



Minutes for Clackamas Water Environment Services (WES) Advisory Committee

Location: Hybrid – Zoom/In-person (Tri-City Water Resource Recovery Facility)

Video link: <https://youtu.be/3wSn7r26MR4>

Time: 12:00-1:00pm

Date: March 9, 2023

Chair: Diana Helm, Secretary: Chris Koontz

Approval of previous meeting's minutes: Yes

Attendees:

Members in attendance: Rita Baker, Christopher Bowker, Richard Craven, Greg DiLoreto, William Gifford, Renee Harber, Diana Helm, Brian Johnson, Roseann Johnson, Adam Khosroabadi, Preston Korst, Michael Milch, Michael Morrow, Neil Schulman

Quorum was established.

Members not in attendance: Mary Baumgardner, Anthony Fields, David Golobay, Denyse McGriff, Kathryn Miller, Martha Schrader,

Meeting called to order at 12:02PM by Chair Helm.

Agenda items:

- Welcome & Updates – Presenter: Greg Geist, Director (Inform)
- Approve January Minutes – Presenter: Diana Helm, Chair (Consensus Approval)
- Public Comment – Facilitator: Diana Helm, Chair (Comment)
- Lunch & Learn Updates – Presenters: Christopher Bowker, WESAC Member & Shelly Parini-Runge, External Affairs (Inform)
- Appoint Budget Committee – Facilitator: Diana Helm, Chair (Consensus Appointment)
 - FY 23-24 Budget Committee Members: Christopher Bowker, William Gifford, Roseann Johnson, Denyse McGriff, Michael Morrow
- Budget Preview – Presenter: Erin Blue, Finance Manager (Inform)
- Capital Project Update – Presenter: Jeff Stallard, Capital Program Manager (Inform)

Motions: None

Announcements: None

Meeting adjourned at 12:58pm by Chair Helm

Respectfully submitted by:

Chris Koontz



CLACKAMAS

WATER
ENVIRONMENT
SERVICES



2023-2024 Proposed Budget Review

Erin Blue, Finance Manager

Ron Wierenga, Assistant Director

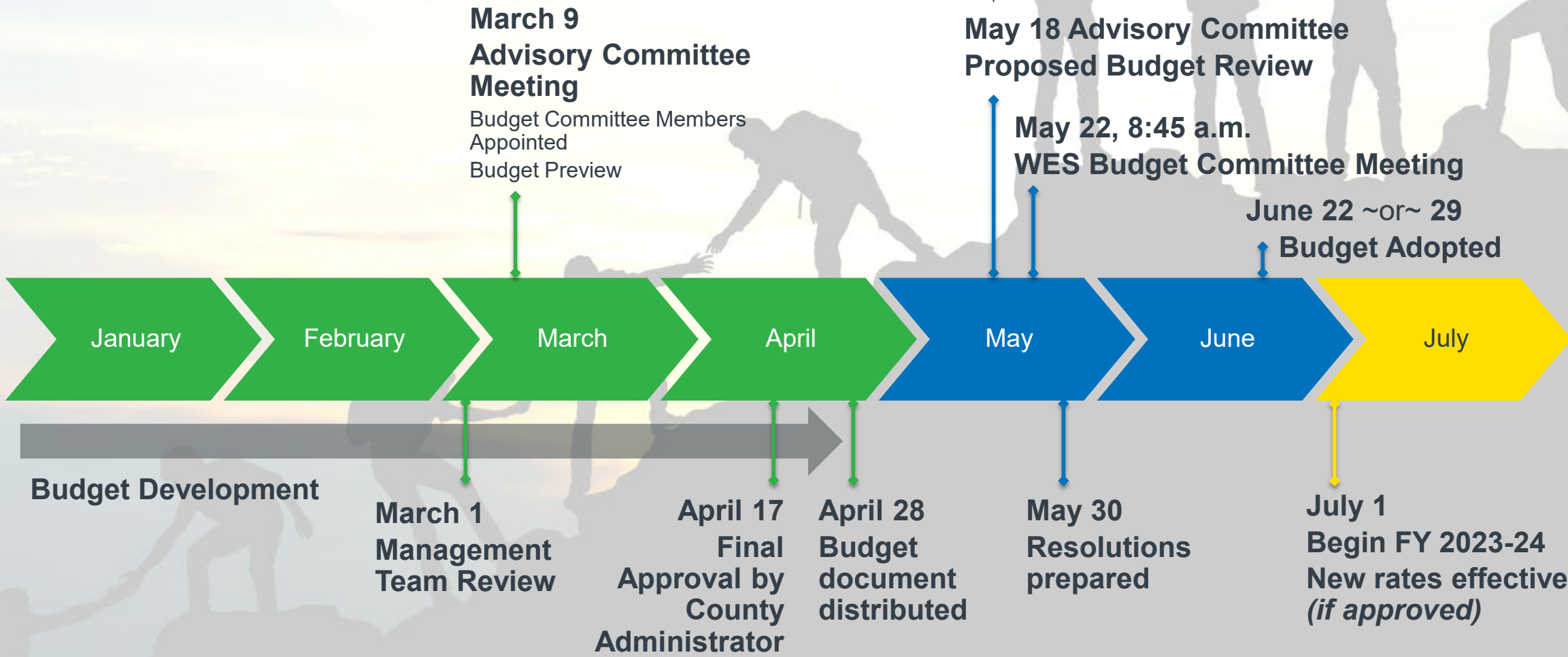
Presentation Outline

- **Budget process and overview**
- **FY 2023-24 Budget Proposal**
 - **Major Themes**
 - **Operating**
 - **Capital**
 - **Debt**
 - **Rate proposals, analysis and comparison**
 - **Long-range financial plan**
 - **System Development Charge proposals**
- **Next Steps**

Budget Process

PUBLIC PROCESS

INTERNAL PROCESS



Basis/Inputs for the Proposed Budget

Input	Relation to the Budget	Previous Action
5-Year Capital Improvement Plan	<ul style="list-style-type: none"> Serves as basis for the Proposed Capital Budget 	FY 2022-2027 CIP recommended by WESAC in November 2022; approved by Board in December 2022
Surface Water Master Plan	<ul style="list-style-type: none"> Increased Surface Water Capital spending as plan is implemented 	Master Plan and related Long-Term Financial forecast recommended by WESAC in September 2022; approved by Board in October 2022
Long-Term Financial Strategy	<ul style="list-style-type: none"> SDCs used for eligible debt service Sewer rate harmonization over next 8 years Reasonable, predictable annual rate increases 	Recommended by WESAC in March 2022; incorporated into FY 2022-23 budget approved by Board in June 2022
Financial Policies	<ul style="list-style-type: none"> Guides management of financial activities Budget complies with all policies 	Updates to key policies recommended by WESAC in January 2022; new debt policy approved by Board in October 2022

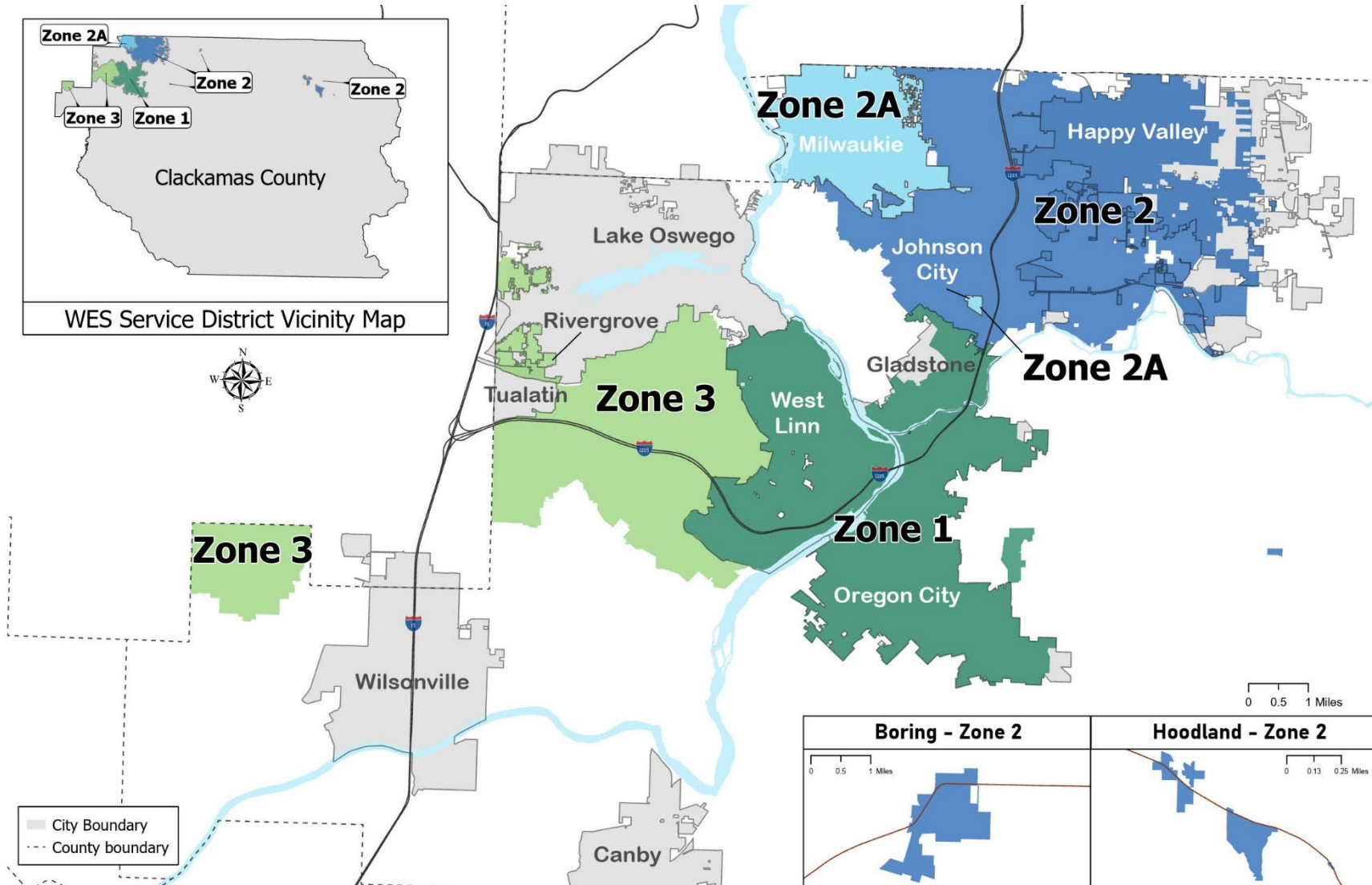
Basis/Inputs for the Proposed Budget - continued

