

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 7, 2018

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 2018-19. Committee members present: Mike Erbele, Laird Bryan, Patty Scott, Lucinda DiNovo, Greg Solarz, Dr. Charles Sharps, and Bob Dillard. Committee members absent: Melissa Cribbins. 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; Jerre Cover, Water Treatment Supervisor; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Water Board Chair Sharps opened the meeting at 12:00 noon and asked Mr. Solarz to lead the Board and assembly in the Pledge of Allegiance.

Chair Sharps asked if there were any corrections or additions to the June 15, 2017 Budget Committee Minutes. There being none, Mr. Erbele moved the minutes be approved as written. The motion was seconded by Mr. Dillard and passed unanimously.

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. Dillard moved to nominate Lucinda DiNovo as Chair. The motion was seconded by Mr. Bryan and passed unanimously.

Chair DiNovo 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 long term capital funding, the timber management program, revenues, balancing the budget and proposed rate adjustment at the second budget meeting.

Revenues from water sales for FY2018 are projected to be \$287,500 under the 2018 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 FY2018-19 are increasing by \$232,700 or 4.91% in comparison to FY2017-18 budget. This increase is due in part to wages, cost of living adjustment, staffing increase, benefits and chemical costs. To balance the budget staff proposes a 4.0% rate adjustment comprised of 2.0% operations and maintenance, 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 and general; distribution, purification, customer accounting and 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 4,736,300 for total operating expenses, with an estimated year ending of \$4,316,500. This year the utility is budgeting a total of \$4,969,000 for operating expenses.

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 \$284,700, with an estimated year ending of \$148,800. Year-end expenses came in under budget due to turnover, labor expense in capital projects, and refurbishment of wells was held off due to low revenue. This year the utility is budgeting \$286,200. The increase is being driven by an increase in labor in source and supply, Coos Watershed Association contracts, additional environmental monitoring at Matson Creek, and two wellfield rehabilitation and maintenance projects.

Power and Pumping 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 \$498,200 with an estimated year ending of \$424,900. Year-end expenses came in under budget due to less water production and therefore less power was needed to move water. In addition, staff spent more time in capital projects for labor. This year the utility is budgeting \$552,100 to compensate for an increase in electrical costs, anticipated increased water production, and more staff time and labor devoted to power and pumping.

Water Treatment Supervisor Jerre Cover 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 Bill Hagan (50%). The treatment plant runs 365 days a year.

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 with the yearly average being 3.5 million gallons per day.

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.

Three large purification projects are planned for the 2018-2019 fiscal year:

- Power study at Pony Creek Treatment Plant;
- Continue Unregulated Contaminant Monitoring Rule (UCMR) 4 testing; and
- Completion of the chlorine gas to sodium hypochlorite conversion in the 2018 calendar year. This removes the potential hazard for employees and provides a safer work environment.

Mr. Cover 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 \$982,600 with an estimated year ending of \$956,100. Mr. Cover stated expenses came in under budget due to lower water demand than expected. This year the utility is budgeting \$1,063,000. The increased budget is due predominantly to the increased cost of sodium hypochlorite compared to chlorine gas, and wages and benefits.

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.

Restructure of staffing in the Distribution Section is planned in the upcoming fiscal year which will include re-engineering of two distribution positions. A job analysis will be conducted on the current Distribution Technician position and either upgrade this position to a lead or supervisory role pending results of the evaluation. The utility has a vacant laborer position which would be re-engineered and upgraded to the Distribution Technician position. The projected cost of restructuring is approximately \$36,050.

The expense budget items consist of storage facilities, mains, meters and services. Last year the utility budgeted \$1,035,000 with an estimated year ending of \$827,800. Mr. Abbott stated expenses came in under budget primarily due to reservoirs which were scheduled to be maintained by the utility's crew was performed under the new tank maintenance program. Staff spent more time setting the reservoirs up with the contractors, therefore those funds went into capital projects. This year the utility budgeted \$960,300.

Last year the utility budgeted \$3,800 for transmission mains with an estimated year ending of \$900. These expenses came in under budget as there were some customer funded projects in the dunes. This year the utility budgeted \$16,300. The increased budget is due to a leak that needs to be located and repaired in the dunes, and 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. Mr. Abbott reviewed the fleet and rotation of the vehicles as well as the corrective maintenance costs prior to the start of the program (1995) to current. Mr. Abbott gave a breakdown of the vehicle replacement program based on age of the vehicle. Other considerations for vehicle replacement are mileage, corrective maintenance costs, and resale value. For FY2018-2019 staff proposes to replace one flushing van, a 4WD pickup, one utility pickup, one roller, and vehicle accessories totaling approximately \$120,500. Funds carried over from last fiscal year

total \$184,814 and an annual contribution for FY2018-2019 of \$95,000 for a total of \$279,814, plus salvage value, remain in the Vehicle Replacement Program.

