



OAK LODGE WATER SERVICES

Minutes

Board of Directors – Regular Meeting 6:00 p.m.  
September 18, 2018

Board of Directors - Members Present:

Nancy Gibson, President  
Susan Keil, Vice President/Secretary  
Lynn Fisher, Treasurer  
Kevin Williams, Director  
Paul Gornick, 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  
Laura Westmeyer, Acting District Attorney, Cable Huston LLP,

Visitors Present:

Rob Moody, Plan B Consulting  
Dave Phelps, Budget Committee  
Eric Hofeld, Sunrise Water Authority.

## **Regular Board of Directors Meeting**

### **1. Call to Order and Flag Salute**

Board President Nancy Gibson called the regular meeting to order at 6:00 p.m. and Vice President Susan Keil led the pledge of allegiance.

### **2. Call for Public Comment**

There were no comments from the public.

### **3. Consent Agenda**

#### **a. August 2018 Financial Reports**

##### **i. Approval of August 2018 Check Run**

#### **b. August 21, 2018 Board Meeting Minutes**

Questions included: requests for more information about checks numbered #41392 Roto Rooter and #41471 to Clog Busters – were the high charges because of the lack of specialized equipment? Staff responded yes and added that some of the work had to be done at night because of Oregon Department of Transportation regulations, which increases the price of the job. What is Brown and Caldwell currently working on for OLWS? Staff responded they are working on the biosolids building, and on how to add a hopper into the waste recovery stream. Question about workers compensation payouts and if

OLWS has had any claims. Staff responded the payment is annual to SDIS to cover workers compensation premiums. In the Drinking Water Capital Outlay the percent of budget expended is already 86% on vehicles. Staff responded this is for encumbered charges based on the order of two budgeted vehicles to the fleet. Correction to the minutes: change Item #6 to read "Closed **Public Hearing** for first hearing of the Ordinance". There were no other questions or comments.

**Director Williams moved to approve the consent agenda with the noted change.**

**Director Gornick seconded the motion.**

**Ayes: 5**

**Nays: None**

**Motion carried: 5-0**

#### **4. Initial Finance Policies Workshop**

Finance Director Kelly Stacey introduced Rob Moody, partner from Plan B Assurance Services to share the progress OLWS has made on updating the Finance Policies. He presented 7 Draft Financial Policies for Board consideration. There will be 12 more policies coming for review at the December Board meeting, including: Procurement Policy, Records Management Policy – which includes a Records Retention Schedule, a Cyber Security Awareness Policy, a Board of Directors Compensation and Expense Policy, a Grants Management Policy, an Employee Credit Card Usage Policy, an Expenditures Policy, an Ethics Policy, a Personally Identifiable Information Policy, a Travel Reimbursement Policy, a Payment Card Industry (PCI) Policy, and an Information Systems Physical Access Security Policy.

For this meeting, the following policies were reviewed, and details of the policies were highlighted (refer to Board Packet for policy attachments and audio for detailed highlights): a Budget Policy, a Debt Policy, a Fund Balance Reserve Policy, a Low Income Rate Relief Policy, A Revenue Policy, a Surplus Property Disposal Policy, and an Investment Policy. The Oregon Revised Statutes (ORS) provided the basis and best practices for the policies.

The Board asked several questions, including: what the following phrase meant, "that the District Budget Process will provide incentives to District management and employees". The response was that through the policy and the budget process an incentive for following the policy is provided to management and staff. The language will be adjusted to place the focus onto the process providing guidance, and not that "incentives" will be provided.

Other questions: Debt Policy question what "proper" approvals means, -- Rob Moody suggested the language, "established document and maintain a system of control over debt activities including board approvals for debt issuance and proper authorizations for debt service payments." The Board approved that suggestion.

Question on the end of the Investment Policy, paragraph about the authority of the Finance Director. Rob Moody suggested the language, "the finance director may engage the services of one or more external investment managers to assist in the management of the District's investment portfolio in a manner consistent with this investment policy and in

accordance with the District's procurement policies and practices." The Board approved the suggested language.

