



CLACKAMAS
WATER
ENVIRONMENT
SERVICES



FY 2021-22 Budget

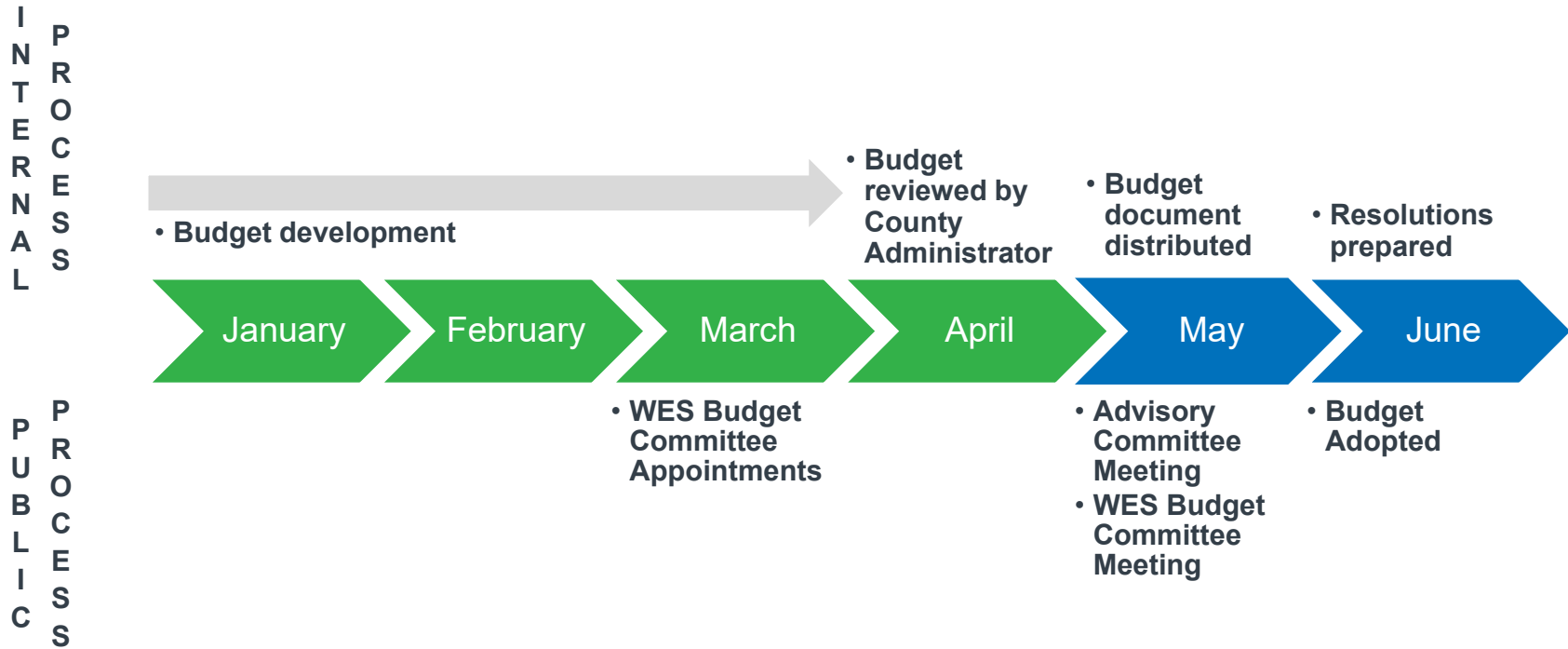
Erin Blue, Financial Administrative Services Manager



Presentation Outline

- Budget process and development overview
- FY 2021-22 Budget Proposal
 - Major Themes
 - Operating
 - Debt
 - Capital
 - Rate proposals, analysis and comparison
 - System Development Charges – proposal and analysis
- Next Steps

