COOS BAY-NORTH BEND WATER BOARD
P. O. Box 539 – 2305 Ocean Boulevard
Coos Bay, Oregon 97420

Minutes | 12:00 noon
Budget Committee Meeting | June 20, 2025

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 2025-26. Committee members present: Aaron Speakman, Jennifer Wirsing, Timm Slater; Patty Scott, Greg Solarz, Bill Richardson. Committee members absent: Rob Kilmer, Carmen Matthews. Water Board staff present: Ivan Thomas, General Manager; Monica Kemper, Finance Director; Matt Whitty, Engineering Manager; Jeff Miller, Operations Manager; Aimee Hollis, Customer Relations Manager; Micah Demanett, Meter Services Supervisor; Junibert Magalona, Accounting Technician; Stacey Parrott, Executive Assistant-HR Specialist; Board Legal Counsel Melissa Cribbins was present. Media present: none.

Board Vice-Chair Bill Richardson opened the meeting at 12:01p.m. and led the Board and assembly in the Pledge of Allegiance.

Budget Committee Chair Aaron Speakman asked if there were any corrections or additions to the June 5, 2025, Budget Committee Minutes. Ms. Jennifer Wirsing moved the minutes be approved as written. The motion was seconded by Ms. Patty Scott and passed unanimously.

Budget Committee Chair asked if there were any public comments, there were none.

Budget Committee Chair Aaron Speakman asked Mr. Thomas to present the proposed budget.

General Manager Ivan Thomas presented an overview of the budget, covering financial tracking and a comprehensive recap of the Capital Improvement Plan. The presentation primarily focused on bank balance and fund tracking, budget balancing, the proposed water rate adjustment, and System Development Charges (SDCs). Mr. Thomas noted that the goal of the meeting was to develop a budget recommendation for consideration by the Board of Directors.

To begin, Mr. Thomas reviewed the reserve balances and fund tracking process. He reported that the Water Board's actual bank balance at the end of April 2025 was approximately $8.1 million, with a higher balance projected by the end of June 2025. He explained the purpose of each reserve category, including the Debt Fund, Operations and Maintenance Reserve, Timber Management Program Fund, Vehicle Replacement Program Fund, Active Capital Improvements Fund, Reserve for Sick Leave Payouts, and Replacement Reserves. He also discussed the newly established Paid Debt Fund, which was created following the payoff of two loans during the fiscal year, with a third loan scheduled to be paid off in March 2026. Funds accumulated in the Paid Debt Fund may be used for future capital improvements or future debt service needs.

	ACTUAL	PROJECTED
Reserve Balances	**25-Apr**	**25-Jun**
DEBT FUND	$ 404,173	$ 534,816
PAID DEBT FUND	$ 276,564	$ 340,210
RESERVE FOR O & M EXPENSES	$ 673,720	$ 685,504
TIMBER MANAGEMENT PROGRAM TMP	$ 1,158,357	$ 1,158,357
VEHICLE REPLACEMENT PROGRAM	$ 657,615	$ 674,815
ACTIVE CAPITAL IMPROVEMENTS FUND	$ 3,651,282	$ 3,940,474
RESERVE FOR SICK LEAVE PAYOUT	$ 1,675	$2,925
REPLACEMENT RESERVES	$ 1,311,351	$ 1,318,093
BANK BALANCE	$ 8,134,737	$ 8,655,194

Mr. Thomas noted that the Active Capital Improvements Fund contains approximately $3.5 million already allocated toward ongoing and planned infrastructure projects. He also explained that replacement reserves have recently been used to purchase automated meter reading (AMR) meters ahead of anticipated price increases, allowing the Water Board to take advantage of favorable contract pricing. Committee members asked no questions regarding the reserve balances and fund tracking report.

Mr. Thomas then provided a recap of the FY 2025-26 Capital Improvement Program, noting that more than $3.5 million in capital projects are planned for the fiscal year. Funding sources include ratepayer revenues, timber sale proceeds, paid debt reserves, replacement reserves, grant funding, and a portion of the proposed rate adjustment. Major project categories include water main replacements, tank maintenance, pumping system improvements, water treatment plant upgrades, metering projects, and continued development of the Water Board's Supervisory Control and Data Acquisition (SCADA) system.