Question about the meaning of "direct dealer relationships". Rob Moody responded it means, "this is where the District would have a one-to-one relationship with a broker-dealer that is with respect to a specific transaction. The relationship is direct and does not work indirectly or through a third party." He will follow up with a more succinct response.

Question about the Low-Income Rate Relief Policy being set up like the former Water District Policy and not a specified percentage of the overall bill like the former Sanitary District Policy had. The language would clarify rate relief of "half for the water service charge component and half for the annually set entire wastewater and watershed protection fee." The Board agreed with this clarification.

Question about reasonability of the Revenue Policy statement, "all revenue by the District including any revenue received by any agent on its behalf is to be reconciled at least on a weekly basis." The suggestion was made for it to be quarterly at least and maybe more often as time allows, possibly monthly. The Board agreed with this change.

Question about the Debt Policy in Direct Debt, within Debt Position, and the phrase of ration of "Debt to Personal Income" and how we would do this? Rob Moody responded the statistical information is broken out and compiled at the local or at least the County level. Comment concerning the Oak Grove zip codes there is an average household income level broken out (\$60,000). This information allows rating agencies and debt providers to evaluate the potential risk of their investment in providing a cost of debt to an organization. This encompasses certain kinds of debt and bonds, like geo-bonds.

Question about the Fund Balance and Reserve Policy within each of the reserve funds, does the District have the knowledge about how to, "spread the cost of replacement of equipment over the life of the respective asset"? Staff responded the District evaluates and assigns depreciation information to assets and then will work to follow investments in asset repair/replacement. We are not to this goal yet, having recently set up the reserve funds, but this is the target. Comment that the life assigned to assets are conservative, and because of this should the District set reduced appreciation numbers? Comment that the numbers sound like an annual contribution as opposed to a reserve balance, so what is intended by this policy? Will the amount set aside annually be based on the rate of depreciation? Staff response we would target the total reserve to equal the level of our accumulated depreciation. The intention is to establish a reserve sufficient to take care of your annual capital replacement and maintenance needs, and then strive towards carrying out that goal. Comment that we cannot reserve replacement value, you can only reserve actual cost. We will have to calculate the rate increase to meet these goals over time, and the reserve will help to stabilize rates over time. The Board discussed several different models for establishing and maintaining reserve funds for municipalities and settled on the proposed 25% for the OLWS reserve fund.

Question from the Investment Policy: what is a repurpose agreement? Rob Moody responded it is a risk hedging instrument which involves buy-back commitments although very few organizations use these agreements.

Question on the Capital Reserve Funds about the use of the term “spread the costs of replacement of equipment” – Rob Moody responded that it should read “capital assets” instead of equipment.

Question on the Investment Policy if the District compares the performance standards and evaluates our investments. Staff response that the District is restricted related to liquidity and only invests in the Local Government Investment Pool and does not look at other investments. Rob Moody responded we could meet the standard by looking at the changes in rates and benchmarked by looking at the state’s short-term fund board returns. At times we could move money in and out of the LGIP to catch opportunities for our investments, and possibly use a consultant to support this activity. We would report to the Board annually on the process and choices.

The Board engaged in a conversation about the importance of using the approved policies to be not only aspirational but also that the policies are best practice and we must figure out how to accomplish what we have committed to in our policies.

Question about the Debt Policy and where the District would use “conduit debt”. Rob Moody replied the City of Hillsboro issued conduit debt for Tuality hospital in order to build the hospital. Because they do not have the ability to issue debt themselves, they pass the money from Tuality through to the debt provider. This will not be likely for OLWS.

Question about the application of System Development Charges and when will they be reviewed. Staff and Board responded that how they are calculated is defined by state law and is used to create the District’s master plans, how they are regulated and applied is defined in the District’s Rules and Regulations. This will be looked at in February for water, watershed protection will be looked at during the December after that, and the sewer would be in the following June.

These policies would be reviewed by the union and then will return to the Board.

