



**BOARD OF DIRECTORS
REGULAR MEETING MINUTES – 5:00 P.M.
JANUARY 21, 2020**

Board of Directors - Members Present:

Susan Keil	President
Kevin Williams	Secretary/Vice President
Paul Gornick	Director
Mark Knudson	Director
Ginny Van Loo	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
Brad Lyon	Field Operations Supervisor
Laural Casey	District Recorder

Visitors and Consultants Present:

Tommy Brooks	Cable Huston, LLP
Tory Wagoner	Cavanaugh & Associates, P.A.
Keith Simovic	Moss Adams, LLP
Laurel Stevens	Moss Adams, LLP
Rob Moody	Merina & Company, LLP

1. Call to Order and Flag Salute

President Keil called the meeting to order at 4:59 p.m.

2. Recess to Executive Session

President Keil recessed the regular public meeting for the Executive Session at 5:00 p.m. under ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee or staff member who does not request an open hearing.

The Board conducted a work session to discuss and fine tune General Manager Chaplens' performance review for the past 14 months.

3. Adjourned Executive Session

President Keil adjourned the Executive Session at 5:38 p.m.

President Keil reopened the Regular Public Meeting at 5:59 p.m. and led the pledge of allegiance.

4. Call for Public Testimony

President Keil requested public comment.

Thelma Haggemiller spoke in opposition to a new movement within unincorporated Clackamas County to incorporate wherein the new city public works department would commence water and sewer services. She asked the Board to seek status as an authority and President Keil confirmed that the Board has sought counsel for the matter.

5. Consent Agenda

- December 2019 Financial Report
- December 17, 2019 Board Meeting Minutes

Director Gornick moved to adopt the consent agenda. Secretary/Vice President Williams seconded the motion.

Director Knudson stated that the executive session ORS number and description for agenda item 11 of the December 17, 2019 Board Meeting Minutes is incorrect. Secretary/Vice President Williams confirmed that agenda item 12 is the correct executive session ORS number and description. General Manager Chaplen agreed to correct the wording.

Director Gornick questioned two items on page four of the December 2019 Financial Report with totals of zero. Consultant Rob Moody explained that the zeros reflect the status of the budget as it is currently in balance.

Director Gornick moved to adopt the Consent Agenda, Secretary/Vice President Williams seconded. Voting Aye: President Keil; Secretary/Vice President Williams; Directors Gornick, Knudson, and Van Loo.

MOTION CARRIED

6. Annual January Board Selection of Board Officers

President Kiel nominated Secretary/Vice President Williams as Board President, Director Gornick seconded. Director Van Loo requested other nominations. There were none. Voting Aye: President Keil; Directors Gornick, Knudson, and Van Loo. Secretary/Vice President Williams abstained.

MOTION CARRIED

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Director Keil nominated Director Knudson as Treasurer, Director Gornick seconded. Director Van Loo requested other nominations. There were none. Voting Aye: President Williams; Directors Keil, Gornick, Knudson, and Van Loo.

MOTION CARRIED

President Williams nominated Director Gornick as Secretary/Vice President, Treasurer Knudson seconded. Director Van Loo requested other nominations. There were none. Voting Aye: President Williams; Treasurer Knudson; Directors Keil and Van Loo. Director Gornick abstained.

MOTION CARRIED

7. Appointment of Budget Committee Members 2020/2021

General Manager Chaplen overviewed the current staggered terms of the Budget Committee, the open position vacated by Fred Swingle, and the need for an alternate Budget Committee member.

Treasurer Knudson made motion to nominate Joe Healy to Position 5 on the Budget Committee and Robert Weber as the Alternate Member, Director Keil seconded. Director Van Loo asked for the candidates in the audience to stand. President Williams called for the vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

District Attorney Tommy Brooks clarified the Alternate's position as a member of the Budget Committee only after the Board has appointed them. Secretary/Vice President Gornick confirmed that the Alternate does not vote until they have been appointed. Treasurer Knudson verified that both candidates attend the meetings.

8. Local Government Investment Pool (LGIP) Contact Registration and Permissions Update – Resolution 20-01

Independent Finance Consultant Moody explained the need to update the Oak Lodge Water Services contact information with the Local Government Investment Pool in Salem due to staffing changes. He requested that the Board adopt Resolution 20-01 to recognize General Manager Chaplen, District Engineer Rice, and District Accountant Jeff Voreis as authorized managers.

Director Knudson made the following motion, "I move to adopt Resolution 20-01 approving changes to the LGIP contact registrations and permissions." Secretary/Vice President Gornick seconded the motion. President Williams called for a vote. Voting Aye: President Williams; Secretary/Vice President; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

President Williams verified that an additional signer will be added when the Finance Director position is filled.

Treasurer Knudson inquired to whether a new Budget Officer will need to be appointed during the Finance Director's vacancy. General Manager Chaplen informed the Board that there would be various items on the next meeting's agenda regarding the Budget Officer and Budget Committee.

