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 17, 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, Patty Scott, Rodger Craddock, Melissa Cribbins, Bob Dillard, Greg Solarz 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; Jeff Page, Operations Manager; Matt Whitty, Engineering Manager; Rick Abbott, Distribution Supervisor; Jason Mills, Distribution Specialist; Vince Stonesifer, Field Services Technician; Junibert Magalona, Clerk-Accounting; and Karen Parker, Administrative Assistant. Board Legal Counsel James Coffey was present. Media present: none. Budget Committee Chair Aaron Speakman opened the meeting at 12:00 noon and lead the Board and assembly in the Pledge of Allegiance.

Chair Speakman asked if there were any corrections or additions to the June 3, 2021 Budget Committee Minutes. There being none, Mr. Dillard moved the minutes be approved as written. The motion was seconded by Dr. Sharps 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 FY21-22, water rate adjustment and System Development Charges.

Mr. Thomas gave a recap of projects included in the proposed FY2021 budget stating staff is increasing Schedule H (Estimate of Capital Expenditures) from last year by approximately $322,000 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 $694,400: 2nd Avenue and A Street; Sheridan Avenue; North Empire Blvd.; and 12th Street.
- Tank maintenance program - $313,600
- Merritt Dam seismic evaluation - $75,000
- Water Treatment Plant projects – Filter IMS Caps; replace the polymer chemical feed system; replacing outdated turbidimeters - $233,000
- Service Center projects – Parking lot paving; door replacements; upgrades in the customer lobby, walk up window - $291,300
- Completion of an Emergency Response Plan - $30,000
- Meter Replacement Program – This is year 2 of funding for this program - $192,000. Many meters are largely outdated. Approximately 13,500 meters in the water system which are the focus area of this program consisting of residential and small meters less than 3 inches. The Board of Directors recently approved a contract for an AMR Pilot Program and installation would begin in the fall of 2021.

Mr. Thomas reviewed a potential funding scenario for a Meter Replacement Program. Looking at a possible 10-year funding scenario (looking at an aggressive model), rates could be raised approximately 3.75 percent over a 7-year period, to get funding levels in order to complete the project within a 7 to 9 year period. This includes changing out all the meters. Looking at long term the ongoing cost after installation is estimated at $225,000 annually. This program will have cost savings including staffing levels through attrition and regaining revenue.

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 2021 fiscal year $7,870,500 was budgeted from sales of water with an estimated year ending of $7,897,900. 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 $8,413,900. Mr. Howes reviewed the breakdown of the sale of water as follows:

Current Budget FY 20/21	Operating Income Sale of Water	Estimated Year Ending 06/30/2021	Budget FY 21/22
$4,853,200	Residential	$4,965,300	$5,140,300
$1,761,100	Commercial/Multi-Residential	$1,673,400	$1,836,800
$ 638,500	Industrial	$ 632,900	$ 757,800
$ 38,000	Commercial Fire Protection	$ 48,000	$ 45,900
$ 513,100	Public Authorities	$ 498,900	$ 543,700
$ 39,600	Public Hydrants	$ 39,500	$ 39,800
$ 27,000	Other Water Sales	$ 39,900	$ 49,600

Other Operating Revenues include rent from site leases, servicing customer's installations and miscellaneous water revenue. The budgeted FY20-21 amount totals $195,500 with an estimated year ending of $203,900. The utility's total operating revenue for FY20-21 was budgeted at $8,066,000 with an estimated year ending of $8,101,800. Sales for next year, driven primarily by the proposed 3.87 percent rate increase, are being targeted at $8,607,300.

The utility's net operating income forecast for FY 21-22 is $783,500 after expense deductions.

Mr. Howes stated interest revenue was projected at $50,000 with an estimated year ending at $39,400. The budgeted FY21-22 amount totals $45,000 due to lower interest rates. Miscellaneous non-operating revenue was budgeted at $80,000, estimated year ending at $120,100. The budgeted amount for FY21-22 totals $34,500, with the decrease due to not having a timber sale. Sewer fees were forecast at 10,660,400 with an estimated year ending at $11,318,000. The budgeted amount for FY21-22 totals $10,870,000. 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 $161,200.

Mr. Howes stated the net income for the year was projected at $462,900 with an estimated year ending at $1,229,400. This is primarily due to positions that have not been filled and projects that were not completed due to staffing. The budgeted FY21-22 amount totals $783,500.

Mr. Howes reviewed the budget estimates of receipts and expenditures for the period of July 1, 2010 to June 30, 2022.

Mr. Howes summarized to balance the budget staff proposes a 3.87% rate adjustment comprised of the following:

Operations and Maintenance:

- Labor and Benefits: $ 122,500
- Supplies and Services: $ 24,600
- IT Upgrade: $ 14,000

Subtotal: $ 161,100

Capital Funding

- Capital Improvement (1.00%): $ 80,900
- Tank Restoration (0.50%): $ 40,500
- Meter Replacement (0.50%) $ 40,500

Subtotal: $ 162,900

Proposed Rate Adjustment: 3.87% or $323,000

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%. This year the SCI as of December 2020 was at 6.02%. A graph was shown showing what SDC increases would be given the size of the meter and rate adjustments of 2%, 3.87%, and 6.02%.

Chair Speakman commented if the SDC's are not increased this year the utility may have a larger increase next year and feels the SDC's should be increased by 6.02% for FY21-22. Ms. Cribbins agreed. Mr. Thomas stated the monies taken in for System Development Charges go right back into capital and it will never catch up to the amount that is being spent on capital projects.

There being no further discussion of the proposed budget for FY21-22, 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 3.87%, an increase of fire hydrant rates by 3.87% per hydrant per month, increase in fire services by 3.87% and increase of System Development Charges by 6.02%. The motion was seconded by Dr. Sharps and passed unanimously.

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

Approved June 2, 2022

ATTEST Karen D. Parker

By ______________________
Aaron Speakman
Budget Committee Chair