

OAK LODGE

WATER SERVICES

OAK LODGE WATER SERVICES

Minutes

Budget Committee Meeting – 5:30 p.m.

Board of Directors – Regular Meeting 6:00 p.m.

March 20, 2018

Board of Directors - Members Present:

Nancy Gibson, President
Susan Keil, Vice President/Secretary (via telephone)
Lynn Fisher, Treasurer
Jim Martin, Director
Kevin Williams, 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
Tommy Brooks, District Counsel, Cable Huston LLP

Visitors Present:

Paul Gornick, Budget Committee
Dave Phelps, Budget Committee
Terry Gibson, Budget Committee
John Klum, Budget Committee
Greg Wenneson, Local Resident and OLCERT representative
Jackie Brown, Local Resident and OLCERT representative
Thelma Haggemiller, Local Resident
Jane Civiletti, Local Resident
Ernie Platt, Sunrise Water Authority
Don Bunyard, Clackamas River Water
Eric Hofeld, Sunrise Water Authority.

Budget Committee Meeting

March 20, 2018, 5:30 p.m.

1. Call to order

Board President Nancy Gibson called the Budget Committee meeting to order at 5:40 p.m.

2. Election of budget committee chair

Board President Nancy Gibson requested that an OLWS Budget Committee Chair be elected. Committee members nominated John Klum and voted him into the chair for this year.

3. Budget message

General Manager Sarah Jo Chaplen thanked the committee members and presented the 2018-2019 OLWS Budget. She flagged the future needs for the District, including the PERS rates – which will likely go up in the future, providing excellent customer service, and heavy infrastructure needs of the District business – which will continue to require heavy capital investments upfront. She turned the presentation over to Finance Director Kelly Stacey, who thanked the committee members and shared the overall budget number of \$47,448,043 compared with last year at \$29,654,000. She outlined the difference being that the District had to set up some funds twice (transferring the money) which counts some numbers twice, making it look larger than it is. OLWS is actually up \$4,500,000, or about 15% from last year.

4. Presentation:

a. Budget Highlights

Overall we are down 3.4% for personnel services (excess insurance and unused salaries); materials and services went up 8.6% (mostly in legal fees); debt service went down 5.5% (due to refunding of District bonds, which will save about 900,000 over 10 years); capital has a 58% increase (reflecting two years' worth of project expenses waiting in reserve for upcoming projects), with three new funds set up for water, wastewater, and watershed protection; contingency money is set slightly higher under capital repair funds; reserves are up 28% and can not be spent except for emergencies. The District has two open positions which will be filled before the end of the year. Capital funds are being set up so that we can save some money in order to stabilize rates in the future.

b. Overviews

i. Personnel Services

Aleah Binkowski-Burk, Payroll and Human Resources Manager, shared information about personnel services budget decrease of 3.4% due to the restructuring of consolidation. She referred to temporary and seasonal staff as being similar to last year; employee benefits numbers will influence overall costs and many of them are fixed. Workers compensation costs went up the most because of the small number of staff in the District, from 0.69% to 0.95%.

Finance Director Kelly Stacey shared that PERS costs go up every two years, so for this year we will remain stable. In the future the costs will begin to go up significantly. The District will apply to receive match support for the over 200% of gross annual payroll unfunded liability, and we will need to come up with enough money to receive enough match for this liability by 2023. The more we have in the District fund, the more our rates will remain stable. Director Williams mentioned Senate Bill 1766 which redirects the school PERS rates and provides 25 cents per dollar rate relief but didn't allocate much money into that fund and encouraged the District not to count on it. Staff recommended that Budget Committee will need to advise on both the matched and straight money going into the District account. Liability for entities differs greatly depending on multiple factors.

ii. Wastewater Plant Operations

Plant Superintendent David Mendenhall presented wastewater needs, in particular to meet the or exceed the limits of the Wastewater NPDES Permit. New Permit is delayed through 2019 due to Mercury allocations but the treatment plant is already meeting the permit at this point. Because of this, the costs of the filters have been delayed. They are level with regards to electricity usage/costs, and are working to be as efficient as possible with the present equipment. Concerning Biosolids, which are under the 503 Regulations (part of the Clean Water

Act regulations regarding sludge disposal), the District is meeting permit under Class B regulations. The plant is producing Class A Biosolids, which come with fewer restrictions but we still need DEQ approval to make changes with regards to where we can apply Class A product. Another priority is to keep up with what we have and to shift to preventative instead of reactive maintenance; and to continue to be a good neighbor to local residents.