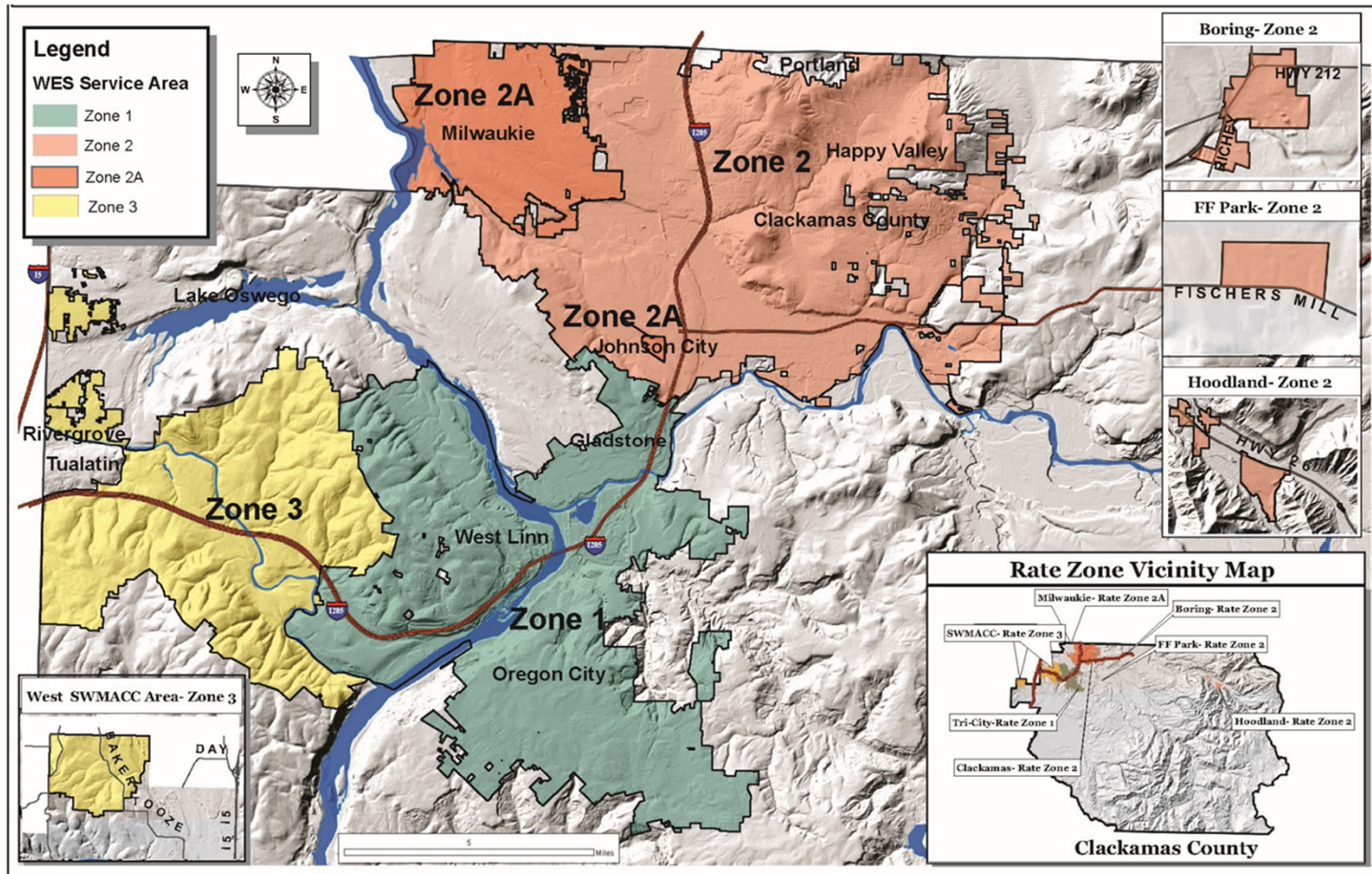
Budget Process



Financial Structure

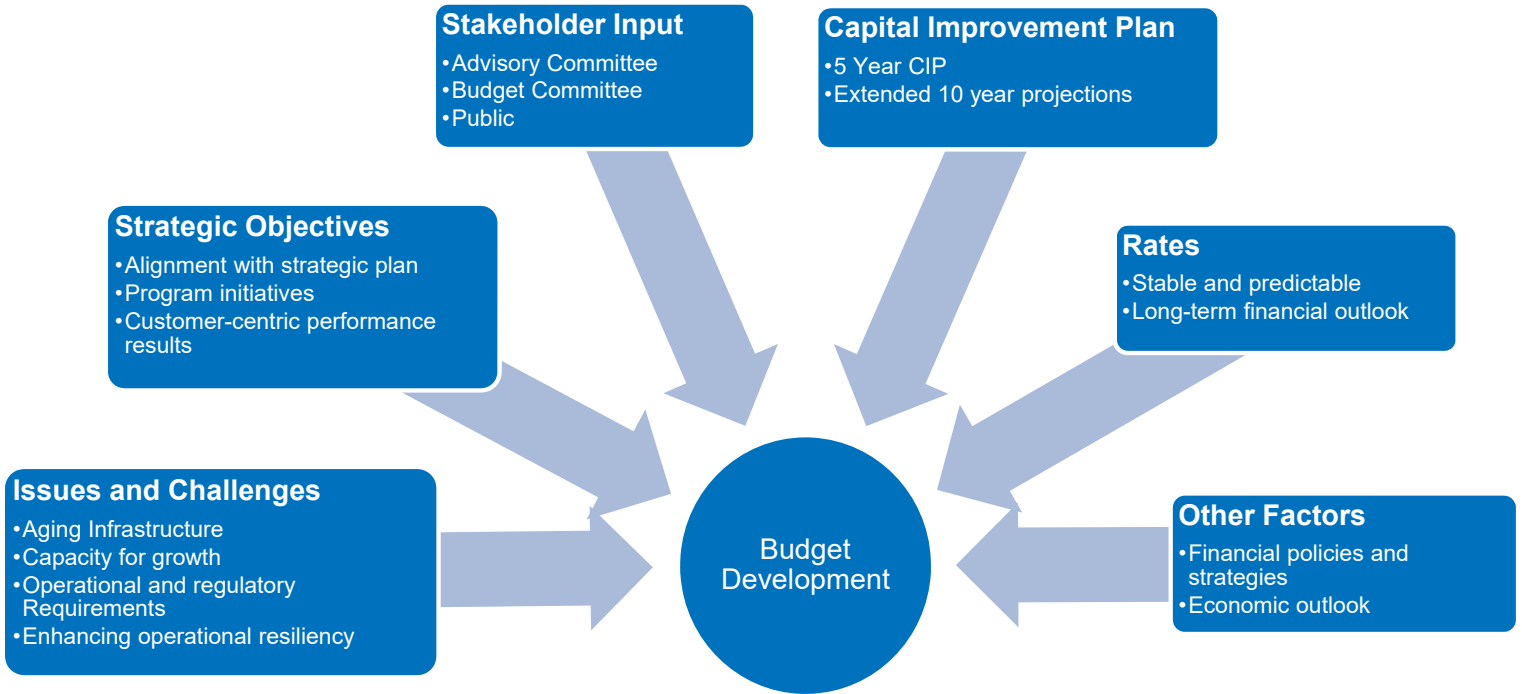
WES Budgeted Funds		Sources	Uses
Sanitary Sewer Funds	Surface Water Funds		
Operating Fund	Operating Fund	<ul style="list-style-type: none"> • Service charges • Interest • Other income 	<ul style="list-style-type: none"> • Materials and Services • Transfers to Construction and Debt Service Funds
Construction Fund	Construction Fund	<ul style="list-style-type: none"> • Transfers from Operating Funds • Project participation • New debt issuances • Interest 	<ul style="list-style-type: none"> • Capital project expenditures
System Development Charge Fund	System Development Charge Fund	<ul style="list-style-type: none"> • System Development Charges (SDCs) for new connections • Interest 	<ul style="list-style-type: none"> • Capacity-enhancing capital project expenditures • Transfers to the Debt Service Fund for SDC-eligible debt
Debt Service		<ul style="list-style-type: none"> • Transfers from Operating Funds and SDC Funds • New debt issuances • Interest 	<ul style="list-style-type: none"> • Principal and interest on long-term debt