Input	Relation to the Budget	Previous Action
Strategic Plans	<ul style="list-style-type: none"> • Links WES' Budget to performance measures and County Priorities • Comprehensive Plan summarizes goals and actions WES will take to realize Vision 	Plan update presented for WESAC review in January 2023
Economic Inputs	<ul style="list-style-type: none"> • Operating Cost Increases <ul style="list-style-type: none"> • Labor • County Internal Service Costs • Construction Cost Index • Service Area Growth Estimates • Long-Range Planning Forecasting Assumptions 	Budget Preview presented to WESAC in March 2023

WES 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 payments on long-term debt

Service Area



RATE ZONE
Service(s) Provided
& Estimated Population

RATE ZONE 1
Wastewater Treatment
77,222 Population

RATE ZONE 2
Wastewater Treatment
Wastewater Collection
Surface Water Management
86,975 Population

RATE ZONE 2A
Wastewater Treatment
21,772 Population

RATE ZONE 3
Surface Water Management
7,708 Population

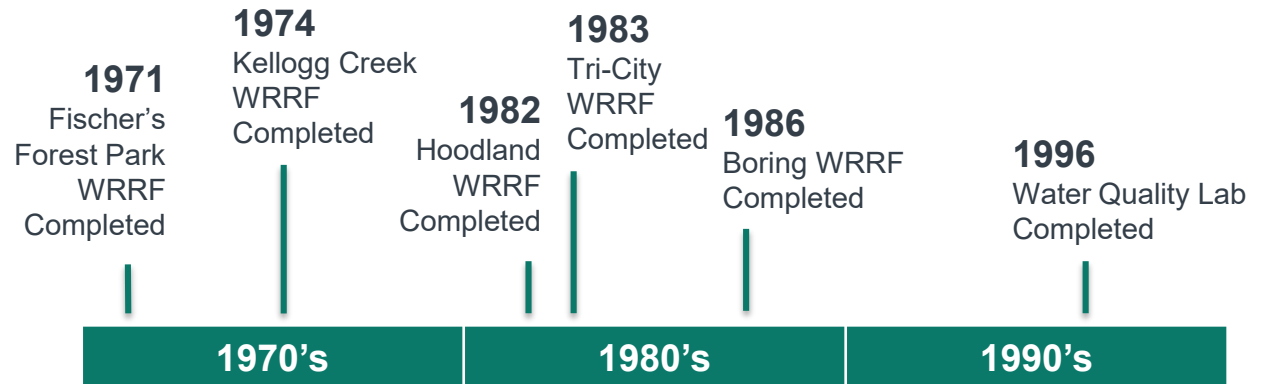
Issues & Challenges

- Service area growth

Population Growth Trends and Forecast Scenarios

	Historic/Actual		2043 Forecast			2020-2043 Change	
	2010	2020	Low	Medium	High	Low	High
Zone 1	67,565	74,792	87,141	88,478	89,971	12,349	15,179
Zone 2	91,074	103,022	124,002	126,312	128,900	20,980	25,878
Zone 3	7,322	7,974	9,033	9,146	9,272	1,059	1,298
Total	165,961	185,788	220,176	223,936	228,143	34,388	42,355

- Aging infrastructure



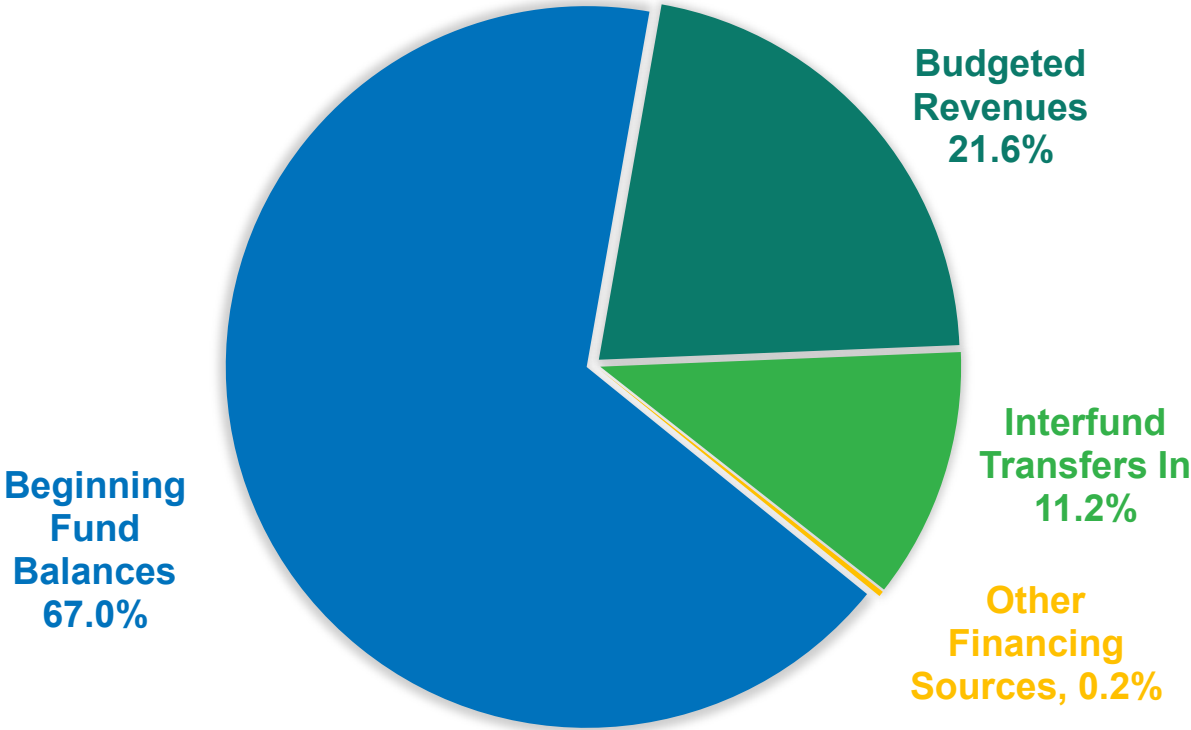
- Ongoing cost pressures
- Maintaining affordable rates



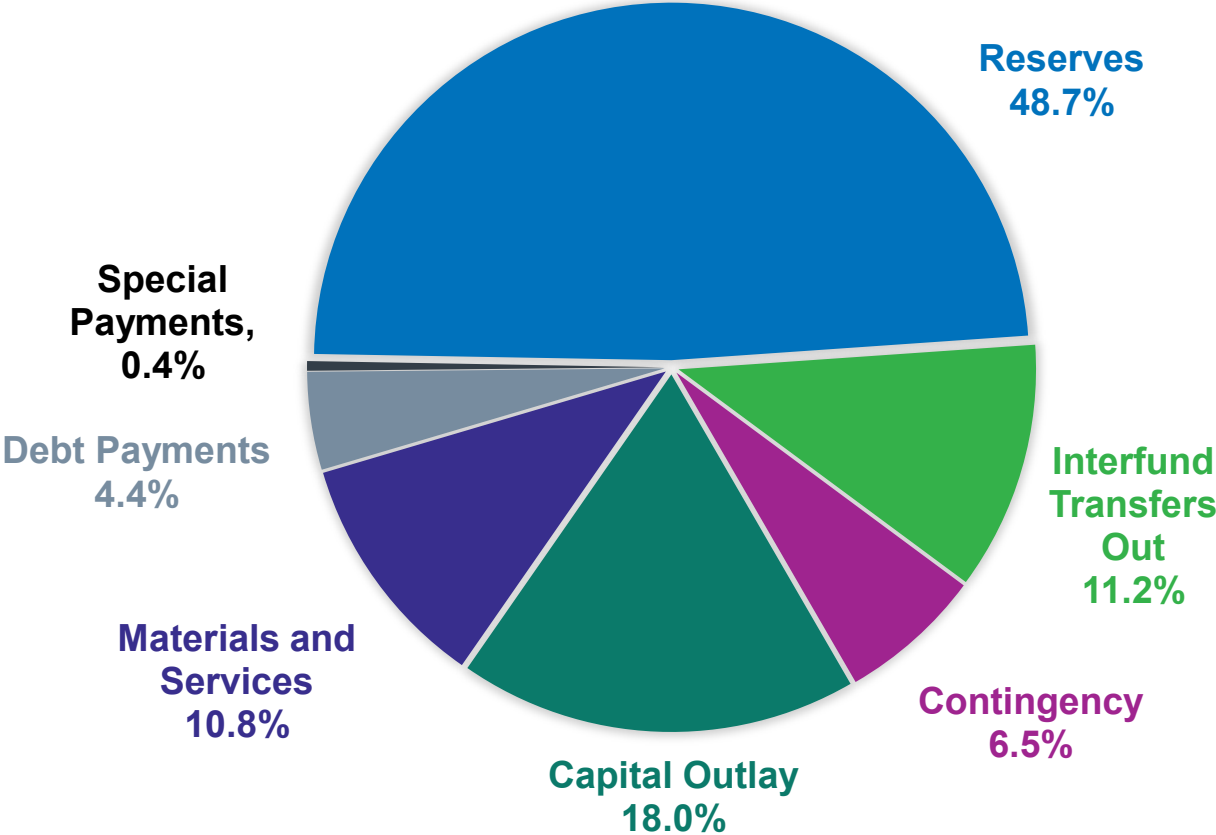
Budget Priorities	Budget Highlights
<p>Invest in the community's future by continuing to implement WES' Capital Improvement Plan (CIP) to renew and replace aging infrastructure and meet demand for capacity</p>	<ul style="list-style-type: none">• \$52.0 Million in total Capital Expenditures, including \$4.7 Million of Regional I&I Cost-Share Funding• 2 new Engineering positions proposed to support CIP implementation• 1% projected growth in service area
<p>Provide services in the most cost-effective manner</p>	<ul style="list-style-type: none">• 3.3% increase in materials and services• \$500 thousand reduction in annual debt service
<p>Plan for long-term financial stability and keep rate increases reasonable and predictable</p>	<ul style="list-style-type: none">• Rate increases aligned with prior year projections• Rate harmonization by FY 2030-31• Continued strong debt coverage and reserves for future capital outlay

