

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 5, 2019

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 2019-20. Committee members present: Mike Erbele, Patty Scott, Lucinda DiNovo, Richard Vigue, Greg Solarz, Dr. Charles Sharps, and Melissa Cribbins. Committee members absent: Bob Dillard. Water Board staff present: Ivan Thomas, General Manager; Bryan Tichota, Customer Relations Supervisor; Rick Abbott, Distribution Supervisor; Matt Whitty, Engineering Manager; Jeff Howes, Finance Director; Jeff Page, Operations Manager; Monica Kemper, Accounting Technician; Jason Mills, Distribution Technician; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was absent. Media present: none. Water Board Melissa Cribbins opened the meeting at 12:00 noon and asked Dr. Sharps to lead the Board and assembly in the Pledge of Allegiance.

Chair Cribbins asked if there were any corrections or additions to the June 13, 2018 Budget Committee Minutes. There being none, Dr. Sharps moved the minutes be approved as written. The motion was seconded by Mr. Solarz and passed unanimously.

Introductions of the Budget Committee members, council and staff were made.

Chair Cribbins said as this was the first Budget Committee meeting for this fiscal year's budget process, it was appropriate to elect a Committee Chair. Ms. DiNovo moved to nominate Mike Erbele as Chair. The motion was seconded by Ms. Cribbins and passed unanimously.

Chair Cribbins 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; capital improvement plan and vehicle replacement program. Staff will present a review of market study analysis, revenues, balancing the budget and proposed rate adjustment at the second budget meeting.

Some highlights in the budget consist of union negotiations which are in the process of being finalized-union employees are expecting a COLA increase of 2.1% for those who do not receive a market rate adjustment above 2.1%; non-union positions are expecting a COLA increase of 1.5%; partial staffing increase for a Distribution Specialist which was budgeted 75% for last fiscal year and will be budgeted 100% for FY19-20; health and benefit increase of 6%.

Revenues from water sales for FY2019 are projected to be \$34,400 under the 2019 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 FY2019-20 are increasing by

\$521,600 in comparison to FY2018-19 budget. This increase is due in part to wages, cost of living adjustment, partial staffing increase, and benefits. To balance the budget staff proposes a 4.0% rate adjustment comprised of 2.0% for wages and benefits, 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 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 4,969,000 for total operating expenses, with an estimated year ending of \$4,427,800. This year the utility is budgeting a total of \$5,490,600 for operating expenses. Mr. Thomas commented this does not necessarily mean staff is asking for more funding, but that there is a shift in capitals back to operation and maintenance which will be explained.

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, environmental monitoring, and dam structural monitoring. Last year the utility budgeted \$286,200, with an estimated year ending of \$156,300. Year-end expenses came in under budget due to lower internal labor expenses, and some bills were not realized due to a change in environmental consultants. This year the utility is budgeting \$301,600. The increase is being driven by an increase in labor in source and supply, Coos Watershed Association contracts, renewal of the special use permit for dunes aquifer, additional environmental monitoring at Ten-mile Creek, Matson Creek, and wellfield rehabilitation and maintenance.

Operations Manager Jeff Page 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. 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. Last year the utility budgeted \$552,100 with an estimated year ending of \$407,800. Year-end expenses came in under budget due to less pumping costs as a result of the utility's leak detection program. In addition, staff spent more time in capital projects for labor. This year the utility is budgeting \$608,300 to compensate for an increase in electrical costs, anticipated increased water production, and increased staff time and labor devoted to power and pumping/telemetry and instrumentation in the distribution system.

Mr. Page 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 Jeff Page (50%). Mr. Page is covering the Supervisory position as the utility is in the process of accepting applications for this position.

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. 1.3 billion gallons was produced in 2018 with an average daily demand of 3.6 million gallons and peak daily demand of 6.7 million gallons.

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 17,000 individual non-automated analysis per year.

The following purification projects are planned for the 2019-2020 fiscal year:

- Purchase of a backup sanitary sewer pump;
- Two new SCADA client computers, one to function and the second for a backup

Mr. Page 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 \$1,063,000 with an estimated year ending of \$904,600. Mr. Page stated expenses came in under budget due to being down one Treatment Plant Operator for 7 months and without an Operations Manager for 3 months. This year the utility is budgeting \$1,082,000. The increased budget is due predominantly to wages and benefits and increase in cost of sodium hypochlorite. This amount could change depending upon the length of time it takes to hire a Treatment Plant Supervisor.

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

Staff has undertaken a leak detection program which has helped to find out where water loss has occurred.

The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$960,300 with an estimated year ending of \$882,600. Mr. Abbott stated expenses came in under budget primarily due being down one employee all year, smaller main breaks spending less time to repair, and attending trainings to meet OSHA requirements. This year the utility budgeted \$1,205,200 due to increase in wages and benefits, cost of supplies increasing, have a full staff, and spend more time in operations and maintenance of storage, mains, meters and services instead of capital projects.

