Board of Directors - Members Present:

Susan Keil, President

Kevin Williams, Vice President/Secretary

Lynn Fisher Treasurer

Paul Gornick, Director,

Board of Directors - Members Absent:

Nancy Gibson, Director,

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

Jeff Voreis, Accountant

Todd Knapp Field Operations Superintendent (absent)

Haakon Ogbeide Civil Engineer

Matthew Westergard Plant Operator,

Budget Committee Present:

John Klum, Budget Committee

Amanda Gresen, Budget Committee

Dave Phelps, Budget Committee

Ron Weigel Budget Committee

Fred Swingle, Budget Committee

Terry Gibson, Budget Committee (alternate) (absent)

Peter Winter, Budget Committee (alternate) (absent),

Budget Committee – Members Absent:

Terry Gibson, Budget Committee (alternate)

Peter Winter, Budget Committee (alternate),

Others Present:

Rob Moody, Consultant, Merina and Co.

**Budget Committee Meeting Minutes**

Budget Committee Chair John Klum kicked off work session two of the Budget Committee Meetings and turned over the meeting to Finance Director Kelly Stacey.

Kelly turned over the meeting to District Engineer Jason Rice, who continued to present the budget for the Technical Services Department and the Capital Improvement Plan. Secretary Williams noted there are nine Budget Committee members present and asked if the Budget can be passed through to the Board without alternates (and one absent Board member). Kelly stated there are enough members present to provide a quorum for passing the Budget through to the Board.

District Engineer Jason Rice introduced Project Manager Haakon Ogbeide and provided an overview of the Technical Services Department. He presented the functions of the department, which include the following: outreach and education as tied to the MS4 Stormwater Permit and wastewater, which includes running tours of the Water Reclamation Facility (WRF) (staff Lara Christensen); Lara also provides backup to others on the team as well as coordinating public information and recording, including minutes, website updates, public notices, etc.; development review is responsible for issuing construction permits for all three services, as well as representing OLWS at Clackamas County pre-application conferences (staff Markus Mead); two staff serve as pollution prevention specialists, one who manages the wastewater, industrial pretreatment, fats and grease (FOG) program, and the water quality sampling program (staff Marty Guenther), the other manages the surface and storm water program which includes the 1200Z Permit at the WRF, works on the MS4 Permit, attends the MS4 co-permittee meetings, takes water quality samples of streams and outfalls, and conducts erosion control inspections (staff Rick Pauker).

Jason explained how OLWS shares our MS4 Permit with 12 other nearby agencies in Clackamas County, which allows all co-permittees to share some efficiencies in fulfilling parts of our MS4 Permit. The Board asked how frequently the MS4 Permit is renewed and Jason responded every 4 years except for the fact the permit renewal been delayed and administratively extended for an additional 3 years. The Department of Environmental Quality has a new staff coordinator who seems promising in that they are requesting and reviewing comments from permittees.

The Board asked if we monitor every commercial restaurant preparing food in the FOG Program and Jason responded yes, every establishment preparing food is part of the program and has its own grease trap/interceptor. The Board asked if Stanley is using a “black oxide” coating process and Jason responded they are set to bring the process online in about nine months which will trigger the industrial user pretreatment requirements and OLWS should be ready with our DEQ approved pretreatment program by then, which includes a number of changes to our wastewater plant process as well as a fee. The Board asked if and how the addition of the pretreatment waste would affect our biosolids and Plant Superintendent David Mendenhall responded it depends on the amount of metals added to the solids stream but that the pretreatment is designed to mitigate the final product to allow for beneficial reuse of solids.

The Board asked what we can do if a business does not follow through with our requirements for FOG or erosion control and Jason responded based on our rules and regulations, we will inform them, we can fine them, we can clean the drain ourselves if needed.

In addition, the department has a Technical Services Coordinator (Gary Floyd) who manages the contract with our Information Technology consultant, Convergence, our phone and Springbrook contracts, the SCADA and TV truck upgrades and software/data management, GIS programming and maps, and backs up Markus. Finally, our new Project Manager Haakon manages Capital projects, and Jason commented that along with managing the Technical Services Team he also manages Capital projects.

Jason walked through the highlights of the Capital Improvement Projects for the year, focusing on the summary page. Jason referred to the Capital Improvement Plan in this part of his presentation. He mentioned working to smooth out rate changes within the structure of capital project needs/goals. Related to watershed projection (storm water management with water quality as the goal), the rates have been low with incremental increases. OLWS is conducting a Surface Water Management (SWM) Survey in preparation for a future SWM Master Plan (SWM Strategic Plan) for budgeting purposes. Because Clackamas County owns the stormwater system, OLWS is currently doing our job, but we want to know what the public would like in relation to surface water management.

