



# Clackamas Water Environment Services

2021-2022 BUDGET PRESENTATION



CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES



# Clackamas Water Environment Services

## ORGANIZATION

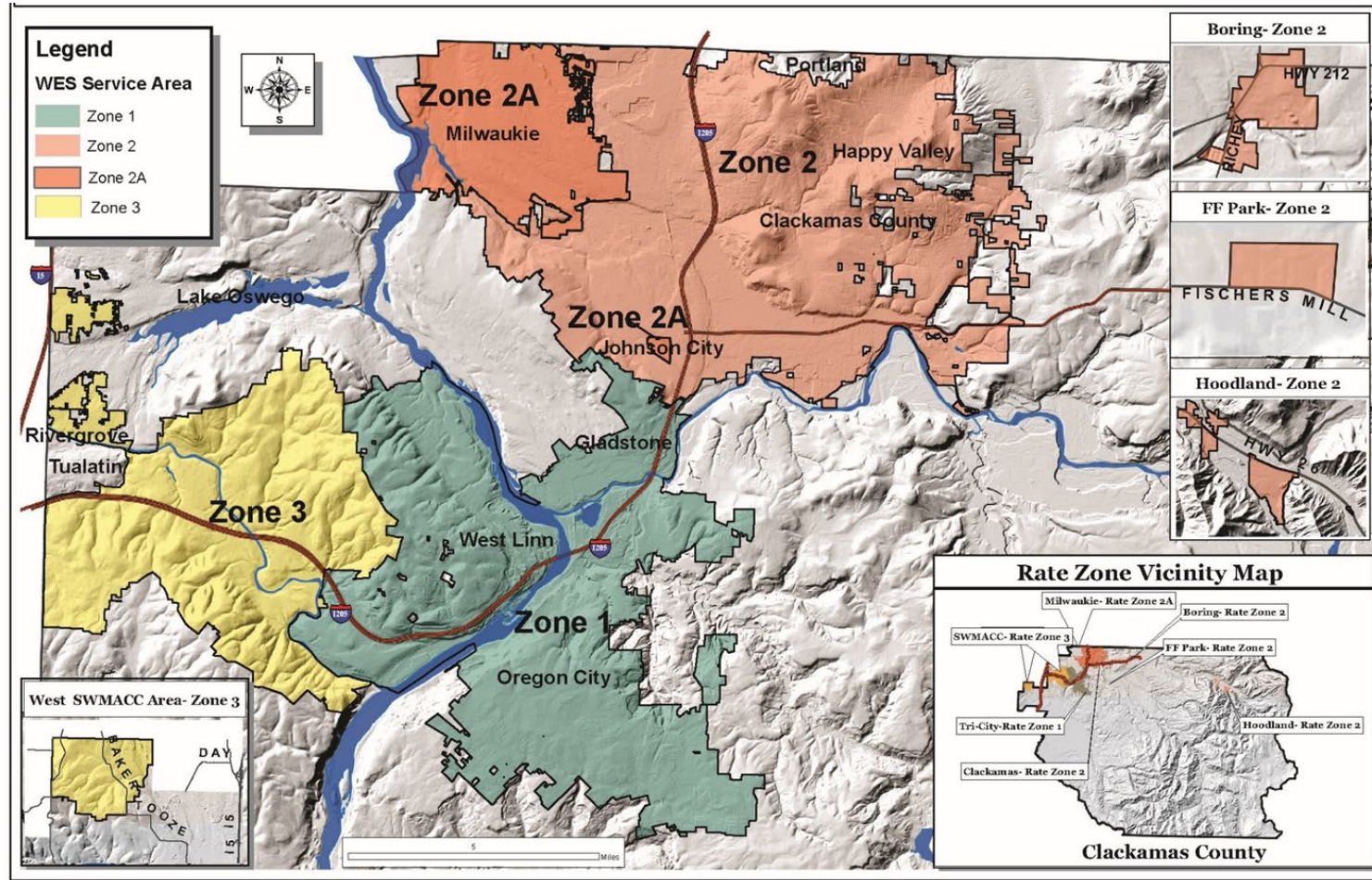
Municipal partnership formed through ORS 190 agreement, and component unit of Clackamas County.

## MISSION

The mission of Clackamas Water Environment Services is to provide resource recovery and watershed protection services to our community so we can live, work, and play in a healthy environment.