FY 2023-24 Proposed Budget

Total Resources:
\$288,905,817

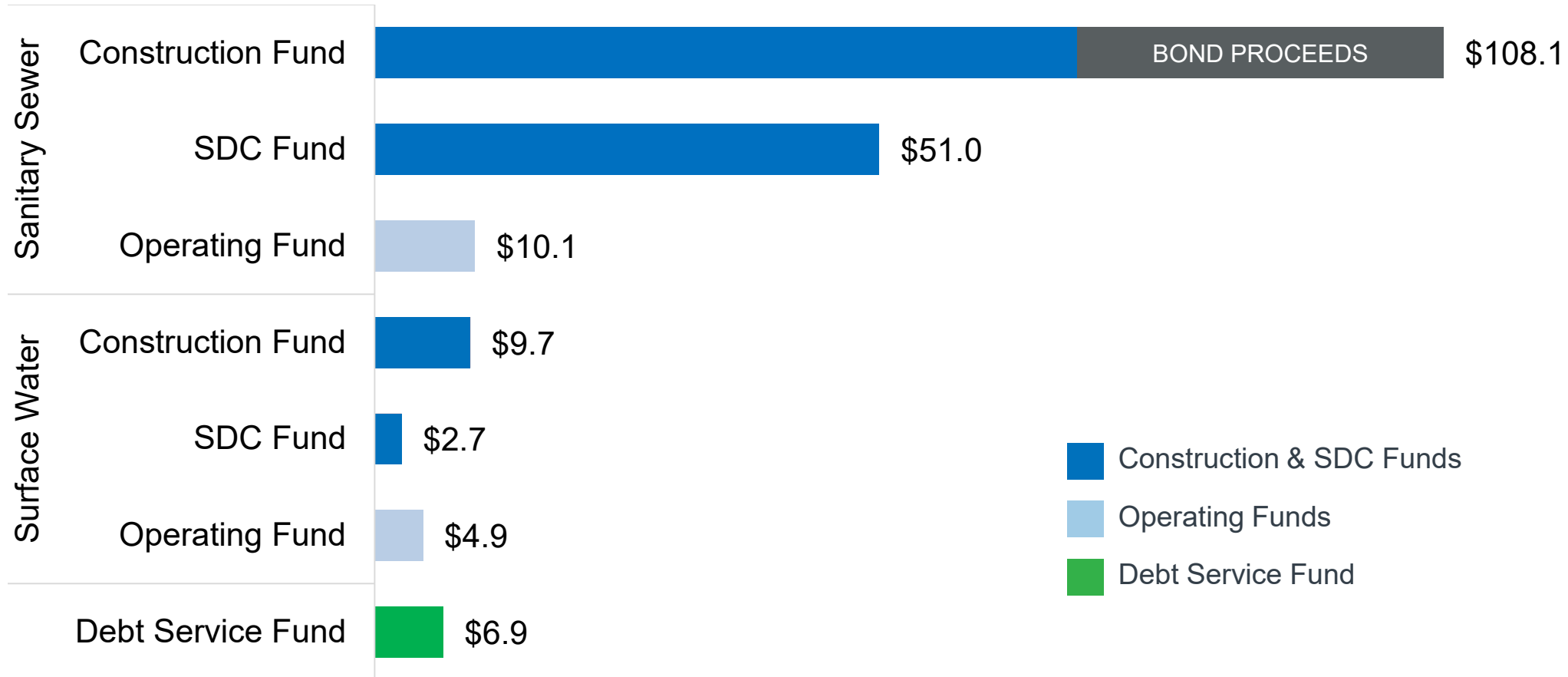
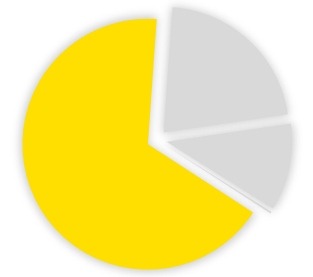


Total Requirements:
\$288,905,817



Beginning Fund Balances: \$193.4 Million

Resources

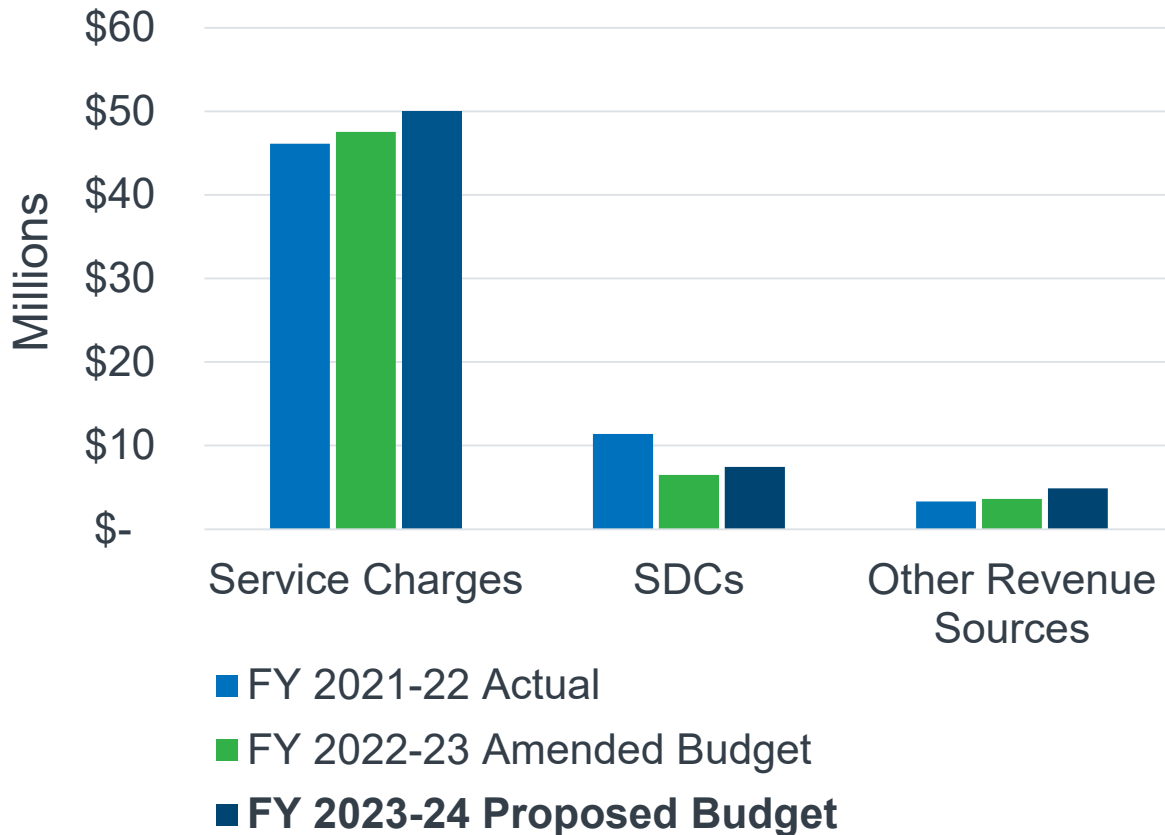


- Construction & SDC Funds
- Operating Funds
- Debt Service Fund

Revenues: \$62.3 Million

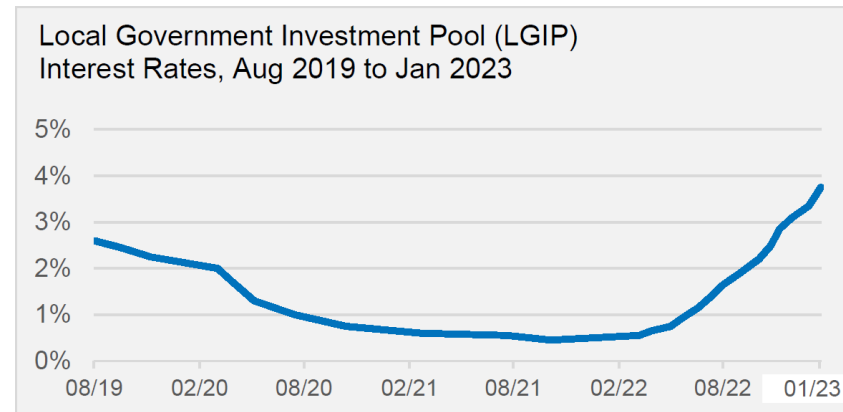


3 Year Revenue Trends



Increase of \$4.7 M or 8%

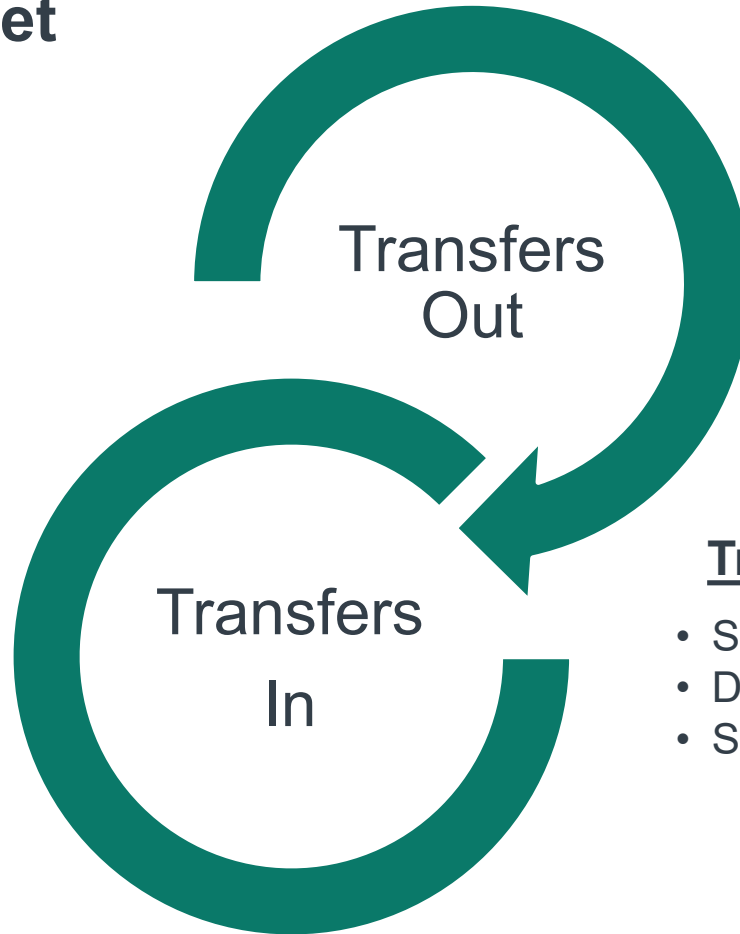
- \$340 thousand in ARPA funds for stormwater infrastructure projects
- Projected population growth of 1%
- Moderate increases to rates
- Inflationary increase in SDC charges
- Increase of \$1.6 M in interest income



Transfers: \$32.5 Million

5.6% or \$1.9 million decrease from FY 2022-23 Budget

- Lower transfer from SDC to Debt Service Fund due to debt savings and transfer from Operating Fund
- Transfer from SDC to Debt Service Fund reflects financial strategy to repay debt with SDCs to extent eligible



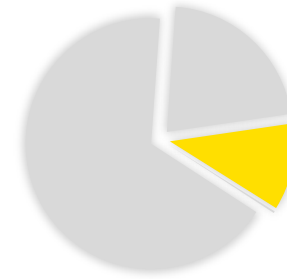
Transfers Out

- Sewer Operating Fund: \$23.4 M
- Sewer SDC Fund: \$7.1 M
- Surface Water Operating Fund: \$2.0 M

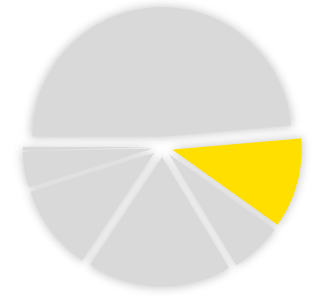
Transfers In

- Sewer Construction Fund: \$21.5 M
- Debt Service Fund: \$9.0 M
- Surface Water Construction Fund: \$2.0 M