**5. Second Reading of Ordinance No. 18-02 to Ratify Resolution No.18-08 amending and restating the District’s North Clackamas County Water Commission’s Intergovernmental Agreement (IGA)**

General Manager Sarah Jo Chaplen provided an update on the long process of the IGA and if approved it will be filed at Clackamas County Recorder’s Office and at the Office of the Oregon Secretary of State, as well as an original being held at the District level. There were no further questions or discussion.

**Treasurer Fisher moved that the Board conduct the second reading of Ordinance No. 18-02 by title only. Secretary Keil seconded the motion.**

**Ayes: 5**

**Nays: None**

**Motion carried: 5-0**

## **6. Commercial Real Estate Broker/ Agent of Record Contract**

General Manager Sarah Jo Chaplen has been working with the facilities subcommittee and after reviewing many options about moving forward with meeting the operational needs of the District. Currently, they are requesting to work with a commercial real estate broker to make the best decisions. Options include to sell the former Sanitary District building and to expand the former Water District site to increase viability, to sell both buildings and have a third site in the District. The broker will assist the subcommittee with estimates on costs of sale and purchase for the various options.

Question about what it means to have full range of commercial real estate services and the staff responded that they will have information and strategies that will assist OLWS in making good decisions on multiple levels of sales/purchase for real estate transactions. Further conversation about the level of service needed for this position and the contract that will be created to support this service.

**Director Gornick moved to authorize our General Manager to issue the notice of intent to award and negotiate the contract for Commercial Real Estate Broker/ Agent of Record services from 2018-2022. Secretary Keil seconded the motion.**

**Ayes: 5**

**Nays: None**

**Motion carried: 5-0**

## **7. Intergovernmental Agreement (IGA) with North Clackamas Parks and Recreation District (NCPRD) Regarding Partnership on Boardman Wetland Complex Project**

District Engineer Jason Rice shared that we are waiting to hear about the official grant award for the nature play area of the Boardman Wetland Project. He reminded the Board of the purchase and sale agreement written up with NCPRD for the North Addie Street lot last March. The agreement was put into place to show the Oregon State Parks Board that NCPRD would own and be responsible for the property on which they were applying to build the park. To complete this transaction, OLWS needs to have an IGA about how the funds will be exchanged. Overall, NCPRD commits to reimbursing OLWS for all expenses tied to adding the Nature Playground to the Boardman Wetland project. OLWS commits to the continued management of the construction project. Staff went through the contract to highlight changes, including a standard warranty expiration period, indemnification was made mutual in the agreement, and clarifications which do not change the intent of the contract. Another change to the motion is the OLWS Board President will sign the document although the points of contact will remain at the jurisdiction staff level (Sarah Jo Chaplen and Scott Archer). We will have ongoing easements for the sewer line, which is the only ongoing obligation of OLWS to the area.

**Treasurer Fisher moved to direct staff to work with legal counsel to finalize an Intergovernmental Agreement with North Clackamas Parks and Recreation District for the Partnership of the Boardman Wetland Complex Project and to have the Chair sign the Agreement once finalized. Director Williams seconded the motion.**

**Ayes: 5**

**Nays: None**

**Motion carried: 5-0**

## 8. Department Reports

- **Finance Report:**

Finance Director Kelly Stacey shared they are putting together year end documentation for OLWS and for the Water Commission. They will go live with payroll for the Commission at the end of October. She has started her comprehensive analysis of the FCS Report, noticing that their report was based on actual numbers from 2015-2016 and using it to compare to current actuals. She mentioned the temporary staff Matt Parla being hired to cover for time when two members of the administrative team were both out of the office. He will be here through the end of October. The consultant from Plan B is interviewing about half of the employees for the risk assessment to document a variety of perspectives on work left to complete after the consolidation.

