

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 9, 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, Patty Scott, Rodger Craddock, Timm Slater, Bob Dillard, Greg Solarz, Carmen Matthews and Charles Sharps, Ph.D.. Committee members absent: None. Water Board staff present: Ivan Thomas, General Manager; Bryan Tichota, Customer Relations Supervisor; Jeff Howes, Finance Director; Matt Whitty, Engineering Manager; and Karen Parker, Administrative Assistant. Board Legal Counsel Melissa Cribbins was present. Media present: none. Budget Committee Chair Aaron Speakman opened the meeting at 12:00 noon and led the Board and assembly in the Pledge of Allegiance.

Chair Speakman asked if there were any corrections or additions to the June 2, 2022 Budget Committee Minutes. There being none, Dr. Sharps moved the minutes be approved as written. The motion was seconded by Mr. Matthews and passed unanimously.

Chair Speakman asked Mr. Thomas to present the proposed budget. Mr. Thomas stated this meeting will consist of a recap of proposed capital projects, meter replacement program, revenues and budget estimates of receipts and expenditures for FY22-23, water rate adjustment and System Development Charges

Mr. Thomas reviewed reserve bank balances as of the end of April 2022 since there were questions at the last meeting regarding this. Balances and fund tracking as of the end of April 2022 are as follows:

	ACTUAL	PROJECTED	
	April 2022	May 2022	June 2022
Reserve Balances			
Debt Fund	\$ 735,589	\$ 844,914	\$ 982,440
Reserve for 45 days O & M Expenses	697,820	699,912	702,004
Timber Management Program TMP	90,040	90,040	66,336
Vehicle Replacement Program	443,500	452,100	460,700
Active Capital Improvements Fund	3,737,572	3,796,860	3,718,723
Reserve for Sick Leave Payout	21,465	22,111	22,757
Restricted Reserves	1,543,130	1,546,413	1,549,696
	\$ 7,269,116	\$7,452,350	\$ 7,502,656

The category that has the most solidity is the Active Capital Improvement Fund. Out of the actual balance of \$3,737,572, there are approximately \$2,500,000 worth of projects that are in the process of being completed or have not been started, and this leaves a reserve of about \$1,100,000. This does not include the restricted reserves which are held for an emergency. The restricted reserves account increases each month as revenues come in.

Mr. Thomas stated Mr. Whitty gave a recap of projects included in Schedule H (Estimate of Capital Expenditures) during the first Budget Committee Meeting. Mr. Thomas stated the proposed capital projects for FY2022-23 total \$2,094,800. Funds for the capital projects will be collected as follows: \$1,706,800 from water user fees; \$100,000 from timber funds; \$168,000 from FY2023 rate increases (2% for capital projects); and \$120,000 from active capital funds. Staff is increasing Schedule H (Estimate of Capital Expenditures) from last year by approximately \$127,300 for a total \$1,967,500. Some of the projects to be accomplished are as follows:

- Several water main replacement projects are scheduled which total approximately \$945,000
- Tank maintenance and rehabilitation projects - \$303,600
- Pump Station Replacement projects - \$175,700
- Treatment Plant Upgrades - \$165,000
- Parking Lot Paving - \$66,000
- Meter Replacement Program – \$231,000

Customer Relations Supervisor Bryan Tichota stated this is year 3 of funding for the Meter Replacement Program. Many meters are largely outdated. There are approximately 13,780 meters in the water system which are the focus area of this program consisting of residential and small meters less than 3 inches. Approximately 42% of the utility's meters are at or beyond the service life recommended by AWWA and manufacturer standards. They recommend every 15 to 20 years that a meter be taken out of service. The Board of Directors approved a contract for an AMR Pilot Program and staff began installation in the Fall of 2021 with completion in the Spring of 2022. This included installation of 872 meters by staff. Initial reports indicate a 1 to 2 percent increase in captured water use. Dr. Sharps inquired what the utility's overall percentage of water loss is. Mr. Tichota stated generally the water loss runs approximately 8 to 10 percent. Mr. Dillard asked how many of the regular meters are replaced. Mr. Tichota stated approximately 300 per year on an as needed basis. The number of regular meters replaced has been reduced with this new program. Mr. Matthews asked what the service life is on the AMR's. Mr. Tichota stated 15 to 20 years. The amount of \$231,000 is included in the proposed FY2022-2023 budget.

Mr. Tichota gave an overview of funding for the Meter Replacement Program stating 7 years would be optimal to get through the entire system, 10 years if necessary. Moving forward after 7 years this program would be funded annually. In 15 to 20 years when the next batch of meters come due the funding should be there to start the replacement process.

Mr. Howes reviewed revenue items. Operating revenue and specifically sale of water is the largest form of revenue. There are several different customer classes which are charged different commodity rates. There is a minimum charge based on the meter size. The majority of sales in terms of dollars are derived from residential customers, next being commercial, industrial, and the public sector.