Mr. Thomas reviewed the status of the SCADA replacement project, describing it as one of the Water Board's most significant and critical infrastructure initiatives. He explained that the system provides centralized monitoring and control of treatment plant and distribution system operations and is essential for regulatory compliance and operational reliability. Over the past several years, the Water Board has completed a SCADA master plan, a basis of design report, and a treatment plant manual mode analysis. Current efforts include development of hardware and software procurement documents and upgrades to remote communication systems throughout the distribution network. He noted that portions of the existing system have become outdated and increasingly difficult to maintain, with replacement parts often difficult to obtain. The basis of design report estimates the overall SCADA replacement project at approximately $6 million, with engineering and design work scheduled over the next two fiscal years.

SCADA Improvement Project ROM Estimates		
Project Name	**Project Start Date**	**Capital Cost Midpoint**
Pony Creek SCADA detailed design, programming, standards	2026	$ 850,000
Pony Creek SCADA construction	2027	$ 6,094,000
Cybersecurity assessment	2026	$50,000
Integration with Mission data source	2029	$ 50,000
	TOTAL	**$ 7,044,000**

Committee members discussed system redundancy, manual operation capabilities during system transitions, cybersecurity considerations, and staffing impacts. Staff explained that the new system will be implemented with redundant controls and manual operating capabilities to maintain uninterrupted water production and service reliability. It was further noted that the project is not expected to reduce staffing levels, as current staffing is already at minimum operational requirements.

Mr. Thomas also provided an update on the Water Board's automated meter replacement program. He reported that approximately $386,000 has been budgeted for meter replacements in FY 2025-26 and explained that incremental rate adjustments implemented since FY 2020-21 have established a sustainable funding mechanism for ongoing meter replacement. Discussion followed regarding future meter replacement costs, anticipated price increases, and the long-term funding strategy. Staff explained that funds collected beyond immediate replacement needs will accumulate in reserve to support future replacement cycles and maintain meter accuracy and revenue reliability.

Meter Replacement Program (Funding Scenario)					
FY	Rate Increase	Funding From Water Sales/Capital	Funding from Rate increase	Funding from existing Operations budget	Total Funding for year
2021	0.75	$76,000	$57,000		$133,000
2022	0.5	$133,000	$39,000	$20,000	$192,000
2023	0.5	$192,000	$39,000		$231,000
2024	0.5	$231,000	$44,000		$275,000
2025	0.7	$275,000	$63,000		$338,000
2026	0.5	$338,000	$48,000		$386,000
2027	0.5	$386,000	$50,000		$436,000
2028	0	$436,000	$0		$436,000
2029	0	$436,000	$0		$436,000
2030	0	$436,000	$0		$436,000
					$3,299,000

Mr. Thomas turned the presentation over to Finance Director Monica Kemper to present an overview of revenue trends and budget forecasting for Fiscal Year 2026. Ms. Kemper reported that water sales through April 2025 were approximately 20 million gallons lower than the previous fiscal year, with the largest reductions occurring in the residential and multi-family customer classes. She explained that staff uses conservative projections based on historical usage trends when estimating revenues for the remainder of the fiscal year. During discussion, committee members inquired about potential causes for the reduced water sales, including seasonal occupancy changes, industrial usage, and the impact of automated meter reading (AMR) technology. Staff noted that residential customers account for approximately 62 percent of water revenue, commercial and multi-family customers account for approximately 22.5 percent, and industrial customers account for approximately 8 percent. Staff further explained that the increased accuracy of AMR meters may result in a modest increase in billed consumption over time.

Ms. Kemper also reviewed other revenue and expense categories. She reported that interest earnings have remained higher than originally anticipated due to interest rates not declining as quickly as expected. Miscellaneous non-operating revenue for the current fiscal year was significantly impacted by proceeds from the Water Board's timber sale, while future miscellaneous revenues are expected to return to more typical levels. She also noted that debt-related interest expenses continue to decline as outstanding loans are paid off and that bond amortization expenses have been eliminated following repayment of the Water Board's bonds.