Service Area



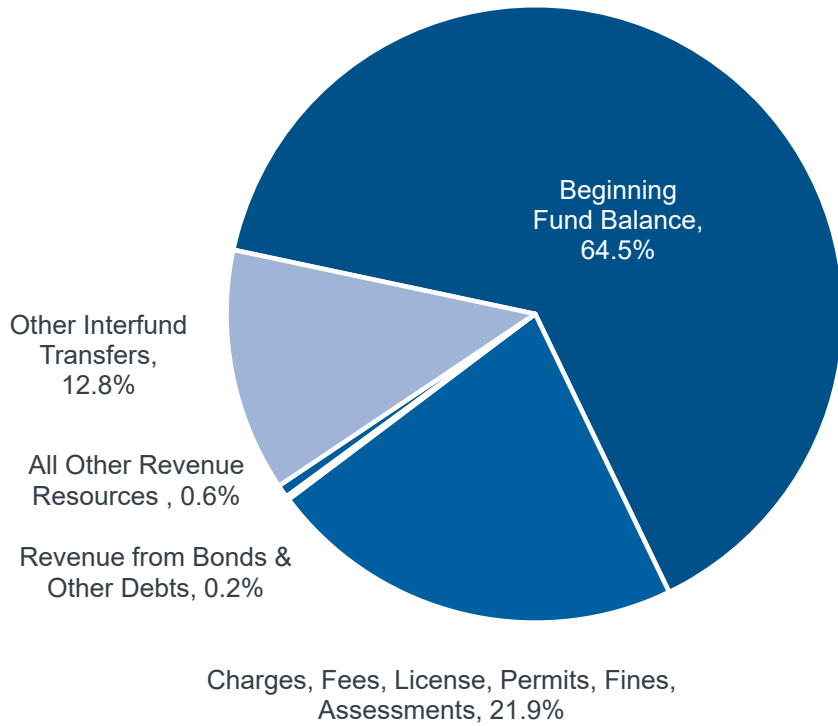


Budget Development

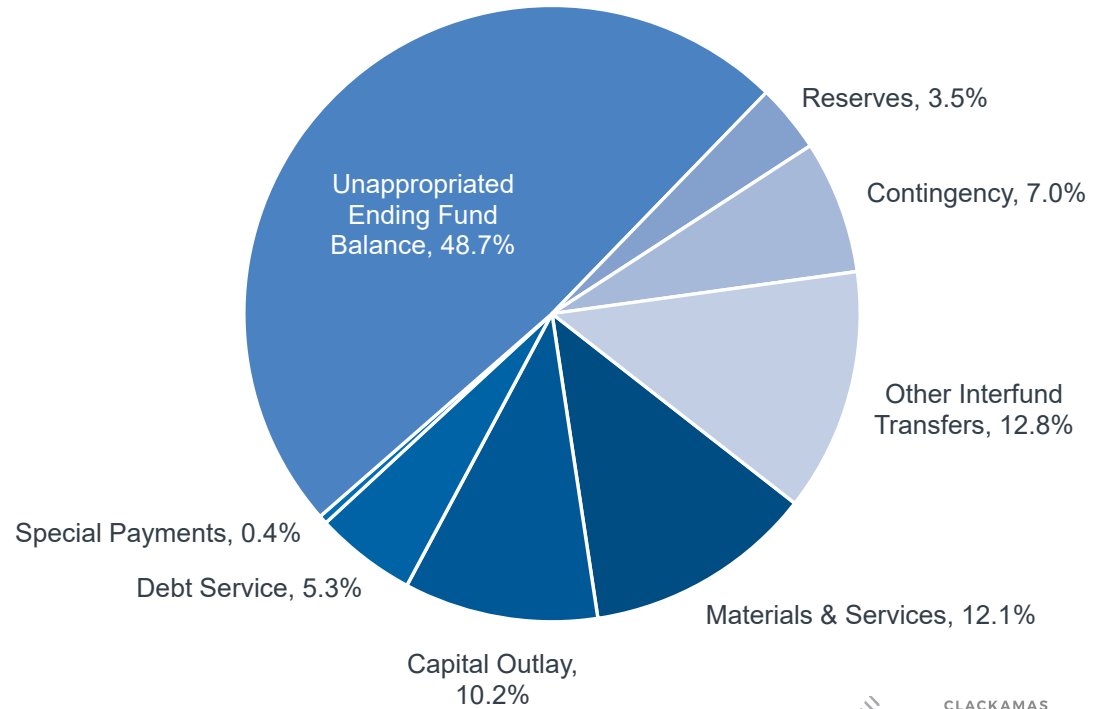


FY 2021-22 Proposed Budget

Resources: \$247,705,206

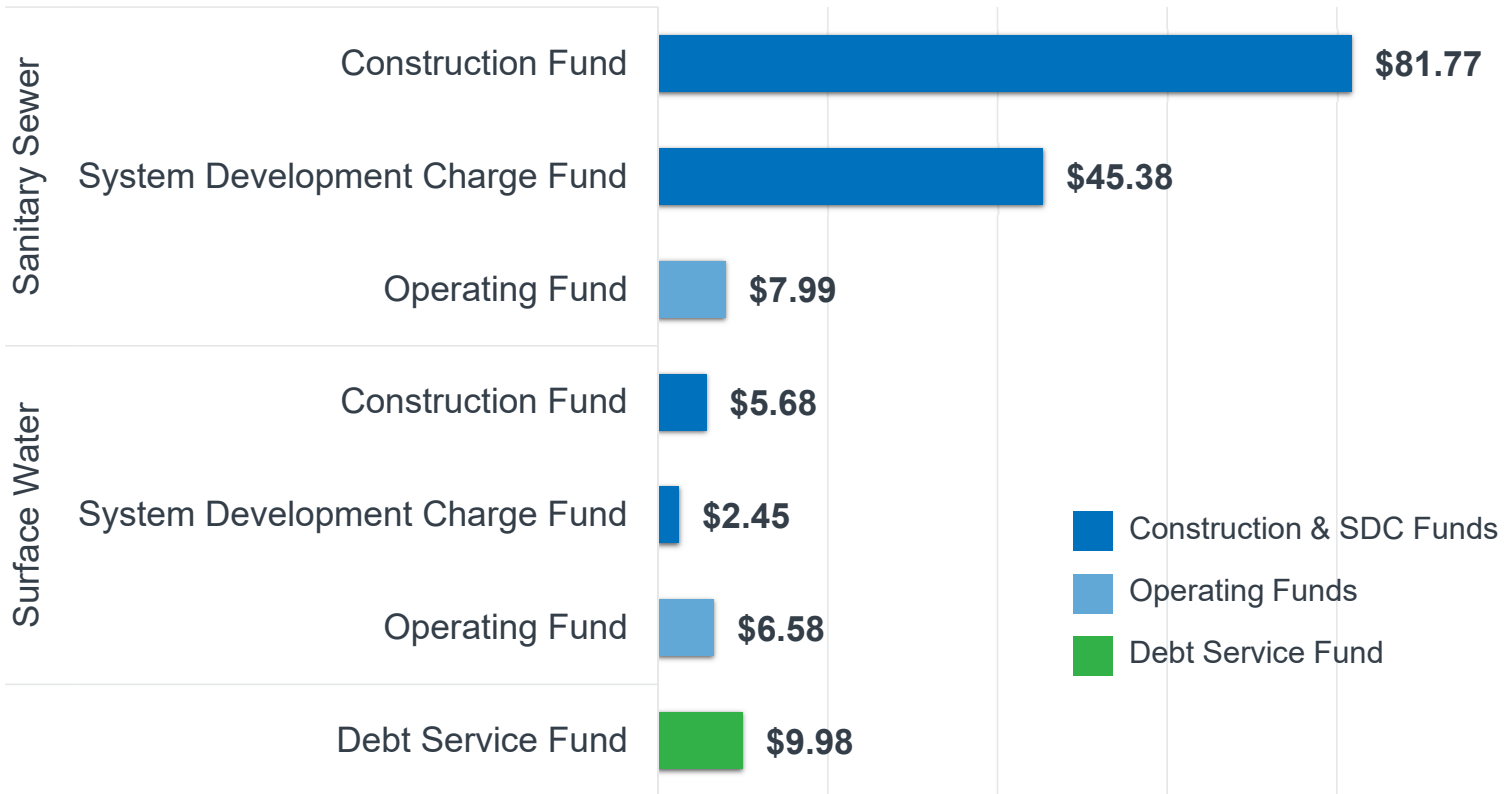
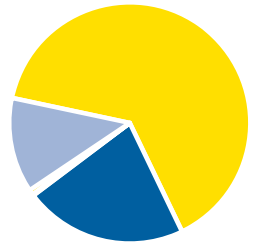