# Service Area



## WES Operates and Maintains:

- 5 Water Resource Recovery Facilities
- 23 Pump Stations
- >350 miles of Sanitary Sewer Pipe
- >300 miles of Surface Water Pipe

# 2020 Major Accomplishments

| AREA                            | DESCRIPTION  |
|---------------------------------|--|
| Operations                      | <ul style="list-style-type: none"> <li>• Provided wastewater treatment and collection services for WES' approximately 190,000 customers through pandemic, wildfires, ice storm, power outages, and multiple heavy rain events</li> </ul>   |
| Capital Planning and Management | <ul style="list-style-type: none"> <li>• Completed 11 rehabilitation and upgrade projects at Kellogg Creek Water Resource Recovery Facility (WRRF)</li> <li>• Completed construction and startup of new digester and dewatering facilities at Tri-City WRRF</li> <li>• Completed new asset management model; 100% of new assets are mapped and tracked within our system within six months</li> </ul>                    |
| Environmental Services          | <ul style="list-style-type: none"> <li>• Continued progress on update to WES' rules and standards</li> <li>• Initiated comprehensive storm system master plan</li> <li>• Began restoration planning of 3-Creeks Natural Area</li> </ul>  |
| Business Services               | <ul style="list-style-type: none"> <li>• Modified billing practices to temporarily waive penalties, suspend certification, and offer payment plans to provide relief for customers financially-impacted by the pandemic</li> <li>• Received renewed 'AAA' bond rating from Standard &amp; Poor's</li> <li>• Launched new online account management system and interactive voice response telephone pay option</li> </ul> |



