

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, 2022

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 2022-23. Committee members present: Aaron Speakman, Timm Slater, Rodger Craddock; Patty Scott (virtually), Greg Solarz, Dr. Charles Sharps, Bob Dillard and Carmen Matthews. Committee members absent: None. Water Board staff present: Ivan Thomas, General Manager; Matt Whitty, Engineering Manager; Jeff Howes, Finance Director; John McKevitt, Operations Manager; Bryan Tichota, Customer Relations Supervisor; Jason Mills, Distribution Specialist; Junibert Magalona, Accounting Clerk (virtually); and Karen Parker, Administrative Assistant. Board Legal Counsel Melissa Cribbins was present. Media present: none. Board Chair Charles Sharps, Ph.D. 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 Sharps 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. Slater moved to nominate Aaron Speakman as Chair. The motion was seconded by Mr. Craddock and passed unanimously.

Budget Chair Speakman asked if there were any corrections or additions to the June 17, 2021 Budget Committee Minutes. There being none, Mr. Craddock moved the minutes be approved as written. The motion was seconded by Mr. Matthews and passed unanimously.

Budget Committee Chair Aaron Speakman 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 9, 2022 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 FY22 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 FY2022 are projected to be \$107,900 under the budgeted amount. Industrial sales are lower than expected.

The proposed rate adjustment for FY22-23 is 6.25% or an additional \$525,700 based on revenue projections. This rate adjustment consists on 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 (over 1% of the rate increase), small increase in property liability insurance; small increase in credit card costs; small increase in Operations and Maintenance supplies; and an increase in capital projects.

Dr. Sharps asked why chemical costs were increasing. Mr. McKeivitt stated the chemical costs have increased mainly because of the cost of transportation. One example he gave was the purchase of a chemical was \$8,000 and \$11,000 for the cost to transport it to the Treatment Plant.

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 work load. Last year the utility budgeted 5,783,500 for total operating expenses, with an estimated year ending of \$5,142,700. 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 \$6,197,300 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 work load is anticipated to be. With addition of the depreciation amount of \$1,982,900 to the total operating expenses of \$6,197,300, brings the total operating expenses to \$8,180,200; and taking the total operating revenue of \$9,005,600, leaves a net operating income of \$825,400 for FY 22-23.

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, lake sampling, monitoring and rehabilitating wells, maintaining well pumps, environmental monitoring, and dam structural monitoring. Last year the utility budgeted \$279,300 with an estimated year ending of \$201,800. Year-end expenses came in under budget due to lower maintenance labor expenses than expected, with more time spent in mains, meters and services. 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 \$261,800. The decrease in cost is due to the fact some of the Water Board's environmental commitments are less. GSI Water Solutions' and Coos Watershed's contracts are not as expensive as these change from year to year based on what is due for ongoing water rights maintenance and annual surface water management plan reporting, annual fisheries maintenance management for Matson Creek, and annual wellfield rehabilitation and maintenance.

Mr. Mills, Distribution Specialist gave an overview of the transmission and distribution expenses to include operation and maintenance of water mains, pump stations and reservoirs. The Distribution crew consists of 10 employees. Mr. Mills gave a breakdown of work performed by the Distribution Crews.

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. In addition, are several miles of transmission mains from Joe Ney to Upper Pony Creek and 30,000 feet in the sand dunes.

Mr. Mills reviewed the tank rehabilitation project staff has been working on over the last several years stating when this started the 7 steel welded water storage reservoirs were in bad condition. The utility entered into a maintenance program with SUEZ to perform rehabilitation on the reservoirs which could expand the lifespan of these assets indefinitely. When staff was looking at replacement costs of these tanks it would have cost over 4 million dollars. However, staff entered into an 8-year program with SUEZ and the total cost with rehabilitation of the tanks is under 2 million dollars. If the utility stays in the SUEZ program long term and pays the maintenance costs, SUEZ will come in on an annual basis and do the clean out, wash out, and replace any coating that has failed. After the majority of the program is paid off, the cost will be under \$150,000 per year to stay in the program. The Board can make this decision once the initial program cost has been paid off. All of the 7 steel water storage tanks have been refurbished. This has been a very good program and the tanks are in the best of shape.

Mr. Mills gave a breakdown of work performed by the Distribution Crew to include installation and maintenance to water mains, meters and service lines; capital projects; maintenance of reservoirs and pump stations; maintenance of Water Board properties; and new services.

The expense budget items for distribution consist of storage facilities, mains, meters and services. Last year the utility budgeted \$1,271,200 with an estimated year ending of \$984,000. Mr. Mills stated expenses came in under budget primarily due to three vacancies on the crew, vacancy of an Operations Manager, and less travel for training, and more time spent on capital projects (main replacements).

This year the utility budgeted \$1,381,900 due to being fully staffed, increase in wages and benefits, and spending more time in operations and maintenance of storage, mains, meters and services instead of capital projects.