iii. Wastewater Field Operations and Water Operation

Field Operations Superintendent Todd Knapp presented field system operations information. Four personnel staff stay busy cleaning and monitoring system pipes and pump stations on the wastewater side. For the water side, the piping system is aging and the staff must maintain services to keep up with high quality water provision.

iv. Water Operation (see above)

v. Technical Services and Capital Improvement Plan

Technical Services Manager Jason Rice presented an overview of technical services staff and the needs of the capital improvement program. He highlighted the Capital Improvement Plan and long-term projects, which functions somewhat as a workplan as well as helps him generally budget costs depending on the timing of projects (which can shift depending on multiple factors). Fiscal Year 2019 will seem busy with regards to Capital Expenditures because the District will be catching up on projects that were delayed due to his responsibilities throughout the consolidation. Director Williams asked about lifecycle assumptions specific to public works vehicles and shared that APWA (American Public Works Association) has directives for different types of vehicles that can be referenced. Water Master Plan is in process, including seismic work projections. Budget placeholders have been added for about \$500,000 per year in Capital Expenditures for FY 2020-2024. Meter changeouts will be completed in one year but will be paying back the program over multiple years, bulk purchase of meters provides a slight savings.

vi. Capital Improvement Plan (see above)

c. Schedule Review

Finance Director Kelly Stacey informed the Committee that the next meeting is Tuesday, April 3rd, and requested suggestions, questions, and comments to the budget before the meeting, so that staff can prepare.

d. Questions and Comments

Questions included: Pie charts being difficult to read, and staff will send out color PDF of the Draft Budget Document. Request for more explanation about the 15% overall budget increase, and staff shared that we have a larger starting balance, mixing in internal funds to help with needs – it does not reflect a 15% increase in spending. Previous year's funds have been shifted from previous years and carried forward – reflected by the "beginning fund balance". Question about the fiscal year actuals versus projected numbers and staff will be presenting that in forthcoming reports through the new Accela system. Question about the workers comp claim from one employee, and that it made a difference in the percentage of budget outlay. Question about the District's consolidation savings and reflection of cost savings over the fiscal year and staff will work to provide information through a final report that reflects the actual cost savings of the consolidation. Question about rate increases being calculated in budgeted numbers provided, and yes, the rate increases are reflected as of July 1, 2018. Question about contingency fund and staff shared that the District would only be able to spend money with Board/public information sharing and approval.

Budget Committee suggestion to add that high annual savings are occurring due to having just one senior staff member in charge of departments (one General Manager, one H.R. manager, etc.) to the start of this year's budget message. Board of Directors reminded the team to message to the public that OLWS has the best tasting water, a grade "A to A-" infrastructure and that our rates support low water loss from leaks (at 10% leakage), and that we are constantly looking for further efficiencies. Comment to remember that there were many publications that stated various projections and goals for approving the consolidation.

5. Adjourn

Regular Board of Directors Meeting March 20, 2018, 6:00 p.m. (delayed to 7 p.m. due to Budget Meeting)

1. Call to Order and Flag Salute

Board President Nancy Gibson called the regular meeting to order at 7:00 p.m. and led the pledge of allegiance.

2. Call for Public Testimony

After the pledge, President Gibson called for public testimony. Eugene Whitley thanked the employees of OLWS for their kind and considerate service to him at the front counter. He referred a question from the public about the consolidation of the offices and office space. He requested that the Board and Staff communicate out to the public about why decisions are being made (usually due to financial savings) about the consolidation, including where to locate or relocate the office space.

3. Presentation from Oak Lodge Community Emergency Response Team (OLCERT) and Oak Lodge Water Services Regarding Provision of Water During Potential Emergencies

This agenda item was moved up due to time considerations for the OLCERT presenters. Field Operations Superintendent Todd Knapp introduced the OLCERT team to the Board. In 2013 the Water District researched the need for emergency water provision and purchased several emergency water filters to help increase community resiliency. The Oak Lodge Community Emergency Response Team represents program of a trained community-based network that supports water provision during extreme emergencies with water shortages. OLCERT coordinators Greg Wenneson and Jackie Brown presented to the Board (refer to Power Point presentation in Board Packet). Questions included: Need for liability insurance – Director Williams suggested that OLWS District might be able to cover liability for volunteers of an affiliated agency and that staff could look into the

possibility. Question about coverage east of McLoughlin Blvd and Director Williams suggested looking at the Schoolyard Farm cistern located at Candy Lane ES as well as local active streams on that side of 99E. Talk to her or Terry Gibson about becoming Water Stewards for that area. Greg Wenneson requested three more hurricane water filters, buckets, spare parts for the kits that go along with the water filters. Their financial request went into the 2018 budget and staff will follow up on liability insurance and circle back to present again at a future meeting.

