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

Minutes — 12:00 noon
Budget Committee Meeting — June 13, 2024

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 2024-25. Committee members present: Aaron Speakman, Patty Scott, Melissa Olson, Greg Solarz, Rob Kilmer, Bill Richardson and Carmen Matthews. Committee members absent: Jeff Bridgens. Water Board staff present: Ivan Thomas, General Manager; Monica Kemper, Finance Director; Matt Whitty, Engineering Manager; Jeff Miller, Interim Operations Manager/Water Treatment Supervisor; Aimee Hollis, Customer Relations Manager; Jason Mills, Distribution Supervisor; Micah Demanett, Meter Services Supervisor; and Stacey Parrott, Executive Assistant-HR Specialist; Board Legal Counsel Melissa Cribbins was present. Media present: none.

Budget Committee Chair Melissa Olson opened the meeting at 12:01p.m. and led the Board and assembly in the Pledge of Allegiance.

Budget Chair Melissa Olson asked if there were any corrections or additions to the June 6, 2024, Budget Committee Minutes. Mr. Solarz moved the minutes be approved as written. The motion was seconded by Ms. Scott and passed unanimously.

Budget Committee Chair Melissa Olson asked Mr. Thomas to present the proposed budget.

General Manager Ivan Thomas presented an overview of the budget, covering financial tracking and a comprehensive recap of the Capital Improvement Plan. The presentation primarily focused on bank balance trends, upcoming infrastructure investments, and how the budget ties into long-term system goals. The committee was reminded that these discussions would support a recommendation to adopt the FY25 budget, with any necessary modifications to follow. To begin, Mr. Thomas reviewed the current and projected bank balances, noting that the April figure stood at just over $6.5 million, with a projected increase to $6.9 million by June.

	ACTUAL	**PROJECTED**
<u>Reserve Balances</u>	**24-Apr**	**24-Jun**
DEBT FUND	$676,846	$944,800
RESERVE FOR O & M EXPENSES	$603,016	$710,900
TIMBER MANAGEMENT PROGRAM TMP	$104,591	$104,600
VEHICLE REPLACEMENT PROGRAM	$554,415	$571,600
ACTIVE CAPITAL IMPROVEMENTS FUND	$3,282,403	$3,293,779
RESERVE FOR SICK LEAVE PAYOUT	$11,335	$7,500
REPLACEMENT RESERVES	$1,270,903	$1,277,600
BANK BALANCE	$6,503,509	$6,910,779

The monthly tracking report shared with the Board displays seven key fund categories. Among these, the most dynamic is the “Active Capital Improvements” line, currently carrying around $400,000 in reserves but fluctuating based on ongoing projects - totaling approximately $2.8 million in capital work either underway or planned. Other funds include O&M Reserves, Replacement Reserves, the Debt Service Fund, which builds monthly before payments are issued, the Timber Management Fund - variable depending on timber sales, and the Vehicle Replacement Fund.

Mr. Thomas transitioned into a recap of planned capital projects for FY25 and how the agency has incrementally increased its annual capital budget since 2015, which at the time was just under $1 million. Through steady water rate increases of 1–2% annually, this amount has now grown to over $2 million in water user fee revenue alone. For FY25, the agency plans to draw an additional $280,000 from timber fund proceeds, anticipating a large timber sale in the next fiscal year. A 2.17% water rate increase, scheduled for implementation, is expected to add another $198,000 in funding, bringing the total projected capital revenue to roughly $2.5 million.

Among the notable capital projects are continued water main replacements, which have become an annual priority. Last year’s investment of just over $900,000 will be surpassed by this year’s allocation exceeding $1 million. Tank-related work is also prominent, including a final large payment for the Steel Tank Reservoir Coating Program and a $100,000 allocation to maintain the system moving forward. Additionally, $80,000 has been set aside for a tank mixer in the primary 9-million-gallon reservoir to improve water quality, along with $30,000 for contracted underwater washing services.

Two pump stations, Telegraph and TerraMar are slated for upgrades totaling $193,000. Treatment plant projects are also featured in this year's improvements, totaling $305,000 and covering a range of needs including HVAC system replacements, fiber internet upgrades, and safety system enhancements.