- **Field Operations Report:**

Field Operations Superintendent Todd Knapp reported 94% of the total goal for cleaning and inspecting the lines. He highlighted aspects of his Board report. They will be starting work with the easement machine in the next week. Water use numbers were higher than average. A water hydrant had to be moved at the Addie Street property. Sand was added to the Valley View reservoir site, which allows for ease of landscaping. The Board relayed a public comment on flooding concern for the outflow/conduit on the Risley Street side outflow from the small box into River Forest Lake. The Board wanted to know who had responsibility for water quantity as well as water quality in a similar situation. The public talked to Water Environment Services and WES thought the conduit belonged to the Parks District. There is beaver activity in this area also, and the question is who is responsible for what layers in situations like these. Jason Rice mentioned this issue will be a focus of the upcoming Special Board meeting on October 10<sup>th</sup>. The Board mentioned it was important for them to have time to clarify current District responsibilities and level of service before opening it up to the public. He encouraged the Board to become familiar with the Municipal Separate Storm Sewer Systems (MS4 Permit) before the meeting. Sarah Jo Chaplen mentioned the accident issue that was dealt with while Todd was on vacation over Labor Day weekend, and the good work that Brad and the on-call field staff provided.

- **Plant Operations Report:**

Plant Superintendent David Mendenhall commented on the continued operation and fine tuning the process. He was glad to bring in the last operator and get the new maintenance staff up to speed. He went over the photos in his staff report showing the pumps that are being rebuilt, which is significantly more cost effective than purchasing new pumps. The Board asked a question about how much time was spent with the crane operators on site and staff responded they were out at a four-hour minimum. The Board asked if this work should have been completed sooner and staff responded yes, but it had been attempted in the past and the job was not completed. The Board asked what a "volute" is, and staff responded the volute is a round piece that fits around a propeller blade and helps to create the centrifugal force for a pump. He also pointed out that the annual generator work was completed.

- **Technical Services Report:**

District Engineer Jason Rice did not yet have word on the receipt of the grant by NCPRD. He added two points. The first was how much he enjoyed the Oak Grove Trolley Trail Festival with Kevin and Sarah Jo at the event. He thought there were quite a few people there, there were many good items to give away, many good conversations, and OLWS appreciated being located next to the Oak Lodge Community Emergency Response Team. Two items that were very well-received were the emergency water bags and the leak detection kits. There were usually a line of people waiting to talk and receive information as well as free give-away items. He illustrated his report and the various projects that were underway. Concerning the Boardman Wetland Project, he highlighted the piles for the boardwalk had been driven, the contractors were nearing the end of grading, they were getting ready to burst the sewer pipe. They will pull the new pipe through and break the old pipe to create a new watertight sewer pipe flowing under the wetland. They will do three pulls in about three days to complete that solid pipe replacement all the way from Jennings Avenue to Boardman. He will need to ask for an extension for the contractor's in-water work permit, pushing it out past the end of September.

#### **9. Call for Public Comment**

Eric Hofeld thanked the Board for allowing them to share his expertise with OLWS. The Board reciprocated his gratitude and let him know how much they valued his knowledge.

#### **10. Business from the Board**

Treasurer Fisher attended to the Oak Grove Community Council meeting and shared the presentation from the local business owner, Lazerwerks, located in the Gigi's complex. The owner has been there since 2007 and they provide awards, placards, and engravings for many customers. The New Century Players gave a long presentation. The Land Use Application Review Team (LIUART) presented information on the vacant lot right next to the house across the street from the OLWS administration building – could this be a possibility for parking for the District?

Vice President Keil attended the North Clackamas Chamber of Commerce Public Policy Forum and referred to her report in the Board Packet. There was a disorganized presentation on a tobacco retail licensing Measure from the Oregon Health Department. The presentation was not well-received, and many thought the work to protect people from underage smoking could be better done by another entity, like the Oregon Liquor Control Commission. The second presentation was by the Superintendent of the North Clackamas School District about the levy on the ballot. The levy will cost about \$30/month for a home assessed at about \$221,800 and will help the District catch up because of lagging funding requests over the last decade compared with state's budget increases over the same period. The third presentation was Dave Hun talking about high pharmaceutical prices and their goal to put pressure on drug companies to lower costs. There was no specific plan outlined or fundraising goal at this time, so there was little impact.