Last year the utility budgeted \$16,000 for transmission mains with an estimated year ending of \$2,000. These expenses came in under budget as time was spent in well rehab rather than relocating water mains. This year the utility budgeted \$11,500. The increased budget is due to relocation of some transmission lines.

Distribution Supervisor Rick Abbott 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. This year staff is taking a different look at the program, and rotating the utility's vehicles throughout the organization, rather than replacing the vehicles within a stated timeframe. Staff will continue to monitor this keeping track of corrective maintenance costs and resale values of the vehicles, and plans on increasing the annual contribution next fiscal year. Staff recommends not replacing any vehicles for FY2019-20. Funds carried over from last fiscal year total \$167,300 and an annual contribution for FY2019-2020 of \$95,000 for a total of \$262,300, plus salvage value, remain in the Vehicle Replacement Program.

Customer Relations Supervisor Bryan Tichota gave an overview of customer accounting and collecting. With the recent addition of one Customer Service Representative, the Customer Service section consists of 14 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. The Data Processing section performs accurate and consistent customer billing and data processing functions. 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.

Fees were increased for 24-hour notices and shut-offs for non-payment and staff anticipated increased revenue of approximately \$49,909. Mr. Tichota stated the amount budgeted last fiscal year was not realized, and are forecasting it at \$19,510 for FY19-20. There has been an overall reduction in 24-hour notices/door hangers from 1000 per month to approximately 800 per month. This is most likely due to the alternate payment methods offered and/or increase in fees. Credit card services were initiated in July of 2018, as well as auto-pay.

Last year the utility budgeted \$1,115,800 with an estimated year ending of \$1,131,900. The increased budget is primarily due to credit card transactions. This year the utility budgeted \$1,210,900. The increased budget is due to continued credit card fees, wages, increase in benefits.

Finance Director Jeff Howes stated administrative and general expenses will increase in FY2019-20. Last year the utility budgeted \$975,300 with an estimated year ending of \$942,600. The expenses came in under budget with all tasks completed. This year the utility budgeted \$1,071,100. The increased budget is due to wages, medical insurance, and purchase of uniforms.

Last year the utility budgeted \$4,969,000 for total operating expenses with an estimated year ending of \$4,427,800. This year the utility is budgeting \$5,490,600.

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 \$1,873,200 with an estimated year ending of \$1,849,000. This year the utility budgeted \$1,904,500.

Mr. Howes reviewed income deductions:

- Interest on long term debt and other interest - Last year the utility budgeted \$373,200 with an estimated year ending of \$373,200. This year the utility budgeted \$343,900.
- Amortization of bond discount and expense - Last year the utility budgeted \$27,000 with an estimated year ending of \$26,900. This year the utility budgeted \$27,000.
- Sewer/Surcharge funds remitted – Last year the utility budgeted \$9,523,200 with an estimated year ending of \$9,273,600. This year the utility budgeted \$11,367,700. The increased budget is due to an increase of City of North Bend's Public Safety Fee and the City of Coos Bay's sewer rates and Transportation fee.

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 2019 is \$13,001,400. The total amount of principal and interest to be paid in FY2019-20 is \$1,650,700 (principal \$1,306,700, interest \$344,000).

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; 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, and coordinate with City projects.

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, 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. 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 \$367,000 with an estimated year ending of \$344,500. Expenses came in under budget mainly due to no longer needing to do piezometer readings on the dam. This year the utility budgeted \$379,200. The increase is due to wage increases as a result of the market rate analysis.

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

Water main projects – 6th Avenue-E Street to F Street (\$389,000); 5th Avenue-Alley near E Street (\$19,200); 5th Avenue-From D Street North (\$41,700)

Pump Station and Reservoir projects – Wisconsin Pump Station (\$241,900); Brights Mill Pump Station Building (\$85,100); Pump and Roof Replacements (\$56,400)

SCADA and Telemetry Projects – Telemetry units at Wisconsin Pump Station and Charleston Reservoir (\$25,600).

Miscellaneous Projects – Service Center Roof Replacements (\$29,900); Computer Software Springbrook IVR Upgrade (\$8,800); Computer Hardware and Software-Accounting (\$38,500); Handhelds-Customer Service (\$26,400); Meter Test Bench (\$66,000); Master Planning (\$184,000); Logger Correlators for Leak Detection (\$33,000).

There being no further discussion of the operating and maintenance and capital portions of the budget, Mr. Thomas reminded the Committee the next meeting was scheduled for Wednesday, June 19, 2019 at 12:00 noon. Chair Mike Erbele declared the meeting adjourned at 1:30 p.m.

Approved _____

By _____
Vice-Chair Bob Dillard

ATTEST _____