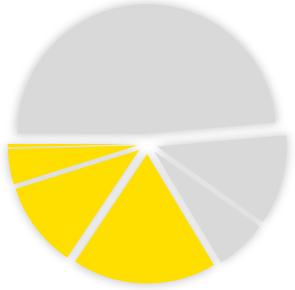
Resources



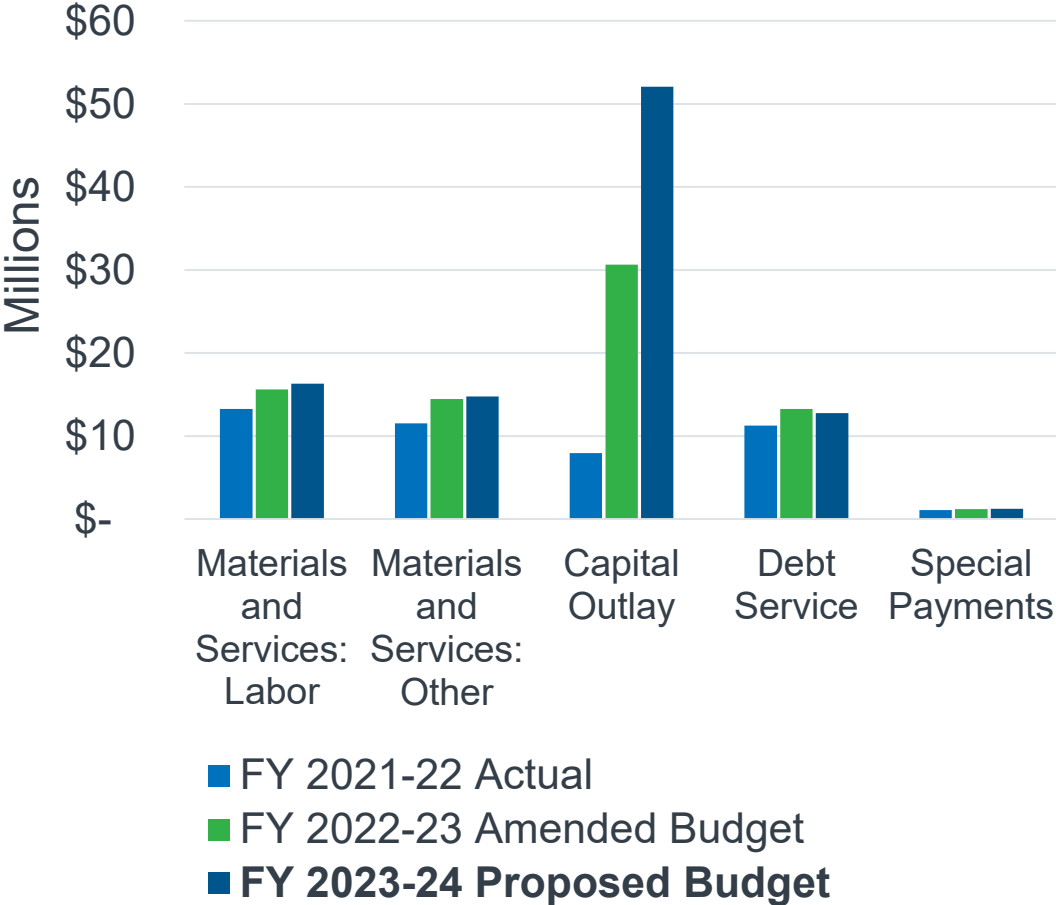
Requirements



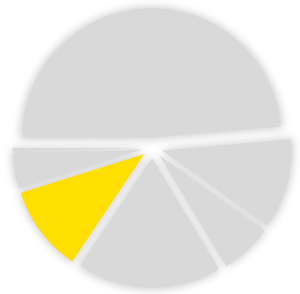
Expenses: \$97.2 Million



3 Year Expense Trends

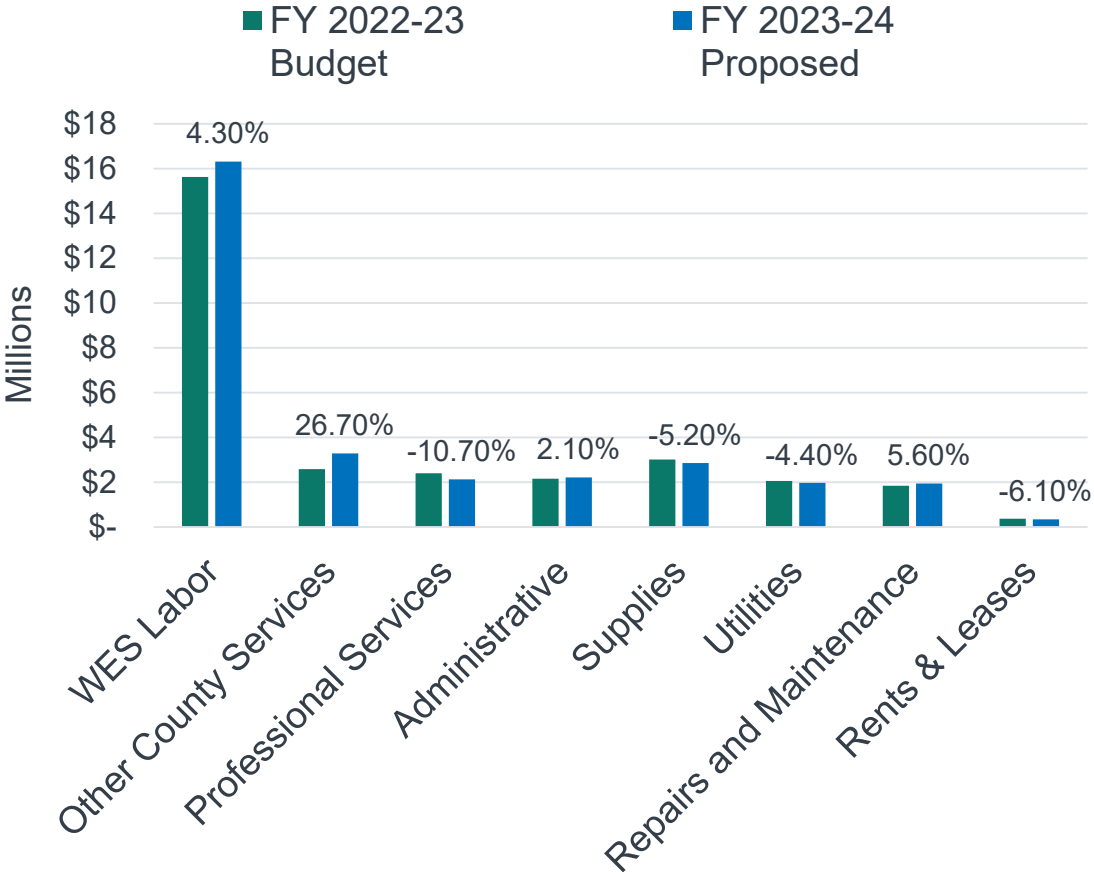


- Capital Outlay increase of \$21.4 M or 70%
- Materials and Services Increase of \$1.0 M or 3.3%
- Debt Service decrease of \$500 thousand or 3.8%
- Special Payments increase of \$35 thousand or 2.9%



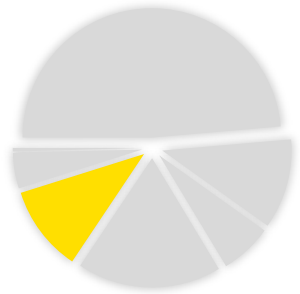
Materials and Services: \$31.1 Million

Overall increase of 3.3% or ~\$990,000



Increases beyond WES' Control

- **Labor increase of ~\$800k**, before vacancy considerations and new position requests
- **County Internal Services increase of ~\$630k**
- **Offset approximately \$450k of these increases**
 - Reduced discretionary spending
 - Vacancy considerations
 - Conscientious budgeting



FY 2023-24 Operating Budget by Line of Business*



\$2.9 M
 11.00 FTE**
**Capital Planning
 & Management**
 9¢

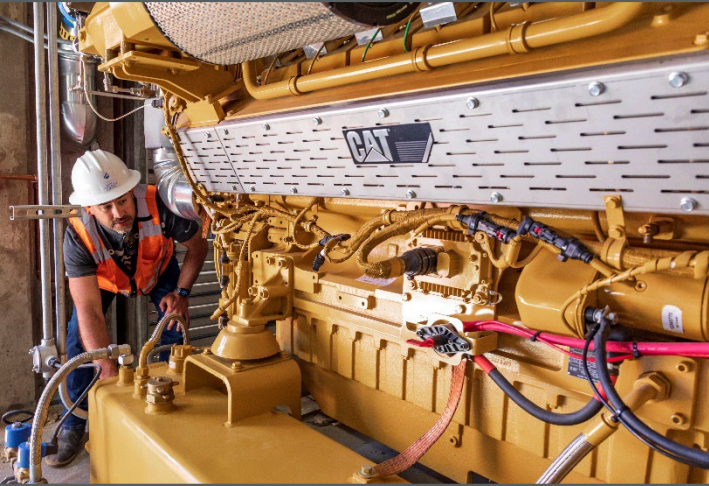
\$17.0 M
 56.68 FTE
Operations
 54¢

\$6.4 M
 24.70 FTE
**Business
 Services**
 20¢

\$5.1 M
 18.20 FTE
**Environmental
 Services**
 17¢

*Line of Business totals exclude Equipment Cost Pool Contra-Expense of -\$322,440