Requirements: \$247,705,206



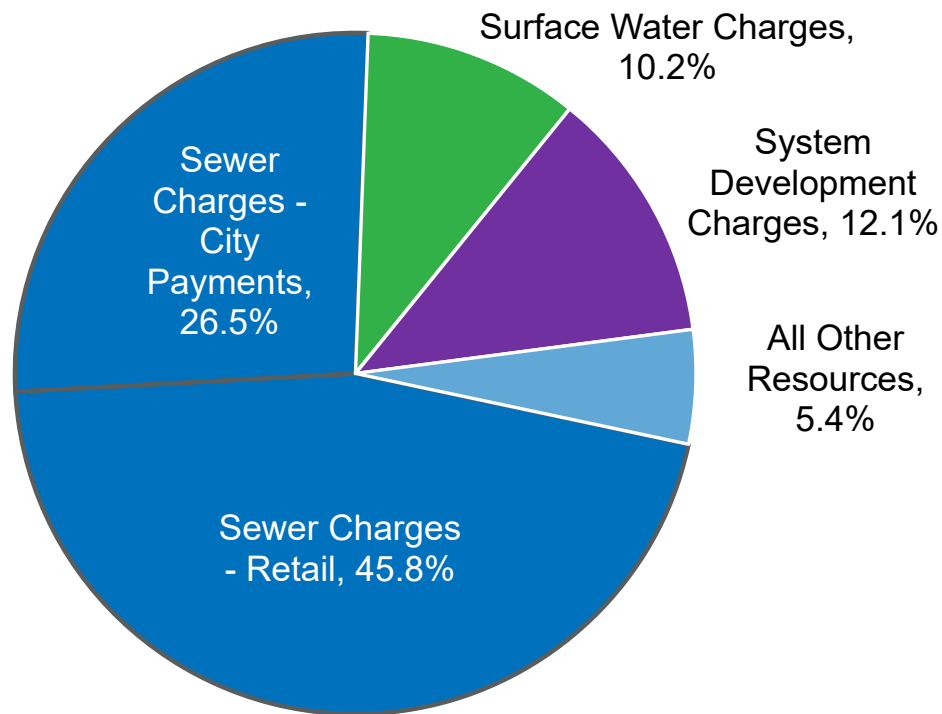
Beginning Fund Balances - \$159.8 Million

Resources

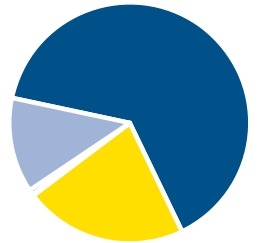


- Construction & SDC Funds
- Operating Funds
- Debt Service Fund

Budgeted Revenues - \$55.8 Million



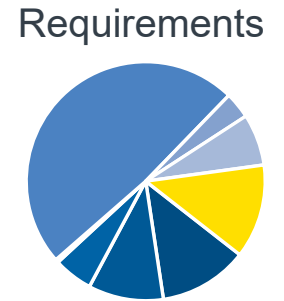
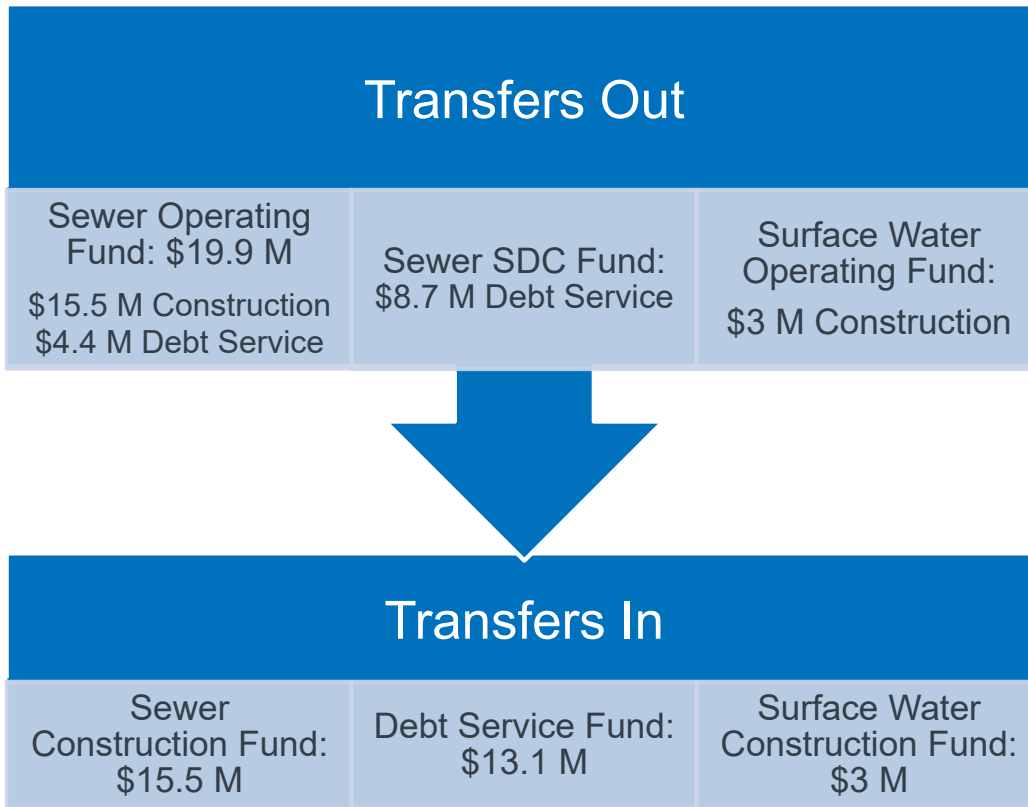
Resources



Overall increase of ~\$1.4 M or 2.6% from FY 2020-21 Budget

- \$1.1 M of the increase results from resuming the delinquent account certification process
- Moderate growth and inflationary rate increases
- Inflationary increase in SDC charges

Transfers - \$31.6 Million

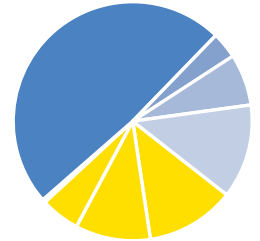


4.2% or \$1.3 million increase from FY 2020-21 Budget

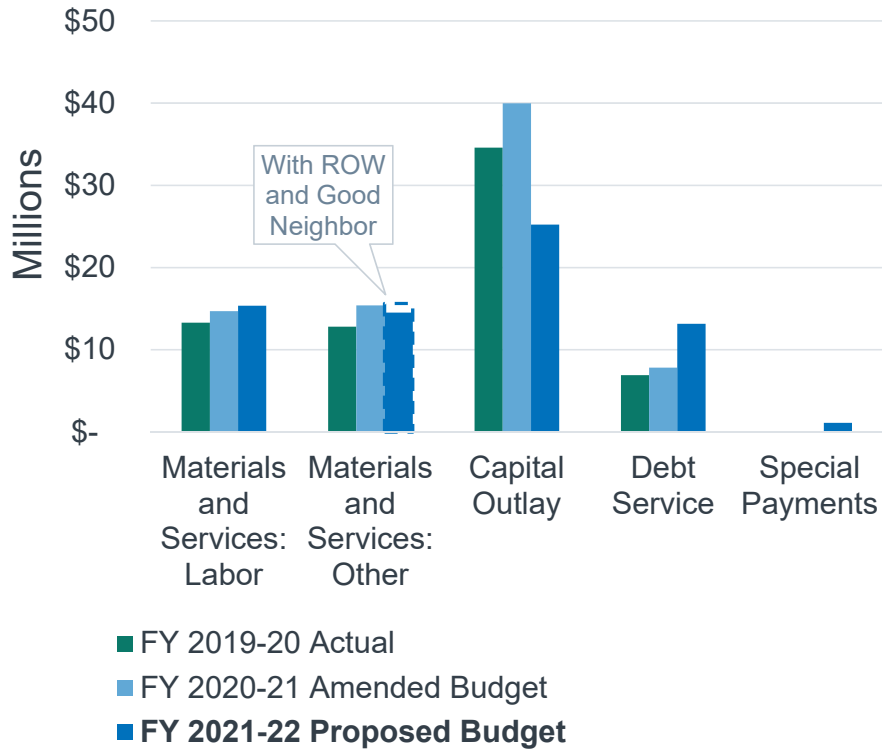
- Increase of \$4.5 million transfer from Sewer Operating to Construction
- Transfer from SDC to Debt Service Fund reflects new financial strategy to repay debt with SDCs to extent eligible