Attention was given to SCADA upgrades, with $240,000 budgeted for the coming year. SCADA (Supervisory Control and Data Acquisition) is the digital control system that manages water treatment operations. Mr. Thomas explained the short-term and long-term efforts underway. Immediate work includes a treatment plant “manual mode” analysis, which would prepare staff to operate systems manually during outages or cyber incidents. This comes in light of increasing cyber threats to water utilities across the country. A cybersecurity assessment focused specifically on the SCADA system will also be conducted. The company is also looking to bring on additional regional SCADA integrators, as the current provider is located in Bellevue, Washington, limiting response times. A key goal for the year is to select new hardware and software for eventual full SCADA replacement, as current equipment is outdated and some parts are only obtainable via secondhand sources such as eBay. He noted that SCADA upgrades are guided by the SCADA Master Plan, the team is now preparing to secure funding and integrate this into the broader Capital Improvement Plan. The ultimate goal is to design and implement a new SCADA system by 2028, with a projected cost of $3 to $5 million.

The discussion concluded with a return to the meter replacement program, where Mr. Thomas reiterated the importance of strategic, area-based AMR installation. This not only enhances efficiency but also supports better customer service through more accurate and timely data. The meter replacement program, launched in 2021, continues to be a key investment. The FY25 budget allocates $338,000 toward this initiative. He emphasized that the program began as a response to outdated meters, some dating back to the 1950s, which result in lost revenue due to decreased accuracy over time. Additionally, since meter reading has become a labor challenge with high turnover, the utility has adopted an Automated Meter Reading (AMR) system. This has significantly improved efficiency and service, enabling thousands of meters to be read per day from a vehicle, compared to just a few hundred by hand.

Meter Replacement Program (Funding Scenario)					
FY	Rate Increase	Funding From Water Sales/Capital	Funding from Rate increase	Funding from existing Operations budget	Total Funding for year
2021	0.75	$76,000	$57,000		$133,000
2022	0.5	$133,000	$39,000	$20,000	$192,000
2023	0.5	$192,000	$39,000		$231,000
2024	0.5	$231,000	$44,000		$275,000
2025	0.7	$275,000	$63,000		$338,000
2026	0.5	$338,000	$48,000		$386,000
2027	0.5	$386,000	$50,000		$436,000
2028	0	$436,000	$0		$436,000
2029	0	$436,000	$0		$436,000
2030	0	$436,000	$0		$436,000
					$3,299,000

Finance Director Monica Kemper presented a detailed overview of revenue trends and budget forecasting tools for Fiscal Year 2025, beginning with a 36-month trending graph used to project water revenue through the end of the current fiscal year. This graph highlighted seasonal consumption patterns by customer class: residential, commercial, multi-residential, industrial, and public authorities, with residential water use accounting for over 62% of total revenue. Commercial usage followed at 30%, with industrial and public authority use making up the remainder. These patterns remain relatively consistent year over year, enabling the Finance Department to reasonably estimate future revenue.

For projecting the final months of FY24, the team used the lowest historical monthly usage over the past five years, multiplied by the current average rate to arrive at a conservative estimate. While this method involves a degree of estimation, it is grounded in trend analysis and provides a realistic revenue picture. The forecasted total for FY24 water sales is slightly over $9.1 million, with FY25 water revenue budgeted at $9.7 million.

Current Budget FY 24/25	Operating Income Sale of Water	Estimated Year Ending 06/30/2024	Budget FY 24/25
5,641,900	Residential	5,802,200	6,174,100
1,971,600	Commercial / Multi-Residential	2,004,400	2,135,800
801,400	Industrial	654,200	697,300
56,900	Commercial Fire Protection	57,200	61,000
514,200	Public Authorities	521,100	555,200
44,900	Public Hydrants	46,900	50,000
41,100	Other Water Sales	45,800	48,800
9,072,000	**Total Water Sales**	**9,131,800**	**9,722,200**

Additional income sources were discussed, including interest income, which remains unusually high due to favorable Local Government Investment Pool (LGIP) rates, currently at 5.2%. However, recognizing this rate is likely unsustainable, the budget conservatively projects lower returns. Other operating revenues categorized as a "catch-all" include sources like scrap metal sales, surplus equipment, or timber proceeds. While $700,000 had been previously allocated from an anticipated timber sale, that transaction did not occur. For FY25, $100,000 is conservatively budgeted from timber revenue.