**FTE Count for Capital Planning and Management excludes capitalized labor of 7.42 FTE



Operations

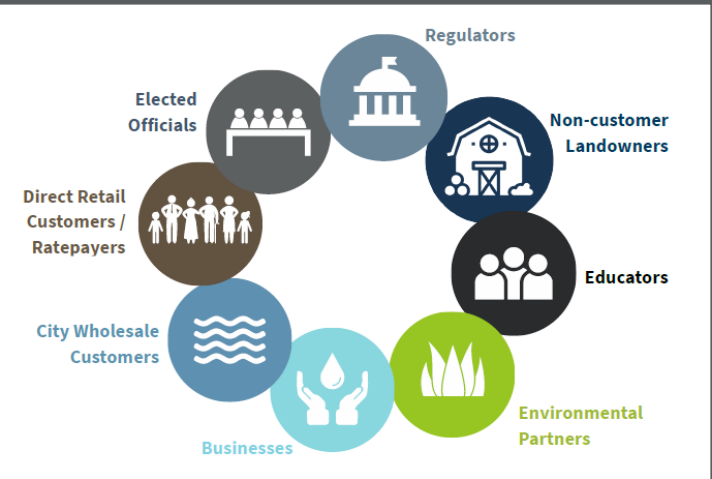
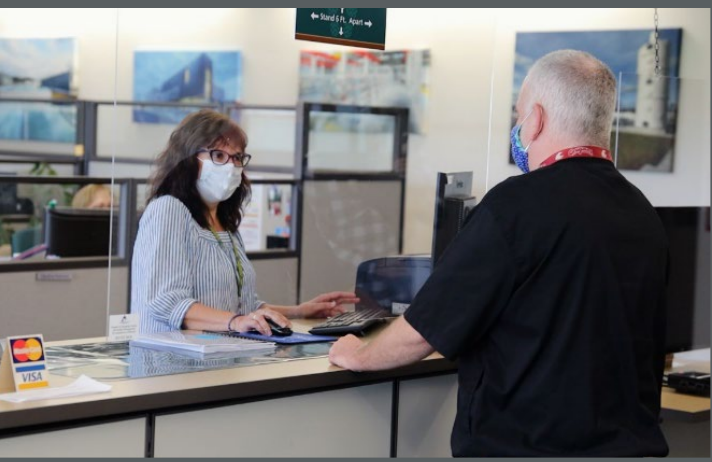
Expense Category	Amended FY 2022-23 Budget	Proposed FY 2023-24 Budget	Change from FY 2022-23 Budget
Personnel Services	\$ 7,379,080	\$ 7,721,810	\$ 342,730
Materials and Services	9,452,820	9,294,280	(158,540)
Total	\$ 16,831,900	\$ 17,016,090	0.9%
FTE	54.43	56.68	+ 2.25

Drivers for Change

- Vacancies in Resource Recovery program reallocated to other lines of business for current FY; allocated back to Operations for FY 2023-24
- Aligning budget with actual prior year expenses and greater reliance on contingency

Major FY 2023-24 Initiatives

- Continuing proactive maintenance of facilities
- Achieving targets for pipe inspection and maintenance and catch-basin cleaning
- Improving management of stormwater vegetated facilities



Business Services*

Expense Category	Amended FY 2022-23 Budget	Proposed FY 2023-24 Budget	Change from FY 2022-23 Budget
Personnel Services	\$ 3,618,360	\$ 3,708,320	\$ 89,960
Materials and Services	2,560,330	2,655,107	94,777
Total	\$ 6,178,690	\$ 6,363,427	3.0%
FTE	25.69	24.70	- 0.99

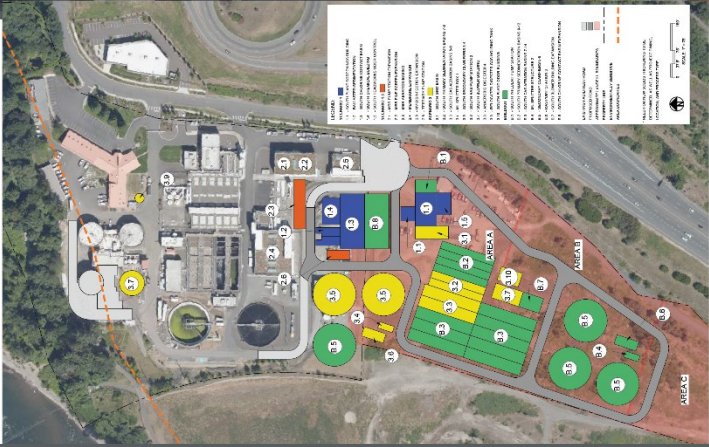
Drivers for Change

- Reallocation of vacant positions to other lines of business
- Increases in County contracted services and banking and merchant fees offset by reduced professional services spending

Major FY 2023-24 Initiatives

- Implementing new strategic plan
- Continuing work on Bubble Permit and regulatory compliance

*Budget total does not include Equipment Cost Pool Contra-Expense of -\$322,440



Capital Planning and Management

Expense Category	Amended FY 2022-23 Budget	Proposed FY 2023-24 Budget	Change from FY 2022-23 Budget
Personnel Services	\$ 1,659,210	\$ 1,860,750	\$ 201,540
Materials and Services	734,640	\$ 1,021,110	286,470
Total	\$ 2,393,850	\$ 2,881,860	20.4%
FTE*	10.15	11.0	+ 0.85

** FTE count does not include capitalized labor*

Drivers for Change

- 2 new engineering positions requested
- Increased professional services spending for NPDES permit renewal and process engineering support

Major FY 2023-24 Initiatives

- Transition from planning to design for capital projects
- New permits system
- Automated dashboard reporting and compliance reports



Environmental Services

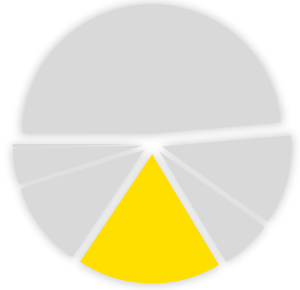
Expense Category	Amended FY 2022-23 Budget	Proposed FY 2023-24 Budget	Change from FY 2022-23 Budget
Personnel Services	\$ 2,978,220	\$ 3,023,870	\$ 45,650
Materials and Services	2,121,560	2,122,900	1,340
Total	\$ 5,099,780	\$ 5,146,770	0.9%
FTE	19.34	18.20	- 1.14

Drivers for Change

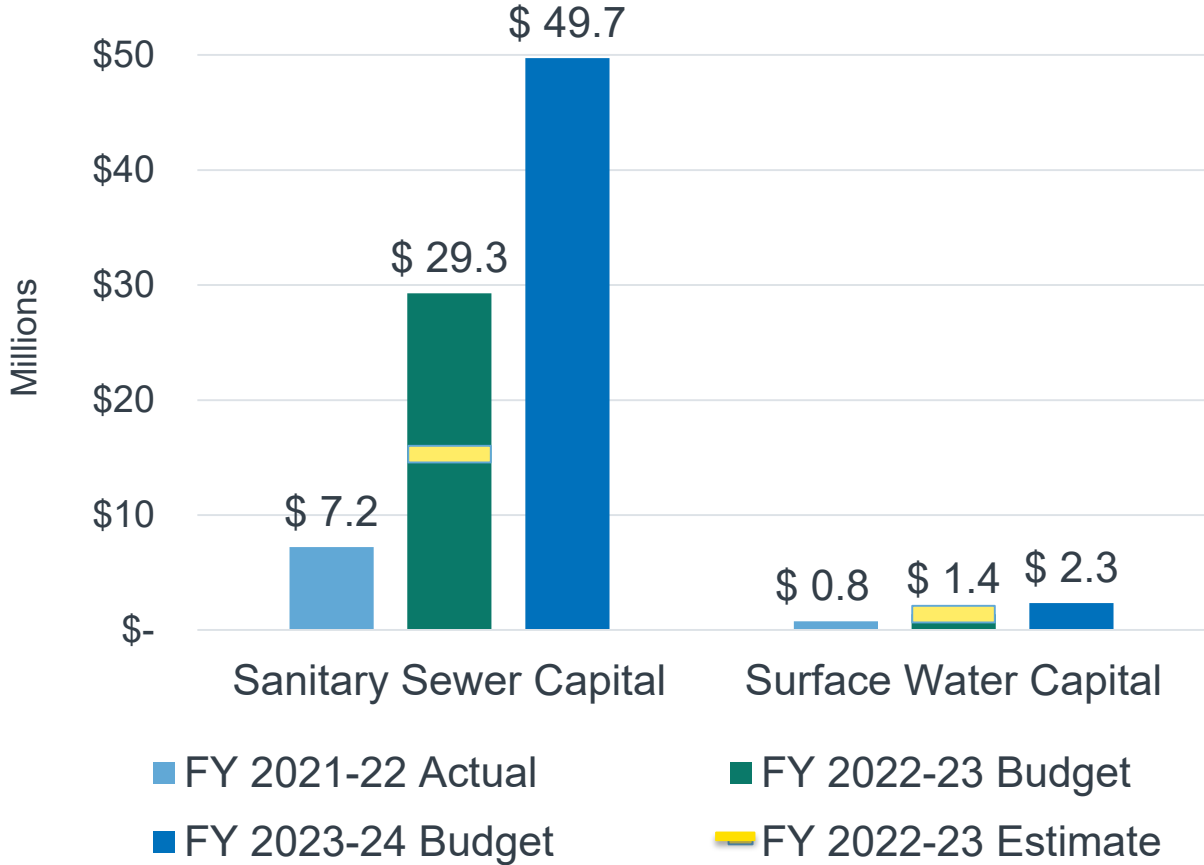
- Reduced professional services spending
- Partial vacancy in Permits program

Major FY 2023-24 Initiatives

- Implementation of new Rules and Standards
- Stormwater Management Plan/TMDL implementation planning
- Continuous flow-gaging network



Capital Outlay: \$52.0 Million



Increase of \$21.4 M or 69.9%

- FY 2020-21 and 2021-22 capital spending reduced due to delays and completion of 2 major projects
- FY 2021-22 actual spending does not reflect deposit for cooperative agreement with ODOT for I-205 Bridge project

Proposed Capital Budget

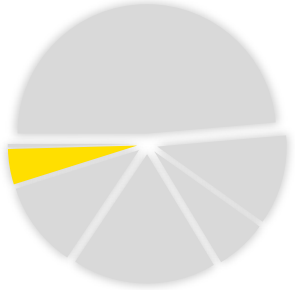
- Capital Outlay is the most significant driver in WES' overall budget and long-term financial forecast
- Major Sewer Projects for FY 2023-24 include:

Project	FY 2023-24 Budget	Estimated Total Cost	Current Status
Tri-City Wet Weather Outfall	\$ 20.0 M	\$ 54.6 M	Design in progress (contracts approved December 2022); construction anticipated to begin in Fall 2023
Tri-City – Recoat Primary Clarifiers and Mechanical	\$ 6.0 M	\$ 6.0 M	Design completed August 2022; construction in progress (contracts approved in January and March 2023)
Regional Inflow & Infiltration Cost Share	\$ 4.7 M	N/A	FYTD spending of ~\$800 thousand; 5 projects totaling \$2.9 M of funding currently approved by Technical Advisory Team
Willamette Pump Station and Force Main	\$ 3.8 M	\$ 27.3 M	Design scope and fee in negotiation with contract anticipated Summer 2023; construction anticipated to begin FY 2025-26
Multiple Pump Station Upgrades	\$ 3.7 M	\$ 10.7 M	Design in progress and expected to be complete by end of 2023; construction in progress with ~\$1 M spent to date