4. Consent Agenda

- **February 2018 Financial Reports**
 - i. **Approval of February 2018 Check Run**
- **February 20, 2018 Board Meeting Minutes**

Director Fisher requested approving the minutes from the Consent Agenda and following up on them in the Executive Session.

Director Williams asked about page 5 of the Budget Report concerning the high expense of electricity. Financial Director Kelly Stacey responded that this expense was miscoded into the incorrect category and it will be amended in the system.

Director Fisher moved to withdraw the minutes of the February 20, 2018 Board Meeting from the consent agenda. Director Williams seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

Director Fisher moved to approve the consent agenda with the February 20, 2018 Board Meeting minutes removed. Secretary Keil seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

5. Shared Emergency Radio Partnership with Clackamas River Water

Field Superintendent Todd Knapp presented information about the shared radio partnership with CRW, referring to his board report. He shared photos and highlighted details about the partnership, including that there is no current cost to the District (although there is an option to purchase 18 additional radios to support the two included units). Questions included: whether the District would have any liability and we would not. In the event of an outage, how many outside agencies would OLWS have connection with? Don Bunyard from CRW answered (and Director Gibson elaborated, having participated in some CERT demonstrations) that connections would include two partners, and the possibility of linking four water agencies and supporting coordination among water provider agencies within the coverage network. Keeping costs low is a priority, after coverage and connection.

Treasurer Fisher moved to approve the IGA with Clackamas River Water and to direct District Staff and the District Attorney to finalize the agreement and authorize General Manager Sarah Jo Chaplen to sign. Director Williams seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

6. Boardman Wetland Property Transaction with North Clackamas Parks and Recreation District

District Engineer Jason Rice presented information about the Boardman Wetland Property Transaction with North Clackamas Parks and Recreation District as written in his Board report. At least 15 bids have come in for the first leg of the project. The agenda item focused on partnership with North Clackamas Parks concerning a land transfer of the property now in order to transfer the land to Parks. This will allow them to apply for the Nature Play Park grant this year. If the grant is not awarded/the play park will not be built, and the land will be transferred back to OLWS. The Parks District will pay for the land and all of the costs of the Nature Play Park being developed. The District will not shoulder any burden of the cost of the project except possibly for the cost of the Title Insurance.

Director Martin moved to approve to direct the District's attorney to work with staff and NCPRD to finalize the PSA and to authorize the Board President to sign the PSA and take all actions necessary to complete the transaction. Treasurer Fisher seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

7. PERS Unused Sick Leave Program and Resolution 18-02.

Payroll and Human Resources Manager Aleah Binkowski-Burk presented information in her staff Board report including Resolution 18-02. The unused sick-leave program is a way for PERS to calculate sick leave for Tier I or II. If eligible staff have unused accrued sick time OLWS reports that amount to PERS and then that amount is calculated within their average calculation for their benefits. This does not change the amount that OLWS pays into PERS, it just changes what we report to PERS upon staff separation. It only applies to Tier I money match. It raises the cost of the benefit in an aggregate sense, but only on the full formula. It is a system cost increase, but it's done throughout the state for Tier I employees who are not on the money match program. Public comment that PERS may or may not choose to participate once we report the number.

Director Martin moved to approve Oak Lodge Water Services District's participation in the Oregon PERS Unused Sick Leave Program. Director Williams seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

8. River Road / Walta Vista Project Update

District Engineer Jason Rice presented his Board staff report as printed in the packet and updated the Board that the fiscal impact has gone up since the project was first presented. He recommended moving the project to an unfunded list until after the District is able to poll the interest of the public, in time to inform the FY2020 budget.

Questions included: how to repopulate the committees in order to bring forward new leadership from the community. Staff agreed and suggested consolidating the committees into one in order to pull together interest and support, possibly as a "Utility Advisory Board". He shared information about possible partnership with Clackamas County DTD including that WES will also be polling interest in service in conjunction with rates from the community within the next year. President Gibson elaborated on the large fiscal need that DTD currently has. Director Martin suggested that the County might look to the District to raise rates and maintain the storm system as well as roads, simply because the District could do that directly, and that simply raising the rates is not always the best way forward for OLWS. General Manager Sarah Jo stated the conversations with Clackamas County have been progressing forward amicably and she believes that we will come out with a positive partnership.

9. Department Reports

- **Finance Report:**

Finance Director Kelly Stacey reported that the billing team has been busy implementing utility billing on Accela and working out the kinks. Staff has been working at a very advanced level and they are managing the level of calls and preparing to bill the second cycle. The District started online billing and there was a large and immediate sign up for electronic billing, many of them also interested in paperless billing.