The Board asked whether Jason was working with the Stormwater Advisory Committee on the project and he responded yes, along with Barney & Worth, who did a similar customer survey in 2012. OLWS will send an email with a link to the survey as well as the notification about the survey that went out in the bill. The advisory committee includes Jim Martin, Peter Winter, and Paul Gornick, which is why we need customer feedback through survey participation. The Board volunteered to help bring in more citizens to participate in the committee.

The Board asked whether permits might become more restrictive based on the Willamette River being listed on the *American Rivers* recent “10 Most Endangered Rivers” report and Jason commented it is likely the permit will become more restrictive even without the report. The Board asked how the permit would change and Jason mentioned the water quality parameters would likely tighten for contaminants like metals (copper) and organics (E. Coli). The Committee commented the District could focus on mitigating the effects of stormwater runoff from the 80%+ impervious surface in our area. Jason commented on the funding OLWS provides to the Backyard Habitat Certification Program to help increase infiltration in yards, as well as the North Clackamas Urban Watersheds Council (NCUWC) programming. NCUWC has invested in the Streamside Stewards Program (SSP) for years, and they may pivot to work on stormwater (like de-paving certain sites).

General Manager Sarah Jo Chaplen commented the SWM Master Plan would be in part shaped by feedback by the customer survey, which will show OLWS how invested our public is in how we meet our requirements. The District needs to continue to tackle how we could incentivize required stormwater management with ratepayers in the way City of Portland used the downspout disconnect program to help motivate customers to support the change.

Civil Engineer Haakon Ogbeide explained he is working on upgrading the District’s decant facility, which must be built to accept a variety of wet slurries and needs to be upgraded to comply with DEQ regulations including pretreatment. The facility must allow the material to drain and dry out in a way that does not allow for water/soil contamination before disposing of the drier remains. Runoff should be channeled into the wastewater facility for proper treatment. Currently we have two small decants (water and wastewater). All three utilities will use the upgraded decant facility equally.

Jason touched on other projects from the list. The Biosolids program needs to have a second belt filter press installed. They are working on a solids piping project which will support the sewage sludge treatment by putting in more pipes to add flexibility to the solids treatment process and may result in energy savings. The Gladstone Intergovernmental Agreement will be completed in the next year. The line item holds space for flow meters, which would allow us to monitor usage and potentially reduce Infiltration and Inflow (I & I) in that area of our system. Another project would be a Mainline Repair program or Lateral Repair program, which will evaluate and prioritize projects based on reducing I & I in the system in order to decrease the amount of stormwater we treat at the WRF. There is a plan to produce a comprehensive Sewage Treatment Plan for both WRF and Field Operations, which will make project planning more proactive and begin an asset management program. There was discussion about planning for a Lateral Repair program. OLWS owns the lateral up to the property line. Vehicle replacement includes purchase of a mini Ford transit van to store and transport gear for the stormwater inspection program.

The Water Capital Plan includes prioritization of identifying and creating an intertie to draw from a water source different from the Clackamas River, increasing resiliency for the District’s water source. The line item would allow for putting in a pump station if needed. There is also the possibility of partnering with the North Clackamas County Water Commission on this work. The Board, Budget Committee and staff discussed the significance of adding interties, pumps, or Aquifer Storage and Retrieval (ASR) for the purpose of resiliency, and what long term options for capital investment and/or partnership might be.

The water meter replacement program is nearing half-completion. The program updates water meters to a drive-by automated meter reading, which will streamline the process of collecting water meter reads. The meters are compatible with a “fixed area network” technology if we want to move toward that in the future. Batteries power the water meters, which should last about 20 years. They relay information for 1.2 milliseconds every 6 seconds.

Jason relayed the Water Master Plan has revealed the water system needs capital investments of about $1,400,000 per year for 20 years. He added the line item of $750,000 for water system capital improvements for next year in order to begin the process and stated more discussion would be needed about how to tackle this challenge. Some of the cost is because of new requirements for increased fire flow, and the budget analysis should allow the District to fund everything presented in the budget for next year.

**Call for Public Comment**

Kelly requested comments from the public. There were no comments.

**Board and Budget Committee Questions and Discussion**

Chair Klum edited a misspelled resource on page 12 under the second column over to the right and then asked about the substantial decrease of materials and services on page 14 of 52, Kelly responded the funds have been shifted into other places based on the creation of the Administrative Services Fund. He asked why we have $125,000 for bank changes on page 17 of 52 and Kelly responded it is the amount the banks takes for allowing credit card charges as well as other regular bank fees. He noted on page 21 of 52 second paragraph should be Mt. Hood National Forest area instead of Park Area. He commented on page 23 of 52 on the legal services we have a blank page and suggested adding a footnote for why the item is blank this year and not last year. He asked for a spelling clarification of Zions Bank and she responded Zions Bank is correct. He asked about 26 of 52 under item 3500 why last year’s amount was higher than this year and Kelly responded last year was the first year the Capital Reserve line item was funded and came out of a line item on page 29 of 52.