Last year the utility budgeted \$14,100 for transmission mains with an estimated year ending of \$13,400. This year the utility budgeted \$11,900. The budgeted funds are to keep transmission lines covered as movement of the sand dunes cause exposure of the mains.

Mr. Matthews asked if the Distribution section is fully staffed at this time. Mr. Mills stated there are currently 2 vacant positions, 1 Utility Worker and 1 Crew Leader.

Treatment Plant Supervisor John McKeivitt reviewed Power and Pumping. This 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, serving 107 square miles. Personnel check pump operations for efficiency, maintain pumps and buildings, purchase of electricity, and monitoring the SCADA system. Labor is required to maintain and monitor these systems for efficiency and reliability and can also reduce power costs. Monitoring the service area through telemetry, which is gaining of information from remote sites and bringing that into a central SCADA System, minimizes labor and maximizes staff's response time for reliability. The monthly average cost for power and pumping is approximately \$41,800, consisting of wages and benefits and supplies (41%) and cost of power (59%). Last year the utility budgeted \$516,800 with an estimated year ending of \$414,900. Year-end expenses came in under budget due to the electricity costs being less because of efficiencies achieved at the Pony Creek Treatment Plant and pump stations. Staff have continued to upgrade the systems by replacing large induction motors with digital monitoring systems realizing energy savings. This year the utility is budgeting \$501,900 reflecting projections to achieve complete staffing needs for this upcoming fiscal year. Complete staffing would include 50% of the Operations Manager's time contributed to the Treatment section; Water Treatment Supervisor; proposed budget includes a Lead Operator position; 4 treatment plant operators (includes Lead Operator) and 1 Water Quality Technician.

Mr. McKeivitt introduced the Purification Section budget and an overview of this function of the utility. 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 works 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. Laboratory analysis for quality control and regulatory compliance results in approximately 17,000 individual non-automated analysis per year.

The following purification projects are planned for the 2022-2023 fiscal year:

- Continue replacement of aging obsolete turbidimeters which are used to measure clarity of the water at various points through the treatment process
- Upgrade the chemical feed pump monitoring in SCADA
- Tracer study through Oregon Health Authority
- Integrating chlorine control system into SCADA
- Restoring multiple sensor analytical instruments to regulatory standards
- Replacing primary heating and ventilation equipment

Mr. McKeivitt stated purification expenses include operation and maintenance of the treatment plant. Last year the utility budgeted \$1,185,100 with an estimated year ending of \$992,600. Mr. McKeivitt stated expenses came in under budget due to staff turnover and implementation of newly budgeted equipment. This year the utility is budgeting \$1,348,900. The increased budget is to sustain the plan for full staffing needs and increased material costs.

Customer Relations Supervisor Bryan Tichota gave an overview of customer accounting and collecting. The Customer Service section, when fully staffed, consists of 14 employees. Currently there are five Customer Service Representatives (CSR), one being a Lead CSR. 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. The Data Processing section performs accurate and consistent customer billing and data processing functions and work closely with the Meter Readers. The Meter Readers read 13,700 meters each month. Accurate and efficient meter reading is needed to maintain a consistent billing schedule. 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 gave an overview of the payment methods consisting of E payment, online check, cash, check, and credit cards. The majority of payments are made by credit cards. Approximately 52% of payments received are by credit card. Mr. Matthews inquired if staff passes the cost for credit card processing on to the customer. Mr. Tichota stated the transaction fee is not directly passed on to the customer, but indirectly through rates.

In January of 2020 an upgrade was made in the meter reading system to a SMART phone meter reading system (SPMR). The hand held computer that was utilized has now been replaced with a smart phone. When the meter reader is out in the field and if the system senses a high or low read it will prompt the reader to take a photograph of the meter. This photo is emailed to the Utility Billing Clerk giving the data to investigate the issue. In CY2020 this system reduced the re-read orders by 33 percent and approximately 200 plus man-hours saved. In the second year using this system (CY2021), the Utility Billing staff have learned to use the system developing new methodology and reducing the number of service orders by another 33%. Using this system, meter readers are reading an average of about 300 reads per day. This system, although still manual, has been a great stepping stone on progress leading staff into an Automated Meter Reading (AMR).

Mr. Tichota gave an update on the new AMR System. In early April 2022, 872 meter installations were completed. The system was put to use in late April after the Meter

Readers completed training. The meter readers read all 872 meters in 66 minutes which normally would have taken one Meter Reader 3 1/2 days. Staff is still learning how to use the system. The AMR identifies multiple trouble conditions including no flow and continuous water flow, and improves leak detection/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.

Last year the utility budgeted \$1,362,100 with an estimated year ending of \$1,367,500. 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 \$1,450,400. The increased budget is due to slower growth in credit/debit card use, increase in IT and computer services (software, hardware and security) and increased labor/benefit costs.