Budgeted Expenses - \$69.4 Million

Requirements

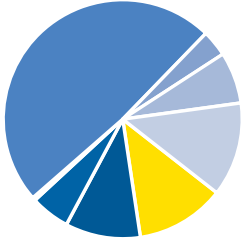


3 Year Expense Trends



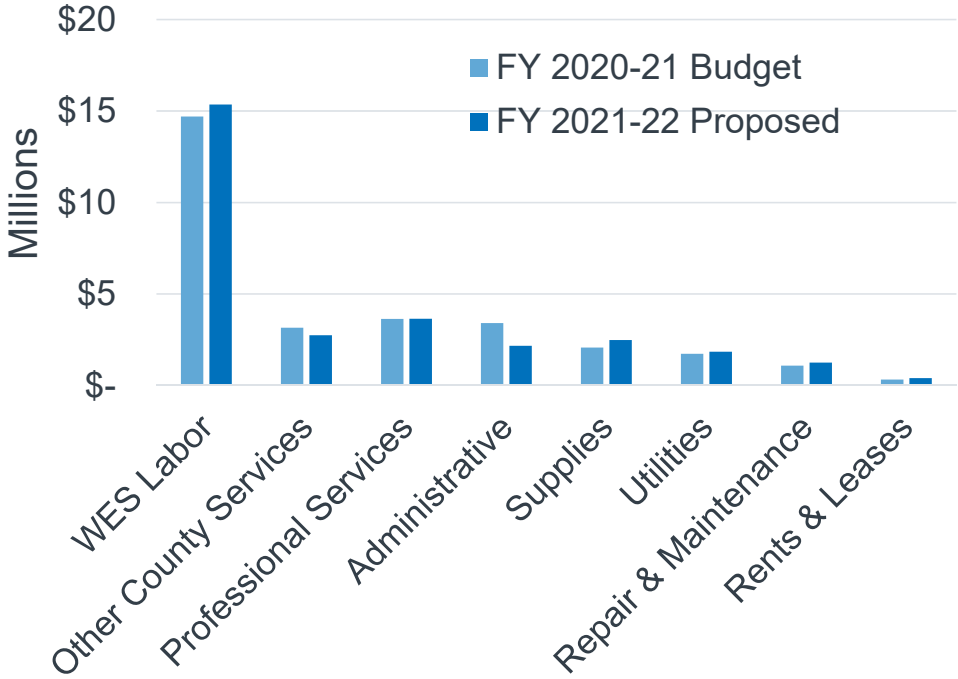
Overall Reduction of ~\$8.5 M or 10.9% from FY 2020-21 Budget

- Decrease in Capital spending
- Increase in Debt Service
- New Special Payments category
- Operating Budget 0.7% or \$215k decrease from FY 2020-21
 - Decrease in Materials and Services
 - Increase in Personnel Services



Materials and Services - \$29.9 Million

Operating Budget by Major Expense Category

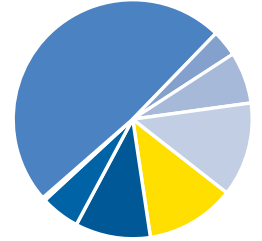


0.7% or \$215 thousand decrease from FY 2020-21 Budget

- WES Labor – 4.5% increase
 - 3 new positions
- Decrease in Other County Services
- Decrease in Administrative Expenses
- Increase in Supplies
- Increases in Repairs and Maintenance and Rents and Leases

FY 2021-22 Operating Budget by Line of Business*

Requirements



\$16.6M
56.4 FTE
Operations
55¢

\$5.7M
20.7 FTE
Business Services
19¢

\$5.6M
20.5 FTE
Environmental Services
18¢

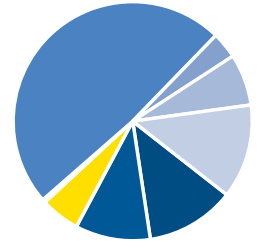
\$2.4M
10.3 FTE**
Capital Planning & Management
8¢

*Equipment pool contra-expense is not included in Line of Business totals

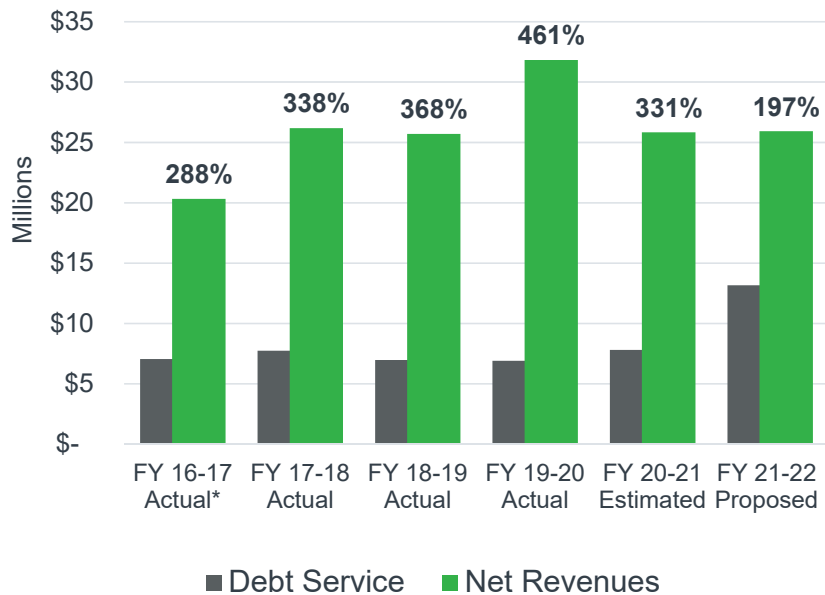
**FTE Count for Capital Planning and Management excludes capitalized labor of 7.1 FTE

Debt Service - \$13.2 Million

Requirements



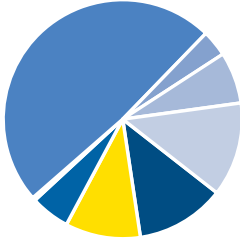
Debt Service Coverage



68.5% or \$5.4 million increase from FY 2020-21 Budget

- New 2021 borrowing
- Repayment of SRF loan for Solids Handling Project
- AAA rating affirmed in February 2021

Requirements



Capital Outlay - \$25.2 Million

- Budget reflects continuing need for reinvestment in aging infrastructure and capital investment to meet projected growth

FY 2021-22 Capital Budgets

- Sanitary Sewer \$24.1 M
- Surface Water \$1.1 M

Category	Project Examples	FY 2021-22 Budget	Total Project Cost
Sanitary Sewer	Boring Pump Station & Force Main	\$4.6 M	\$6.0 M
	Kellogg Creek Aeration Basin Improvements	\$2.25 M	\$3.85 M
	Tri-City Outfall Project	\$1.5 M	\$25.5 M
	Multiple Pump Station Upgrades	\$2.0 M	\$8.5 M
	Clackamas Interceptor	\$1.0 M	\$16.3 M
Surface Water	3-Creeks Water Quality Project	\$0.5 M	\$4.4 M



