

WEST SLOPE WATER DISTRICT
Regular Board of Commissioners Meeting and Budget Committee Meeting
May 20, 2020
Meeting Summary

CALL TO ORDER

Present on Conference Call: Chair Carol Wild; Commissioners Charles Conrad, Michael Hoffman, Noel Reiersen, and Andy Smith

Budget Committee Members: Nicolas De Morgan, Rosalie Stevenson, Susan Meamber, Michael Smith, and Ramesh Krishnamurthy

Management Staff: Michael Grimm, General Manager; Lucy Dawes, Finance & Customer Service Manager

Absent: None

Public: None present

1.0 – CALL TO ORDER

Chair Wild called to order the regular meeting of the West Slope Water District Board of Commissioners at 5:03 P.M., Wednesday, May 20, 2020. The meeting was held through Zoom remote teleconferencing technology. The public was made aware of the meeting through the District’s website (agenda posted on website with the login information).

4.0 – BUDGET COMMITTEE MEETING

At 5:08 PM, the regular meeting was suspended, and the Budget Committee Meeting was called to order by Chair Wild. Following introductions of the Budget Committee members, Mr. Krishnamurthy nominated Susan Meamber as the Budget Committee Chair. The nomination was seconded by Mr. Michael Smith, and Ms. Meamber was elected unanimously. Ms. Dawes proceeded with the Budget Presentation reviewing the major tasks accomplished by the District in the current fiscal year and the process followed by the District to create and adopt a budget. Ms. Dawes reviewed the eight-year rate forecast highlighting key features including a 0% rate increase this year, a pay off the existing debt from the Reservoir #3 project within the next couple of years, the ability to start the Beaverton-Hillsdale Highway main replacement CIP project, and greater flexibility to use the rate stabilization fund which allows for a smoothing out of retail water rates for District customers. Mr Krishnamurthy asked about increased water demands during the COVID-19 “stay at home” period. Ms. Dawes explained it is difficult to point to specific reasons for changes in the demand. The District is about 75% residential and use may have increased in residential demands while commercial demands may be down. Weather (dry and warmer in April, cooler and wetter in May) also impacts demands. Ms. Dawes

also stated May billing increased by \$100,000 in the face of the economic downturn and reviewed a summary of accounts receivable aging/customer past due accounts. Ms. Dawes reviewed the District wide resources and expenses, the operating contingency, debt service and debt coverage. Ms. Dawes pointed out that water revenues are projected to be higher than the current FY projected actuals, and water purchase costs are projected to be lower due to lower wholesale water rates from the City of Portland. General fund expenses including materials and services, personnel, and contingency are all proposed to be slightly higher in the next FY as are capital outlay expenses. Ms. Dawes reviewed a short history of the District's purchased water costs and water sales as well as a review of how the District spends each rate dollar collected.

Mr. Michael Smith asked if the guaranteed minimum purchase (GMP) from Portland has increased. Ms. Dawes replied the GMP has not increased and the cost of water includes the rate from Portland multiplied by the GMP as well as a cost paid to Tualatin Valley Water District for maintaining a fire suppression line for the District. Mr. Michael Smith also commented on his concern over Beaverton-Hillsdale Highway and his lack of confidence that ODOT will spend any capital revenue to repair/replace the highway's infrastructure. Mr. Krisnamurthy agreed with his concern, and Mr. Michael Smith asked if the District is planning to excavate the existing roadway to replace the water main. Mr. Grimm responded the District would indeed need to excavate the existing road surface without aid from ODOT or Washington County or the City of Beaverton. Mr. Grimm explained the current pipe condition is probably considered fair but it is likely close to 80 years old and buried 8-9 feet below grade which is problematic for the District's staff to repair. Replacing this pipe requires extensive coordination with several other agencies including ODOT.

Ms. Meamber asked if the recommended budget called for the \$2.2 million to be invested in the capital reserve fund or to pay off the debt service bond and when would that payoff be made. Ms. Dawes replied that both are correct in that the reserve fund can be used to pay off the debt from a previous capital project. The bonds are all callable at this time, but the District would inquire with a bond counsel to ensure the District has not overlooked any aspect of early bond payoff, but at this time, the Budget Committee and the Board are not being asked to decide upon when the debt service would be resolved. Chair Wild asked if there were a specific time in 2022 for the debt to be paid, and Ms. Dawes commented the budget projection was not that specific but that paying the debt before 2024 would be an estimated deadline to not have restrictions on the use of the rate stabilization fund. Ms. Wild asked if it seemed like the amount of bad debt is increasing due to COVID and if the budgeted amount for bad debt was sufficient. Ms. Dawes commented that the District would know more in the coming weeks how many customers have truly been impacted vs. how many may try to use the pandemic as an enabling effect to dodge paying a water bill, but the budgeted total of \$20,000 seems reasonable to assume. Ms. Wild commented that the expense for IT revisions and upgrades are worthwhile expenses to protect the District in a time when cyber attacks seem to be on the incline.

