

WEST SLOPE WATER DISTRICT
Regular Board of Commissioners Meeting and Budget Committee Meeting
May 16, 2018
Meeting Summary

CALL TO ORDER

Present: Commissioners Robert Rieck, Charles Conrad, Micky Hoffman, Noel Reiersen, and Carol Wild

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

Budget Committee Appointed Members: Ramesh Krishnamurthy and Michael Smith

Absent: Hester Nau, Rosalie Stevenson, Paul Schuler

Public: None

1.0 – CALL TO ORDER

Chair Rieck called to order the regular meeting of the West Slope Water District Board of Commissioners at 5:00 P.M., Wednesday, May 16, 2018

2.0 - PUBLIC COMMENTS/COMMUNICATIONS

There were no comments or communications from the public.

3.0 – BUDGET COMMITTEE MEETING

Chair Rieck suspended the regular meeting to begin the Budget Committee Meeting at 5:02 PM. Following brief introductions of each Commissioner and appointed Budget Committee members, the Budget Committee meeting began.

3.1 – Budget Committee Chair Election – Commissioner Conrad nominated Mr. Krishnamurthy to be the Budget Committee Chair. Commissioner Wild seconded the nomination. No other nominations were made. The Committee approved Mr. Krishnamurthy unanimously (7-0) as the Budget Committee Chair.

3.2 – Comments by General Manager – Mr. Grimm commented the Portland Water Bureau has shared a five-year wholesale water rate forecast with the District. This forecast includes steep wholesale water rate increases from the Portland Water Bureau by 2022 as well as increases in the years to follow through 2028. This water rate increase from Portland is unprecedented in this District’s history. The FYE2019 Budget Document reflects the first year in the District’s plan to gradually raise water rates now to meet Portland’s high water rates over the next 5-10 years.

Mr. Grimm thanked Ms. Dawes for the tremendous job she has done to not only create the Budget Document but to also develop multiple water rate scenarios from her rate model. Mr. Krishnamurthy agreed and added that he appreciated how well Ms. Dawes answered his questions regarding the Budget Document during an earlier individual meeting.

3.3 – Proposed Budget Presentation – Ms. Dawes opened the discussion by noting how the Board’s work in 2016 to develop the District’s Strategic Plan is paying benefits today as many of the core values, goals and strategies identified in the Plan are being followed today. Ms. Dawes reviewed the Resolution the Board will ultimately be asked to approve in order to approve a budget and appropriate spending in the next fiscal year. She then provided a brief overview of the budgeting process and identified the different tasks and stages within the budget process.

Ms. Dawes mentioned that due to Portland’s projected large rate increases beginning in 2022-23, it makes the most sense to start equal water rate increases for West Slope customers now beginning with a 12% increase effective September 2018. The Committee discussed the impacts of growth within the District from lot sub-dividing or “in-fill” reducing outdoor watering and whether or not price elasticity will result in lowered water use and the emergence of more brown lawns in the District. Ms. Dawes reminded the Committee the District is obligated by contract to at minimum continue to purchase water (guaranteed minimum purchase) from Portland through June 30, 2026 in spite of increases to water rates in 2022-23.

Ms. Dawes showed there is a \$230k increase in the coming fiscal year in operating expenses, some of which were deferred expenses from the current fiscal year to next fiscal year. Ms. Dawes reviewed the status of the District’s proposed capital expenditures and the capital reserve that can be available to address “short-notice” projects that may arise from main breaks or other damage to the distribution system. Ms. Dawes reviewed the recent history of water purchases from Portland including recent year purchases of summer interruptible water to avoid exceeding peak season (July – September) peaking factors (limitations). Mrs. Dawes also pointed out increases in personnel expenses related in large part to rising employee health care costs and employee retirement (PERS) costs. She also informed the Board the need to approve a supplemental budget for current year. Though the overall actuals are under the total budget, a supplemental budget reallocating current FY budget capacity will cover expenses in Portland Engineering SCADA system work, higher than budgeted personnel expenses, and the initial investment in the rate stabilization fund.

Ms. Dawes reviewed the eight-year rate projection and the estimated wholesale water rates from Portland and pointed out the need for the rate stabilization fund to stay in compliance with bond debt coverage requirements while managing the rate impact to West Slope customers. Mr. Smith asked why Portland’s water rates to West Slope are increasing so high and so quickly. Mr. Grimm stated the initial cost increases are due to Portland’s Willamette River pipe crossing project and the new 13.3 MG covered reservoir in Washington Park. The water rate impact of Portland’s filtration treatment plant will take effect by 2028. The construction cost estimates from Portland driving the water rate increases are not firm costs because the projects are just now beginning the construction phase (reservoir) or have yet been designed (filtration plant and corrosion control treatment facility). Commissioner Wild asked how much cushion does the District have to address changes to Portland’s five-year water rate projections. Ms. Dawes stated Portland annually issues a rolling five-year projection with only the first year of the five years being a firm water rate to wholesale customers like West Slope. Mr. Smith asked when replacement of the District’s Beaverton-Hillsdale pipeline project would take place. Mr. Grimm stated the District plans to coordinate the pipe replacement work with an ODOT road rebuilding project. ODOT work on this highway will likely not take place within

the next two years, but staff continues to work with ODOT to understand the importance of our pipe project being completed sooner than later.

