the work given by the Board of Directors. He noted reading the written comments and thinking about the customers affected by the pandemic. President Williams mentioned reviewing other government agency budgets with huge projected deficits and stated favor in a one and a half percent increase if the reduction would not be taken from capital projects.

Director Keil stated support in not reducing capital. She discussed the possibility of reducing the District's PERS investment for fiscal year 2021. President Williams agreed. Treasurer Knudson offered to simply reduce the amount invested in PERS. Financial Consultant Moody appreciated the Board's position and conversation surrounding the difficult subject matter. He noted that there are budget costs that can be controlled and some that cannot be controlled. Financial Consultant Moody explained how the current PERS lump sum investment bought down the impacts of future rate increases and spoke to the cost savings of any investment.

Secretary/Vice President Gornick asked if there was an option to spreading the investment over multiple years. Financial Consultant Moody confirmed noting that the impact would also be spread over more years. Treasurer Knudson suggested a subtle change of reducing the initial investment amount with the understanding that if there is less of an impact on revenue throughout the year that more funds would be invested at the end of the fiscal year. Financial Consultant Moody agreed that would be an option. Director Keil added that investments in the next year would have some benefit even if it was not the same amount of benefit.

Treasurer Knudson stated that the District would have to lower its expectations but could still achieve the goal.

President Williams stated belief that the economy would recover, and that deferring investment would not have a lasting impact. General Manager Chaplen added that the only issue with deferral would be that the market is likely to increase and spoke to whether the District would miss out on market increases based on when investments were made.

Treasurer Knudson asked what the target rate would be and what the instructions to staff would be. Director Keil asked if the approved budget included the cost for health care increases and projected increases for expensive items like plant chemicals and electricity. Financial Consultant Moody confirmed. Director Keil asked if the approved budget included increased maintenance activities. Financial Consultant Moody stated that maintenance projects had been heavily reduced in the last round of reductions. Director Keil stated that there is an additional thirty

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thousand in each of those categories instead of fifty thousand and that the approved budget included additional records management funds, but does not include any layoffs, furloughs, or wage reductions. Financial Consultant Moody noted that there are no COLAs or wage increases built in. Director Keil stated that there is contingency. Financial Consultant Moody confirmed. Director Keil stated that the only reduction would be within the PERs investment and otherwise it was a healthy budget.

General Manager Chaplen asked for an explanation of what changes could be made by the Board of Directors without needing a formal meeting of the Budget Committee. Financial Consultant Moody explained Oregon Local Budget Law allowed the Board to make reductions without the input of the Budget Committee.

Financial Consultant Moody outlined the rough numbers of a one and a half percent overall rate increase. Director Keil asked if the Emergency Customer Assistance Program had been added to the calculations. Financial Consultant Moody confirmed.

Financial Consultant Moody explained the Board's ability to propose an adjusted rate increase and make the necessary budget adjustments to adopt the budget as amended. Treasurer Knudson and Financial Consultant Moody discussed the ability to reduce the PERS investment amount to save staff the time of further reducing line items from the budget. President Williams asked how a zero percent rate increase would affect the PERS investment. Financial Consultant Moody asked for a moment for calculations.

Director Van Loo supported a zero percent rate increase. President Williams agreed. Director Van Loo mentioned a member of the public standing in favor of the rate increase due to the high quality of work the District provides.

Financial Consultant Moody presented the impact a zero percent increase would have on the PERS investment. General Manager Chaplen explained the elimination of the Emergency Customer Assistance Program (ECAP) funding which would then need to be supported by the base revenue. Financial Consultant Moody outlined the options for how to fund the program. Director Keil supported preserving the ECAP. Treasurer Knudson proposed maintaining the half percent rate increase exclusively for the ECAP. Director Van Loo and President Williams agreed. Secretary/Vice President Gornick asked if the scenario would reduce the PERS prepayment to five hundred thousand. Financial Consultant Moody confirmed the rough estimate. President Williams and Secretary/Vice President Gornick supported the proposal.

Director Keil supported adding additional funds to the PERS account on a go-forward basis noting the rate payer benefit. Treasurer Knudson and President Williams agreed. Directors Keil and Van Loo supported the proposal.

Financial Consultant Moody explained the Board's motion to amend the approved budget to reflect a half percent overall rate increase to fund the Emergency Customer Assistance Program and balance the reduction in revenue to the prepaid PERS contribution. Treasurer Knudson moved, Director Keil second. President Williams asked District Recorder Casey to conduct a roll call vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson;

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Directors Keil and Van Loo.

MOTION CARRIED

Secretary/Vice President Gornick thanked Director Keil for focusing on the reduced contribution to PERS as the source for reducing the overall budget.