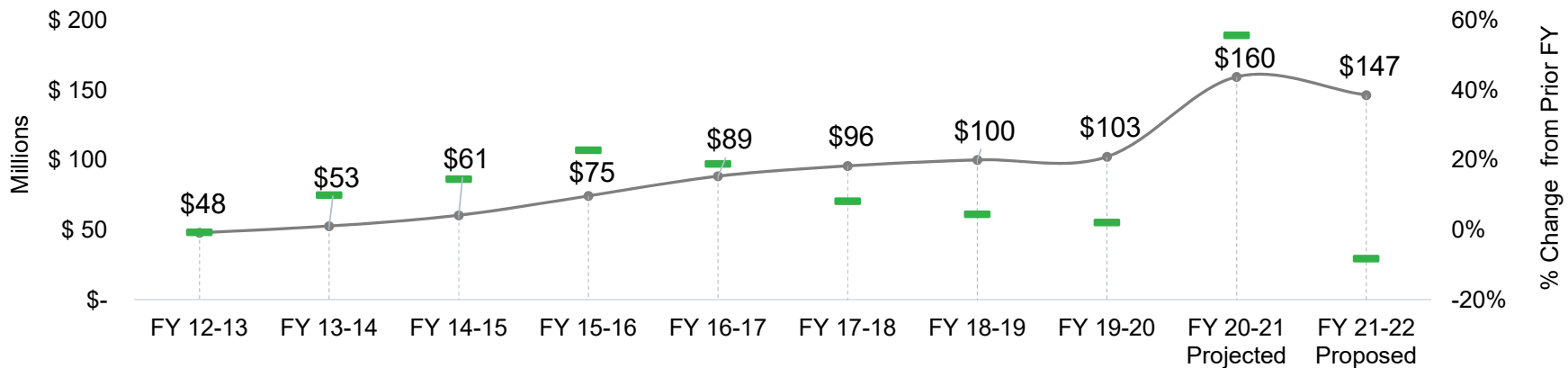
Contingencies, Reserves, and Ending Fund Balance - \$146.8 Million

Requirements



Combined Ending Fund Balance and Percentage Change by Fiscal Year

— Ending Fund Balance & Contingency
 — % Change





Proposed Rate Increases

Inflationary rate adjustments averaging 0.68% across all services and zones, due to several one-time impacts:

- Delays in initiation of certain capital projects
- Realization of low borrowing costs on new issuance of debt (0.84% true interest cost)
- New strategy to repay debt with SDC funds to the extent eligible



Sanitary Sewer Rate Components

- **Wastewater Treatment** – Applies to all sewer ratepayers; covers costs of operating and maintaining WES' Water Resource Recovery Facilities and funds new asset construction and replacement for treatment plants and interceptors
- **Local Collection** – Applies to ratepayers in Happy Valley and unincorporated areas such as Oak Grove, Hoodland, Boring, etc.; covers costs of operating and maintaining WES' collection system feeding into the interceptors and funds asset replacements necessary to maintain aging infrastructure, especially inflow and infiltration reduction efforts
- **Legacy Debt Service Fee** – Applies to Rate Zone 2 only, including Johnson City and Milwaukie; covers annual debt service costs associated with debt transferred from CCSD No. 1 when WES was formed

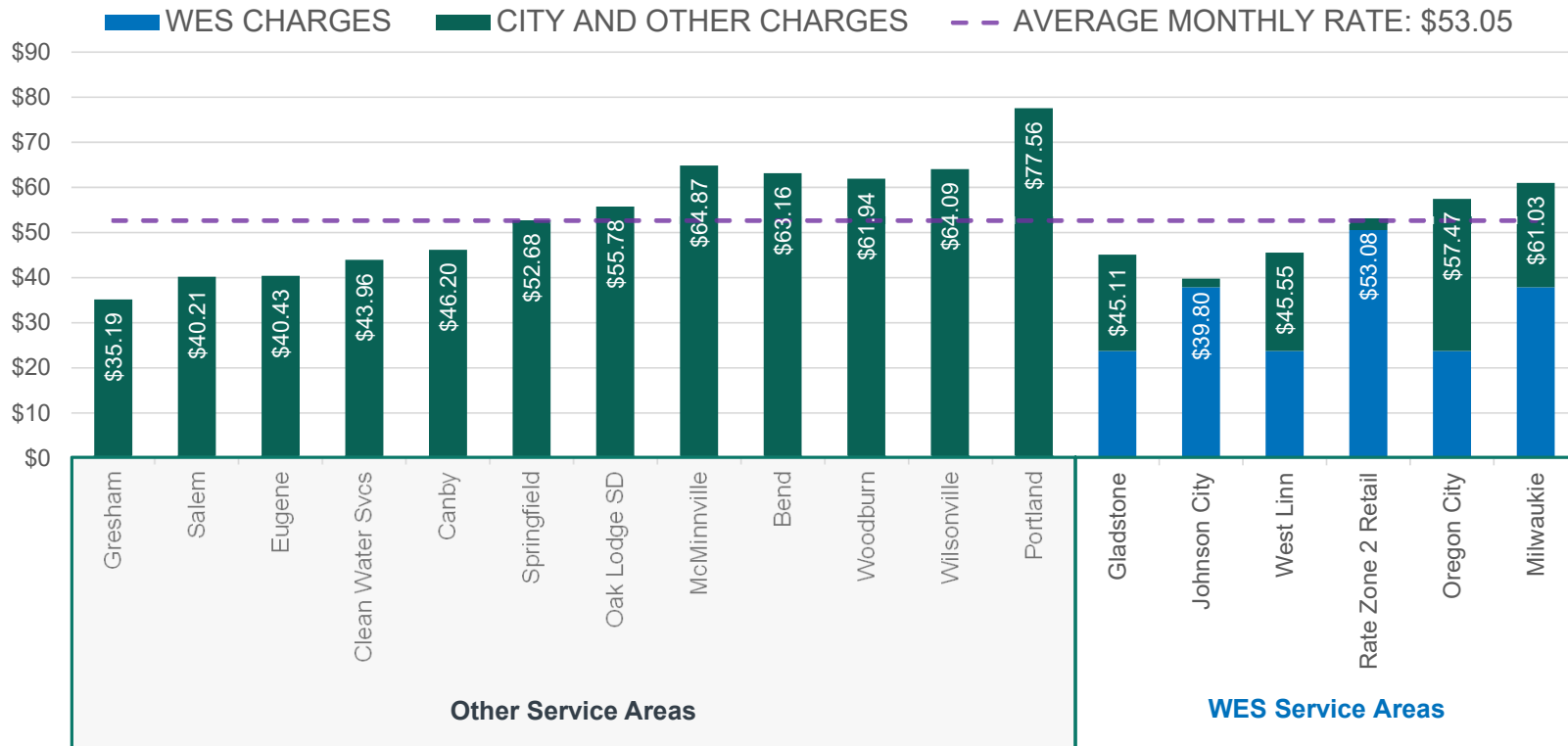
FY 2021-22 Proposed Rates by Service Area and City