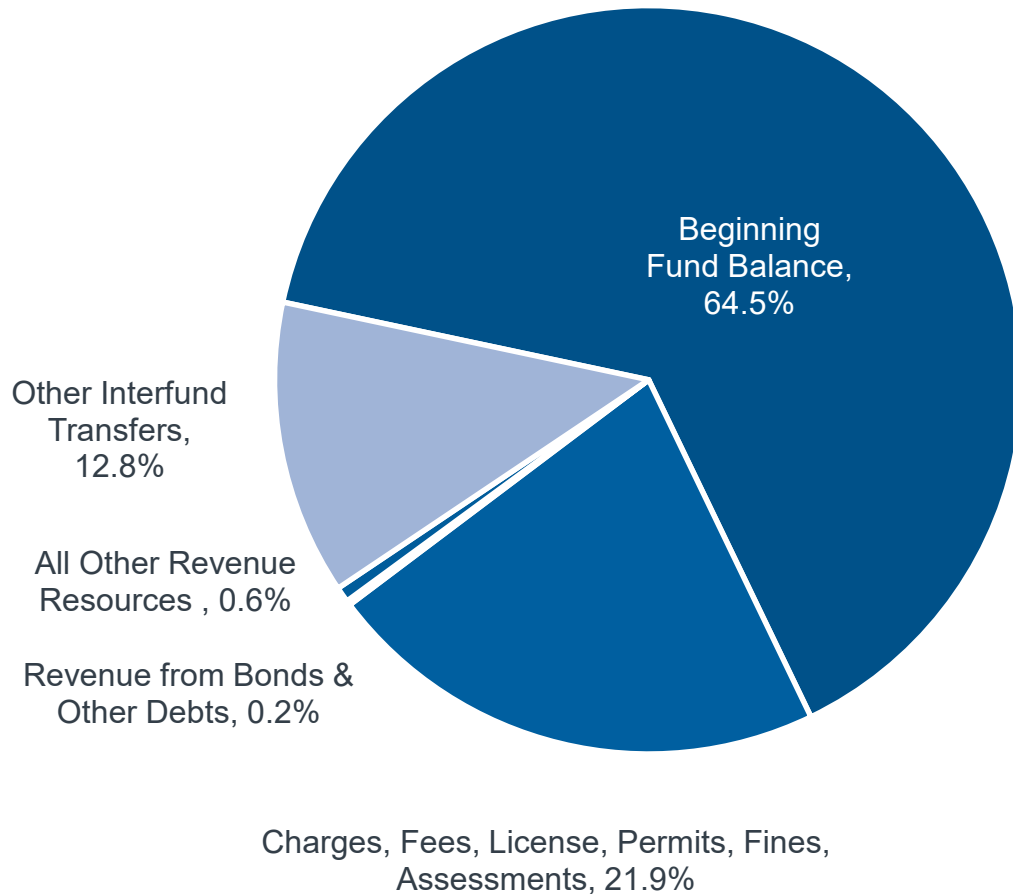


# Issues and Challenges

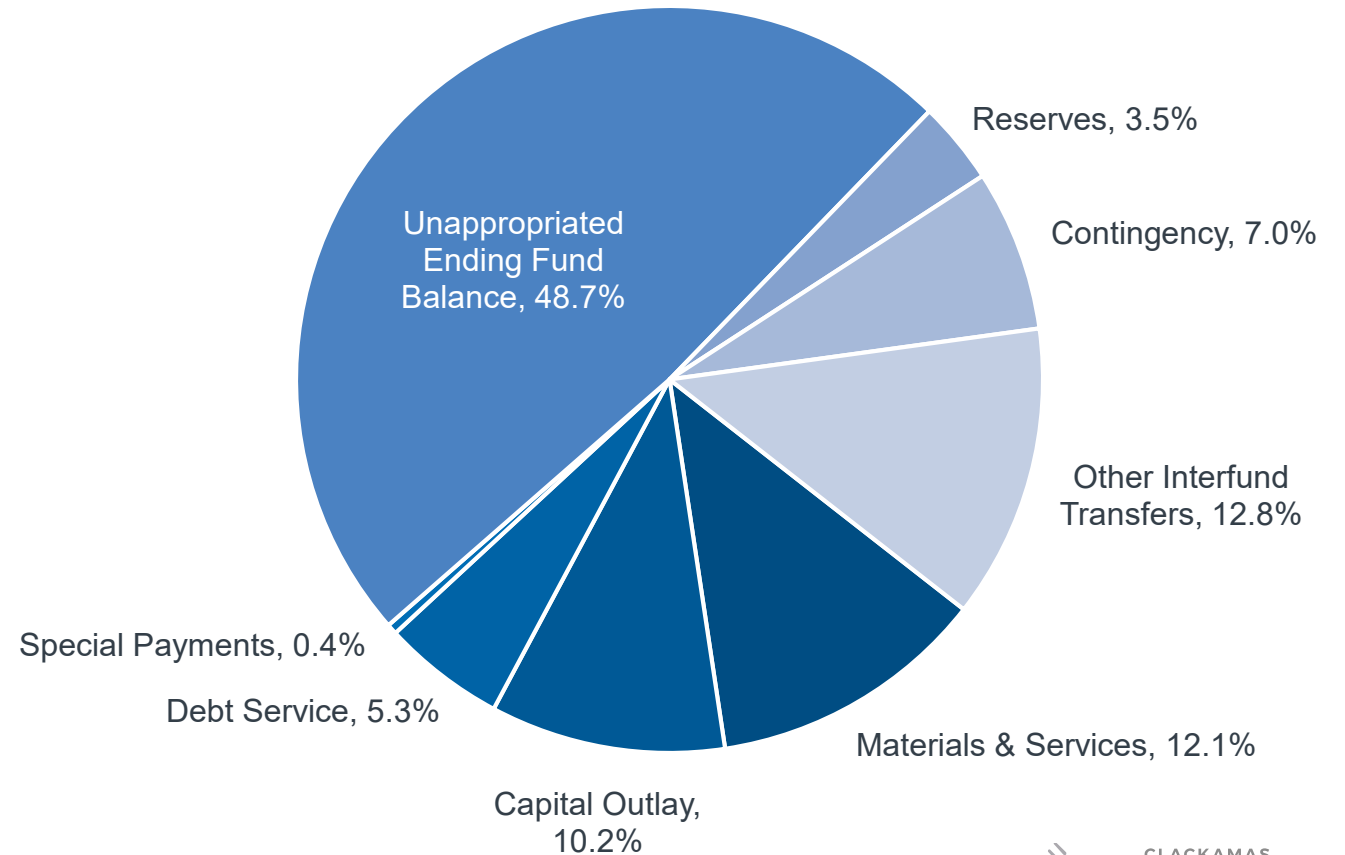
- Aging infrastructure
- Capacity for growth
- Operational requirements
- Regulatory requirements
- Enhancing operational resiliency