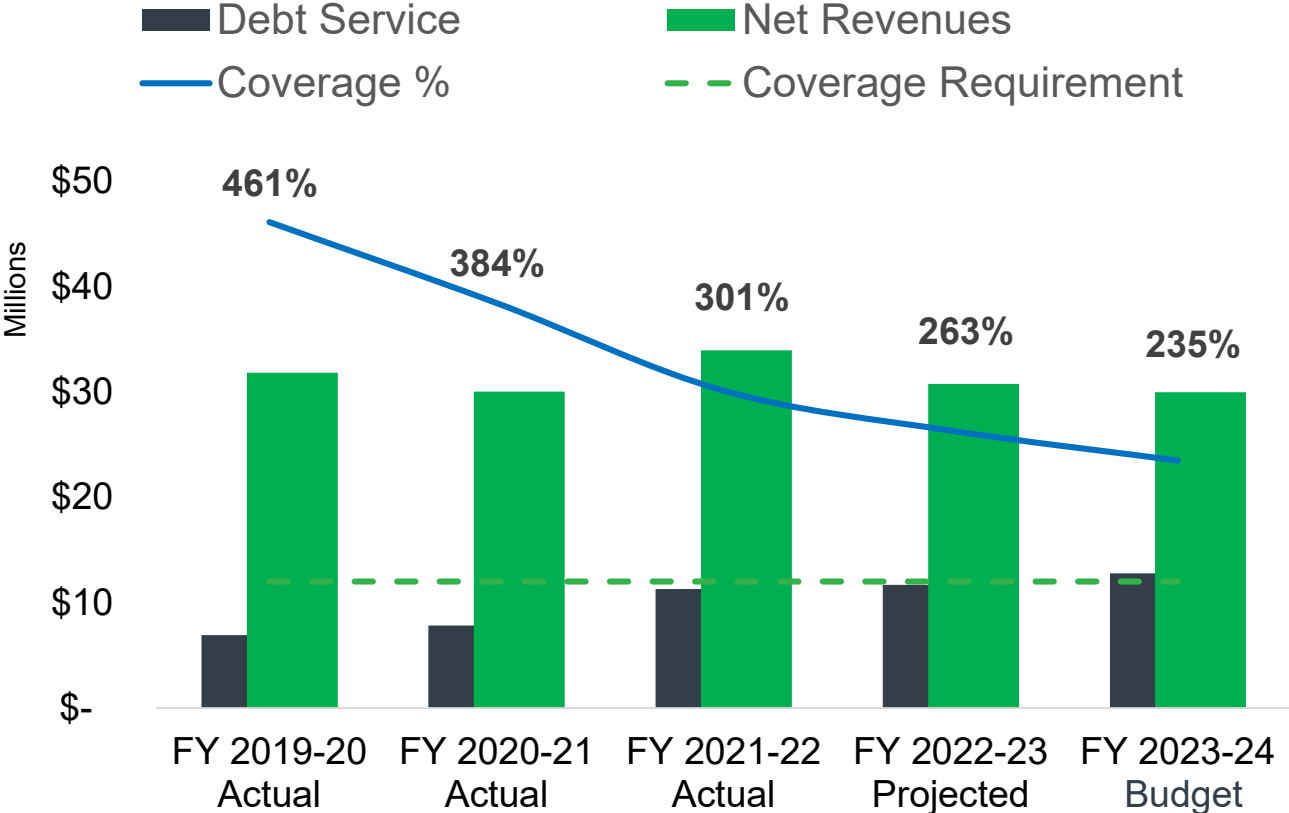
Proposed Capital Budget - continued

- Storm System Master Plan (SSMP) completed in FY 2022-23
- Major Surface Water Projects for FY 2023-24 include:

Project	FY 2023-24 Budget	Estimated Total Cost	Current Status
3-Creeks Water Quality Project	\$ 0.9 M	\$ 4.4 M	Design in progress (funded with DEQ SRF sponsorship loan); construction anticipated to begin in FY 2024-25
Small Drainage Projects	\$ 0.6 M	N/A	SSMP Program; FY 2023/24 includes 4 projects
Aldercrest Culvert & Kellogg Creek Restoration	\$ 0.3 M	\$ 2.0 M	ARPA funding approved by BCC in October 2022; Project proposals due 5/31/22
Clackamas Road Drainage Improvements	\$ 0.1 M	\$ 0.8 M	ARPA funding approved by BCC in October 2022; Project proposals due 5/31/22

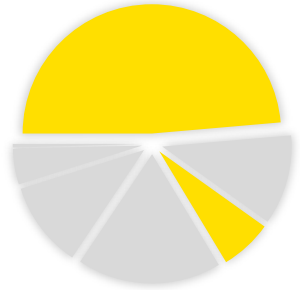


Debt Service: \$12.8 Million

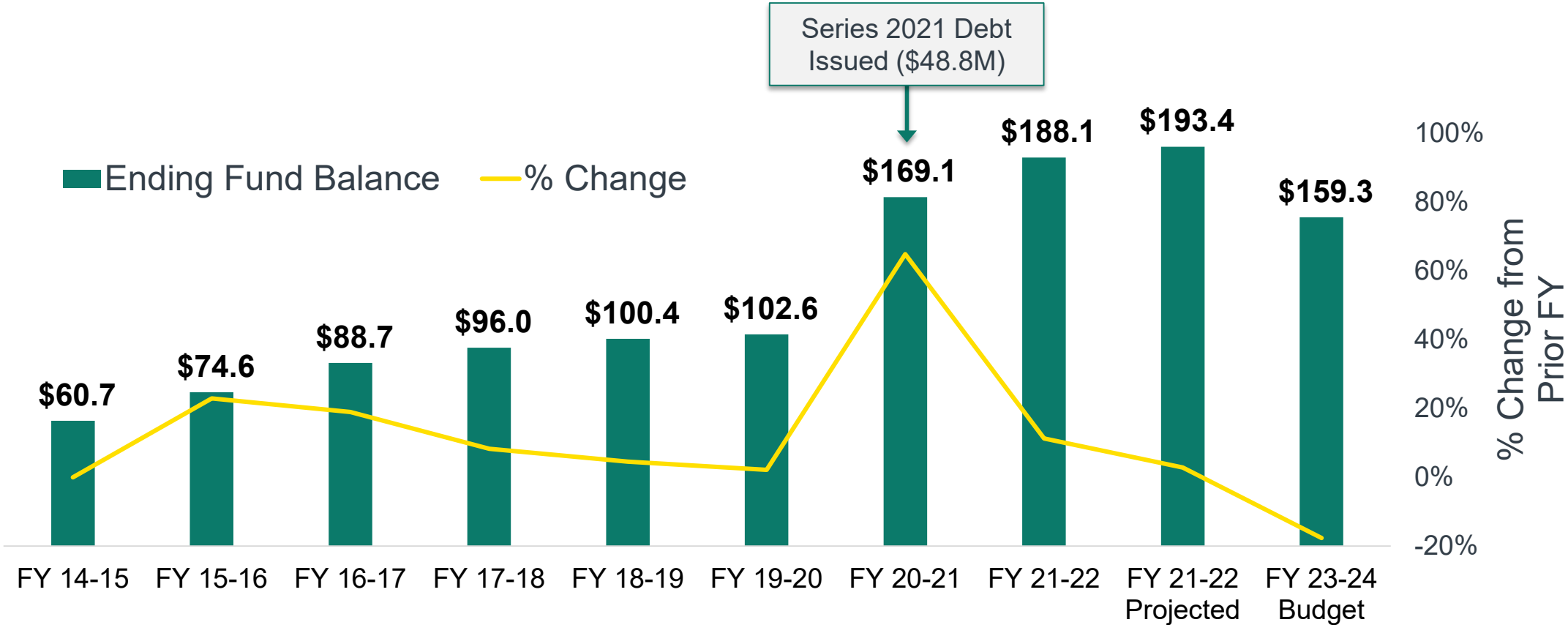


3.8% or \$0.5 million decrease

- Savings related to reduced interest rate on Tri-City Solids Handling Improvement Project
- No planned debt issuances for next FY
- AAA rating affirmed in February 2021
- **All debt** is capital investment-related



Contingencies, Reserves, and Ending Fund Balance: \$159.3 Million



Rates for Services

- Rates are set to cover the costs of providing service, renewing/improving infrastructure, and making debt payments

Wastewater Treatment – Applies to all sewer ratepayers; covers costs of operating and maintaining WES’ Water Resource Recovery Facilities and funds new asset construction and asset replacement for treatment plants and interceptors.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zones 1 and 2	\$ 27.90	\$ 26.55	\$ 1.35	5.1%

Wastewater Local Collection – Applies to sewer ratepayers in Happy Valley and unincorporated areas such as 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.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	\$ 14.90	\$ 14.20	\$ 0.70	4.9%

Surface Water Management - Applies to ratepayers in WES’ two surface water service areas; covers costs of constructing, operating and maintaining surface water infrastructure.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	\$ 8.65	\$ 8.15	\$ 0.50	6.1%
Rate Zone 3	\$ 5.20	\$ 4.95	\$ 0.25	5.1%

Additional Rate Adjustments

Wastewater Legacy Debt Component

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.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	\$ 10.05	\$ 11.40	\$ (1.35)	-11.8%

Right-of-Way (ROW) Surcharges

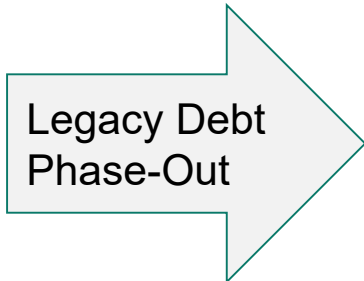
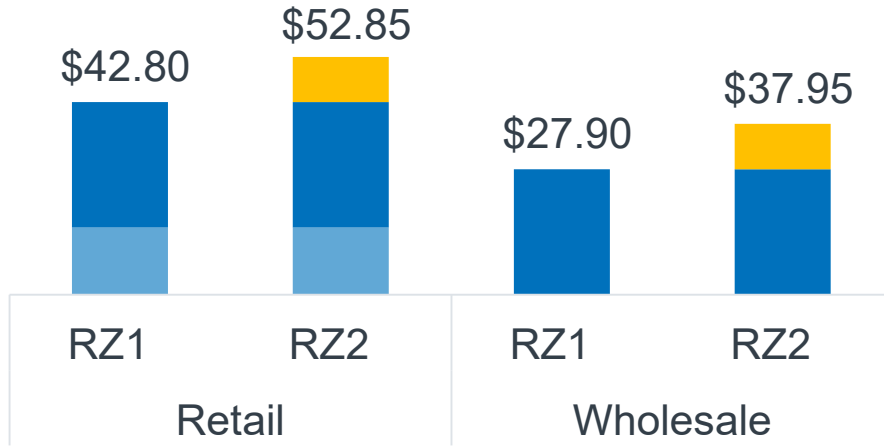
Non-WES fees collected on behalf of, and remitted to, other municipalities. ROW fees apply to ratepayers in the Cities of Gladstone, Happy Valley, and Oregon City.