Finance Director Jeff Howes stated administrative and general expenses will increase in FY202-23. Last year the utility budgeted \$1,154,900 with an estimated year ending of \$1,168,500. The expenses came in over budget mainly due to the cost of living increase. This year the utility budgeted \$1,240,500. The increased budget is due to wages and property/liability/cyber insurance.

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. 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 \$1,971,600 with an estimated year ending of \$1,923,300. This year the utility budgeted \$1,982,900. Staff uses a 3.0% escalator with current expected costs.

Last year the utility budgeted \$7,755,100 for total operating expenses excluding depreciation with an estimated year ending of \$7,066,000. This year the utility is budgeting \$8,180,200.

Mr. Howes reviewed other income deductions:

- Interest on long term debt and other interest - Last year the utility budgeted \$282,400 (which was under budgeted by (600,000) with an estimated year ending of \$283,000 This year the utility budgeted \$251,400.
- 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 \$10,870,000 with an estimated year ending of \$10,893,000. This year the utility budgeted \$11,310,000.

Net income available for FY22-23 for debt reduction is \$1,352,500.

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 FY22 is \$8,992,900. The total amount of principal and interest to be paid in FY2022-23 is \$1,652,000 (principal \$1,400,500, interest \$251,500).

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 water main, pump stations and reservoir projects; coordinate with other departments, assessing the condition of the utility's infrastructure, in-house design and construction management, inspection of contractor installations and crew installations, oversee and review consultant designs, coordinate with City projects, and watershed management.

Additional responsibilities include 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, and provides services for timber sales in accordance with the utility's Watershed Management Plan.

Engineering staff also give support to other departments to include locating mains, lost valves and services; preparation of exhibits, maps and other drawings; assist with low pressure complaints and cross connection investigations; and provide some assistance with new service requests.

Last year the utility budgeted \$396,200 with an estimated year ending of \$382,844. This year the utility budgeted \$411,600. The increase is due to wages and increase in benefits. These costs do not include what staff has estimated will be spent on capital projects.

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

Water main projects:

Myrtle Ave 740' 8" PVC - Woodland to Juniper	\$183,200
Lockhart 2,375' 10" DI – S 10th to Bdwy (27% Funded)	\$229,100
S 8th St 1,100' 8" And 6" PVC - Ingersoll to Kruse	\$211,800
Pacific Ave 1,250' 8" PVC - Cammann to Madison	\$308,000
Vista Court 130' 2" PVC	<u>\$12,900</u>
	\$945,000

Miscellaneous Projects:

SCADA Master Plan	\$ 80,000
Rate and System Development Charge Study	\$ 60,000

Mr. Whitty reviewed a summary of projects proposed for the coming fiscal year:

Water main replacement projects:	\$ 945,000
Reservoir projects:	\$ 303,600
Pump station projects:	\$ 175,700
Telemetry Projects:	\$ 16,500
Treatment plant projects:	\$ 165,000
Cathodic protection:	\$ 52,000
Meter replacement program:	\$ 231,000
Service center remodel and paving:	\$ 66,300
Miscellaneous projects:	<u>\$ 140,000</u>
Total FY22-23 Capital project budget:	\$2,094,800

Mr. Matthews inquired if the meter replacement program project only consists of upgrading to the automated meters. Mr. Whitty stated this is solely for the AMR project, but staff has also budgeted for the regular replacement of aging meters. Mr. Thomas stated staff did the initial phase as a pilot program. Staff will come back to the Board of Directors to ask for an additional phase of meter replacements with AMR.

Mr. Craddock commented since the utility is getting into position with retirement of some of the long-term debt, maybe this would open an opportunity to go out for new debt to undertake the AMR Project. Mr. Thomas stated potentially, however that is not currently how the AMR project is set up to be funded. Staff are waiting on results of a seismic resiliency study on the dam and for the Water Treatment Plant, and any other large projects that Master Planning may identify to potentially utilize future loans or bonds for.

Mr. Whitty reviewed the vehicle replacement program. The purpose of this program is to lower corrective maintenance costs, increase reliability of the utility's equipment, minimize breakdowns and provide annual funding for ongoing replacements. Annually, \$90,000 is budgeted for replacement of vehicles.

Vehicles scheduled for replacement in FY2022-23 are replacement of vacuum trailer - \$70,000; and purchase of excavator bucket - \$6,000.

Mr. Craddock asked if funds are set aside for unplanned projects. Mr. Thomas stated staff has an active capital reserve that is available to draw from for unplanned 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 9, 2022 at 12:00 noon. Chair Aaron Speakman declared the meeting adjourned at 1:35 p.m.

Approved \_\_\_\_\_

By \_\_\_\_\_  
Aaron Speakman  
Budget Committee Chair

ATTEST \_\_\_\_\_