# FY 2021-22 Proposed Budget

Resources: \$247,705,206



Requirements: \$247,705,206

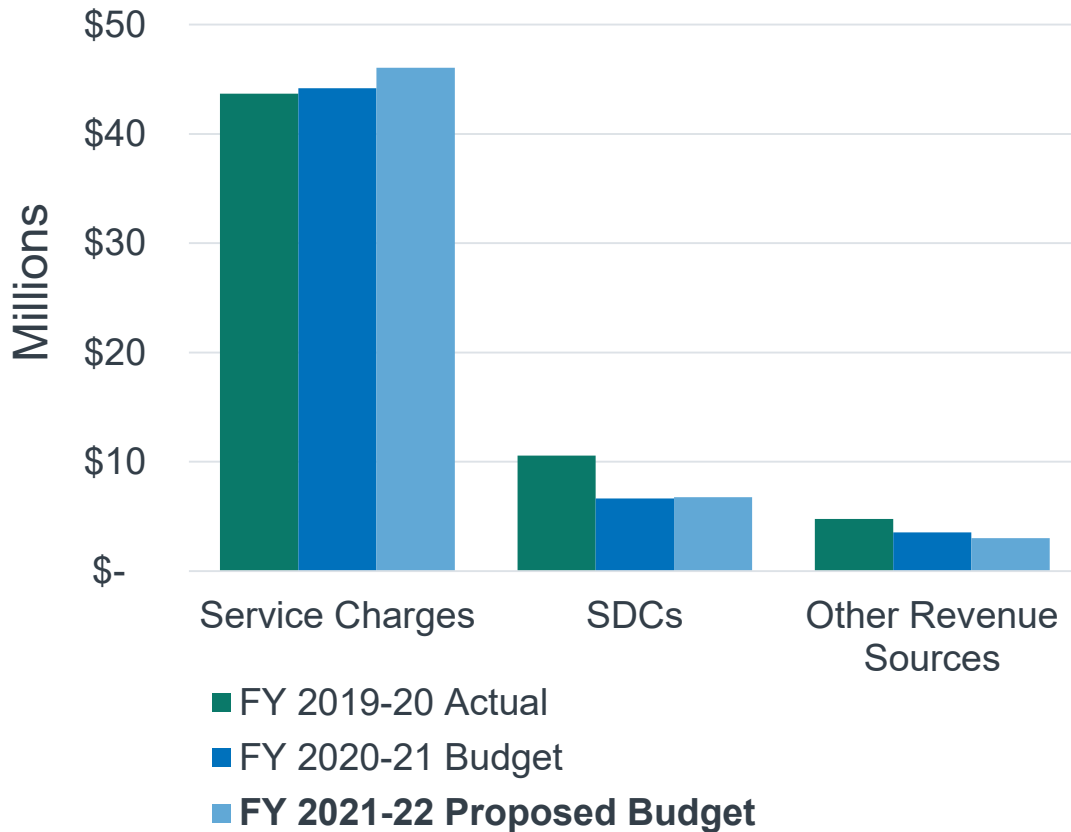


# Summary of Revenue & Expenses

|  | FY 18-19<br>Actuals | FY 19-20<br>Actuals | FY 20-21<br>Amended<br>Budget | FY 20-21<br>Projected<br>Year End | FY 21-22<br>Proposed<br>Budget | Chg from<br>Prior Yr<br>Budget | % Chg from<br>Prior Yr<br>Budget |
|--|---------------------|---------------------|-------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|
| <b>Beginning Balance</b>                           | <b>96,035,261</b>   | <b>100,392,976</b>  | <b>102,558,017</b>            | <b>102,580,898</b>                | <b>159,832,099</b>             | <b>57,274,082</b>              | <b>55.8%</b>                     |
| Federal, State, Local, All Other Gifts & Donations | -                   | 173,504             | -                             | -                                 | -                              | -                              | 0%                               |
| Charges, Fees, License, Permits, Fines, Assessmen  | 48,397,470          | 56,321,039          | 52,377,200                    | 53,267,230                        | 54,177,550                     | 1,800,350                      | 3.4%                             |
| All Other Revenue Resources                        | 1,965,224           | 2,530,156           | 2,013,420                     | 1,517,320                         | 1,640,020                      | (373,400)                      | 0.0%                             |
| <b>Operating Revenue</b>                           | <b>50,362,694</b>   | <b>59,024,699</b>   | <b>54,390,620</b>             | <b>54,784,550</b>                 | <b>55,817,570</b>              | <b>1,426,950</b>               | <b>2.6%</b>                      |
| Revenue from Bonds & Other Debts                   | 8,882,051           | 10,789,434          | 57,787,948                    | 57,287,948                        | 500,000                        | (57,287,948)                   | -99.1%                           |
| Other Interfund Transfers                          | 17,873,981          | 24,295,406          | 30,269,342                    | 30,087,266                        | 31,555,537                     | 1,286,195                      | 4.2%                             |
| <b>Total Revenue</b>                               | <b>173,153,987</b>  | <b>194,502,515</b>  | <b>245,005,927</b>            | <b>244,740,662</b>                | <b>247,705,206</b>             | <b>2,699,279</b>               | <b>1.1%</b>                      |
| Materials & Services                               | 24,336,105          | 26,116,174          | 30,104,545                    | 28,945,184                        | 29,887,030                     | (217,515)                      | -0.7%                            |