City	City ROW Fee (as a percentage of total bill)
Gladstone	5%
Happy Valley	5%
Oregon City	6%

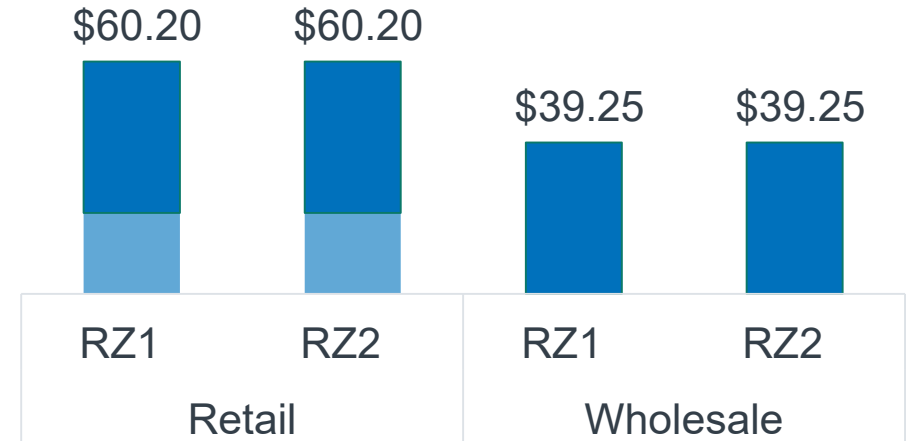
Sewer Rate Harmonization

■ Local collection fee
 ■ Wastewater treatment fee
 ■ Legacy Debt service fee

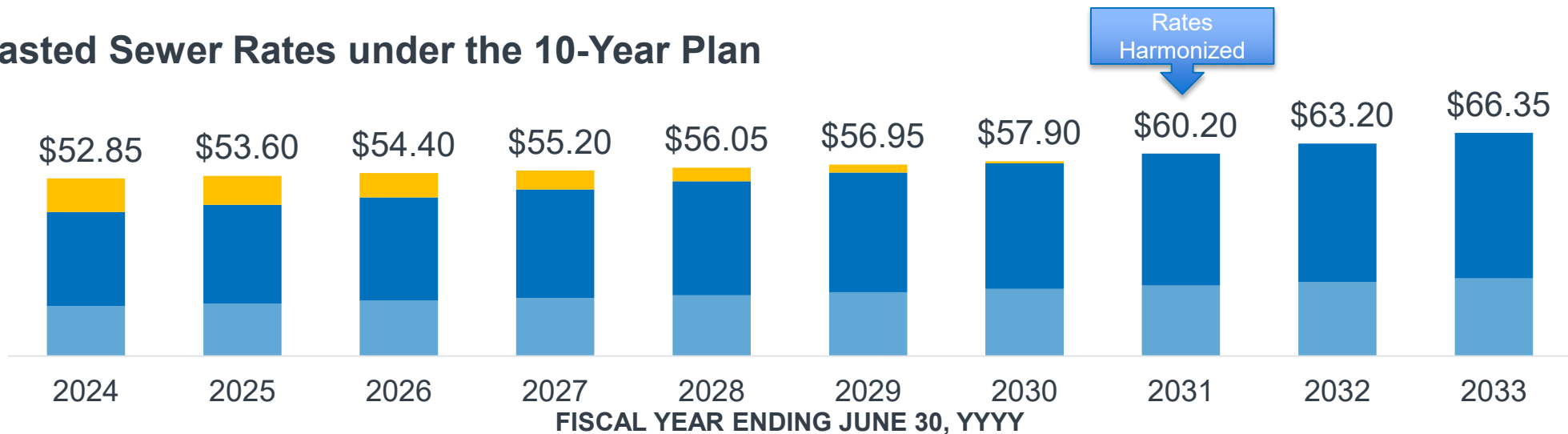
Proposed FY 2023-24 Sewer Rates



Projected FY 2030-31 Harmonized Sewer Rates



Forecasted Sewer Rates under the 10-Year Plan



Proposed Rate Adjustments

- Increases in individual rate components are consistent across the service area
- Overall percentage changes from current rates vary based on impact of legacy debt reduction

	RZ1 Retail	RZ1 Wholesale	RZ2 Retail	RZ2 Wholesale
Current Rate	\$ 40.75	\$ 26.55	\$ 52.15	\$ 37.95
Wastewater Rate Increases				
Wastewater Treatment	1.35	1.35	1.35	1.35
Wastewater Local Collection	0.70		0.70	
Rate Increase Subtotal	2.05	1.35	2.05	1.35
Legacy Debt Phase-Out	-	-	(1.35)	(1.35)
Net Change from Current Rate	2.05	1.35	0.70	-
Proposed FY 2023-24 Rate	\$ 42.80	\$ 27.90	\$ 52.85	\$ 37.95
Overall % Increase from Current	5.0%	5.1%	1.3%	0%

FY 2023-24 Proposed Rates by Service Area and City

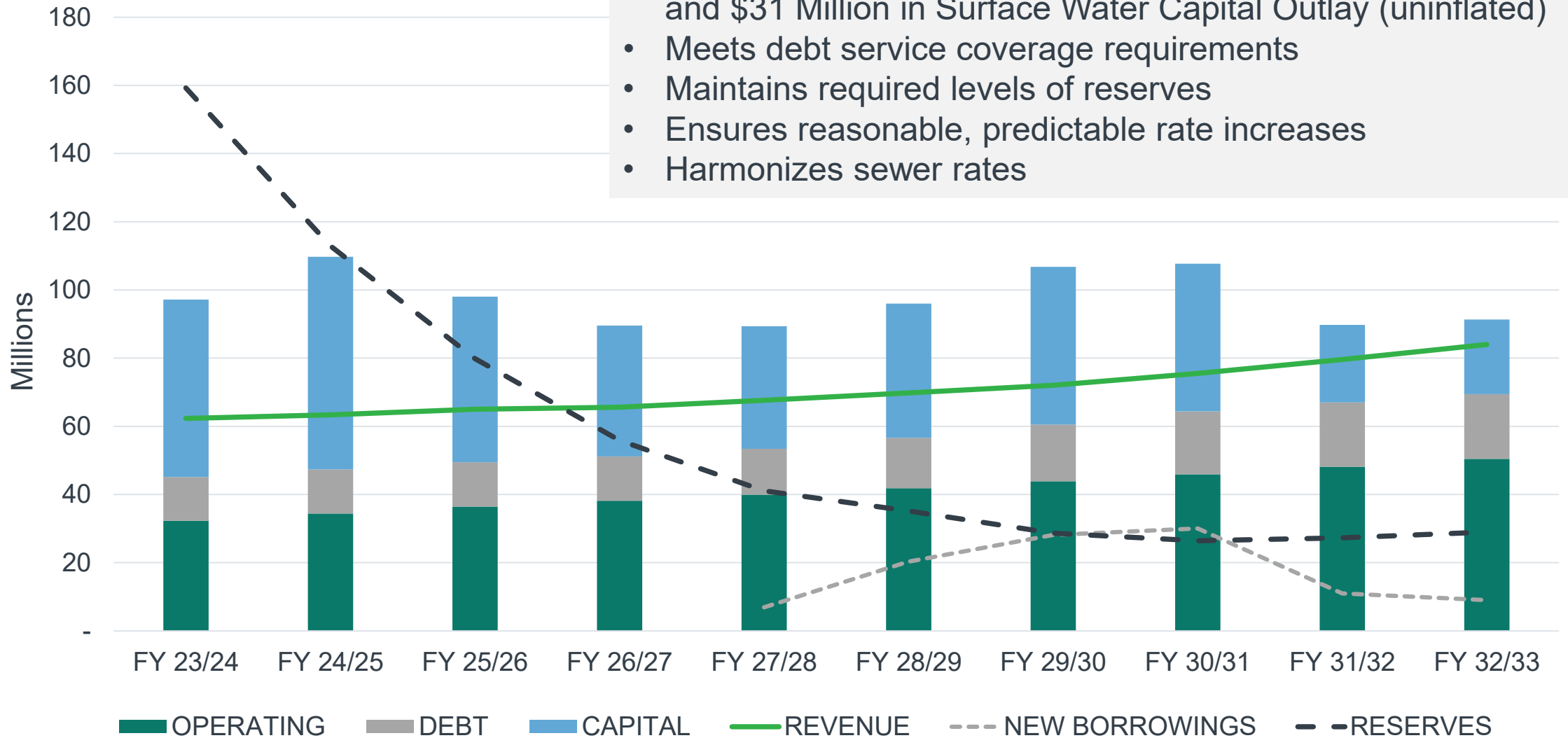
	Rate Components	Gladstone	Oregon City	West Linn	Unincorp RZ1	Unincorp RZ2	Happy Valley	Johnson City	Milwaukie	Rate Zone 3
Sewer	Treatment	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ -
	Local Collection				14.90	14.90	14.90			
	Legacy Debt					10.05	10.05	10.05	10.05	
	Subtotal – Sewer	27.90	27.90	27.90	42.80	52.85	52.85	37.95	37.95	-
Surface Water	Surface Water					8.65	8.65			5.20
	On-Site Maintenance					3.00	3.00			
	Subtotal – Surface Water	-	-	-	-	11.65	11.65	-	-	5.20
	City Right-of-Way Fees ⁽¹⁾	1.40	1.75	-	-	-	3.23	-	-	-
Total Monthly Bill	FY 2023-24	\$ 29.30	\$ 29.65	\$ 27.90	\$ 42.80	\$ 64.50	\$ 67.73	\$ 37.95	\$ 37.95	\$ 5.20
	\$ Δ from FY 2022-23	\$ 1.40	\$ 1.35	\$ 1.35	\$ 2.05	\$ 1.20	\$ 1.26	-	-	\$ 0.25
	% Δ from FY 2022-23	5.0%	4.8%	5.1%	5.0%	1.9%	1.9%	0.0%	0.0%	5.1%
	FY 2022-23	\$ 27.90	\$ 28.30	\$ 26.55	\$ 40.75	\$ 63.30	\$ 66.47	\$ 37.95	\$ 37.95	\$ 4.95
	% Δ from FY 2021-22	4.9%	4.8%	4.9%	5.0%	1.8%	1.8%	0.0%	0.0%	5.3%
		Rate Zone 1				Rate Zone 2 (and 2A)				Rate Zone 3

⁽¹⁾ City Right-of-Way Fees in the Monthly Service Charge table are an estimate based on proposed rates.

