

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

Minutes  
Budget Committee Meeting

12:00 noon  
June 1, 2023

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 2023-24. Committee members present: Aaron Speakman, Susanna Noordhoff, Nichole Rutherford; Patty Scott (virtually), Greg Solarz, Rob Kilmer, Bill Richardson and Carmen Matthews. Committee members absent: None. Water Board staff present: Ivan Thomas, General Manager; Matt Whitty, Engineering Manager; Jeff Howes, Finance Director; Jeff Page, Operations Manager; Bryan Tichota, Customer Relations Supervisor; Aimee Hollis, Customer Relations Supervisor; Jeff Miller, Water Treatment Supervisor; Junibert Magalona, Accounting Clerk (virtually); and Karen Parker, Administrative Assistant. Board Legal Counsel Melissa Cribbins was present. Media present: none. Board Chair Greg Solarz opened the meeting at 12:00 noon and lead the Board and assembly in the Pledge of Allegiance.

Introductions of the Budget Committee members, council and staff were made.

Chair Solarz said as this was the first Budget Committee meeting for this fiscal year's budget process, it was appropriate to elect a Committee Chair. Mr. Solarz moved to nominate Nichole Rutherford as Chair. The motion was seconded by Mr. Matthews and passed unanimously.

Budget Chair Nichole Rutherford asked if there were any corrections or additions to the June 9, 2022 Budget Committee Minutes. Chair Rutherford noted on page 3 third paragraph FY22-32 needs to be amended to read FY22-23. Ms. Rutherford moved the minutes be approved as amended. The motion was seconded by Mr. Speakman and passed unanimously.

Budget Committee Chair Nichole Rutherford asked Mr. Thomas to present the proposed budget.

General Manager Ivan Thomas presented an overview of the budget, stating the first meeting would be a discussion of the proposed operation and maintenance expenses, the debt service schedule, and capital improvement plan. The next Budget Committee Meeting is scheduled for June 15, 2023 at noon and will cover a recap of projects, review revenue and balancing the budget and discuss the breakdown of the proposed rate adjustment to customers.

Mr. Thomas pointed out the Water Board's mission statement "Providing a reliable, quality service meeting the present and future needs of our communities" which will be shown through the budgetary process.

Mr. Thomas stated the utility's budget format is advocated by the National Association of Regulatory Utility Commissioners and American Water Works Association.

Operations and maintenance expenses are classified into functional categories and working divisions. Functional category budgets are based on the spread over the last several years and adjusted based on projected activities for the upcoming fiscal year's budget to forecast the next year's Operations and Maintenance budget.

Revenues for FY24 are forecast with a conservative approach taken based on the last five years or normal sales for each class. This year the revenues from water sales for FY2023 are projected to be \$700 under the budgeted amount.

The proposed rate adjustment for FY23-24 is 5.90% or an additional \$512,600 based on revenue projections. This rate adjustment consists of the following based on revenue projections: Cost of living adjustment for Union employees and non-union employees; a large increase in chemical costs for the Treatment Plant, increase in property casualty insurance; small increase in credit card costs; increase in the Vehicle Replacement Program; and an increase in capital projects.

The operations and maintenance expenses are classified into functional categories as shown on Schedule B of the budget: Operating expenses from least to most expensive are transmission;

source of supply; power and pumping; administrative & general; purification; distribution; customer accounting & collecting.

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 are made for anticipated workload. Last year the utility budgeted \$6,197,300 for total operating expenses, with an estimated year ending of \$5,629,700. The reason the year end is coming in under budget is due mainly to numerous vacancies throughout the utility. This year the utility is budgeting a total of \$6,761,000 for operating expenses. Mr. Thomas commented this does not necessarily mean staff is asking for a rate increase that is passed on to customers because the utility does have staff time spent in capital versus operation and maintenance expenses so it may fluctuate from one side to the other depending upon what that workload is anticipated to be. With addition of the depreciation amount of \$2,020,500 to the total operating expenses of \$6,761,000, brings the total operating expenses to \$8,781,500; and taking the total operating revenue of \$9,251,900, leaves a net operating income of \$470,400 for FY 23-24.

Operations Manager Jeff Page 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, Merritt Lake Reservoir and Joe Ney Reservoir. Costs in this area are for checking lake levels, lake sampling, monitoring and rehabilitating wells, maintaining well pumps, environmental monitoring, and dam structural monitoring. Last year the utility budgeted \$261,800 with an estimated year ending of \$158,200. Year-end expenses came in under budget due to being understaffed and lower maintenance labor expenses than expected, with more time spent in mains, meters and services. The utility has a contract with GSI Water Solutions for ongoing water rights maintenance and annual surface water management plan reporting, and a contract with Coos Watershed Association for annual fisheries maintenance management, monitoring, and maintenance. The utility met all environmental commitments through the help of consultants from GSI Water Solutions and Coos Watershed Association and will continue to work with them on an annual basis. This year the utility is budgeting \$265,900.

Mr. Page reviewed power and pumping. This work is accomplished through the Distribution and Water Treatment sections, including the operation and maintenance of 32 pump stations and pumping water from Pony Creek Treatment Plant out to the distribution system. Continuous improvements are being made to increase efficiency related to energy and pumping costs. These include:

- Optimizing pumping systems to ensure proper maintenance and replacement cycles
- Installing variable frequency drives (VFDs) for precise control of pump functions
- Detecting leaks in the system to reduce pumping cycles

Additional labor and supply costs are reflected in this year's budget to allow staff to meet these goals. Last year the utility budgeted \$501,900 with an estimated year ending of \$437,300. This year the utility budgeted \$512,600.

Mr. Page introduced the Distribution and Transmission budget. The Distribution Section consists of a staff of 11 and Mr. Page (50%).

Mr. Page 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 32 pump stations; 19 reservoirs; 258 miles of water mains sized from 1-inch to 36 inches in diameter; 5,380 control valves; 1,275 fire hydrants, and transmission mains as follows: 1.5 miles from Joe Ney to Upper Pony Creek; 5.5 miles in the sand dunes; and 1 mile from Pony Creek Treatment Plant to the clearwell.

The Distribution crew performs installation of water mains and services, maintenance of mains, reservoirs and pump stations, and maintenance of Water Board properties.

Staff has been using a service provided by Everbridge. This is an event management platform that is used to keep contact with customers and employees. Customers will sign up for this and they can receive alerts either by text message, voice calls or email notifications. This allows staff to notify customers in advance of planned system events, or unplanned water outages and boil notices.

The utility entered into a tank maintenance program with SUEZ approximately 6 years ago to perform rehabilitation on the reservoirs which expands the lifespan of these assets indefinitely. This has been a very good program and the tanks are in the best of shape.

The reservoirs are set up on cycles to get annual inspections. The tanks range in size from 75,000 gallons all the way up to 1 million gallons. The utility has a few concrete tanks and in-house staff perform maintenance on them such as draining the tanks and disinfecting them.

The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$1,381,900 with an estimated year ending of \$1,115,900. Mr. Page stated expenses came in under budget primarily due to being short three employees at times, vacancy of the Operations Manager position a portion of the year, less travel for training and spending more time in capital projects (water main replacements). This year the utility budgeted \$1,665,700 due to the cost of living and benefits increase, being fully staffed, decrease in larger capital projects for the crew and an increase in material and fuel costs.

Last year the utility budgeted \$11,900 for transmission mains with an estimated year ending of \$0. In FY23 there were no major emergencies. This year the utility budgeted \$12,700 for FY2024. The increased budget is due to locating and repairing leaks on the dunes transmission main and regular maintenance.

Regarding the Vehicle Replacement Program, staff want to ensure that our fleet size and composition meets our current and future needs. An Asset Management Program is used to enter in all the maintenance schedules to optimize the performance and longevity of vehicles and then develop strategies to optimize consumption. This program is to lower corrective maintenance costs, increase reliability of the utility's equipment, minimize breakdowns, and provide annual funding for ongoing replacements. The following equipment to be purchased are included in the FY23-24 budget: Asphalt planer attachment for the Bobcat for paving repairs (\$50,000); and an Asphalt hotbox trailer for paving repairs (\$30,000). Vehicles scheduled to be purchased in FY23-24, all of which are replacing existing vehicles with over-extended lifecycles to optimize the fleet, are: Heavy-duty crew truck with utility bed and mobile crane (\$105,000); Half-ton 4WD pickup truck (\$40,000); Three-quarter ton 4WD pickup truck with utility bed (\$50,000) and a mid-sized SUV (\$35,000).

Jeff Miller, Water Treatment Supervisor, introduced the Purification Section budget and an overview of this function of the utility. The treatment plant has 7 full time personnel. The treatment plant is operated to assure that regulatory water quality standards and the Board's expectations are met. The main function of the purification section is the operation and maintenance of the Pony Creek Treatment Plant, which is a conventional water treatment plant that can produce up to 12 million gallons per day. The treatment plant runs 365 days a year. 1.28 billion gallons were produced in 2022 with an average daily demand of 3.5 million gallons and peak daily demand of 6.95 million gallons (occurring in June). Staff evaluates the performance of processes and continually work to achieve greater efficiencies; monitor the watershed supply, production and distribution system status (pump stations and reservoir levels) through SCADA.

Pony Creek Treatment Plant has a quality control lab that performs many series of testing on a daily, weekly and monthly basis. Through the Safe Drinking Water Act, the E.P.A. is authorized to establish minimum national health-based standards for all public water systems. The Oregon Health Authority monitors public water systems for compliance with both national and state standards. The Oregon Environmental Laboratory Accreditation Program (ORELAP) provides oversight and lab certification. The laboratory at the Pony Creek Treatment Plant is accredited for microbiology testing for drinking water. The Water Board's laboratory is only 1 of 28 labs in the state with this accreditation and what this means is we do not take customers' samples, but the state regulates that we collect 40 distribution bacteria samples a month. Staff are able to run these samples in the Pony Creek Treatment Plant lab, and report the samples to the state. Beside those samples, staff runs approximately 17,000 benchtop analysis per year for regulatory compliance and process control making sure the plant is running efficiently. Those analyses include bacteriological, pH, turbidity, manganese, temperature, chlorine and odor tests.

Some of the completed projects accomplished in FY22-23 were integration of 6 new turbidimeters; integrated chemical feed alarms into the SCADA system and installed a new automated polymer mixing system.

The following purification projects are planned for the 2023-2024 fiscal year:

- Continue replacement of aging obsolete turbidimeters which are used to measure clarity of the water at various points through the treatment process
- Tracer study to more accurately determine disinfectant contact time
- Increase security at the Treatment Plant
- Restore multiple sensor analytical instruments to regulatory standards
- Install a powdered activated carbon loading and feed system
- Replace the roof and primary heating and ventilation equipment at the Treatment Plant

Mr. Miller stated purification expenses include operation and maintenance of the treatment plant. Last year the utility budgeted \$1,348,900 with an estimated year ending of \$1,216,200. Expenses came in under budget due to staffing shortages. This year the utility is budgeting \$1,504,600. The increased budget is to sustain increasing chemical costs, full staffing needs and material costs.

Customer Relations Supervisor Bryan Tichota gave an overview of the customer service section. There are currently 14 positions in customer service including Mr. Tichota. The Customer Services Representatives (CSR's) operate the utility's call center. They open and close accounts for customers, manage customer accounts, and process all payments. The CSR's work very closely with the field staff or Field Customer Service Representatives in providing them with work orders. Currently the Customer Service Section is fully staffed. The data processing section consisting of a Utility Billing Leader and Clerk-Customer Service perform accurate and consistent customer billing, processing reads, produce the billings and mail out them out. The utility used to have designated meter readers however with the utility in the process of migrating towards an automated meter reading process the meter reader position has changed to a Field Customer Service Representative I. This is a career ladder/entry level position. The Field Customer Services Representative I accurately reads meters to maintain a consistent billing schedule, meter testing, replacement and maintenance. The Field Customer Services Representative II performs verification of meter readings, assists customers with high consumption and possible leak issues, and deliver collection and informational notices. The Field Services Technician is the utility's cross connection specialist. He is also a licensed and certified tester and tests all of the utility's in-house backflow systems. This position is responsible for the management and enforcement of cross connection program rules to protect water quality and public health, oversight of metering systems and meter testing.

Mr. Tichota gave an overview of the payment methods consisting of E payment, online check, cash, check, and credit cards. In 2017 the utility introduced the credit card system. The majority of payments are made by credit cards, approximately 53 percent. Check and cash payments continue to reduce. Part of the payment process is also collections. Out of 13,500 bills the utility was averaging 2,000 past due bills which has now reduced to 1,500 to 1,800. The 24-hour notices go out after a customer has past their payment due date and have not made payment arrangements. Staff used to send out about 1,000 to 1,200 per month which were physically delivered. These have reduced by half since the use of credit cards.

Springbrook is the Water Board's primary software company for utility billing services. The Water Board recently purchased the Springbrook Interactive Voice Response (IVR) system that will allow specific customer contact by e-mail, phone call, and text message. The primary reason for this purchase was to realize efficiencies by eliminating physical delivery of door hanger notifications for those customers who become eligible for cut off for non-pay. Currently, approximately 50 door hangers (24-hour notice for non-pay) are physically delivered daily by staff. Staff have started using the software and plan to eliminate the use of door hanger notification on July 1, 2023. Eliminating door hangers creates savings on staff time, fuel and road mileage. Over a 3-month period which began April 1, 2023, customers receive both an automated message and a door hanger notifying them they have become eligible for cut off for non-pay. During this time period, the Water Board is advertising its change in notification methods by conducting press releases, leaving highlighted notations on any notification given to customers during the period, notating the change on water bills, on the website, and verbal notifications for customers who visit the Water Board service center.

The Automated Meter Reading (AMR) System is in use with 872 meters installed by staff and operating in the Englewood area. The system was put to use in late April 2022 after the Meter Readers completed training. The meter readers read all 872 meters in 70 minutes which normally would have taken one Meter Reader 3 days. The AMR identifies multiple trouble conditions including no flow and continuous water flow and improves customer service. In addition, the data logging provides UB Billing and/or customer with up to 180 days usage history. Staff anticipates continued reductions in Utility Billing service orders in areas read with the AMR system. An additional 1,250 AMR meters are being installed in the Charleston area by

Diversified Construction, the company which was awarded a contract by the Board for installation of automated meters. Staff are currently researching installation of additional meters and will be bringing information to the Board for their consideration.

Last year the utility budgeted \$1,450,000 with an estimated year ending of \$1,463,500. These expenses came in close as for the most part fully staffed, and there was a slight increase of credit card usage/fees. This year the utility budgeted \$1,516,200. The increased budget is due to slowed growth in credit/debit card use/usage fees, increase in IT and computer services (maintenance, software, and security) and increased labor/benefit costs.

Finance Director Jeff Howes stated the Finance Division includes one Accounting Technician, Payroll Clerk, and Clerk-Accounting.

The administrative and general expenses will increase in FY23-24. Last year the utility budgeted \$1,240,500 with an estimated year ending of \$1,238,600. The expenses came in under budget with all tasks completed. This year the utility budgeted \$1,283,300. The increased budget is due to wages, actuarial study and property/liability/cyber insurance.

Regarding fixed assets and depreciation, Mr. Howes stated all purchased capital assets are valued at an estimated cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets as follows:

Buildings	5 to 50 years
Land Improvements	10 to 100 years
Furniture and fixtures	3 to 15 years
Machinery and equipment	3 to 15 years
Vehicles	6 to 20 years
Water utility system	10 to 75 years

Last year the utility budgeted \$1,982,900 with an estimated year ending of \$1,959,700. This year the utility budgeted \$2,020,500. Staff uses a 3.0% escalator with current expected costs.

Last year the utility budgeted \$6,197,300 for total operating expenses excluding depreciation with an estimated year ending of \$5,629,700. This year the utility is budgeting \$6,761,000.

Mr. Howes reviewed income deductions:

- Interest on long term debt and other interest - Last year the utility budgeted \$251,400 with an estimated year ending of \$265,200 This year the utility budgeted \$276,600.
- Amortization of bond discount and expense - Last year the utility budgeted \$27,000 with an estimated year ending of \$26,400. This year the utility budgeted \$27,000.
- Sewer/Surcharge funds remitted – Last year the utility budgeted \$11,310,000 with an estimated year ending of \$11,975,000. This year the utility budgeted \$12,682,400.

Net income available for FY23-24 for debt reduction is \$1,247,300.

Mr. Howes gave an overview of the Debt Service Schedule which includes debt for the Water Supply Expansion Project, the Bay Crossing, Water Treatment Plant Expansion Project, and the Oregon Department of Transportation South Empire Boulevard Main Replacement Project. Total outstanding debt at the end of FY23 is \$7,592,400. The total amount of principal and interest to be paid in FY2023-24 is \$1,652,100 (principal \$1,433,300, interest \$218,800).

Engineering Manager Matt Whitty gave an overview of the Engineering Section. The Engineering Section consists of Mr. Whitty and two Engineering Technicians. The Engineering Section manages a large portion of the utility's capital projects, from the planning level through construction management and project completion. The Water Board has City, ODOT and County projects which influence the capital budget.

The Engineering Section's primary responsibilities are assessing the condition of the utility's infrastructure, management of the watershed, coordinate with ODOT, County and City projects, inspection of contractor installations, utility locates, private development regulation and capital project delivery.

Infrastructure condition assessments include dam inspections, tank and pump station inspections when they are getting cleaned (the utility has a private contractor for steel tank maintenance), inspect concrete tanks looking for any cracks, customer calls/concerns, visual inspections on sample asbestos cement water mains, water main leaks and breaks.

Over the past 23 years there has been an upward trend of water main leaks and breaks as well as an upward trend in annual costs for the maintenance of mains. Staff gather information on all breaks and keep a close watch on aging infrastructure.

The utility has an annual contract with the U.S Department of Agriculture who help manage the watershed removing any beaver and nutria to control the population.

Mr. Whitty gave results of the last two timber sales:

2017 Timber Sale

Unit 1 (rehab)	70 Acres	823 MBF low quality
Unit 2	32.1 Acres	1,161 MBF

Gross Revenue	\$285,000
Timber Sale Management	\$74,798
Reforestation	\$36,749
Net Revenue	\$175,038

2019 Timber Sale

Unit 1 (rehab)	70.1 Acres	1,235 MBF
Unit 2	25 Acres	942 MBF

Gross Revenue	\$547,924
Timber Sale Management	\$58,028
Reforestation	\$40,000
Net Revenue	\$449,896

Regarding the 2017 timber sale, the 70 acre unit was basically a lot of brush with scattered trees and it did not have very good volume. We couldn't offer it as a timber sale by itself because it didn't have a lot. So we put some really good timber with it in Unit 2. We didn't get much revenue on it, but now have that back into production. We have really good stocking so in another 60 years it should be more profitable.

In the 2019 Timber Sale Unit 1 wasn't that appealing, so we put good timber in Unit 2 and produced more revenue than in 2017. We just finished logging and will replant the units and get them back into production. The 2023 timber sale is coming up and it should generate good revenue. Mr. Kilmer inquired as to the number of years of rotation. Mr. Whitty stated it varies but estimated a 60-year rotation.

Regarding Capital Project Delivery:

- Reservoir work is normally consultant supported.
- Pump Stations – Do in-house design on smaller pump stations, but use consultants for the larger stations.
- Water Mains - Most designs are done in-house for contractor installations. Staff take care of identifying the project, surveying, produce and design all specifications, bid the project, project management and inspection.

Mr. Whitty reviewed the capital budget summary proposed for the coming fiscal year:

Water main replacement projects:	\$ 988,300
Reservoir projects:	\$ 364,600
Pump station projects:	\$ 86,100
Pony Creek Treatment Plant projects:	\$ 300,600
Cathodic protection:	\$ 200,200
Meter replacement program:	\$ 275,000
Miscellaneous projects:	<u>\$ 102,100</u>
Total FY23-24 Capital Project Budget:	\$2,366,900

Mr. Whitty reviewed some of the major water main projects proposed for the coming fiscal year:

• Meade Ave 1,150' 8" Di – Virginia To Connecticut	\$349,800
• Lockhart 2,375' 10" Di – S 10th To Bdwy (66% Funded)	\$215,000
• Total Estimated Cost = \$850,000	
• Meade Ave 460' 2" PVC – Virginia South	\$ 77,000
• Tower-Alley 230' 8" And 640' 2" – Sherman East	\$115,500
• Garfield Avenue 1,000' 6" PVC	<u>\$231,000</u>
	\$988,300

For the Engineering Section, last year the utility budgeted \$411,600 with an estimated year ending of \$398,900. This year the utility budgeted \$446,100. The increase is due to wages and benefits. These costs do not include what staff has estimated will be spent on capital projects.

There being no further discussion of the operating and maintenance expenses, the debt service schedule and capital portions of the budget, Mr. Thomas reminded the Budget Committee the next meeting was scheduled for Thursday, June 15, 2023 at 12:00 noon. Chair Nichole Rutherford declared the meeting adjourned at 1:48 p.m.

Approved \_\_\_\_\_

By \_\_\_\_\_  
Nichole Rutherford  
Budget Committee Chair

ATTEST \_\_\_\_\_