

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 3, 2021

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 2021-22. Committee members present: Aaron Speakman, Susanna Noordhoff, Patty Scott (virtually), Rodger Craddock (virtually), Greg Solarz, Dr. Charles Sharps, Melissa Cribbins and Bob Dillard. Committee members absent: None. Water Board staff present: Ivan Thomas, General Manager; Matt Whitty, Engineering Manager; Jeff Howes, Finance Director; John McKeivitt, Treatment Plant Supervisor; Bryan Tichota, Customer Relations Supervisor, and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Board Chair Greg Solarz opened the meeting at 12:00 noon and asked Mr. Speakman to 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 Aaron Speakman as Chair. The motion was seconded by Dr. Sharps and passed unanimously.

Budget Chair Speakman asked if there were any corrections or additions to the June 18, 2020 Budget Committee Minutes. There being none, Mr. Solarz moved the minutes be approved as written. The motion was seconded by Dr. Sharps 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 17, 2021 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 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. With the recent pandemic residential sales were up due to the fact more people were spending time at home. Some of the commercial accounts were down because of being closed so staff didn't take a lot of this year into consideration and went beyond that for water sales and gallons sold in forecasting the revenue.

Revenues from water sales for FY2021 are projected to be \$27,400 over the budgeted amount.

The proposed rate adjustment for FY21-22 is 3.87% or an additional \$323,000 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; small increase in property liability insurance; small increase in Operations and Maintenance supplies; and an increase in capital projects.

Mr. Dillard asked if chemical costs were increasing. Mr. McKeivitt stated the chemical costs are staying steady.

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 5,579,700 for total operating expenses, with an estimated year ending of \$4,937,700. 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 \$5,783,500 for operating expenses. Mr. Thomas commented this does not mean staff is asking for more funding; the total of \$5,783,500 is if the utility is fully staffed. With addition of the depreciation amount of \$1,971,600 to the total operating expenses of \$5,783,500, brings the total operating expenses to \$7,755,100; and taking the total operating revenue of \$8,607,300, leaves a net operating income of \$852,200 for FY 21-22.

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 \$284,500 with an estimated year ending of \$174,600. Year-end expenses came in under budget due to lower labor expenses than expected, with more time spent in power/pumping and Distribution. This year the utility is budgeting \$279,300. The increase is being driven by GSI Water Solutions contract for ongoing water rights maintenance and annual surface water management plan reporting, Coos Watershed Association contract for

annual fisheries maintenance management for Matson Creek, and annual wellfield rehabilitation and maintenance.

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

Mr. Thomas reviewed the tank rehabilitation project staff has been working on over the last couple of years stating when this started the 7 steel welded water storage reservoirs were in bad shape. The utility entered into a maintenance program with SUEZ to perform rehabilitation on the reservoirs. Almost all of the tanks have been restored and have now been put back in service. 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 approximately \$150,000 per year to stay in the program. The Board can make this decision once the initial program cost has been paid off. This has been a very good program. Ms. Cribbins commented the Radar Reservoir looks very good as the rehab was just completed on this tank.

The Distribution crew consists of 10 employees. Mr. Thomas gave a breakdown of work performed by the Distribution Crews: Maintenance of mains (20%); maintenance of services (20%); capital projects (20%); maintenance of reservoirs and pump stations (20%); maintenance of Water Board properties (15%); and new services (5%).

The expense budget items for distribution consist of storage facilities, mains, meters and services. Last year the utility budgeted \$1,253,800 with an estimated year ending of \$1,040,200. Mr. Thomas stated expenses came in under budget primarily due to three vacancies on the crew, vacancy of an Operations Manager, and less travel for training due to the recent pandemic.

This year the utility budgeted \$1,271,200 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 \$11,700 for transmission mains with an estimated year ending of \$7,000. This year the utility budgeted \$14,100. The increased budget is due to equipment rental to keep transmission lines covered as movement of the sand dunes cause exposure of the mains.

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. This is accomplished by the Distribution and Water Treatment Sections personnel that 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 \$43,100, consisting of wages and benefits and supplies (37%) and cost of power (63%). Last year the utility budgeted \$557,600 with an estimated year ending of \$411,900. Year-end expenses came in under budget due to reduction of power and pumping costs as vacancies have occurred and the recruitment process transpired. In addition, electricity cost continues to be down due to efficiencies achieved at the Pony Creek Treatment Plant and pump stations. This year the utility is budgeting \$516,800 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. 1.27 billion gallons was produced in 2020 with an average daily demand of 3.5 million gallons and peak daily demand of 5.3 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. 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 2021-2022 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
- Filter underdrain IMS cap replacement
- Replace polymer chemical feed system

Mr. McKeivitt stated purification expenses include operation and maintenance of one treatment plant, laboratory analysis for quality control and regulatory compliance, monitoring the watershed, supply, production, and distribution system. Last year the utility budgeted \$1,094,000 with an estimated year ending of \$1,030,700. Mr. McKeivitt stated expenses came in under budget due to staff turnover and lower operating supply costs. This year the utility is budgeting \$1,185,100. The increased budget is to fulfill a lead operator position and plan for full staffing needs and material costs.

Mr. Dillard asked if the Lead Operator is a new position. Mr. Thomas stated this position is a re-engineered position, not adding staff. Staff is moving a laborer position from the Distribution section to the Treatment section and upgrading to a lead operator.

Ms. Noordhoff inquired why the power costs have decreased if there is a shortage of staff. Mr. Thomas stated some of the operator's work that is accomplished requires personnel and really depends on efficiencies, pump replacements and power costs, which are all figured in.