Customer Relations Supervisor Bryan Tichota gave an overview of customer accounting and collecting. Customer Service consists of 13 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.

Staff is proposing to add one additional Customer Service Representative at an estimated cost of \$57,700. Mr. Tichota stated he currently spends about 60% of his time on the Customer Service floor taking payments, phone calls, and running tills. Reducing this time to 20 to 25% would allow him more time in supervisory duties and outside projects.

Currently the Customer Service Representatives process approximately 1,000 door hangers per month and approximately 100 shut-offs for non-payment each month. Staff is proposing to increase the fees as follows:

	Current Fee	Proposed Fee
Door Hanger	\$5.00	\$8.00
Shut-offs	\$8.00	\$31.00

These fees have not been increased since 1997. Proposed increases are based on cost recovery and would generate an estimated revenue increase of \$49,909.

Last year the utility budgeted \$1,001,500 with an estimated year ending of \$1,049,000. The increased budget is primarily due to credit card transactions. This year the utility budgeted \$1,115,800. The increased budget is due to wages, increase in benefits and upgrades for billing and accounting software.

Finance Director Jeff Howes stated administrative and general expenses will increase in FY2018-19. Last year the utility budgeted \$930,500 with an estimated year ending of \$909,000. The expenses came in under budget with all tasks completed. This year the utility budgeted \$975,300. The increased budget is due to wages, medical insurance, billing upgrade and accounting software.

Last year the utility budgeted \$4,736,300 for total operating expenses with an estimated year ending of \$4,316,500. This year the utility is budgeting \$4,969,000.

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 \$1,800,600 with an estimated year ending of \$1,818,600. This year the utility budgeted \$1,873,200.

Mr. Howes reviewed income deductions:

- Interest on long term debt and other interest - Last year the utility budgeted \$401,900 with an estimated year ending of \$401,700. This year the utility budgeted \$373,200. The budgeted amount is decreasing because of the refinancing of the water supply expansion project.
- Amortization of bond discount and expense - Last year the utility budgeted \$17,100 with an estimated year ending of \$26,400. This year the utility budgeted \$27,000.
- Sewer/Surcharge funds remitted – Last year the utility budgeted \$8,267,100 with an estimated year ending of \$8,220,300. This year the utility budgeted \$9,523,200. The increased budget is due to an increase of City of Coos Bay's sewer rates, and other fees for the City of North Bend.

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 2018 is \$14,041,657. The total amount of principal and interest to be paid in FY2018-19 is \$1,652,200 (principal \$1,278,900, interest \$373,300).

Engineering Manager Matt Whitty gave an overview of the Engineering Section. The Engineering Section manages a large portion of the utility's capital projects, from the planning level through construction management and project completion. In FY2017-2018 staff designed 2,400 feet of water main replacement for crew installation for six different projects; designed 3,100 feet for contractor installation, and designed the new Everest Pump Station. The Engineering Section is responsible for assessing the condition of the utility's distribution system, 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 which is a shared responsibility with the Operations Division.

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 \$363,200 with an estimated year ending of \$355,886. Expenses came in under budget mainly due to some capital projects, as well as capturing more of the technician's time in these capital projects. This year the utility budgeted \$367,000.

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

Water main projects – Juniper and Hemlock (\$250,000); Madrona Street (\$362,500); McCullough Bridge pipe painting (\$232,300); 3rd Avenue (\$48,600); E Street (\$16,400); Tunnel repair project/Joe Ney Dike (\$222,500).

Pump Station and Reservoir projects – Wisconsin Pump Station final design (\$61,100); Steel tank maintenance program (\$182,000); Brights Mill Reservoir drain line relocation (\$13,800).

SCADA and Telemetry Projects – Telemetry units at Glasgow Pump Station & Reservoir (\$23,200).

Miscellaneous Projects – High service pump VFD replacement (\$5,500); Well meter replacements (\$6,500); Power study at Pony Creek Treatment Plant (\$25,500); Building improvements (\$31,300); accounting software (\$8,300)

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 13, 2018 at 12:00 noon. Chair Lucinda DiNovo declared the meeting adjourned at 1:35 p.m.

Approved _____

By _____

Chair Lucinda DiNovo

ATTEST _____