Ms. Stevenson asked if the bonds could be paid off in segments over the next few years since the District has some of the money now though not necessarily all of it. Ms. Dawes commented that concept is an excellent idea and will be investigated further by the District. Ms. Stevenson asked if the Beaverton-Hillsdale Hwy project could be pushed out to 2024. Mr. Grimm responded the District could delay the project with the consequence being the longer the project is pushed in the future, the greater the risk is. Mr. Michael Smith asked how long the project may take to complete. Mr. Grimm responded that the preparations leading to the work will take much longer than the actual project itself. The work should be done easily inside of a normal construction season.

Mr. De Morgan asked whether it made sense to have a 0% increase in water rates this fiscal year followed by double-digit rate increases vs. a modest increase this fiscal year followed by other modest increases to “soften out the curve”. Ms. Dawes stated the prudent action may be to hold off for a time to see assess the volatility of future rates from Portland. Chair Wild commented the 0% increase was may have been partially influenced by the Board at its April 15 meeting. Ms. Dawes stated the Board has the authority to assess the impacts during the FY and pass a supplemental budget if they deem it necessary. Mr. De Morgan asked about the difference between the fixed charge and the consumptive charge on the water bill. Ms. Dawes stated that both charges combine into one water revenue category. Commissioner Hoffman commented on the actual dollar value of a 3-5% increase on a \$38 monthly water bill, and he believed the topic is worthy of further discussion. Commissioner Conrad informed the Budget Committee members that based on the optics of the current economic climate, the Board deferred a decision on cost of living salary range increases for District employee positions until the July 15 meeting, and that the discussion of a possible rate increase could be added to the July 15 meeting. Mr. Krishnamurthy stated he believes the Board should have a discussion at the July 15 meeting regarding salary range increases for District employee positions, and maybe it would be valuable to compensate/recognize staff as well for continuing to work on the front lines during the pandemic. Mr. Michael Smith stated Tualatin Valley Fire & Rescue is considering a freeze on salary increases during the economic downturn. Mr. Grimm explained the District typically adjusts the salary range of each employee on an annual basis by the cost of living index for the Portland metropolitan area. That adjustment is made to keep the District’s positions in line with regional costs and with other water utilities in the metropolitan area (i.e. it allows the District to stay competitive and retain personnel in the region). A salary range adjustment does not directly lead to a salary increase to a specific District employee.

Chair Wild and Ms. Meamber clarified the current budget has accounted for salary range increases in the fiscal year but not a water rate increase, if the Budget Committee wants to discuss that topic at this time. Commissioners Hoffman and Conrad agreed with Ms. Meamber that the two issues are separate, and a potential water rate increase should have more discussion when more is known about the District’s position in a few months. Chair Wild asked if the State would be displeased with the District passing a budget with a 0% water rate increase and then later in the fiscal year passing a supplemental budget with a water rate increase. Ms. Dawes explained the Board could in fact pass a supplemental budget later in the year. It would mean extra work for the District, but it is allowable. Mr. De Morgan stated that since a supplemental budget is possible, it would be good to accept the current 0% water rate increase proposed and move to the discussion to a later date, and he thanked Ms. Dawes for preparing the budget. The Budget Committee members and the Commissioners agreed. Ms. Stevenson made a motion to accept the budget as proposed and refer it the Board for a public hearing on June 17. Mr. Krishnamurthy seconded the motion, and the motion passed unanimously. Ms. Meamber closed the Budget Committee meeting at 6:56 PM. At this time, the Budget Committee members left the Zoom call.

2.0 - PUBLIC COMMENTS/COMMUNICATIONS

Mr. Grimm shared a comment from District customer Anne Kayser who appreciated reading the April 2020 edition of the West Slope WD newsletter and information passed on to customers. A copy of the email sent to the District was included in the Board packet. The District received another letter (also included in the packet) from District customer Colin Ma supporting a decision to continue having Portland’s Bull Run water supply be the District’s long-range source of water. Commissioner Smith asked about the references to the rollback of federal environmental laws in the letter and believed Oregon’s own environmental laws are more

stringent than the Federal laws. Mr. Grimm agreed noting the main emphasis of the letter was the support of staying with the City of Portland for drinking water.

3.0 – CONSENT AGENDA

Commissioner Conrad requested Agenda Item 3.8 be removed from the Consent Agenda. Commissioner Reiersen moved to approve Consent Agenda Items 3.1 through 3.7 and 3.9, and Commissioner Hoffman seconded the motion. The motion was approved unanimously. Commissioner Conrad asked about the IT service provider contract project not being on the list of projects for Ms. Dawes. Commissioners Conrad and Reiersen asked about the consequences of not switching providers by the time the current contract expires and the value of insisting on the current provider to increase the level of service that the District expects and pays for. Chair Wild asked if the District should pursue additional help to make the transition sooner than later. Ms. Dawes believes the District can continue to work with the current service provider and outside help will not add value and will not save the District any time due to the time commitment to work with the new providers or arranged help. Commissioner Reiersen asked if the contract can be used to gauge the tasks the service provider is supposed to be accomplishing for the District. Ms. Dawe explained it is hard to document what the provider is doing since we do not see their behind the scenes work. Mr. Grimm added the problem has many variables and complexities, but agreed with Ms. Dawes that a viable option to exit the current contract sometime after September is to identify a list of unsatisfactory services and underperformance to opt out of the current contract. Commissioner Conrad moved to approve Agenda Item 3.8. Commissioner Reiersen seconded the motion, and the motion passed unanimously.