Ms. Cribbins inquired if an energy analysis has been done at the Treatment Plant or if worn equipment is being replaced with more energy efficient items. Mr. McKeivitt stated he has not been involved with Energy Trust surveys. Ms. Cribbins asked if staff has thought about getting an analysis done. Mr. Thomas stated an energy analysis would be worth doing.

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 three Customer Service Representatives (CSR), one being a Lead CSR, and one vacancy currently in the process of recruitment. 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. During the year staff was down by two Meter Reader positions and Mr. Tichota stated the billings still went out on time due to the great job done by personnel. Externally, Field Customer Service Representatives perform verification of meter readings, customer education regarding high consumption and leak issues, and delivery of collection notices. This year they also stepped in to cover for the Meter Reader vacancies and were of great help keeping the process on task. 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.

In January of 2020 an upgrade was made in the meter reading system to a SMART phone meter reading system (SPMR). Previously a hand held computer was utilized being 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. This system, although still manual, has been a great stepping stone on progress leading staff into an Automated Meter Reading system (AMR) which is scheduled for a pilot program in FY2022.

Last year the utility budgeted \$1,280,200 with an estimated year ending of \$1,217,800. These expenses came in under budget due to reduced staffing. Credit card usage fees are on target this year. Staff did not project high enough usage of credit cards. This year the utility budgeted \$1,362,100. The increased budget is due to continued 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 FY2021-22. Last year the utility budgeted \$1,097,900 with an estimated year ending of \$1,055,500. The expenses came in under budget with all tasks completed. This year the utility budgeted \$1,154,900. The increased budget is due to wages, an actuarial study, 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. Last year the utility budgeted \$1,970,900 with an estimated year ending of \$1,912,300. This year the utility budgeted \$1,971,600. Staff uses a 3% escalator with current expected costs. Mr. Dillard asked how staff arrives at a 3% escalator. Mr. Howes stated staff averages over the years. Previously the escalator was at 2% but it was not meeting the increase of the actual depreciation because as the capital projects increase and those projects are completed it causes the percentage to grow.

Last year the utility budgeted \$7,550,600 for total operating expenses excluding depreciation with an estimated year ending of \$6,850,000. This year the utility is budgeting \$7,755,100.

Mr. Howes reviewed other income deductions:

- Interest on long term debt and other interest - Last year the utility budgeted \$313,900 with an estimated year ending of \$313,900. This year the utility budgeted \$282,400.
- 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 \$10,660,400 with an estimated year ending of \$11,318,000. This year the utility budgeted \$10,870,000.

Net income available for FY21-22 for debt reduction is \$783,500.

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 FY21 is \$10,360,200. The total amount of principal and interest to be paid in FY2021-22 is \$1,650,200 (principal \$1,367,300, interest \$282,900).

Engineering Manager Matt Whitty gave an overview of the Engineering Section. The Engineering Section consists of Mr. Whitty and an Engineering Technician 1-office and Engineering Technician 1-field. The Engineering Section manages a large portion of the utility's capital projects, from the planning level through construction management and project completion.

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 \$392,200 with an estimated year ending of \$370,825. This year the utility budgeted \$397,100. 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:

2 nd Ave. & A Street, 6 & 2-inch PVC, 1,060'	\$171,900
Sheridan Ave., 8-inch PVC, 920'	\$226,900
N. Empire Blvd., 16-inch DI, 280'	\$121,400
12 th Street, 2-inch PVC	\$120,600
Empire Lane 2-inch PVC, 485'	<u>\$ 53,600</u>
	\$ 694,400

Miscellaneous Projects:

Merritt Dam seismic evaluation	\$75,000
Servers and software	\$47,000
Emergency Operations Plan	\$30,000
Fuel cardlock system replacement	\$ 6,000
Turbidimeters	\$15,000
Valve nut replacement toolkit	\$ 8,500

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

Water main replacement projects:	\$ 694,400
Reservoir projects:	\$ 313,600
Pump station projects:	\$ 8,700
Treatment plant projects:	\$ 233,000
Cathodic protection:	\$ 68,000
Meter replacement program:	\$ 192,000
Service center remodel and paving:	\$ 291,300
Miscellaneous projects:	<u>\$ 166,500</u>
Total FY21-22 Capital project budget:	\$1,967,500

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. Vehicles scheduled for replacement in FY2021-22 are replacement of concrete saw - \$10,000; and purchase of road/asphalt grinding attachment - \$14,000.

Dr. Sharps commented most of the budget was underspent this year yet each expense next year is at least 3% or 3.5% and questioned if these savings are taken into account in the proposed budget. Mr. Thomas stated the only thing that is being asked for the rate increase is the ongoing expenditures that increase such as cost of living increases, liability insurance increases, benefits. The proposed 3.87% rate increase is over last year's revenue depending on expenditures and if the utility is fully staffed.

Ms. Cribbins commented the American Jobs Plan (AJP) has a lot of infrastructure funding and asked if staff has looked into this avenue. Mr. Thomas stated staff would review the Distribution System Analysis, Condition Assessment and Replacement Strategy (DSCARP) and identify water main replacements. Mr. Thomas added the AJP supported SMART projects as well so this may be an option for funding. Mr. Speakman asked if the Water Board receives ARPA funds. Mr. Thomas stated the utility does not qualify for this. Mr. Speakman inquired when the last rate analysis was performed. Mr. Howes stated he believed it was in 1994. Mr. Thomas commented once staff gets through with master planning and identify critical issues, a rate study would be done, followed up by a System Development Charges methodology study.

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 17, 2021 at 12:00 noon. Chair Aaron Speakman declared the meeting adjourned at 1:30 p.m.

Approved _____

By _____
Aaron Speakman
Budget Committee Chair

ATTEST _____