General Manager Chaplen explained the budget adoption and rate increase procedure. President Williams asked if a new postcard would be sent out showing the new proposed rate increase. General Manager Chaplen and District legal counsel Tommy Brooks explained the purpose of the postcard was to advertise the public hearing regardless of the proposed amount of increase. Director Keil asked that the change be posted on the District website and in the Clackamas Review.

President Williams invited a motion. Treasurer Knudson moved recommend Board approval of Resolution No 2020-05 adopting the 2020-2021 budget and making appropriations as amended. Director Van Loo seconded. President Williams asked District Recorder Casey to conduct a roll call vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

Financial Consultant Moody thanked the Board. Director Keil noted that approving a budget during this time is not a small accomplishment. The Board thanked staff for the support needed to complete all the requirements of a legal budget.

6. Presentation of Proposed Rates, Fees, and Other Charges Schedule for FY 2021

Financial Consultant Moody overviewed the consideration and conversation of a master rate resolution that will be followed by a public hearing at the next meeting stating that the formal adoption of the included materials would not occur until after the public hearing. He noted the revision of water and sewer rates based on budget adoption. Financial Consultant Moody noted a Water System Development Charge (SDC) in accordance with a resolution previously adopted.

General Manager Chaplen added the goal is to have a comprehensive record of all current rates and fees in one document including the annual water SDC COLA index. She mentioned that the current proposed Rates, Fees, and Other Charges Schedule did not include the Water Master Plan that has yet to be approved. Director Keil asked what the index was. Financial Consultant Moody replied the ENR Cost Index for Seattle.

Director Keil spoke in opposition of the two-thousand-dollar charge for a permit appeal due to the lack of industrial customers in the District. She asked if the customer would be reimbursed if their case prevailed. District Engineer Rice stated current efforts to explore the fees associated with the program. He mentioned the finalization of sampling to be approved by the Department of Environmental Quality noting that no industrial users were able to be approved until the

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program is approved. District Engineer Rice asked if the Board would like to not have an appeal fee. Director Keil noted having seen appeals where the customer is right and spoke to the unreasonableness of a fee just to ask questions. District Engineer Rice explained the fee as a deterrent to entertaining frivolous debate noting that the Board can waive fees. He offered for the process to be that the fee be an estimate of the staff time required to get the appeal to the Board and if the applicant was correct the Board would be justified in waiving the fee. Director Keil was in support. District Engineer Rice noted that the fees could be removed from the schedule while waiting on DEQ approval of the program. He explained that the fee was not meant to be so high that customers feared asking for an appeal but was to enable the District to recover the costs associated with processing a request. District legal counsel Brooks stated it is possible to structure the fee to recover costs and treat the fee as a deposit meaning the District would be free to return the amount not incurred by District expenses. District Engineer Rice supported the idea of adjusting the deposit to match the average costs incurred. General Manager Chaplen asked what amount would need to be on the schedule for the Board to approve in June while knowing that adjustments would need to be made after DEQ approval. Director Keil stated that the removal of the fee in the interim may be the correct decision. District Engineer Rice agreed that it would not affect the issuance of the permit in any way.

Director Keil ask the reason for the connection meter set fee increase. Field Operations Supervisor Lyon replied that part of the increase was due to a different, slightly more expensive meter type noting that the increase was mostly due to the fact the old fee did not cover the cost of installation. Director Keil asked if the meter was included in the fee stating that she did not understand what the fee was for. Field Operations Supervisor Lyon explained the fee covered the cost of the materials and labor. Director Keil asked if a different type of meter was being used. Field Operations Supervisor Lyon confirmed. General Manager Chaplen explained that it is a combination of a more expensive material being used and that the old fee was not fully capturing the labor cost associated with the project.

Director Keil asked what a municipal customer referred to. District Engineer Rice explained the inability to charge a customer in the City of Gladstone or the City of Milwaukie although there are agreements to allow the customer to connect to the District's system creating a pass through. Secretary/Vice President Gornick noted the matching language in wastewater section G2. District Engineer Rice spoke to the current fees as a reflection of costs associated with the treatment plant and future calculations to be determined by the Sewer Master Plan.

Treasurer Knudson asked for the fee related to fire line service to be specified "per billing period" or "per month." Financial Consultant Moody confirmed. Director Keil admitted to not being knowledgeable in the water fee schedule and asked for a presentation overviewing the meaning of each charge. Financial Consultant Moody and General Manager Chaplen agreed.

Treasurer Knudson noted the fixed rate for the Backflow Assembly Testing Program and asked if there was any allowance included for repairs. Field Operations Manager Knapp explained that there are individual agreements with homeowners for the event of backflow failure that there is an allowance to be charged to the customer for the repairs. Treasurer Knudson noted that the District should document the allowance built into the fixed rate. Field Operations Manager Knapp stated that the information is in the contract signed by each homeowner.