Mr. Howes gave an overview of the operating revenue. For the current 2022 fiscal year \$8,413,900 was budgeted from sales of water with an estimated year ending of \$8,306,000. That revenue is affected by the amount of water sold and rates applied to that amount of water. Sales for next year are being targeted at \$8,831,700. Mr. Howes reviewed the breakdown of the sale of water as follows:

Current Budget FY 21/22	Operating Income Sale of Water	Estimated Year Ending 06/30/2022	Budget FY 22/23
\$5,140,300	Residential	\$5,143,100	\$5,467,400
\$1,836,800	Commercial/Multi-Residential	\$1,840,300	\$1,959,400
\$ 757,800	Industrial	\$ 699,300	\$ 743,000
\$ 45,900	Commercial Fire Protection	\$ 50,500	\$ 53,600
\$ 543,700	Public Authorities	\$ 487,600	\$ 517,800
\$ 39,800	Public Hydrants	\$ 41,600	\$ 44,200
\$ 49,600	Other Water Sales	\$ 43,600	\$ 46,300

Other Operating Revenues include rent from site leases, servicing customer's installations and miscellaneous water revenue. The budgeted FY21-22 amount totals \$193,400 with an estimated year ending of \$104,600. The utility's total operating revenue for FY21-22 was budgeted at \$8,607,300 with an estimated year ending of \$8,410,600. Sales for next year, driven primarily by the proposed 6.25 percent rate increase, are being targeted at \$9,005,600.

Mr. Howes stated interest revenue was projected at \$45,000 with an estimated year ending at \$28,300. The budgeted FY22-23 amount totals \$32,500 due to lower interest rates. Miscellaneous non-operating revenue was budgeted at \$34,500, estimated year ending at \$52,700. This line item includes anything to do with other than water sales - scrap metal, vehicles, refund of funds from projects, timber sales and for this reason the budgeted amounts always vary. The budgeted amount for FY22-23 totals \$594,500 due to a timber sale and funds received from ODOT project. Sewer fees were forecast at 10,870,000 with an estimated year ending at \$10,893,000. The budgeted amount for FY22-23 totals \$11,310,000. The Water Board bills for three other utilities – North Bend sanitary, North Bend storm and Coos Bay sanitary. For billing, collecting and disbursing these monies to the Cities the utility budgeted \$178,500.

Mr. Howes stated the net income for the year was projected at \$783,500 with an estimated year ending at \$1,277,300. The utility's net operating income forecast for FY 22-23 is \$1,352,500 after expense deductions.

Mr. Howes reviewed the budget estimates of receipts and expenditures for the period of July 1, 2022 to June 30, 2023.

Mr. Howes summarized to balance the budget staff proposes a 6.25% rate adjustment comprised of the following:

Operations and Maintenance (4.25%)

• Labor and Benefits	\$ 222,400
• Inventory	\$ 106,100
• Credit Card	\$ 10,000
• Insurance Property, Casualty	\$ <u>19,200</u>
Subtotal:	\$ 357,700

Capital Funding (2.00%)

• Capital Improvement:	\$ 109,000
• Meter Replacement	\$ <u>59,000</u>
Subtotal:	\$ 168,000

Proposed Rate Adjustment: 6.25% or \$525,700

Mr. Howes reviewed a chart of the average System Development Charges over the last 10 years. In FY17, the Budget Committee and Board adopted a 20.20% increase and that was based on a System Development Methodology Study that was completed in FY2016 which recommended the utility was behind by 20.20%. In FY18, the Seattle Construction Cost Index (SCI) was 2.2% which was adopted by the Board; In FY19 the SCI was 7.98, however the Board adopted to increase the SDC using the rate adjustment of 4.0%. In FY20 the SCI was less than 1% and the Board chose not to increase the SDC's. In FY21 the SCI was less than 1% and the Board adopted to increase the SCD's using the rate adjustment of 3.38%. In FY22 the SCI as of December 2020 was 6.02 which was adopted by the Board. This year the SCI as of December 2021 was at 6.56%. A graph was shown showing what SDC increases would be given the size of the meter and rate adjustment of 6.56%.

There being no further discussion of the proposed budget for FY22-23, Mr. Craddock moved they accept the budget as proposed by staff and recommend to the Board approval of the budget as presented, including the general water rate increase of 6.25%, an increase of fire hydrant rates by 6.25% per hydrant per month, increase in fire services by 6.25% and increase of System Development Charges by 6.56%. The motion was seconded by Mr. Matthews and passed unanimously.

Budget Committee Chair Aaron Speakman declared the meeting adjourned at 12:50 p.m.

Approved _____

By _____

Aaron Speakman
Budget Committee Chair

ATTEST _____