Director Williams reported that the Jennings Lodge CPO had a presentation from the new Executive Director, Neil Shulman from North Clackamas Urban Watersheds Council presented on NCUWC mission and thanked OLWS for their funding. Next came a presentation about what CPO's in Clackamas County have learned over the past five years. The takeaway is that the County Commissioners do not care about unincorporated neighborhoods, advocacy and lobbying are the best ways to approach public officials and planning and zoning regulations need to be fixed. Upcoming goals for CPO's will be to amend zoning regulations, a focus on who they help elect (for all elected positions), and that they want to see permit and building applications tracked to ensure that conditional uses are being met. Then they asked what topics should be at CPO meetings. Suggestions included education for the group regarding zoning regulations and non-compliance, develop a list of properties in Jennings Lodge that could be subdivided for infill. They discussed garage sales and that frequent sales at regular locations were in compliance.

Director Paul Gornick attended the August 22<sup>nd</sup> meeting of the Sunrise Water Authority. They interviewed two candidates for one of the two open Board positions and the Board selected Wayne Barstow for Position #3. The Board unanimously passed the first reading of Ordinance 2018-01 reconstituting the NCCWC under the new IGA. The second reading will take place on September 26<sup>th</sup>. There were discussions on topics from their consent agenda items involving main replacements whose final budgets were significantly higher than their projected CIP budgets. One had more than doubled due to half-street replacement conditions placed by the County. The Board nominated and approved their representatives to the NCCWC and the Clackamas River Basin Council. During the meeting the managers requested Board direction for over and under billing on customer accounts and the consensus was to look back 24 months on the accounts, delegating the payment arrangements to be made through the General Manager. Board review of specific cases would take place as requested by either the G.M. or the customer. In the operations section he noted that unaccounted-for water dropped from 10% in May 2017 to 6.5% in July 2018. The Board convened their local contract review Board and approved an exemption from competitive bidding of meters and related equipment and bank and payment services. Then they amended by resolution a 2015 ordinance to include recurring budget approved purchases in the \$50,000 spending limit for the G.M.

President Gibson attended C4 where the big topic was vehicle registration and fees. She highlighted a graphic (see Board packet). Washington County has 1300 miles of road with an annual collection of 14.9 million dollars funded by four funding sources: a local gas tax, a road tax, local property tax and vehicle registration. Multnomah County has 230 miles of road with 17.9 million dollars funding from local gas tax and vehicle registration fees. Clackamas County has 1400 miles and no local funding sources currently (except for gas tax from the state of Oregon). Clackamas County would like to deed their roads to the cities within it. The Cities would like to own the roads because currently Clackamas County does not build its roads up to the same standards that cities require. Comment that with a vehicle registration fee, 40% goes to the county and the rest to the city, which can use it as needed. Many people want to make sure that the money would go to road related needs.

OLWS does not have a CRBC Board liaison, and we are not required to. Kevin Williams does not need to be an alternate for "Impact" because Nancy Gibson is the alternate to the primary Don Trotter. This meeting is twice a month, second and fourth Wednesdays. Along



with this meeting is the C4 Metro Subcommittee Meeting every Wednesday at 7:30 a.m. Susan Keil must be the alternate to Lynn Fisher for the Oak Grove Community Council because she lives in the area. Who will go to CRW meetings? Lynn Fisher volunteered to attend the CRW meetings, and Paul Gornick volunteered to be the alternate. Lynn Fisher updated the group that the DAB is not currently meeting (NCPRD) and that the Master Planning CAC is also not currently meeting. The Concord Community Stakeholders Association is no longer in existence. The new Concord Task Force will start meeting in a few weeks and Lynn Fisher will be a part of it, representing DAB and parks constituents, not OLWS.

**11. Adjourn Regular Meeting**

President Nancy Gibson adjourned the regular meeting at 8:43 p.m.

Respectfully submitted,



Nancy Gibson  
President, Board of Directors

Date: 10/16/2018



Susan Keil  
Secretary, Board of Directors

Date: 10-16-18