Treasurer Knudson asked about the records research time stated as “labor rate.” Human Resources and Payroll Manager Binkowski-Burk stated that the labor rate is the full cost of the employee required to do the research. She explained the District practice to give the requestor a quote on time and cost before proceeding with the work. Treasurer Knudson proposed an asterisk or footnote that explains the labor rate is the fully burdened rate as adopted by Board. Director Keil asked if there are many public records requests. Human Resources and Payroll Manager Binkowski-Burk stated that there are only about three a year.

Director Keil noted the draft resolution included the wrong date for the public hearing. General Manager Chaplen confirmed correction before adoption of the resolution at the next meeting.

7. Resolution 2020-06 Establishing a Temporary Emergency Customer Assistance Program (ECAP) for Customers Experiencing Economic Hardship Due to COVID-19

Financial Consultant Moody overviewed the proposed program discussed at length by the Finance Sub-Committee, the Board of Directors, and the Budget Committee. He explained the program creation to meet a specific customer need when a payment agreement or the Low-Income program is unable to assist the customer.

Director Keil asked for the word “ordered” in section four to be changed to “directed.” Financial Consultant Moody agreed.

Treasurer Knudson stated his appreciation for the work that has gone into this program. He asked about the payment agreements that alluded to a District policy. Financial Consultant Moody stated that a policy is being developed.

Treasurer Knudson proposed a change from the phrase “temporary rate reduction” to something that better reflects the proposed form of bill payment relief. Financial Consultant Moody confirmed.

Treasurer Knudson asked if the non-residential assistance of five hundred dollars had been addressed to differentiate between multiple services or multiple addresses per customer. District legal counsel Brooks explained that the General Manager has the authority to make the final decision in such situations. Treasurer Knudson explained his reservations regarding large commercial customers with a separate fire line using the program to double their assistance. Director Keil proposed stating that fire lines are not included in the program.

Treasurer Knudson mentioned the perceived ability for organizations such as a school district with multiple locations to receive multiple payment relief sums. District legal counsel Brooks pointed to the definition of owner or user as receiving the benefit versus the address receiving the benefit. General Manager Chaplen asked how the Board would like to direct the policy creation of this item. Secretary/Vice President Gornick stated that the definition of non-residential customer would not cover a school district. District legal counsel Brooks explained that even a non-profit is still in the business of something and concluded that the General Manager is defaulted to make the decision. Treasurer Knudson noted that the solution could be in the definitions and tying the assistance to the owner or user versus the account. District legal

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counsel agreed to the use of “the one-time credit of five hundred dollars to the owner or user.”

Treasurer Knudson applauded the Board for courage and empathy to make the program happen.

Field Operations Supervisor Lyon asked how the benefit could be translated to help the tenants of multi-family housing units when the owner is the landlord of the property. Treasurer Knudson stated that the ECAP defines multi-family housing with one single meter as non-residential. General Manager Chaplen added that some landlords pay the utilities and some tenants are the responsible party.

President Williams invited a motion. Secretary/Vice President Gornick moved to establish a temporary Emergency Customer Assistance Program as set forth in the documents presented by staff and as modified by discussion. Director Van Loo and Treasurer Knudson seconded. President Williams asked District Recorder Casey to conduct a roll call vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

8. Department Reports

Director Keil asked if agenda item eight: Department Reports and agenda item ten: Business from the Board should be curtailed due to time. President Williams and Secretary/Vice President Gornick agreed.

Before moving on District Engineer Rice asked to brief the Board on the chart included in the Technical Services Report. He noted an error in the published chart and the fact that non-revenue water has decreased.

9. Call for Public Comment

President Williams asked District Recorder Casey if there were any members of the public in attendance. District Recorder Casey confirmed that there was one.

President Williams asked the members of the public that would like to speak to identify themselves for the record. Chris Hawes, Chair of the Sunrise Water Authority Board of Commissioners, stated that he was still just listening in.

10. Business from the Board

This item was removed from the agenda by President Williams due to time.

11. Recess to Executive Session

President Williams recessed to Executive Session at 7:55 p.m. under ORS 192.660(2)(f) to consider information exempt from public disclosure.

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The Board received a presentation from the District's legal counsel based on a memorandum the legal counsel previously prepared. The Board members asked clarifying questions of the District's legal counsel and generally discussed the memorandum.

12. Adjourn Executive Session

President Williams adjourned the Executive Session at 9:02 p.m.

President Williams asked District Recorder Casey if there were any members of the public waiting for the adjournment of the Executive Session. There were none.

No decisions were made as a result of the Executive Session.

13. Adjourn Regular Meeting

President Williams adjourned the meeting at 9:03 p.m.

Respectfully submitted,

DocuSigned by:
Kevin Williams
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Kevin Williams
President, Board of Directors

Date: 7/1/2020

DocuSigned by:
Paul Gornick
4620A8E6A60F402...

Paul Gornick
Secretary/Vice President, Board of Directors

Date: 7/1/2020