Ms. Kemper then reviewed Schedule G, explaining how the Water Board balances reserve funds, capital expenditures, debt service obligations, and operational reserves within the overall budget. She noted that projected year-end bank balances reflect both reserve allocations and planned expenditures for capital projects, vehicle replacement, debt service, operations and maintenance reserves, replacement reserves, and timber management activities.

Schedule G	
TO ACCUMULATED DEBT PRINCIPAL	316,900
TO RESERVE FOR VEHICLE REPLACEMENT PROGRAM	698,000
TO RESERVE FOR SICK LEAVE PAYOUT	7,500
TO ACTIVE CAPITAL IMPROVEMENTS FUND	201,300
TO RESERVE FOR O & M EXPENSES	639,800
TO RESERVE (RESTRICTED) FOR REPAIR & REPLACEMENT - INFRASTRUCTURE	1,084,500
TO RESERVE FOR TMP	738,400

Concluding her presentation, Ms. Kemper reviewed the proposed 8 percent water rate adjustment. She explained that approximately 5.35 percent of the increase is dedicated to operations and maintenance costs, including labor, benefits, inventory, supplies, credit card processing fees, and insurance costs, while approximately 2.65 percent supports capital improvement funding.

Operations & Maintenance (5.35%)

Labor & Benefits (Pension)	$365,700
Inventory and Supplies	$90,000
Credit Card	$40,000
Insurance Property, Casualty	$6,100
Sub-Total	**$501,800**

Capital Funding (2.65%)

Sub-Total	**$248,300**

Proposed Rate Adjustment:	**8.0% or $750,100**

Committee members reviewed examples of the projected impact on customer bills for various customer classes and usage levels. Ms. Kemper noted that, when averaged over the past ten years, the annual rate adjustments have been approximately 4.92 percent.

Mr. Thomas then reviewed the Water Board's System Development Charges (SDCs). He explained that the most recent SDC methodology study, completed in 2017-18, recommended annual adjustments based on the Seattle Engineering News Record Construction Cost Index (ENR-CCI). Staff reported that the current ENR-CCI reflected a decrease of approximately 2.52 percent for the year; therefore, the proposed budget recommended no change to SDC rates for FY 2025-26. Mr. Thomas noted that, historically, the Board has not always adopted the exact ENR-CCI adjustment and has occasionally implemented alternative increases based on local circumstances and policy considerations.

During discussion, Budget Committee members questioned whether maintaining SDCs at current levels was appropriate given ongoing inflation and rising construction costs. Mr. Thomas explained that staff is currently updating the Water Board's SDC methodology study and that preliminary results indicate existing SDCs are significantly below the levels that could be justified under the updated analysis. He noted that the updated study is expected to be completed later in the year and will provide additional guidance regarding future SDC adjustments.

Committee members discussed the benefits of implementing modest, incremental SDC increases rather than waiting to make larger adjustments in future years. Staff also noted that most new service applications involve larger meter sizes and that SDCs are only one component of the overall cost of development. Following discussion, the Budget Committee reached consensus to recommend a 3 percent increase to System Development Charges for FY 2025-26 in place of the staff recommendation to leave rates unchanged.

Mr. Thomas concluded with a request for final comments or modifications, followed by a recommendation to approve the Fiscal Year 2026 budget.

There being no further discussion of the proposed budget for FY25-26, Ms. Scott moved to recommend Board approval of the budget as presented, including the proposed 8.00 percent adjustment to general water rates, fire service charges, and fire hydrants, with a modification to increase System Development Charges (SDCs) by 3.00 percent. The motion was seconded by Mr. Richardson and passed unanimously.

Budget Committee Chair Aaron Speakman declared the meeting adjourned at 12:51 p.m.

Approved_______________ By ___________________________________

Aaron Speakman
Budget Committee Chair

ATTEST _____________________