Chair Rieck thanked Ms. Dawes for her work on the Budget Document and the water rate projections.

3.4 – Public Comments – There were no oral or written comments from the public.

3.5 – Budget Committee Deliberations and Discussion – Chair Rieck commented the District seemingly has little choice at this time to do anything other than move ahead with the budget as proposed. The Committee acknowledged deliberations throughout the presentation and had no other comments.

3.6 – Approval of Proposed Budget to Board of Commissioners – Commissioner Reiersen made a motion to approve the Proposed Budget as presented and refer the budget as proposed to the Board of Commissioners for a formal public hearing. Commissioner Wild seconded the motion, and the motion was approved unanimously 7-0. The Board of Commissioners thanked the two appointed Budget Committee members for their service to the Budget Committee.

3.7 – Adjourn Budget Committee meeting – Mr. Krishnamurthy adjourned the Budget Committee meeting and returned to the regular Board of Commissioners meeting at 6:35 PM, and both appointed Budget Committee members left the meeting.

4.0 - CONSENT AGENDA

Chair Rieck asked to pull Agenda Item 4.6 from the Consent Agenda. Commissioner Reiersen moved to approve Agenda Items 4.1 to 4.5 and Agenda Items 4.7 – 4.8. Commissioner Hoffman seconded the motion, and the motion passed unanimously. Chair Rieck asked why the expense for an Uber ride from the Union Station train station to West Slope was four times higher than the reverse Uber ride. Mr. Grimm stated the expense is clearly a mistake on his part and will reimburse the District the amount of the overcharge. Commissioner Reiersen made a motion to approve Agenda Item 4.6 with Mr. Grimm's correction. The motion was seconded by Commissioner Wild, and it was passed unanimously.

5.0 - DISTRICT ACTIVITIES

5.1 – Operations Report: Mr. Grimm commented water demands in the District were higher during the April 2018 than in April 2017 based on warmer, drier weather continuing. Monthly demands in 2018 have been running higher than in 2017 since February.

5.2 – Long Term Water Supply Discussion: Mr. Grimm mentioned his discussions continue with Tualatin Valley WD (TVWD) about water purchase options including costs based on route and water chemistry through the TVWD distribution system. Cost comparison data from TVWD will not be available until the end of 2018. Once the data from both TVWD and Portland are available for comparison, the District should consider conducting an economic evaluation using a third-party utility economist. Scenarios that TVWD should cover in their comparison are a new pipeline east from the Willamette River Supply System transmission line, utilization of water from the Washington County Supply Line, and both fluoridated and non-fluoridated water. The District will continue to also investigate methods to purchase Portland water as economically as possible. Commissioner Reiersen mentioned it would be very helpful to know what timelines we can expect to make changes, if needed, to be able to include this information in rate increase discussions. Commissioners Wild and Hoffman discussed creating a list of the scenario options available to the District and addressing each scenario through a modified SWOT analysis. Chair

Rieck commented the need to begin with a strategy to inform the public on the series of annual rate increases facing West Slope. Mr. Grimm stated staff will need to have all data compiled that includes water quality information, cost, resiliency, customer confidence and perception information. The Board discussed holding a brief work session in early June to further discuss the rate increase messaging. Mr. Grimm shared the District will have its budget hearing at the June 20 meeting, conducting public outreach in July and August for the FYE2019 12% rate increase, and conducting a public rate increase hearing at the August 15 regular meeting. Mr. Grimm stated his desire is to have a public outreach firm on board in July to help initially with outreach strategies for the series of rate increases and ultimately the District's decision for long range water supply.

5.3 – Late Breaking Issues:

- April Joint Monitoring Program (JMP) Lead Results: Mr. Grimm stated the 90th percentile results for lead from the April monitoring round is 12 parts per billion (ppb). The action level not to exceed is 15 ppb, so for now, Portland and the other wholesale purchasers participating in the JMP are not in violation of the lead and copper rule.
- Willamette Basin Reallocation: Mr. Grimm shared a brief summary of the reallocation work of water stored behind US Army Corps of Engineer dams in the Willamette system. The allocation is distributed between municipal use, agricultural use, and in-stream (fish support) use. The biggest disagreement currently is between the agriculture lobby and the environmentalist (fish) lobby>

6.0 – COMMISSIONERS COMMUNICATION

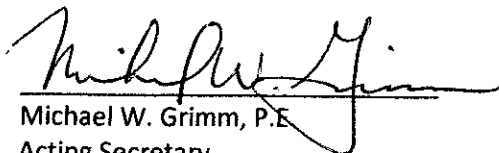
Commissioner Reiersen asked about the communication workshop staff attended at TVWD. Mr. Grimm stated the workshop identified the top 10 communication utility issues but offered no real means or steps to resolve or address those items. Mr. Grimm promised to look for upcoming sessions to improve organizational communication skills.

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 Rieck adjourned the May 16, 2018 Regular Board of Commissioners meeting at 7:44 PM.

Respectfully Submitted,

Approved:


Michael W. Grimm, P.E.
Acting Secretary

