

**WEST SLOPE WATER DISTRICT**

**Board of Commissioners Meeting  
And Budget Committee Meeting**

**May 18, 2016**

**Meeting Summary**

**CALL TO ORDER**

Present: Chair Charles Conrad, Commissioners Donna Davis and Noel Reiersen, Micky Hoffman, and Bob Rieck

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

Budget Committee Members: John Ryan, Rosalie Stevenson, Phil Miller, and Hester Nau

Absent: Budget Committee member Michael Smith

Public: None

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**1.0 – CALL TO ORDER**

Chair Conrad called to order the Regular meeting of the West Slope Water District Board of Commissioners at 5:00 P.M., Wednesday, May 18, 2016.

**2.0 - PUBLIC COMMENTS/COMMUNICATIONS**

There were no public comments received.

**3.0 – BUDGET MEETING**

Commissioner Reiersen moved to suspend the regular meeting and convene the special budget committee meeting. Commissioner Hoffman seconded the motion, and the motion passed unanimously, and the budget committee meeting began at 5:02 PM. John Ryan nominated himself to be the budget committee chair, and Rosalie Stevenson seconded the nomination. With no other candidates in the nomination pool, Mr. Ryan was appointed the budget committee chair.

Ms. Dawes started the meeting with a short Powerpoint presentation describing the alignment of the budget with the District’s Strategic Plan and the overall budget process adoption process. The eventual outcome of the budget committee meeting is to have a recommended budget for the Board of Commissioners. The recommended budget is then available for comment to the general public at the budget hearing meeting (June 15, 2016). Following the hearing, the Board

will pass a Resolution at the June 15 meeting to approve the budget and make appropriations to spend funds in accordance with the budget. *(Note: Hester Nau arrived at 5:07 PM)*

Ms. Dawes reviewed several highlights of the budget. Lower actual expenses and higher than budgeted revenues have resulted in a larger than expected beginning working capital. The Green Tank project will utilize a large amount of the funds transferred to the capital improvement reserves. The budget does not include a rate increase over current rates though it does include an increase in the wholesale water rate for water purchased from the Portland Water Bureau. Ms. Dawes presented a 5 year trend of actual water sales (estimated for FY2015-16) as compared to the current proposed budget. *(Note: Commissioner Davis arrived at 5:17 PM)*. Ms. Dawes also presented trends of water billed to customers, water passing through the District's master meter with the Portland Water Bureau, and the amount of water the District paid for to the Portland Water Bureau noting the large difference between the amount of water the District purchased and the amount of water the District consumed is in part due to the guaranteed minimum purchase through the wholesale water agreement with the Portland Water Bureau. Ms. Dawes gave a detailed overview of the general fund expenses as well as transfers into the District's three reserve funds (capital improvement, system development charges, and equipment purchases and maintenance).

Chair Conrad commented the Board previously had given staff the directive to pursue a rate study first by inquiring among several financial consulting firms where the initial primary function of the rate study would be to see if a revenue neutral tiered (inverted block) rate structure could be implemented. Chair Conrad asked what would happen if a rate study completed during this coming fiscal year found that a rate increase is also necessary. Mr. Grimm replied that any proposed rate increase would be part of a long, well planned process including public involvement and education. Currently, the desire of staff and the Board would be to only look at a rate structure that would more adequately shift the cost for water to those customers who drive the wholesale water purchase rates with Portland higher as a result of high peak day usage. Financial consulting firms would be selected through a request for proposal process for an estimated cost of \$25,000. Mr. Ryan commented he believed inverted block or "conservation-based" rate structures create unintended consequences such as rate destabilization. Although considerable research in the water industry does not Mr. Ryan's comments, any revision to the District's rate structure would carefully consider preventing such unintended consequences.

The Board expressed their sincere appreciation to Ms. Dawes for a very clear, concise budget document. Each member mentioned how helpful the one-on-one meetings with Ms. Dawes were. Mr. Ryan had three additional comments he believed would help improve the District's budgeting process: 1) Transparency in meeting the strategic plan directives; 2) Inclusion of a budget variance analysis; 3) A five-year budget forecast to ensure the District has sufficient funds to cover expenses and capital investments. Commissioner Rieck stated the District had purchased a rate model created by a consultant the last time a water rate study was performed. Staff was not aware of such a rate model but pledged to investigate. Mr. Ryan also mentioned his personal desire to see more information on the comparison of the West Slope Water District financials to the financials from other water systems like Valley View and Raleigh Water Districts. Commissioner Hoffman mentioned the comparison analysis is important to the Board.

Mr. Ryan made a motion to accept the proposed budget as presented and recommend it to the Board for approval at the June 15, 2016 board and budget hearing meeting. Mrs. Stevenson seconded the motion, and it was approved unanimously.

Commissioner Rieck made a motion to close the budget committee meeting, and Commissioner Reiersen seconded the motion. The motion was approved unanimously at 6:25 PM. A ten minute recess was taken prior to resuming the remainder of the regular meeting.

#### **4.0 - CONSENT AGENDA**

Chair Conrad asked that Agenda Item 4.2 be pulled from the consent agenda. Commissioner Rieck made a motion to approve the consent agenda consisting of Agenda Items 4.1 and 4.3 through 4.6. Commissioner Davis seconded the motion, and the motion was approved unanimously. Chair Conrad pointed out the last line on the Actual vs. Budget for the General Fund spreadsheet had a % of Budget Used figure of 136% which did not seem to be supported by the budget and YTD figures. Ms. Dawes explained the 136% value was incorrect and would be corrected.

Commissioner Davis made a motion to approve Agenda Item 4.2, and Commissioner Hoffman seconded the motion. The motion was approved unanimously.

#### **5.0 - DISTRICT ACTIVITIES**

5.1 – Operations Report: Mr. Grimm mentioned a new proposed development on SW 75<sup>th</sup> Terrace off SW Copel Street that would include 9 new lots (connections) for the District, and extension of SW 75<sup>th</sup> Terrace to SW Canyon Lane, and an estimated 600 ft of 8-inch ductile iron pipe to be installed by the developer to serve the new lots and effectively link SW Canyon Lane with SW Canyon Road through SW 75<sup>th</sup> Terrace. Construction would not likely start before Summer 2017. The new Elks Lodge has purchased their new meter and new service connection to SW 106<sup>th</sup> Avenue. Staff learned earlier in the day the water behind the Bull Run Reservoir is not at full pool due to a much warmer April and early May. The current long range weather forecast calls for a cooler and possibly wetter June. An Oregonian reporter has inquired with the Portland Water Bureau for the addresses of all the homes in the Region's Joint Monitoring Plan (later, a second Oregonian request was made for the analytical results as well). It is suspected the interest in the list of homes is to check and see if the sites belong to current or former employee or elected official homes. The 90<sup>th</sup> percentile level detected was 0.013 mg/l which is below the action level of 0.015 mg/l. The Portland Water Bureau will be working with Portland Public Schools to test for lead in school drinking fountains and faucets.

5.2 – Green Tank / 73<sup>rd</sup> Avenue Pipe Projects: Mr. Grimm informed the Board that a contract between the District and McClure & Sons has been signed and attested by the District. A projected start date for the contractor is June 6.

5.3 – Beaverton Franchise Fees: Ms. Dawes stated the City of Beaverton has announced their rights-of-way fees would take affect October 1, 2016. Ms. Dawes recommended to the Board the additional statement for the bill be held back for a period of time sufficient to verify the amounts and the date the fee begins for the District which would be after the City passes the fee resolution. The draft fee resolution still states the fee will be collected quarterly at 5% of gross revenue.

#### **6.0 – COMMISSIONERS COMMUNICATION**

No communications or issues were brought forward from the Board. Chair Conrad mentioned how pleased he was with the budget document this year and all of the remaining Commissioners agreed how much this proposed budget was documented and presented over past years.

**7.0 - ADJOURNMENT**

There being no further business to discuss, Commissioner Hoffman moved to adjourn. Commissioner Rieck seconded the motion, and it was approved unanimously.

Chair Conrad adjourned the May 18, 2016 regular Board of Commissioners meeting at approximately 7:03 PM

Respectfully Submitted,

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Michael W. Grimm, P.E.  
Acting Secretary

Approved: Charles J. Conrad

Donna S. Davis

APR