	Rate Components	Gladstone	Oregon City	West Linn	Unincorp RZ1	Unincorp RZ2	Happy Valley	Milwaukie	Johnson City	Rate Zone 3
Sanitary Sewer	Wastewater Treatment	\$ 25.30	\$ 25.30	\$ 25.30	\$ 25.30	\$ 25.30	\$ 25.30	\$ 25.30	\$ 25.30	\$ -
	Local Collection				13.50	13.50	13.50			
	Legacy Debt Svc Fee					12.65	12.65	12.65	12.65	
	Subtotal – Sanitary Sewer	25.30	25.30	25.30	38.80	51.45	51.45	37.95	37.95	-
Surface Water	Surface Water Service					7.75	7.75			4.70
	On-Site Maintenance					3.00	3.00			
	Subtotal – Surface Water	-	-	-	-	10.75	10.75	-	-	4.70
	City Right-of-Way Fees ¹	1.30	1.70	-	-	-	3.11	-	-	-
Est. Total Monthly Bill	FY 2021-22	\$ 26.60	\$ 27.00	\$ 25.30	\$ 38.80	\$ 62.20	\$ 65.31	\$ 37.95	\$ 37.95	\$ 4.70
	% Δ from FY 2020-21	1.53%	1.50%	1.40%	1.44%	0.48%	0.48%	0.00%	0.00%	1.08%
	FY 2020-21	\$ 26.20	\$ 26.60	\$ 24.95	\$ 38.25	\$ 61.90	\$ 65.00	\$ 37.95	\$ 37.95	\$ 4.65
	% Δ from FY 2019-20	5.01%	5.35%	5.05%	5.08%	1.73%	1.74%	0.13%	0.13%	4.49%
	FY 2019-20	\$ 24.95	\$ 25.25	\$ 23.75	\$ 36.40	\$ 60.85	\$ 63.89	\$ 37.90	\$ 37.90	\$ 4.45
		Rate Zone 1				Rate Zone 2				Rate Zone 3

¹ City Right-of-Way Fees in the above table are an estimate based on proposed rates.

How WES' rates compare to other service providers:

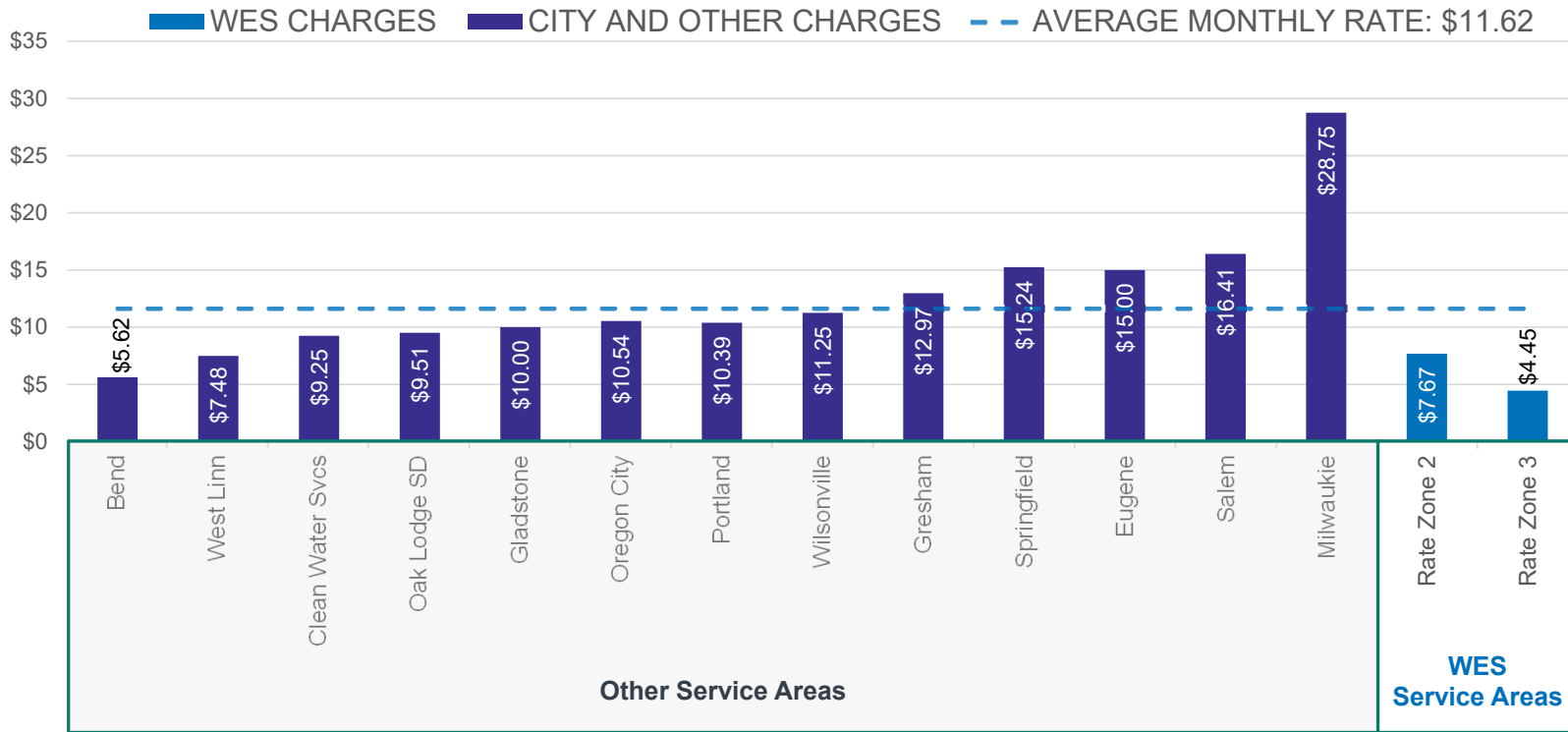
Monthly Sanitary Sewer Rate Survey, FY 2020-21



Sanitary sewer rates in the above chart are based on rates for single family dwellings; in those cities where consumption charges apply, totals are calculated based on a monthly consumption of 7 CCF. City and other charges includes ROW fees, where applicable.

How WES' rates compare to other service providers:

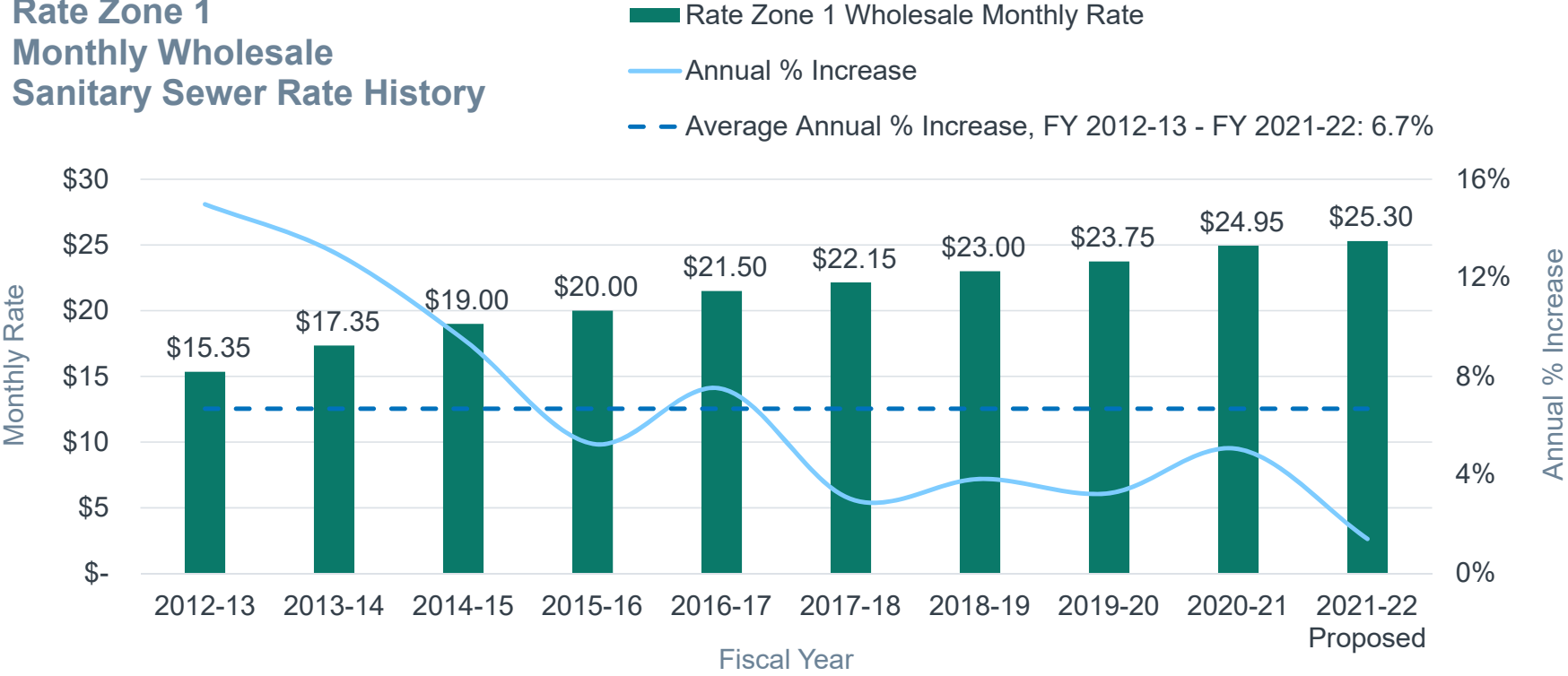
Monthly Surface Water Rate Survey, FY 2020-21



City and other charges includes ROW fees, where applicable.

Sanitary Sewer Service Charges

Rate Zone 1 Monthly Wholesale Sanitary Sewer Rate History

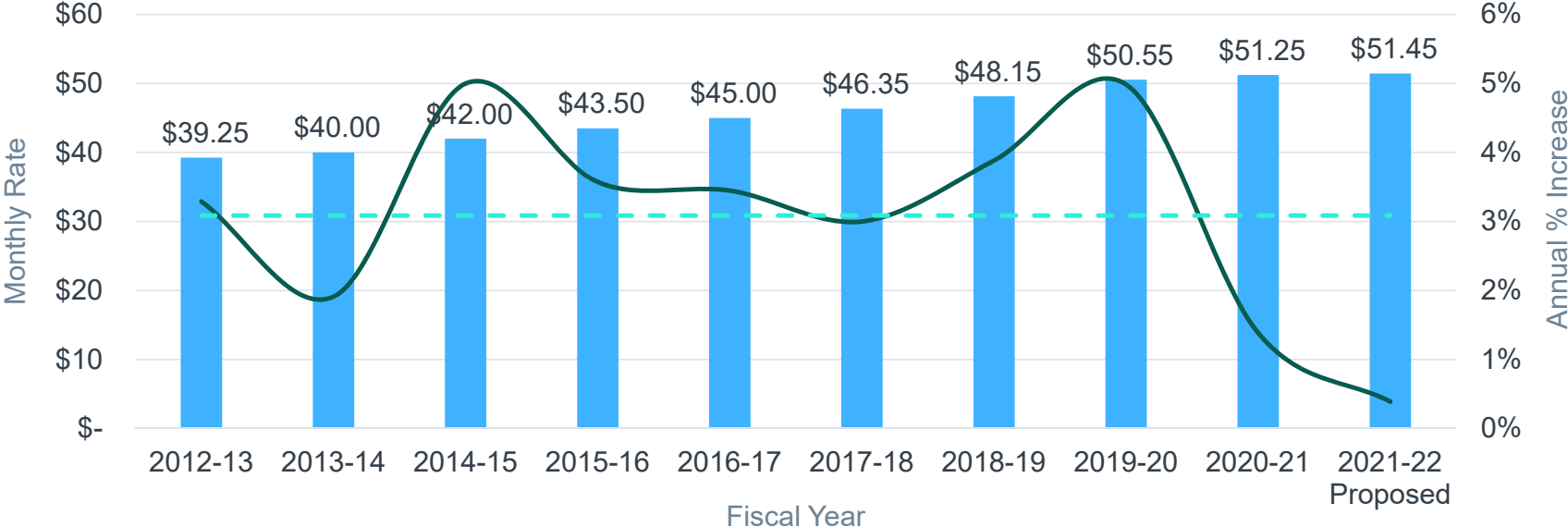


ROW surcharges for Gladstone and Oregon City are \$1.30 and \$1.70 respectively

Sanitary Sewer Service Charges

Rate Zone 2 Monthly Retail Sanitary Sewer Rate History

- Rate Zone 2 Retail Monthly Rate
- Annual % Increase
- - - Average Annual % Increase, FY 2012-13 - FY 2021-22: 3.1%



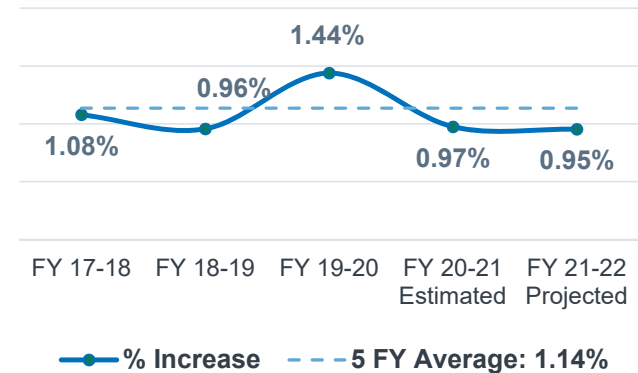
ROW surcharge for Happy Valley customers will be \$2.57

FY 2021-22 Proposed System Development Charges

- Inflationary adjustments are proposed

Service Category	FY 2020-21	FY 2021-22 Proposed	\$ Change	% Change
Sanitary Sewer	\$8,005	\$8,120	\$ 115	1.4%
Surface Water	\$ 215	\$ 220	\$ 5	2.3%

% Increase in Sewer EDUs by FY





Next Steps

- Advisory Committee recommendations will be shared with the Budget Committee
- Budget Committee will meet on May 24 to consider the budget, discuss changes, and vote on a recommended budget with any such changes for formal adoption
- Board of County Commissioners will meet on June 16 to formally adopt the budget, which will be effective July 1

Motion

- Seeking approval to move the FY 2021-22 budget proposal forward to the Budget Committee



Thank You!



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