President Keil asked where the aggregate Public Employee Retirement System (PERS) funding is reflected and Kelly responded payments come out of retirement every payday and is reflected under personnel services in 5240 for each large fund. She asked where we show the excess payment and Kelly responded under contingency in the Administrative Services Fund on page 20 and is explained in the narrative of the Budget Message.

Budget Committee member Fred Swingle asked about 5 line-items of the summary overview where we increased the demand on the funds, but when he totals the demand it seems to fall short. Kelly responded we are increasing the fees, but these are not directly reflected in the summary overview, they are reflected in the budget requirements.

Treasurer Fisher asked why the data around revenue forecasts and expenditure assumptions reflect a higher rate increase than the one proposed in the budget. Kelly responded that because of savings the District accomplished, we are starting from a lower base, which means the rate does not need to increase as much as projected by the budget. He requested a clearer picture/graphic of this savings for the public and the group agreed. Kelly will put something together in the summary conclusions to be shared clearly in the Newsletter and Website.

G.M. Chaplen will speak with the Oak Grove Community Council about Backflow and will share the updated talking points with their 500-person mailing list. She added comments from Director Nancy Gibson, who could not be here. Director Gibson commented she would want to increase the line item for Board reimbursements per meeting and she would only want to fund two staff positions and not fund the Recorder’s position.

Budget Committee member Fred Swingle commented on page 13 of 52 the difference between cost of water and the rate increase from 3.6 to 4.2 seeming to be lower than it should be. Kelly responded the difference in tiers of volume shifts the balance of the revenue because of the contribution of revenue from the tiers is different. On page 17 of 52 he asked what the contracted services item entails. Kelly commented these costs are listed in more detail on page 44 under 6155.

Director Paul Gornick asked about the building consolidation costs being calculated into the proposed budget and Kelly responded they are.

Budget Committee member Amanda Gresen asked how projected new users will fit into the budget, particularly developers or new construction. Staff responded there is no separate accounting or budgeting for new users because it is such a small number of added units. Jennings Lodge subdivision is an anomaly and spans two fiscal years. G.M. Chaplen commented there are two places where you get new revenue from growth: system development charges, which are one-time monies and best practice assigns one-time monies to capital, not ongoing revenue needs; the second place where you get new revenue is when you add new customers, who will pay on an ongoing basis. The biggest new source of revenue would be through adding an industry which was a significant new user of water. OLWS typically has incremental growth, but this year is different because we have more one-time income which helps with our carryover and funding of capital projects. Staff is tracking the possibility of a significant change in zoning which could affect density enough to add up to four units instead of one, but so far, no big changes like that have been put into place.

Chair Klum asked if the group needed another Budget Committee Meeting next Tuesday, April 30, 2019, and commented this year’s budget was clear and easy to understand and that he is ready to move forward with a vote. Treasurer Fisher asked for how the clarification narrative would be addressed, and Consultant Rob Moody stated it could be added after a vote if the numbers were firm. President Keil asked if there was anything the group thought should be cut, and Consultant Rob Moody clarified the Board could make slight adjustments until the document is approved by the Board by June 30th at the latest. The Board discussed making sure the proposed rate change and Budget document are made public as soon as possible for public review.

Director Gornick asked whether the sale of a building was in the document and staff responded it was not. The facility money was for property purchase, space planning, and other preparatory measures for consolidating certain OLWS staff into one building.

**Treasurer Fisher moved to approve the proposed Budget. Director Gornick seconded the motion.**

**Ayes: 9**

**Nays: None**

**Motion carried: 9-0**

Chair Klum stated the Budget passed unanimously and thanked the group. The April 30 meeting will not be held. The narrative will be circulated, and the Budget approval will go onto the May Board meeting for adoption. The Board plans to discuss the document and the rate increase with the public until the Board meeting. G.M. Chaplen explained to the Budget Committee there will be no further Budget Committee Meetings and no conflict with the Willamette View event. She requested direction with her talking points and will focus on backflow on April 24th and will discuss the Budget and take questions on April 30th.

**Adjourn Budget Committee Meeting**

 Chair John Klum adjourned the Budget Committee Meeting. Finance Director Kelly Stacey clarified the time of 8:14 p.m.

Respectfully submitted,

John Klum Amanda Gresen

Chair, Budget Committee Secretary, Budget Committee

Date: Date: