

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, 2017

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 2017-18. Committee members present: Mike Erbele, Laird Bryan, Susanne Baker, Greg Solarz, Melissa Cribbins, Dr. Charles Sharps, and Bob Dillard. Committee members absent: Patty Scott. Water Board staff present: Ivan Thomas, General Manager; Bill Hagan, Operations Manager; Bryan Tichota, Customer Relations Supervisor; Rick Abbott, Distribution Supervisor; Matt Whitty, Engineering Manager; Jeff Howes, Finance Director; Jerre Cover, Water Treatment Supervisor; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Water Board Chair Solarz opened the meeting at 12:00 noon.

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. Dr. Sharps moved Laird Bryan be nominated Budget Committee Chair. The motion was seconded by Mr. Solarz and passed unanimously. Laird Bryan began chairing the meeting.

Chair Bryan asked if there were any corrections or additions to the June 16, 2016 Budget Committee Minutes. There being none, Dr. Sharps moved the minutes be approved as written. The motion was seconded by Mr. Erbele and passed unanimously.

Introductions of staff and Budget Committee members were made. Chair Bryan 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, 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.

Revenues from water sales for FY2017 are projected to be \$175,800 under the 2017 budget. Staff has done a good job on controlling expenditures throughout this fiscal year which helps to offset low revenue. Operations and maintenance expenses for FY18 are increasing by \$197,800 or 4.35% in comparison to FY2017 budget. This increase is due in part to wages, cost of living adjustment, benefits and power costs. To balance the budget staff proposes a 3.5% rate adjustment comprised of 1.5% operations and maintenance, 1% for tank restoration, and 1% for capital improvements.

The operations and maintenance expenses are classified into functional categories as shown on Schedule B of the FY16 budget: Operating expenses from least to most expensive are

transmission; source of supply; power and pumping; administrative and 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 are made for anticipated work load.

Mr. Thomas 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, monitoring wells, brush cutting, maintaining roads, well rehabilitation, environmental monitoring, and dam structural monitoring. Last year the utility budgeted \$237,100, with an estimated year ending of \$176,300. Year-end expenses came in under budget due to monies not being spent by the utility's environmental consultant this year, and having the well maintenance performed by a local contractor rather than an out of state contractor. This year the utility is budgeting \$284,700. The increase is being driven by environmental monitoring at Matson Creek, Ten-mile, a final inspection on Willanch Creek, and monitoring of the dam by AECOM.

Operations Manager Bill Hagan reviewed Power and Pumping. Power and Pumping work is accomplished primarily through the Distribution and Water Treatment sections, including the operation and maintenance of 34 pump stations and the pump station at Pony Creek Treatment Plant to move water and maintain pressure throughout the system. This is accomplished by the Distribution and Water Treatment Sections consisting of 15 personnel that check pump operations for efficiency, maintain pumps and buildings, purchase of electricity, and monitoring the SCADA system. Last year the utility budgeted \$455,400 with an estimated year ending of \$415,200. This year the utility is budgeting \$498,200 to compensate for an increase in electrical costs and anticipated increased water production.

Water Treatment Supervisor Jerre Cover introduced the Purification Section budget and an overview of this function of the utility. Pony Creek Treatment Plant consists of a staff of 7, to include a Water Treatment Plant Supervisor, 4 Operators, 1 Water Quality Technician and Operation Manager Bill Hagan (50%). The treatment plant runs 365 days a year.

Pony Creek Treatment Plant has a quality control lab that performs many series of testing on a daily, weekly and monthly basis. The accreditation process for Pony Creek Treatment Plant's laboratory as required by ORELAP consists of the utility complying with the NELAP standards which are recognized by ORELAP AND NELAP. Laboratory analysis for quality control and regulatory compliance results in approximately 45,000 individual analysis per year.

Mr. Cover stated purification expenses 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 \$1,005,100 with an estimated year ending of \$914,500. Mr. Cover stated expenses came in under budget primarily due to the reduced use of Powder Activated Carbon and the early retirement of a contracted supervisor. This year the utility is budgeting \$982,600.

Distribution Supervisor Rick Abbott 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 34 pump stations; 19 reservoirs; 258 miles of various sized

water mains; 5,380 control valves; 1,201 fire hydrants, and transmission mains as follows: 8,800 feet from Joe Ney to Upper Pony Creek; 29,000 feet in the sand dunes; and 4,100 feet from Pony Creek Treatment Plant to the clearwell.

The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$1,061,900 with an estimated year ending of \$945,100. Mr. Abbott stated expenses came in under budget primarily due to the early retirement of a contracted supervisor, running behind schedule in the reservoir washing, and the automatic meter read program which was budgeted for but not instituted as of yet. This year the utility budgeted \$1,035,000.

Last year the utility budgeted \$3,300 for transmission mains with an estimated year ending of \$0. These costs consist of maintaining the transmission mains in the dunes that get exposed from weather, however this year the water level was too high to access the mains. This year the utility budgeted \$3,300.

Customer Relations Supervisor Bryan Tichota gave an overview of customer accounting and collecting. Customer Service consists of 13 employees. Customer Service Representatives internally perform customer account maintenance, opening and closing accounts, billing inquiries for customers, receive and deposit payments, and perform credit/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 health.

Last year the utility budgeted \$930,600 with an estimated year ending of \$854,700. Expenses came in under budget primarily due to the fact all costs have not been fully utilized involving the credit/debit card program and the automated meter reading pilot program not implemented. This year the utility budgeted \$1,001,500.

Engineering Manager Matt Whitty gave an overview of the Engineering Section. The Engineering Section manages a large portion of the utility's capital projects, from the planning level through construction management and project completion. In FY17 staff designed 2,400 feet of water main replacement for crew installation for six different projects; designed 3,100 feet for contractor installation, and designed the new Everest Pump Station. The Engineering Section is responsible for maintenance of all records, asbuilt drawings and books for water mains, valve maintenance records and hydrant flow test records. Staff assists with customer funded jobs, monitoring and inspection of Upper Pony Creek and Merritt Dams; and provides services for timber sales in accordance with the utility's Watershed Management Plan which is a shared responsibility with the Operations Division.

Engineering staff also give support to other departments to include locating mains, lost valves and services; preparation of exhibits, maps and other drawings; involved with low pressure complaints; protection of the public water supply involving backflow prevention; and provide some assistance with new service requests.

Last year the utility budgeted \$309,700 with an estimated year ending of \$199,771. Expenses came in under budget mainly due to some capital projects, as well as capturing more of the technician's time in these capital projects. This year the utility budgeted \$248,300.

Finance Director Jeff Howes stated administrative and general expenses will increase in FY17. Last year the utility budgeted \$845,100 with an estimated year ending of \$881,100. The expenses came in over budget due to the overlap and hiring of the General Manager, and the addition of a new position in the Accounting Section, wages, audit and actuarial study. This year the utility budgeted \$930,500.

Last year the utility budgeted \$4,538,500 for total operating expenses with an estimated year ending of \$4,186,900. This year the utility is budgeting \$4,736,300.

Regarding fixed assets and depreciation, Mr. Howes stated all purchased capital assets are valued at cost and at an estimated cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Last year the utility budgeted \$1,765,300 with an estimated year ending of \$1,765,300. This year the utility budgeted \$1,800,600.

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 FY 2017 is \$15,327,600. The total amount of principal and interest to be paid in FY18 is \$1,642,900 (principal \$1,241,100, interest \$401,800)

There being no further discussion of the operating and maintenance portion of the budget, Mr. Thomas reminded the Committee the next meeting was scheduled for Thursday, June 8, 2016, at 12:00 noon. Chair Laird Bryan declared the meeting adjourned at 12:52 p.m.

Approved _____

By _____

Chair Laird Bryan

ATTEST _____