

COOS BAY-NORTH BEND WATER BOARD  
P. O. Box 539 – 2305 Ocean Boulevard  
Coos Bay, Oregon 97420

Minutes  
Budget Committee Meeting

12:00 noon  
May 29, 2014

The Budget Committee of the Coos Bay-North Bend Water Board met in open session in the Board Room at the above address, date, and time for the purpose of reviewing the proposed budget for fiscal year 2014-15. Committee members present: Tom Graham, Mike Erbele, Greg Solarz, Charlie Sharps, Dick Vigue and Melissa Cribbins. Committee members absent: Patty Scott and Jennifer Groth. Water Board staff present: Rob K. Schab, General Manager; Ron Hoffine, Operations Director; Jeff Howes, Finance Director; Bryan Tichota, Customer Relations Supervisor; Rick Abbott, Distribution Supervisor; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Water Board Chair Greg Solarz opened the meeting at 12:00 noon.

Chair Solarz said as this was the first Committee meeting for this fiscal year's budget process, it was appropriate to elect a Committee Chair. Mr. Solarz moved Mike Erbele be nominated Budget Committee Chair. The motion was seconded by Mr. Vigue and passed unanimously. Mike Erbele began chairing the meeting. Chair Erbele asked if there were any corrections or additions to the May 30, 2013 Budget Committee Minutes. There being none, Mr. Graham moved the minutes be approved as written. The motion was seconded by Dr. Sharps and passed unanimously. Chair Erbele asked Mr. Schab to present the proposed budget.

Mr. Schab presented an overview of the budget, saying this first meeting would be a discussion of the proposed operation and maintenance expenses, and the debt service schedule; staff will present the capital projects portion of the budget at the second budget meeting, and revenues at the third budget meeting.

Mr. Schab gave an overview of the budget. Revenues for FY14 fell short of projections by \$61,000. Given the amount of sales, the utility is still bringing in 99% of what was forecast. Operation and maintenance expenses for FY15 are flat in comparison to the FY14 budget. Mr. Schab stated expenses were well below budgeted expenses for FY14. A large part of these reduced expenditures was the result of several vacant positions in the labor force throughout the year. The Board adopted a long term infrastructure rehabilitation and replacement strategy to use as a guideline for funding improvements needed over the next two decades. Year 3 of that funding is a \$60,000 additional revenue stream. As a result, to balance the budget staff proposes a 1.75% rate adjustment, which includes the \$60,000 for infrastructure.

The operations and maintenance expenses are classified into functional categories as shown on Schedule B of the FY15 budget: Operating expenses from least to most expensive are transmission; source of supply; power and pumping; administrative & general; customer accounting and collecting; distribution and purification.

These functional expense categories can further be broken down into three components as shown on the budget sheets: Labor, supplies and expenses, and power. Labor and materials expenses are allocated to the various functional categories by historical percentages and adjustments for anticipated work load.

Mr. Schab reviewed Source of Supply stating several sections of the utility spend money in this functional category. This includes raw water supplies in the dunes wellfield, Upper Pony Creek and Merritt Lake Reservoirs, Joe Ney Reservoir. Costs in this area are for checking lake levels, monitoring wells, brush cutting, maintaining roads, well rehabilitation. Last year the utility budgeted \$249,100. This year the utility is budgeting \$194,000. The reduction is being driven by reduced contract service expenses.

Rick Abbott, Distribution Supervisor, reviewed Power and Pumping. Power and Pumping work is accomplished primarily through the Distribution Section and Water Treatment section, including the operation and maintenance of 33 pump stations and a pump station at Pony Creek Treatment Plant. Last year the utility budgeted \$412,300. Mr. Abbott stated expenses came in under budget primarily due to being understaffed. This year the utility is budgeting \$426,700 to compensate for an increase in power costs and labor.

Mr. Schab gave an overview of purification expenses to include operation and maintenance of two treatment plants, laboratory analysis for quality control and regulatory compliance, monitoring the watershed, supply, production, and distribution system. Last year the utility budgeted \$914,900. Mr. Schab stated expenses came in under budget primarily due to being understaffed at Pony Creek Treatment Plant and reduced chemical and utility costs. This year the utility is budgeting \$895,600.

Rick Abbott, Distribution Supervisor, gave an overview of the transmission and distribution expenses to include operation and maintenance of water mains, pump stations and reservoirs. The Distribution System consists of 33 pump stations; 19 reservoirs; 258 miles of various sized water mains; 5,380 control valves; and 1,219 fire hydrants. The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$857,700. Expenses came in under budget due to being understaffed. This year the utility budgeted \$861,100. Mr. Abbott stated this increase is due to now being fully staffed and an increase in worker's compensation insurance rates. Last year the utility budgeted \$2,600 for transmission mains. This year the utility budgeted \$3,100.

Bryan Tichota, Customer Relations Supervisor, gave an overview of customer accounting and collecting. Customer Service Representatives internally perform customer account maintenance, opening and closing accounts; billing inquiries for customers; receive and deposit payments; perform credit and collection duties. Externally, Field Customer Service Representatives perform verification of meter readings, customer education regarding high consumption and leak issues; and delivery of collection notices. Also performed is meter testing, replacement and maintenance. A Cross Connection program is maintained to manage and enforce cross connection rules to protect water quality and public's health. Last year the utility budgeted \$822,400. This year the utility budgeted \$846,400 primarily due to increased labor costs.

Jeff Howes, Finance Director, stated administrative and general expenses will increase due to rate increases of workers' compensation, medical insurance, property insurance, attorney fees, and painting of the Service Center. Last year the utility budgeted \$776,000. This

year the utility budgeted \$803,400. Last year the utility budgeted \$4,035,000 for total operating expenses. This year the utility is budgeting \$4,030,300, total principal and interest for FY15.

Jeff Howes, Finance Director, gave an overview of the Debt Service Schedule which includes debt for the Water Supply Expansion Project, the Bay Crossing, and the Water Treatment Plant Expansion Project. Total outstanding debt at the end of FY 2014 is \$16,640,600. The total amount of principal and interest to be paid in FY15 is \$1,620,600 (principal \$954,000, interest \$666,600)

There being no further discussion of the operating and maintenance portion of the budget, Mr. Schab reminded the Committee the next meeting was scheduled for Thursday, June 5, 2014, 12:00 noon. Chair Mike Erbele declared the meeting adjourned at 12:50 p.m.

Approved \_\_\_\_\_

By \_\_\_\_\_  
Chair Mike Erbele

ATTEST \_\_\_\_\_