| Capital Outlay                                     | 23,563,301          | 34,601,519          | 39,989,500                    | 18,060,592                        | 25,223,000                     | (14,766,500)                   | -36.9%                           |
| Debt Service                                       | 6,987,624           | 6,908,518           | 7,815,521                     | 7,815,521                         | 13,167,587                     | 5,352,066                      | 68.5%                            |
| Special Payments                                   | -                   | -                   | -                             | -                                 | 1,106,600                      | 1,106,600                      | -                                |
| <b>Operating Expenditure</b>                       | <b>54,887,030</b>   | <b>67,626,211</b>   | <b>77,909,566</b>             | <b>54,821,297</b>                 | <b>69,384,217</b>              | <b>(8,525,349)</b>             | <b>-10.9%</b>                    |
| Transfers  | 17,873,981          | 24,295,406          | 30,269,342                    | 30,087,266                        | 31,555,537                     | 1,286,195                      | 4.2%                             |
| Contingency  | -                   | -                   | 15,014,375                    | -                                 | 17,319,500                     | 2,305,125                      | 15.4%                            |
| Reserve for Future Expenditures                    | 53,104              | 53,104              | 8,854,390                     | 8,854,390                         | 8,854,930                      | 540                            | 0.0%                             |
| Unappropriated Ending Fund Balance                 | 100,339,872         | 102,527,794         | 112,958,254                   | 150,977,709                       | 120,591,022                    | 7,632,768                      | 6.8%                             |
| <b>Total Expense</b>                               | <b>173,153,987</b>  | <b>194,502,515</b>  | <b>245,005,927</b>            | <b>244,740,662</b>                | <b>247,705,206</b>             | <b>2,699,279</b>               | <b>1.1%</b>                      |
| Full Time Equiv Positions (FTE) Budgeted           | 110.0               | 112.0               | 112.0                         | 112.0                             | 115.0                          | 3.0                            | 2.7%                             |

# Major Themes: Operating Revenue \$55.8 M

## 3 Year Revenue Trends



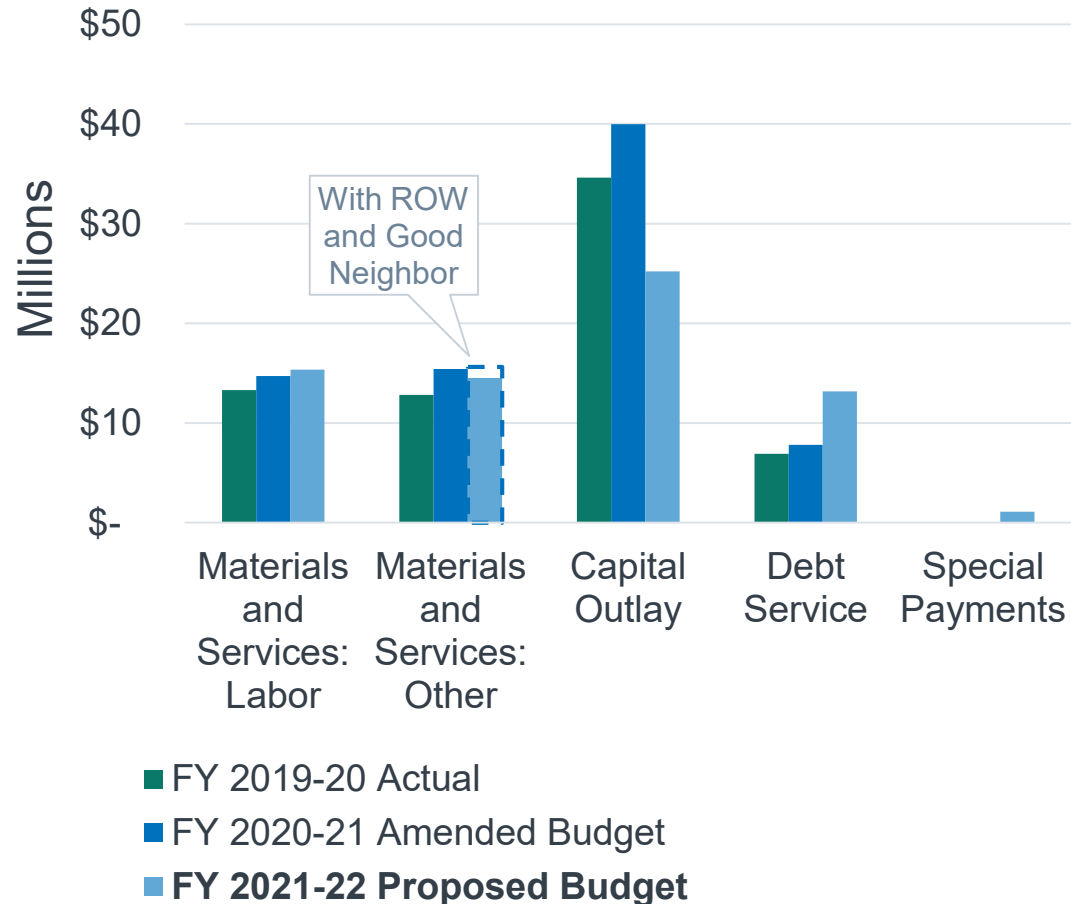
Overall increase of ~\$1.4 M or 2.6% from FY 2020-21 Budget