The utility also collects sewer, stormwater, and related fees on behalf of partner cities. These pass-through revenues and their corresponding disbursements are included in both income and deductions sections but do not affect net operating totals. Interest expenses related to long-term debt total $218,000 for the current fiscal year, with similar figures expected for FY25.

Ms. Kemper reviewed Schedule G, which reflects a projected end-of-year snapshot if all planned capital projects are completed and all expenditures reconciled. This view helps illustrate available fund balances for future capital planning.

Moving into water rate adjustments, the proposed rate increase for FY25 is 6.6%. Of this, 4.43% supports operations and maintenance, including wage and benefit changes. Specific allocations include $131,000 for retirement pension obligations, $57,000 for rising inventory and supply costs, and a projected $110,000 increase in utility expenses—largely driven by Pacific Power's unexpected rate hikes. Additionally, the budget includes increased merchant fees due to higher-than-expected customer use of credit cards, leading to a projected $23,000 budget overage in that area. Insurance premiums are also expected to rise, driven by both market conditions and increased payroll.

Operations & Maintenance (4.43%)

Labor & Benefits (Pension)	$185,600
Inventory and Supplies	$57,300
Utilities (Pacific Power)	$109,800
Credit Card	$23,000
Insurance Property, Casualty	$29,400
Sub-Total	**$405,100**

Capital Funding (2.17%)

Capital Improvement	$198,000
Sub-Total	**$198,000**

Proposed Rate Adjustment:	**6.6% or $603,100**

Historical rate data showed that even with the proposed 6.6% increase, the average annual adjustment over the last 11 years remains under 4.5%. In real dollar terms, the average inside-residential water bill would rise from $27.53 to $29.35. For outside-residential customers, the average bill would increase from $38.00 to $41.00.

System Development Charges (SDCs) were also reviewed. While the Seattle Construction Cost Index (SCI) reported a modest 0.39% increase this year, Ms. Kemper proposes a 3.38% SDC adjustment. This recommendation aims to recapture the portion of the 10.49% increase left on the table last year, when the Board opted for a 7.5% adjustment. Historical data shows the Board has occasionally opted to forgo or lower SDC adjustments in low-inflation years. The proposed increase helps smooth future fluctuations and keeps average annual adjustments aligned with system needs.

The SDC methodology, developed in 2016, incorporates the value of existing water infrastructure, outstanding debt, and projected capital costs. Charges are based on meter size equivalents and are designed to represent a “buy-in” to the system. These charges do not include the cost of actual construction or meter installation, which are charged separately. While SDC revenues fluctuate based on development trends, they support long-term infrastructure needs and ensure equitable cost-sharing between existing and new users.

After discussion, committee members acknowledged the reasoning behind both the rate and SDC proposals. Some comments suggested favoring an SDC adjustment closer to the SCI figure, while others supported recapturing the under-collection from the prior year. The consensus leaned toward proceeding with the 3.38% adjustment as a fair compromise.

Mr. Thomas concluded with a request for final comments or modifications, followed by a recommendation to approve the Fiscal Year 2025 budget.

There being no further discussion of the proposed budget for FY24-25, Mr. Matthews moved they accept the budget as proposed by staff and recommended to the Board approval of the budget as presented, including adjustments to general water rates, fire services, and fire hydrants by 6.60% and increase of System Development Charges by 3.38%. The motion was seconded by Mr. Kilmer and passed unanimously.

Budget Committee Chair Melissa Olson declared the meeting adjourned at 12:37 p.m.

Approved__June 5, 2025_______ By ________________________________

Aaron Speakman
Budget Committee Chair

ATTEST ____________________