

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 4, 2015

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 2015-16. Committee members present: Tom Graham, Mike Erbele, Rodger Craddock, Greg Solarz, Charlie Sharps, Dick Vigue and Melissa Cribbins. Committee members absent: Patty Scott. Water Board staff present: Rob K. Schab, General Manager; Ron Hoffine, Operations Director; Bryan Tichota, Customer Relations Supervisor; Rick Abbott, Distribution Supervisor; Jim Kaylor, Water Treatment Supervisor; Reshma Parrish, Water Quality Technician; Vince Stonesifer, Field Services Technician; Matt Whitty, Engineering Supervisor; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Water Board Chair Dr. Sharps opened the meeting at 12:00 noon.

Chair Sharps asked if there were any corrections or additions to the June 12, 2014 Budget Committee Minutes. There being none, Mr. Graham moved the minutes be approved as written. The motion was seconded by Mr. Erbele and passed unanimously.

Chair Sharps said as this was the first Committee meeting for this fiscal year's budget process, it was appropriate to elect a Committee Chair. Mr. Graham moved Mike Erbele be nominated Budget Committee Chair. The motion was seconded by Mr. Solarz and passed unanimously. Mike Erbele began chairing the meeting. Chair Erbele asked Mr. Schab to present the proposed budget.

Mr. Schab presented an overview of the budget, saying this 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.

Mr. Schab gave an overview of the budget. Revenues from water sales for FY2015 are projected to be \$58,000 over the 2015 budget. Operations and maintenance expenses for FY16 are increasing by \$273,200 in comparison to FY2015 budget. This increase is due in part to overlapping positions, an exempt employee salary study resulting in salary adjustments, as well as a new position in the Accounting Section. There is a budgetary change, the Operations Director oversees engineering and is involved in capital improvements where a large part of his cost is allocated towards capital and capital construction overhead. The new position of Operations Manager will primarily be an operations and maintenance position, and those expenses will now be charged to distribution and purification. In addition, legal costs will increase as labor negotiations occur in 2016, and property insurance increased by approximately 6 percent. To balance the budget staff proposes a 6.1% rate adjustment.

The operations and maintenance expenses are classified into functional categories as shown on Schedule B of the FY15 budget: Operating expenses from least to most expensive are transmission; source of supply; power and pumping; administrative & 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.

Rick Abbott, Distribution Supervisor, 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 and Merritt Lake Reservoirs, 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 \$194,000, with an estimated year ending of \$152,100. This year the utility is budgeting \$212,500. The increase is being driven by monitoring at Ten-mile, a Special Use Permit renewal for the sand dunes, and monitoring of the dam by URS.

Mr. Abbott 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 a pump station at Pony Creek Treatment Plant. Last year the utility budgeted \$426,700 with an estimated year ending of \$410,700. Mr. Abbott stated expenses came in under budget primarily due to being understaffed. This year the utility is budgeting \$470,700 to compensate for an increase in staffing, power costs and labor.

Rob Schab, General Manager, introduced the Purification Section budget and an overview of this function of the utility. Reshma Parrish, Water Quality Technician, gave an overview on the utility's laboratory stating it is NELAP certified. This accreditation starts with the Environmental Protection Agent (EPA) who create regulatory programs for environmental labs. These programs get filtered through to the National Environmental Laboratory Accreditation Program (NELAP). NELAP recognizes State governmental agencies as accreditation bodies to facilitate EPA's regulatory programs. ORELAP (Oregon Environmental Laboratory Accreditation Program) is one of the state's governmental agencies. ORELAP is part of the Oregon State Public Health Laboratory and are one of 13 NELAP recognized accreditation bodies which operate an accreditation program. The utility's accreditation in microbiology is granted through ORELAP.

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. The current standard used by ORELAP and NELAP is the 2009 NELAC (National Environmental Laboratory Accreditation Committee) Standard. The 2009 NELAC Standard contains regulatory requirements regarding how to qualify for and maintain accreditation under NELAP. Some of the requirements of NELAC are proficiency testing twice a year for the primary analyst; ethics training; ORELAP site visit once every 2 years, proper sample receiving and handling practices; analyst qualifications relating to the laboratory's accreditation, and internal audits.

Costwise, other environmental labs in the area charge approximately \$35 per test. The cost for the utility's is \$28 per test, which includes supplies and the Water Quality Technician's time. About 45 tests are run per month. In addition, approximately 40 samples are taken throughout the distribution system. Doing these tests in-house saves the utility approximately \$4,000.

Mr. Schab gave an overview of purification expenses to 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 \$895,600. Mr. Schab stated expenses came in under budget primarily due to being understaffed at Pony Creek Treatment Plant. This year the utility is budgeting \$965,000, an increase of \$70,000 to compensate for increase in staffing (Contract Supervisor), increase in sludge disposal costs, contract lab testing, and a portion of the Operations Manager's salary.

Rick Abbott, Distribution Supervisor, 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; and 1,201 fire hydrants. The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$861,000. Expenses came in under budget due to being understaffed, additional capital work and insurance savings. This year the utility budgeted \$909,600. Mr. Abbott stated this increase is due to being fully staffed, cleaning the clearwell, inventory and wage increases. Last year the utility budgeted \$3,100 for transmission mains with an estimated year ending of \$500. This year the utility budgeted \$3,100.

Bryan Tichota, Customer Relations Supervisor, 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; perform credit and 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. Statistics for calendar year 2014 show the following: Meters read – 168,399; Service Orders processed – 19,454; Payments received at the counter and through the drive-up – 46,421; and Utility billing-payments processed – 140,347. A Cross

Connection program is maintained to manage and enforce cross connection rules to protect water quality and public's health. Cross connection inspections averaged 22/month for March and April 2015. Last year the utility budgeted \$846,400 with an estimated year ending of \$817,500. Expenses came in under budget due to reduced staffing. This year the utility budgeted \$889,800, primarily due to being fully staffed and increased section wages.

Mr. Schab stated administrative and general expenses will increase in FY16. Last year the utility budgeted \$803,400 with an estimated year ending of \$767,500. This year the utility is budgeting \$852,800 to compensate for transition of the General Manager's position, new Clerk-Accounting position, legal expenses and increased property insurance. Last year the utility budgeted \$4,030,300 for total operating expenses. This year the utility is budgeting \$4,303,500.

Mr. Schab gave an overview of the Debt Service Schedule which includes debt for the Water Supply Expansion Project, the Bay Crossing, and the Water Treatment Plant Expansion Project. Total outstanding debt at the end of FY 2015 is \$16,641,400. The total amount of principal and interest to be paid in FY16 is \$1,621,200 (principal \$997,200, interest \$624,000)

There being no further discussion of the operating and maintenance portion of the budget, Mr. Schab reminded the Committee the next meeting was scheduled for Thursday, June 18, 2015, 12:00 noon. Chair Mike Erbele declared the meeting adjourned at 1:00 p.m.

Approved _____

By _____
Chair Mike Erbele

ATTEST _____