She presented a document (added to the Board Packet) concerning the current fiscal savings associated with the District's consolidation and there has been a positive response from the community, in particular at the CPO meetings.

Director Martin asked for clarification on the consolidation savings document, in that the annual savings is around \$360,000. Finance Director Stacey added that ongoing costs associated with a joint billing, joint auditing, joint software savings, etc., will also be reflected. General Manager Chaplen outlined that this summer Staff would present an overall review of the actual annual/ongoing savings and they will ask for feedback from the Board about whether the costs are true savings, one-time or ongoing. The Board was supportive and willing to help.

- **Field Operations Report:**

Field Operations Superintendent Todd Knapp highlighted the Board Packet information from his report. Cleaning numbers feel short due to weather and sickness. He will be cross training some staff on sewer/water and was encouraged by Director Williams. On the water side they have been replacing hydrants. There were no questions.

- **Plant Operations Report:**

Plant Superintendent David Mendenhall mentioned that he has learned a lot since starting, in particular through preparing several annual reports. He shared that OLWS produced 323 dry tons of biosolids for land application this year and 190 tons of biosolids last year. We are continuing to reduce the inventory of the volume of the solids and continuing to have the plant run as more of a conventional activated sludge method. Recently our Sludge Retention Time (SRT) was up around 100 but we have brought that down to 30 and the goal will be about 15-20.

He pointed out that he borrowed the T.V. crew from the field (water) team, which has been very helpful. He elaborated on the photos from the Board Packet. On the flow/rainflow comparison, the average flow this year was much lower than last year and on the Effluent Water Quality the spikes were due to having to drain a clarifier and that the spikes didn't hurt the permit.

- **Technical Services Report:**

District Engineer Jason Rice highlighted that the Boardman Project is out to bid. He has started the conversation with the plant Staff concerning the driveway to the influent pump station. There is a chance that the water field staff will be able to perform that project, and if not the District will put it out to bid. He mentioned how the cost of contractors is very high right now, and that they are all quite busy.

10. Call for Public Comment

Call for public comment. There were no comments from the public.

11. Business from the Board

Director Williams highlighted the last Jennings Lodge CPO meeting from the last month. There are changes afoot on the ERC property in terms of funding things like historical keepings. He shared that Finance Director Kelly Stacey did a great job presenting to the group about the billing changes.

Director Martin went to the Sunrise Water Authority Board meeting. One of the Board members has resigned, and they will be looking for a new Board member.

Treasurer Fisher was not able to attend the Oak Lodge CPO meeting because he was sick.

Director Gibson highlighted there was no Consortium meeting last month. There will be a Commission meeting March 21 at 6:00 p.m., open to the public. They will be discussing Intergovernmental Agreements. There was a C4 meeting focused on transportation, reviewing a project on Highway 43 project as well as a feasibility project about a pedestrian/bike bridge connecting Lake Oswego with Oak Grove. This project came in very high with the community in the Metro area. C4 voted to fund the feasibility project.

Vice President Keil will share the Laura Edmunds email summary of the short legislative session.

12. Adjourn Regular Meeting

President Nancy Gibson adjourned the regular meeting 7:30 p.m.

13. Recess to Executive Session

Convene Executive Session under ORS 192.660 2(e) to consider real estate.

The Chair convened the Executive Session at 7:39 p.m.

Executive Session – Minutes

Present: Board Members, General Manager Sarah Jo Chaplen, District Engineer Jason Rice, District Human Resources and Payroll Manager Aleah Binkowski-Burke, District Attorney Tommy Brooks

The District's Attorney gave an overview of the scope of, and process for, holding Executive Sessions under the state's public meetings laws. Board members asked clarifying questions based on their prior experiences.

The General Manager provided a summary of the District's prior efforts to negotiate the purchase of a piece of property. In response to questions from the General Manager, the District's Attorney provided a summary of the District's general legal authority to use eminent domain powers.

No decisions were made during the Executive Session.

The Chair adjourned the Executive Session at 9:42 p.m.

14. Adjourn Executive Session-Reconvene Public Meeting at 9:43 p.m.

Board may take action if necessary. Director Martin elaborated that the General Manager Sarah Jo Chaplen will start the process of condemnation and exploring it with the attorney if needed.

Treasurer Fisher moved to instruct the General Manager Chaplen to initiate the beginnings of a condemnation process tangent to our property. Secretary Keil seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

15. Adjourn Regular Meeting

President Nancy Gibson adjourned the regular meeting at 9:44 p.m.

Respectfully submitted,



Sarah Jo Chaplen
General Manager

Date: 05/15/2018



Nancy Gibson
President, Board of Directors

Date: 5-15-2018