- \$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



# Major Themes: Expenses \$69.4 M

## 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 20-21
    - Decrease in Materials and Services
    - Increase in Personnel Services

# FY 2021-22 Capital Budget: \$25.2 M

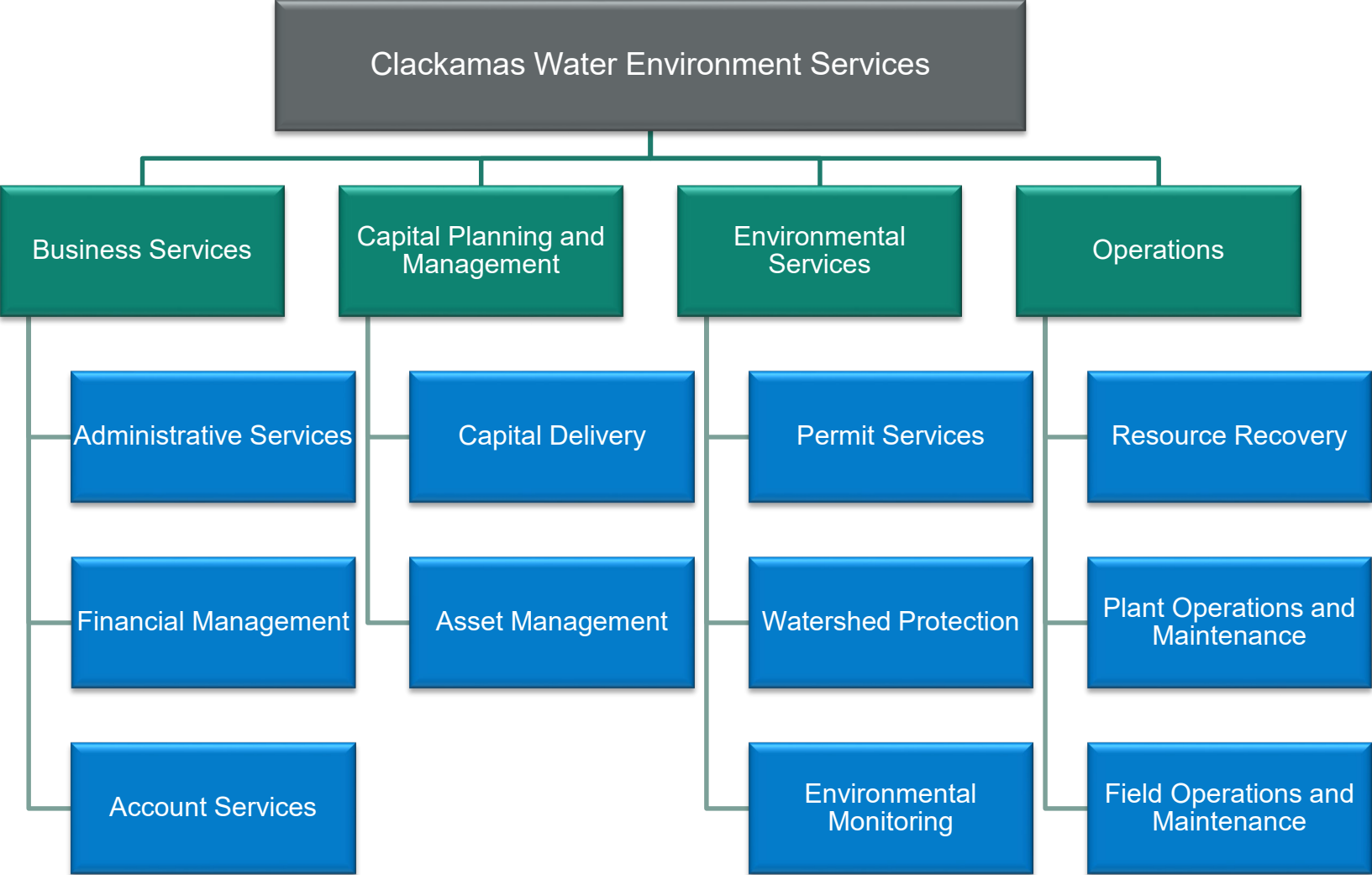
- Budget reflects continuing need for reinvestment in aging infrastructure and capital investment to meet projected growth