Financial Forecast

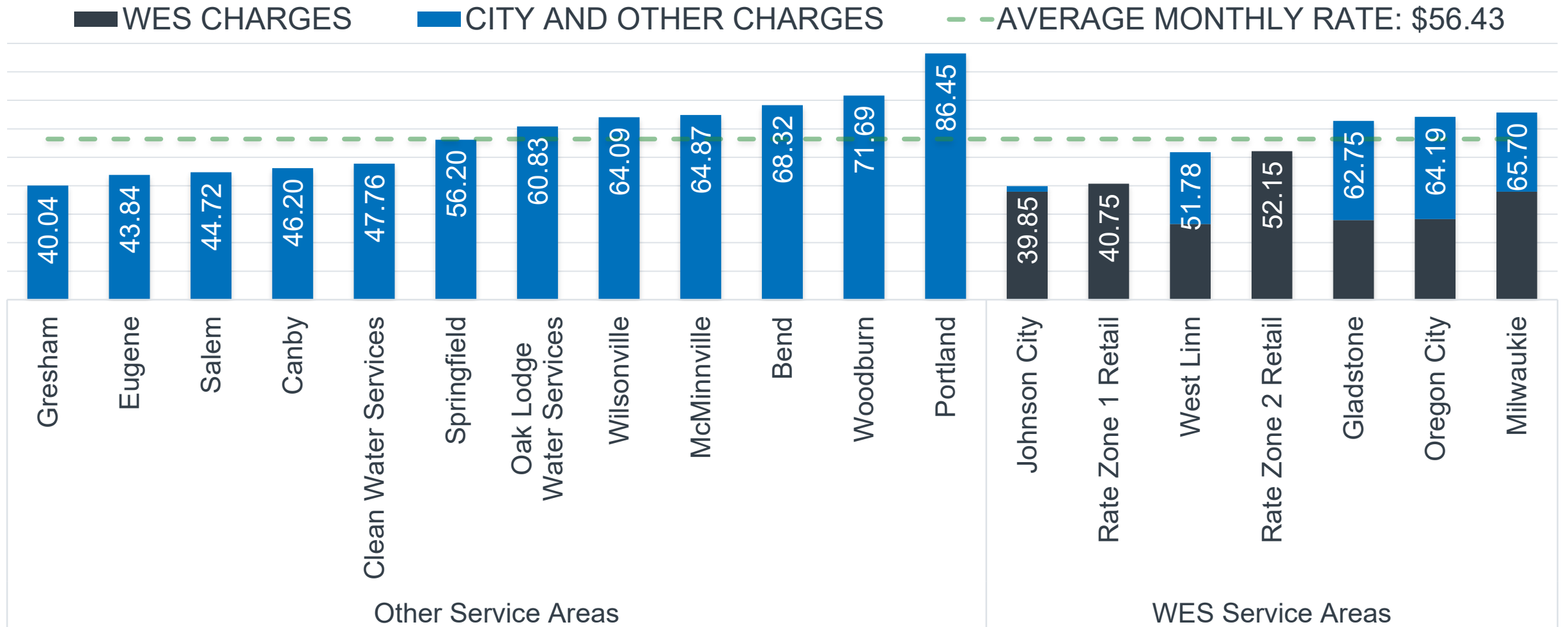
10-Year Financial Plan

- Funds investments of \$361 Million in Sewer Capital Outlay and \$31 Million in Surface Water Capital Outlay (uninflated)
- Meets debt service coverage requirements
- Maintains required levels of reserves
- Ensures reasonable, predictable rate increases
- Harmonizes sewer rates



How WES' rates compare to other service providers

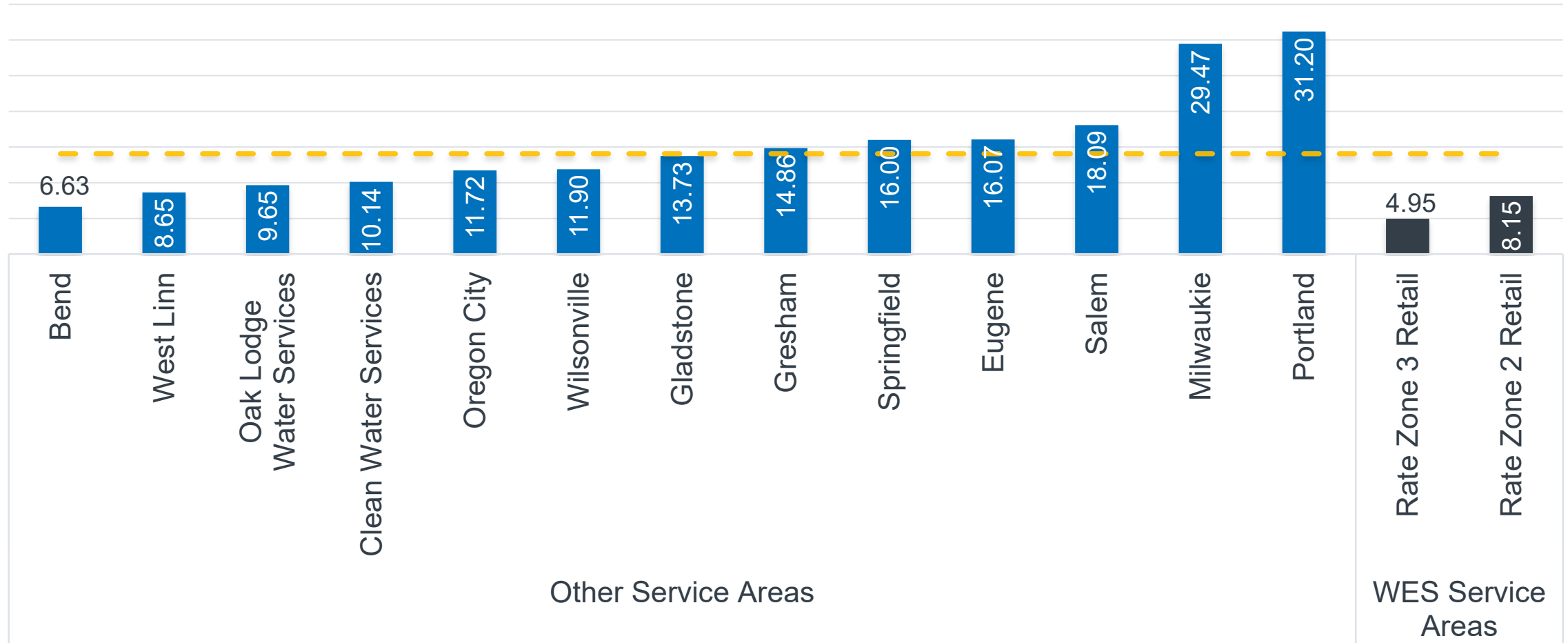
Monthly Sewer Rate Survey, FY 2022-23



How WES' rates compare to other service providers

Monthly Surface Water Rate Survey, FY 2022-23

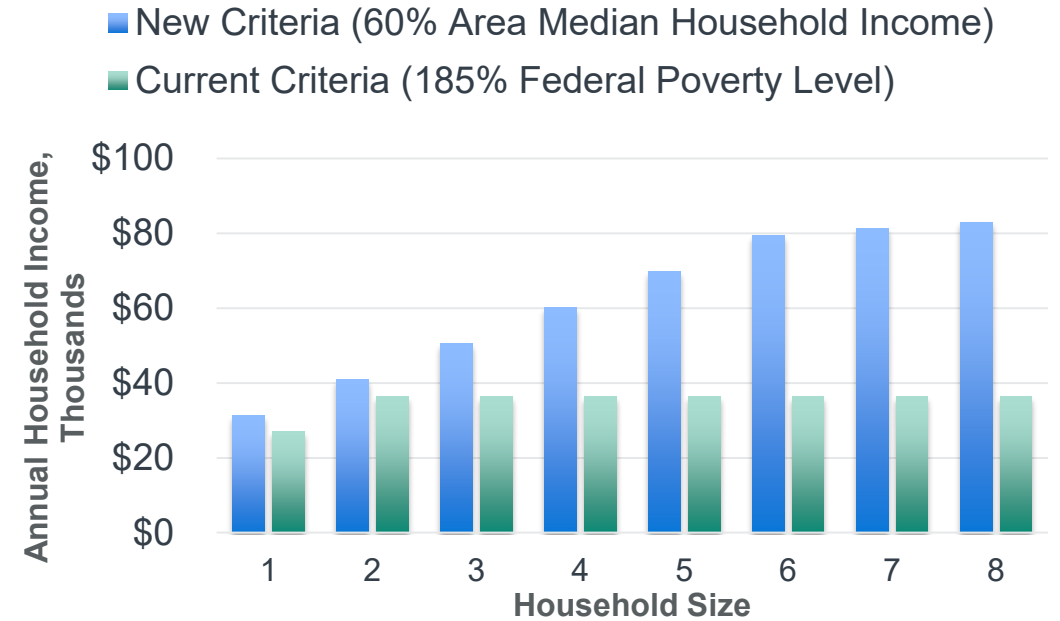
■ WES CHARGES ■ CITY AND OTHER CHARGES - - AVERAGE MONTHLY RATE: \$14.08



Customer Assistance Programs

WES Low-Income Discount Program

- 50% reduction for Sewer services
- Discount is passed through to partner Cities
- WES' recently adopted Rules & Standards will expand eligibility



Federal Low Income Household Water Assistance Program (LIHWA)

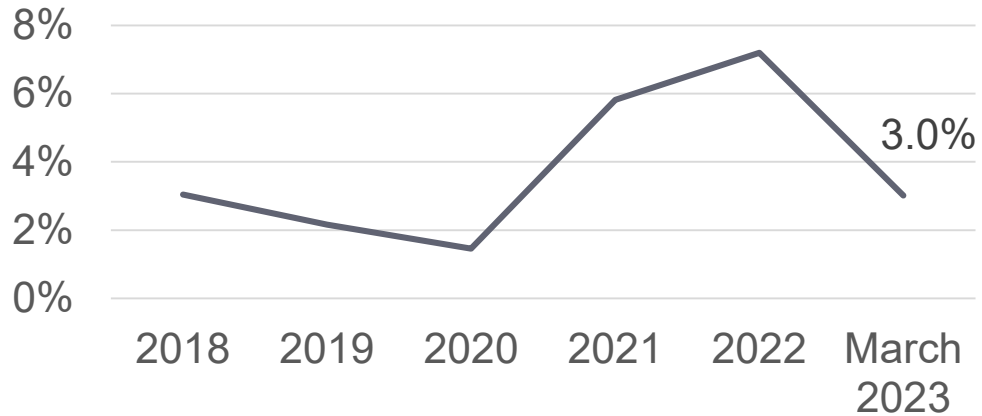
- Implemented in May 2022

Other Customer Assistance

- Waiving late charges (March 2020 to current)
- Repayment plans

FY 2023-24 Proposed System Development Charges

Average Construction Cost Index (CCI)



The CCI is based on:

- 200 hours construction labor
- 25 hundredweight (cwt) structural steel
- 1.128 tons portland cement
- 1,088 board-feet 2 x 4 lumber

- Inflationary adjustments linked to Engineering News Record Cost Index
- Proposal continues to be for less than full cost recovery

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Sewer	\$ 8,860	\$ 8,600	\$ 260	3.0%
Surface Water	\$ 240	\$ 233	\$ 7	3.0%

Next Steps

- Advisory Committee recommendations will be shared with the Budget Committee
- Budget Committee will meet on May 22nd at 8:45am in the Public Service Building to consider the budget, discuss changes, and vote to approve the budget with any such changes for formal adoption
- Board of County Commissioners will meet on June 22nd **-or-** June 29th (final date TBD) to formally adopt the budget, which will be effective July 1st

Motion

- The WES Advisory Committee recommends to the WES Budget Committee approval of the FY 2023-24 Budget as presented.



Thank You!



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WATER
ENVIRONMENT
SERVICES