9. M 36 Non-Revenue Water Phase I Completed and Phase II Draft Audit Report from Cavanaugh & Associates, P.A.

General Manager Chaplen introduced Tory Wagoner from Cavanaugh & Associates to explain Phase I and Phase II of the water audit and answer any questions the Board may have before moving on to Phase III – Economic Analysis.

Tory Wagoner summarized the technical information in his report with a PowerPoint presentation. He described the water balance between input and water losses, profiling the different types of water losses that result in lost revenue. Mr. Wagoner explained the methodology that has been followed while testing meters within the District and highlighted the movement forward into the economic analysis of phase III.

Secretary/Vice President Gornick inquired about the tolerance of large meters. Mr. Wagoner quoted a two to three percent margin of error in drawdown testing.

Treasurer Knudson asked whether any of the large retail meters were tested. Mr. Wagoner stated that none were tested, but it will be a recommendation in the report. Field Operations Supervisor Lyon clarified that to test the larger meters, they must be removed from service.

Secretary/Vice President Gornick queried whether aging meters register low. Mr. Wagoner believed that the industry standard mechanical meters do begin to register low with use. Newer solid-state meters do not degrade with use, but detailed other issues they encounter.

Director Keil inquired whether the billing software was assessed for proper billing. Mr. Wagoner stated he has not but has met with Staff to assess the billing process. There were anomalies found and the recommendations will include an analysis of how these anomalies effect the water balance.

President Williams asked if Mr. Wagoner had experienced other entities requiring fire departments to report use in gallons. Mr. Wagoner verified that this occurs nationwide. District Engineer Rice confirmed that the fire department does report usage annually.

Mr. Wagoner outlined the non-revenue water for calendar year 2018 and stressed the importance of Phase III in assessing the correct economic value of water in the District.

Director Keil inquired about the percentage of non-revenue water across other entities. Mr. Wagoner commented that there is not an industry standard and that every entity has a different set of parameters within which they are economically able to operate.

Treasurer Knudson specified the difference between the economic value and the societal value of water. Mr. Wagoner agreed that each entity has secondary costs to operation that are difficult to quantify.

Director Keil placed emphasis on finding the right value. Mr. Wagoner acknowledged that phase III will find the balance between economic value and the best customer rate.

President Williams inquired about the members of the team meeting for this project. Mr. Wagoner confirmed the importance of Field Operations members on the team as a necessary component of the continued support.

Treasurer Knudson inquired about the resource allocation for this program. General Manager Chaplen acknowledged the report recommendations will have budget implications. Treasurer Knudson believes there is an opportunity in the upcoming budget process for economic evaluation.

Director Keil expressed concern about overcharging customers due to inaccurate readings.

Treasurer Knudson asked about the annual testing of commission meters. General Manager Chaplen confirmed that the meters tested for the report were Oak Lodge Water Services meters and stated that currently each commission partner is responsible for their own testing. Treasurer Knudson believes that the process should be standardized and that each partner should be held accountable.

Treasurer Knudson inquired about analysis of export water. Mr. Wagoner explained the semantics of the word "export" and explained why the water balance removes export water.

President Williams thanked Mr. Wagoner for his report and presentation.

10. 2018/2019 Financial Statements as Audited by Moss Adams, LLP

Treasurer Knudson asked if Keith Simovic had received everything needed to complete the financial audit. Mr. Simovic replied that they had.

Mr. Simovic outlined the final phases of the financial audit: processes/procedures and risk assessment. He also described the Oregon compliance standards and guidelines that were met during the course of the audit.

Mr. Simovic introduced Laurel Stevens as the audit manager. Ms. Stevens outlined the year-end statements auditing process and quality control review.

Ms. Stevens explained the audit adjustments highlighting prior period adjustments for the Commission water rights and capital asset adjustment. President Williams inquired about the fiscal year-end reconciliation with the Commission. Mr. Simovic confirmed.

Treasurer Knudson asked how far back the audit should investigate due to past practices. Mr. Simovic assured the Board of work with District Management on best practices moving forward.

Director Keil inquired to the typical level of discrepancies found in audits of other government agencies. Mr. Simovic confirmed that similar-sized utility districts have comparable findings in first-year audits.

Treasurer Knudson inquired about liability of capital asset discrepancies. Mr. Simovic replied that liability is possible but testing at that level has not been done. Director Keil asked about the level of joint control needed to complete the testing. Mr. Simovic guaranteed the Board they would work District Management on the recommendations that have come from the audit.

From the audience, Budget Committee member Dave Phelps inquired whether the audit has reviewed the system development charges. Mr. Simovic confirmed.

Mr. Simovic outlined the non-compliance areas including procurement. Director Keil confirmed the testing covered purchasing that occurred in one fiscal year, Mr. Simovic confirmed. President Williams surmised that the new District Recorder will aid in maintaining records needed for future audits. General Manager Chaplen agreed that there is room for improvement in procurement and other areas.

Ms. Stevens overviewed fraud identification including significant balances, key controls, and high-risk fraud areas. She reported that this year's surprise audit area was employee billing within the District.

Mr. Simovic identified the areas of material weakness including revenue control, capital assets, and project costs.

Independent Financial Consultant Moody assured the Board that Staff will be addressing all audit recommendations. Mr. Moody acknowledged the effort of District Accountant Jeff Voreis in finalizing the financial statements and ensuring GAAP compliance.

President/Chairman Williams thanked Mr. Simovic and Ms. Stevens for their report and presentation.

Secretary/Vice President Gornick moved to accept the District's financial statements as audited by Moss Adams LLP and direct the General Manager to coordinate the appropriate responses to the audit recommendations provided, Director Keil seconded. President Williams called for a vote. Voting Aye: President Williams; Secretary/Vice President Gornick; Treasurer Knudson; Directors Keil and Van Loo.

MOTION CARRIED

11. Department Reports

- **Human Resources Report:**

Human Resources Manager Binkowski-Burk introduced Laural Casey as the new District Recorder and provided an overview of the Human Resources Board Report.

- **Finance Report:**

General Manager Chaplen summarized the Finance Department Board Report and informed the Board that the Budget Committee orientation meeting scheduled for January 28, 2020 has been cancelled and that a new budget calendar will be released.

- **Plant Operations Report:**

Plant Superintendent Mendenhall detailed the Plant Operations Board Report commenting on rain events and corresponding flow charts. He reported Plant stability and updated the Board on the status of the pumps that have been ordered for Pump Station 2 stating that redundancy is resiliency.

Plant Superintendent Mendenhall disclosed the final resolution of the pH exceedance of January 2019. The Department of Environmental Quality issued a warning regarding the incident in January 2020.

- **Field Operations Report:**

Field Operations Supervisor Lyon overviewed the Field Operations Board Report highlighting the replacement of several hydrants in the District and the replacement of the last batch of old water meters. He reported that the meter replacement did cause pressure issues for some customers, but that the new meters have provided confidence in accurate readings.

President Williams mentioned the online activity of customers using Nextdoor. Field Operations Supervisor Lyon believed many of the complaints were due to the last meters being swapped. Director Van Loo affirmed that customers mentioned Oak Lodge Water Services and asserted that there will be less issues due to the completion of the project.

Treasurer Knudson inquired about the identification and replacement of old hydrants. Field Operations Supervisor Lyon verified the current program to replace six to eight two-port hydrants with newer hydrants per year.

- **Technical Services Report:**

District Engineer Rice overviewed the Technical Services Board Report and informed the Board of an upcoming meeting with the Clackamas County Directors of Department of Transportation and Development regarding the ownership and maintenance of storm catch basins in the El Centro Basin.

District Engineer Rice outlined his work with the City of Gladstone regarding the service boundary intergovernmental agreement. President Williams asked if the City Manager was still involved in the process, which District Engineer Rice confirmed.

Secretary/Vice President Gornick asked about the Intertie Design Project timeline. District Engineer outlined the projected outcome of the project in the event of an emergency and that the cost is projected to be significantly lower than budgeted for. He reported that there is potential for service to Milwaukie with the same pump.

12. Call for Public Comment

President Williams called for public comment. There were no comments from the public.

13. Business from the Board

Secretary/Vice President Gornick reported the Sunrise Water Authority meeting on January 18, 2020 where two resolutions were adopted. He also reported on Sunrise Water Authority low-income rate adjustments.

Director Van Loo briefed the Board on a legislative review townhall she attended which included the topic of the homeless population of the District.

Director Keil reported on the Chamber meeting covering the legislative redistricting and the Constitutional Amendment regarding gerrymandering.

Treasurer Knudson announced he will not be attending the North Clackamas County Water Commission meeting.

There was no further Board business.

14. Recess to Executive Session

President Williams recessed the Regular Board Meeting at 8:05 p.m. calling for a five-minute recess before convening the Executive Session.

The Board convened the Executive Session at 8:12 p.m. under ORS 192.660(2)(d) to conduct deliberations with persons designated by the governing body to carry on labor negotiations.

The General Manager summarized the current status of the District's progress in preparing for union negotiations.

Chris Duckworth gave advice and recommendations regarding the District's objectives in negotiations.

No decision was made during the Executive Session.

15. Adjourned Executive Session

President Williams adjourned the Executive Session at 9:13 p.m.

Adjourn Regular Board Meeting

President Williams adjourned the Regular Board meeting at 9:13 p.m.

Respectfully submitted,

Kevin Williams
President, Board of Directors

Paul Gornick
Secretary/Vice President, Board of Directors

Date: _____

Date: _____