## 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            |

# Performance Clackamas Organizational Structure





# Program Profiles: 2021-22 Summary

| FY<br>2021-22<br>BUDGET | Line of<br>Business                | Program                             | Total<br>Funds<br>(\$ millions) | % County<br>General<br>Funds | %<br>Restricted<br>Funds | Mandate:<br>Fed/State/Cty<br>/IGA/None | % Program<br>Operated<br>by County | Metrics: %<br>Target<br>Meet/Exceed or<br>Improve |
|-------------------------|------------------------------------|-------------------------------------|---------------------------------|------------------------------|--------------------------|--|------------------------------------|---|
| MATERIALS AND SERVICES  | Business<br>Services               | Account Services                    | \$0.8                           | 0%                           |                          | S                                      | 75%                                | 50%   |
|                         |                                    | Administrative<br>Services          | \$3.4                           | 0%                           |                          | S                                      | 79%                                | 0%  |
|                         |                                    | Financial Management                | \$1.5                           | 0%                           |                          | S                                      | 72%                                | 100%  |
|                         | Capital Planning<br>and Management | Asset Management                    | \$1.7                           | 0%                           |                          | F, S                                   | 72%                                | 100%  |
|                         |                                    | Capital Delivery                    | \$0.7                           | 0%                           |                          | F, S                                   | 77%                                | 100%  |
|                         | Environmental<br>Services          | Environmental<br>Monitoring         | \$1.5                           | 0%                           |                          | F, S, I                                | 61%                                | 100%  |
|                         |                                    | Permit Services                     | \$1.8                           | 0%                           |                          | F, S, I                                | 84%                                | 67%   |
|                         |                                    | Watershed Protection                | \$2.3                           | 0%                           |                          | F, S, I                                | 46%                                | 0%  |
|                         | Operations                         | Field Operations and<br>Maintenance | \$3.7                           | 0%                           |                          | F, S, I                                | 72%                                | 33%   |
|                         |                                    | Plant Operations and<br>Maintenance | \$10.7                          | 0%                           |                          | F, S, I                                | 54%                                | 100%  |
|                         |                                    | Resource Recovery                   | \$2.2                           | 0%                           |                          | F, S                                   | 70%                                | 100%  |
| CAPITAL                 | Capital Planning<br>and Management | Capital Delivery                    | \$25.2                          | 0%                           | 4%                       | F, S                                   | N/A                                | N/A   |

# Performance Clackamas

## Results Measures (Examples)

| Line of Business/Program                            | Results Measure   |  | FY 19-20<br>Actual | FY 20-21<br>Target | FY 20-21<br>Projected<br>Performance | FY 21-22<br>Target |
|---|---|--|--------------------|--------------------|--------------------------------------|--------------------|
| Operations /<br>Resource Recovery                   | WES will beneficially reuse 85% of recovered solids   |  | 93%                | 85%                | 95%                                  | 85%                |
| Operations /<br>Plant Operations and<br>Maintenance | WES will continually achieve a “wastewater treatment effectiveness rate” of 85% in addition to 100% permit compliance |  | 95.52%             | 100%               | 98.23%                               | 100%               |
| Environmental Services /<br>Watershed Protection    | 30% of streams within WES’ jurisdiction meet or exceed water quality standards  |  | 11%                | 30%                | 44%                                  | 30%                |