5.0 – DISTRICT ACTIVITIES

5.1 – COVID-19 Impacts

Mr. Grimm reviewed Governor Brown's Executive Order 20-25 with the Board including the baseline requirements under Phase 1 guidelines and restrictions. Briefly, the base requirement is to "stay home and stay safe" and implement tele-working as much as possible. Gatherings of under 25 people are allowed as long as physical distancing of a six-foot minimum are strictly maintained. The next step for the District will be how to protect employees when the County does move to Phase 1 and all employees may return to work at the same time with the proper safety protection and personal protection equipment (PPE) in place along with physical distancing. The last part of the re-opening for the District will be to allow customers back in the front door. The District will know more about appropriate safety precautions for those conditions when the State and the County have a solid plan in place. Meanwhile, the District's Continuity of Operation Plan (COOP) seems to be working well as none of the District's employees have become ill.

Chair Wild stated she supports employees working from home as outlined in the COOP, conducting Board meetings remotely, and following all the points in the COOP and sees no need to rush back into opening up too quickly. Mr. Grimm pointed out the District staff is thin at every position, and if COVID-19 or any communicable disease were to run through the District staff, the District would be severely impacted. So, the most important priority is the health and well-being of the staff during the pandemic. Ms. Dawes stated it would be helpful to her to have the customer service specialist back in the office for all days to be able to free up her own schedule from having to backfill handling customer service calls. Commissioner Hoffman agreed with Ms. Dawes and supported getting staff available again to keep the normal work-flow moving again. Commissioner Smith asked if the District has had any conversations with Washington County about reimbursement to the District from state/federal relief funds. To

date, the District has not had a conversation with the County (note: the District has not incurred many expenses due to COVID-19 such as renovations to the District office, but making such a request in the future is a possibility).

5.2 – Long Term

Mr. Grimm shared a presentation by City of Portland Water Bureau staff on the Interim Corrosion Control Treatment Facility (ICCT) and the Bull Run Filtration Treatment Facility Project. Of note, both projects remain on schedule, and the City has a guaranteed maximum price for the ICCT.

Mr. Grimm discussed the current status of the project to create a new regional wholesale water sales agreement. The next step under the current contract with the FCS Group is to give a presentation to the broad wholesale water purchasers group, and then the contract tasks will be completed. Under a separate contract with Portland, the FCS Group will continue working on the cost allocation audit and the testing of the Portland rate model. Commissioner Reiersen asked about the timing or connection of Portland's rate structure with the completion of the FCS Group report. Mr. Grimm stated two main impacts on the new wholesale water rates for this fiscal year are the lack of capital costs from CIP projects and the COVID-19 virus economic impacts.

5.3 – District Projects

Mr. Grimm mentioned a few projects the District is currently working on with others:

- Potential water line relocation for an ODOT realignment project on SW Canyon Road near SW 110th Avenue
- Cut and cap a water line that currently stretches across the culvert over Hall Creek at SW 103rd Avenue.
- A new residential development of up to 10 new homes between SW Schiller (at 85th Terrace) and SW 87th Avenue which will require the developer to build a new 8-inch ductile iron water main in the private drive created for the development.
- An earthquake early warning system hosted in a meeting by Varius. The District will be evaluating the value and requirements to participate in the "ShakeAlert" program.

6.0 – COMMISSIONERS COMMUNICATION

No commissioner attended any additional meetings during the month of April. Commissioner Conrad asked if it would be possible to compare the District's Water Quality Report with the same report from the City of Wilsonville to begin the comparison of Portland's Bull Run water quality to Wilsonville's Willamette River water quality. Mr. Grimm agreed that is a good idea and will look into it. Chair Wild asked about completing two outstanding tasks by the Board: The performance evaluation of the general manager and the Board's work session on future tasks (precursor to the strategic plan update). Mr. Grimm proposed looking at July 20 for the Board work session. Commissioner Hoffman stated he was comfortable with a remote meeting for the performance evaluation rather than push the date further, and the other Commissioners agreed. Each Board member confirmed they were available for a work session on July 20. Mr. Grimm stated a draft agenda will be included in the July 15 Board packet. Chair Wild stated the work session will be scheduled for 9 AM on July 20 with a reserved early evening time slot for the same day in case the meeting needs to be moved to the evening. The Commissioners collectively agreed the budget committee meeting and the regular meeting went very well, and all expressed their appreciation to Ms. Dawes for the budget document and the presentation to combined committee. Thank you, Ms. Dawes!

7.0 – ADJOURNMENT

There being no further business to discuss, Commissioner Reiersen moved to adjourn the meeting. Commissioner Hoffman seconded the motion, and it was approved unanimously. Chair Wild adjourned the May 17, 2020 Regular Board of Commissioners meeting at 8:16 PM.

Respectfully Submitted,

Approved:



Michael W. Grimm, P.E.
Acting Secretary

