

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 2, 2016

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 2016-17. Committee members present: Mike Erbele, Laird Bryan, Coos Bay Mayor Crystal Shoji, Greg Solarz, Dr. Charles Sharps, Richard Vigue and Melissa Cribbins. Committee members absent: Patty Scott. Water Board staff present: Ivan Thomas, General Manager; Jim Kaylor, Water Treatment Supervisor/Operations Manager; Bryan Tichota, Customer Relations Supervisor; Rick Abbott, Distribution Supervisor; Matt Whitty, Engineering Manager; Karen Parker, Administrative Assistant; and Monica Kemper, Accounting Technician. Board Legal Counsel James Coffey was present. Media present: none. Water Board Vice-Chair Vigue opened the meeting at 12:00 noon.

Vice Chair Vigue asked if there were any corrections or additions to the June 25, 2015 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. Vice Chair Vigue 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 Mike Erbele be nominated Budget Committee Chair. The motion was seconded by Mayor Crystal Shoji and passed unanimously. Mike Erbele began chairing the meeting. Chair Erbele 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 FY2016 are projected to be \$14,400 under the 2016 budget. The reason for this is staff was advised the commercial shrimp production was temporarily down. Operations and maintenance expenses for FY17 are increasing by \$235,000 or 3.9% in comparison to FY2016 budget. This increase is due in part to overlapping positions, cost of living adjustment, technology services and property insurance. To balance the budget staff proposes a 3.0% rate adjustment.

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 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 \$212,500, with an estimated year ending of \$183,400. This year the utility is budgeting \$237,100. The increase is being driven by environmental monitoring at Matson Creek, Ten-mile, a Special Use Permit renewal for the sand dunes, and monitoring of the dam by AECOM.

Water Treatment Plant Supervisor/Operations Manager Jim Kaylor reviewed Power and Pumping. Power and Pumping work is accomplished primarily through the Distribution and Water Treatment sections, including the operation and maintenance of 33 pump stations and the pump station at Pony Creek Treatment Plant. Last year the utility budgeted \$470,700 with an estimated year ending of \$433,900. This year the utility is budgeting \$455,400 to compensate for an increase in electrical costs and anticipated increased water production.

Mr. Kaylor introduced the Purification Section budget and an overview of this function of the utility. Pony Creek Treatment Plant consists of a staff of 6, to include a Water Treatment Plant Supervisor, 4 Operators and 1 Water Quality Technician. 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. Other compliance tests are performed by an outside lab under contract. 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. Kaylor 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 \$965,000 with an estimated year ending of \$885,000. Mr. Kaylor stated expenses came in under budget primarily due to being understaffed at Pony Creek Treatment Plant. This year the utility is budgeting \$1,005,100 to compensate for an increase in staffing (Contract Supervisor – full 12 months), increase in power and maintenance activities.

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 33 pump stations; 19 reservoirs; 258 miles of various sized water mains; 5,380 control valves; 1,201 fire hydrants and 800 miles of transmission mains. The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$909,600 with an estimated year ending of \$912,300. This year the utility budgeted \$1,061,900. Mr. Abbott stated this increase is due to being fully staffed, and covers a portion of the Operation Manager's income. Last year the utility budgeted \$3,100 for transmission mains with an estimated year ending of \$7,000. Mr. Abbott stated the reason expenses came in over budget was due to the fact transmission mains in the dunes were

exposed from weather. Central Lincoln PUD has power lines that run along the Water Board's transmission main, and rented an excavator and crew to cover their lines. The Water Board shared the cost with Central Lincoln PUD to cover the utility's transmission main at the same time. This year the utility budgeted \$3,300.

Customer Relations Supervisor Bryan Tichota 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, 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.

Mr. Tichota stated staff performed a customer billing/payment survey. The survey consisted of three questions: how could the Water Board improve its' customer service; what is their preference for billing (e-mail versus mail); and how would customers prefer to pay their monthly bill. There was a commonality overall for improvement in customer service which mainly referenced more options for payments. Preference for billing emailing versus U. S. Mail was a 60/40 split. Less than one percent chose to stay with the utility's current options to pay their bill by cash/check/money order at the Water Board office. Overall, the customers that responded are looking for an ability to use credit/debit cards to pay their water bill.

Last year the utility budgeted \$889,800 with an estimated year ending of \$828,700. Expenses came in under budget primarily due to a delay in the hiring process and transition of employee duties within the Accounting/Customer Service sections. This year the utility budgeted \$930,600, due to costs associated with the addition of credit/debit card payment options and an automatic meter reading pilot.

Finance Director Jeff Howes stated administrative and general expenses will increase in FY17. Last year the utility budgeted \$852,800 with an estimated year ending of \$967,500. The expenses came in over budget due to the overlap and hiring of the General Manager, legal expenses, and technology costs. This year the utility budgeted \$845,100.

Last year the utility budgeted \$4,303,500 for total operating expenses with an estimated year ending of \$4,217,800. This year the utility is budgeting \$4,538,500.

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 2016 is \$16,444,200. The total amount of principal and interest to be paid in FY17 is \$1,706,800 (principal \$1,116,800, interest \$590,000)

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 9, 2016, at 12:00 noon. Chair Mike Erbele declared the meeting adjourned at 12:50 p.m.

Approved _____

By _____

Chair Mike Erbele

ATTEST _____