# Department Summary by Fund



## Water Environment Services Department

### Budget Summary by Program and Fund

| Line of Business                         | FY 2021-22    | FY 2021-22                            | FY 2021-22                           | FY 2021-22                  | FY 2021-22            |
|--|---------------|---------------------------------------|--------------------------------------|-----------------------------|-----------------------|
| Program                                  | FTE           | WES Sanitary Sewer Operating Fund 631 | WES Surface Water Operating Fund 641 | Non-Program / Non-Operating | Total Proposed Budget |
| <b>Business Services</b>                 |               |                                       |                                      |                             |                       |
| Administrative Services                  | 9.98          | \$ 2,721,068                          | \$ 683,734                           | \$ -                        | \$ 3,414,800          |
| Financial Management                     | 5.82          | 1,301,883                             | 207,943                              |                             | 1,509,826             |
| Account Services                         | 4.90          | 681,564                               | 128,723                              |                             | 810,287               |
| Business Services Total                  | 20.70         | 4,704,513                             | 1,030,400                            | -                           | 5,734,913             |
| <b>Capital Planning and Management</b>   |               |                                       |                                      |                             |                       |
| Capital Delivery                         | 9.74          | 717,695                               | -                                    |                             | 717,695               |
| Asset Management                         | 7.68          | 1,420,394                             | 271,826                              |                             | 1,692,220             |
| Capital Planning and Management Total    | 17.42         | 2,138,089                             | 271,826                              | -                           | 2,409,915             |
| <b>Environmental Services</b>            |               |                                       |                                      |                             |                       |
| Permit Services                          | 8.99          | 1,087,761                             | 721,883                              |                             | 1,809,644             |
| Watershed Protection                     | 5.50          | -                                     | 2,257,055                            |                             | 2,257,055             |
| Environmental Monitoring                 | 6.01          | 1,036,778                             | 471,106                              |                             | 1,507,884             |
| Environmental Services Total             | 20.50         | 2,124,539                             | 3,450,044                            | -                           | 5,574,583             |
| <b>Operations</b>                        |               |                                       |                                      |                             |                       |
| Resource Recovery                        | 7.30          | 2,154,749                             | -                                    |                             | 2,154,749             |
| Plant Operations and Maintenance         | 33.23         | 10,700,716                            | -                                    |                             | 10,700,716            |
| Field Operations and Maintenance         | 15.85         | 2,274,885                             | 1,458,871                            |                             | 3,733,756             |
| Operations Total                         | 56.38         | 15,130,350                            | 1,458,871                            | -                           | 16,589,221            |
| Equipment Pool Contra-Expense            |               | (421,602)                             |                                      |                             | (421,602)             |
| <b>Operating Budget Total</b>            |               |                                       |                                      |                             | 29,887,030            |
| <b>Non-Program / Non-Operating</b>       |               |                                       |                                      |                             |                       |
| Debt Service and Related Reserves        |               |                                       |                                      | 22,021,977                  | 22,021,977            |
| Capital Outlay                           |               |                                       |                                      | 25,223,000                  | 25,223,000            |
| Transfers                                |               |                                       |                                      | 31,555,537                  | 31,555,537            |
| Special Payments                         |               |                                       |                                      | 1,108,600                   | 1,108,600             |
| Contingencies and Ending Fund Balances   |               |                                       |                                      | 137,911,062                 | 137,911,062           |
| <b>Non-Program / Non-Operating Total</b> |               |                                       |                                      | 217,818,176                 | 217,818,176           |
| <b>TOTAL</b>                             | <b>115.00</b> | <b>\$ 23,675,889</b>                  | <b>\$ 6,211,141</b>                  | <b>\$ 217,818,176</b>       | <b>\$ 247,705,206</b> |
| <b>FY 20/21 Amended Budget</b>           | 112.00        | 25,015,516                            | 5,089,029                            | 214,901,382                 | 245,005,927           |
| <b>\$ Increase (Decrease)</b>            | 3.00          | -1,339,627                            | 1,122,112                            | 2,916,794                   | 2,699,279             |
| <b>% Increase (Decrease)</b>             | 2.7%          | -5.4%                                 | 22.0%                                | 1.4%                        | 1.1%                  |





# 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 <sup>1</sup> | 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 |

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



# 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%     |

A photograph of water flowing through a spillway, creating a large, powerful waterfall. The water is white and turbulent as it falls, with a blue light reflecting off the surface. The spillway structure is visible at the top.

## Next Steps

- Public Hearing and Testimony
- Questions and Discussion
- Motion to Approve and Discussion
- Vote
- Final consideration by WES governing body in June 2021





# Thank You!



CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES