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2024 - 2025
FISCAL YEAR
Budget

Clackamas Water Environment Services
(A Component Unit of Clackamas County, Oregon)



Clackamas Water Environment Services

BUDGET COMMITTEE

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Denyse McGriff

Neil Schulman

BOARD of DIRECTORS

Chair Tootie Smith

Commissioner Paul Savas

Commissioner Martha Schrader

Commissioner Mark Shull

Commissioner Ben West

Prepared by:

Gary Schmidt, District Administrator

Greg Geist, WES Director

WES Finance Department

FY 2024-25 BUDGET TABLE OF CONTENTS



INTRODUCTION

Budget Message

Introductory Letter	1
Budget Development, Factors, and Priorities ...	3
Total Budget and Significant Changes	9
Budget Summary.....	10
Revenue and Expense Highlights	12
Fund Balance and Contingencies.....	17
Rates and Charges	18
Revenue Sources and Trends.....	22

ABOUT THE DEPARTMENT

Organizational Information	26
Statistics.....	27
Department Milestones	29
Department Organization	31
Organizational Chart	32
Service Area Map.....	33

GUIDE TO THE BUDGET

Financial Structure and Fund Chart.....	34
Sources and Uses by Fund Type	34
Basis of Budgeting and Financial Reporting.....	35
Budget Process.....	35
Budget Calendar	37
Financial Policies	38

PERFORMANCE CLACKAMAS

Budget by Program

Introduction and Overview	40
Budget Program Summary of Changes.....	44
Budget Summary by Program and Fund	45
Business Services	46
Administrative Services	47
Account Services	49
Financial Management	51
Capital Planning and Management	53
Capital Delivery	54
Environmental Services	56
Environmental Monitoring.....	57
Permit Services.....	59
Resource Recovery	61
Watershed Protection.....	63

Operations	65
Asset Management	66
Field Operations and Maintenance	68
Plant Operations and Maintenance.....	70

BUDGET DETAIL

Consolidated Financial Schedule.....	72
Fund Detail	73

DEBT

Debt Service Requirements	87
Debt Limits	88
Credit Rating	88
Impact of Debt on User Charges	88
Coverage Requirements	88
Repayment Schedule	89

CAPITAL

Introduction.....	90
Sewer Capital Budget	91
Surface Water Capital Budget	98
Sewer Capital Project List	102
Surface Water Capital Project List	104

LONG-RANGE FINANCIAL PLAN

Introduction.....	105
Financial Planning Objectives.....	105
Forecasting Assumptions	107
10-Year Projected Financial Schedules.....	108
Forecasted Monthly Rates	112

APPENDIX

Position Summary Schedules.....	113
Line Item Descriptions	114
Acronyms and Initialisms	116
Glossary	117

For additional budget information,
please visit:

<https://www.clackamas.us/budget>

Introduction

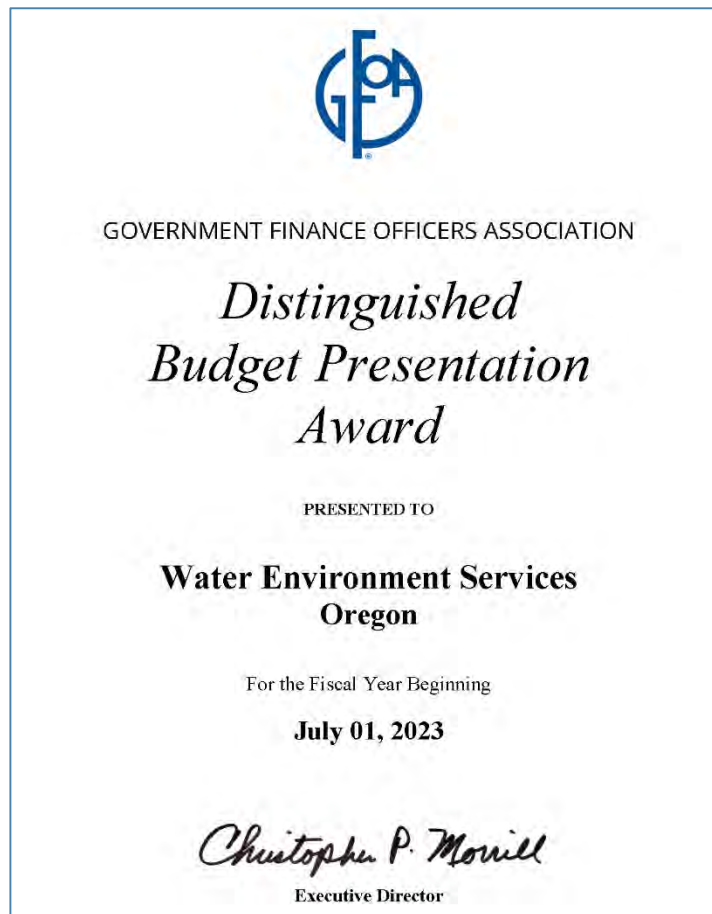


WES-SOLVE volunteers clean up trash at High Rocks in Gladstone

GFOA AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Water Environment Services, Oregon, for its annual budget for the fiscal year beginning July 01, 2023. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



BUDGET MESSAGE | FISCAL YEAR 2024-25

WES' Budget Message is organized into the following sections designed to give the reader an overview of the priorities, issues, and finances that informed the proposed Fiscal Year ("FY") 2024-25 budget:

- Introductory Letter from the Administrator and Director
- Budget Development, Factors, and Priorities
- Total Budget and Significant Changes
- Budget Summary
- Revenue and Expense Highlights
- Fund Balance and Contingencies
- Rates and Charges

Introductory Letter from the Administrator and Director

April 29, 2024

Dear Clackamas Water Environment Services Board of Directors, Budget Committee Members, Clackamas County Residents, and Customers:

On behalf of Clackamas Water Environment Services (WES), we are pleased to present the proposed FY 2024-25 budget for your consideration.

Since the late 1960s, WES has protected public health and supported our communities, environment, and economy. This budget reflects the essential resources required to continue producing clean water, protecting water quality, and recovering renewable resources on behalf of the nearly 200,000 residents, businesses, and other key stakeholders within our geographically unique and diverse service area.



Beginning in late 2021 and continuing through 2023, WES undertook a comprehensive engagement and planning initiative, involving surveys, focus groups, interviews, and discussions with both internal and external stakeholders. The goal of these engagement efforts was to deepen our understanding of customer and stakeholder needs, forge new clean water partnerships, enhance service delivery, and build trust through strengthened relationships. This collaborative approach helped refine WES' vision, mission, and core focus areas, laying the groundwork for a more resilient future for the department, its employees, and customers, all while ensuring that we continue to provide the best service at an affordable cost.

Leveraging this stakeholder engagement, WES staff conducted an internal assessment of organizational strengths and opportunities using the Effective Utility Management (EUM) framework. Established in 2008 by leading water sector organizations, the EUM framework emphasizes continual improvement principles. By applying this framework, staff formulated seven key strategies aimed at driving long-term success, established goals and short-term objectives, and set performance targets to track progress.

In December 2023, WES reached the final milestone in this initiative with the completion of a new Strategic Plan. This plan, encompassing FYs 2023-24 through 2025-26, guides our investment decisions and ensures that we focus our time and resources on those areas and activities that best connect us to our customers and serve the organization's purpose. The budget is the primary tool for funding the goals and objectives in our plan and every line item in WES' FY 2024-25 budget reflects and supports our strategic intent.

This strategic foresight is instrumental as we prepare for one of the most capital-intensive phases in WES' history. In February 2024, the Board adopted an ambitious Capital Improvement Plan (CIP), anticipating nearly \$260 million in capital expenditure over the upcoming five years to address the challenges posed by aging infrastructure, community growth, changing regulatory requirements, and climate variability. The adopted CIP, underpinned by extensive master planning and adjusted for recent inflation trends, is a major driver of this year's budget with almost \$80 million allocated for capital spending in the coming year.

In addition to WES' Strategic Plan and adopted CIP, the FY 2024-25 budget is also developed under the tenets of WES' long-term financial plan and related objectives. These objectives articulate WES' commitment to supporting economic development and providing wastewater and surface water management services to the community in the most cost-effective manner. A key objective of this long-range financial planning work is adopting steady, predictable rate increases to meet current and future funding needs. The FY 2024-25 budget meets this objective and includes rate increases that will average \$1.20 per month, or \$14.40 per year, for most customers.

The budget is more than a financial document; it is a declaration of our commitment to fiscal responsibility, the essential nature of our work, delivering meaningful outcomes for our community, and realizing our strategic vision to build a resilient clean water future where all people benefit, and rivers thrive.

Serving you is not just our responsibility; it is our honor and privilege.



Gary Schmidt
District Administrator



Greg Geist
WES Director



Budget Development, Factors, and Priorities

As described below, WES' capital plan, strategic plan, financial policies, and long-range financial plan provide the basis for the annual budget. The key planning documents that guided this budget process include the FY 2024-25 – 2028-29 Capital Improvement Plan, the FY 2023-24 – 2025-26 Strategic Plan, and the FY 2024-25 – 2033-34 Long-Range Financial Plan.

Capital Improvement Plan (CIP)

The CIP is a rolling 5-year plan that identifies and prioritizes wastewater and stormwater construction projects and major equipment purchases. Updated annually, the CIP provides multi-year planning schedules, budget estimates, and identifies funding sources for projects. The CIP serves as the basis for the capital budget, which is discussed in detail in the Capital Section on pages 90 - 104.

Strategic Plan

WES' utilizes the Effective Utility Management ("EUM") framework for strategic planning. At the core of the framework are 10 Attributes of Effectively Managed Utilities and 5 Keys to Management Success. The Attributes help define the everyday best practices at well-managed utilities; the Keys to Management Success are the enablers or facilitators of these best practices, which include strategic planning, measurement of progress, and embracing a continual improvement management mindset. WES' strategic plan helps shape the budget, guides investment, and positions WES to realize its vision and support the Board of County Commissioner's vision for all of Clackamas County.

Financial Policies

WES' financial policies guide its management in financial activities, including budgeting and financial planning, revenue management, debt management, and other related matters. These policies follow the Government Finance Officers Association (GFOA) best practices and affirm WES' commitment to fiscal responsibility. A summary of WES' financial policies can be found on pages 38 - 39.

Long-Range Financial Plan

WES' long-range financial planning combines elements of the CIP, strategic plan, financial policies, and economic assumptions to form a 10-year view of WES' financial position. The long-range financial plan aims to balance the requirements for capital project investments while ensuring resources are sufficient to provide for ongoing operating and maintenance needs. The long-range financial plan also includes projections for the timing of borrowing to ensure adequate capacity is available to issue debt when needed. Additionally, this plan serves as the foundation for WES' 10-year rate forecasts. WES' long-range financial plan and 10-year rate forecasts are detailed on pages 105 - 112.

Effective Utility Management Framework

10 Attributes

- Community Sustainability
- Customer Satisfaction
- Employee and Leadership Development
- Enterprise Resiliency
- Financial Viability
- Infrastructure Strategy and Performance
- Operational Optimization
- Product Quality
- Stakeholder Understanding and Support
- Water Resources Sustainability

5 Keys to Management Success

- Leadership
- Strategic Business Planning
- Organizational Approaches
- Measurement
- Continuous Improvement

Strategic Plan Structure

The strategic plan structure acts as a blueprint for decision-making and contains WES' vision, mission statement, core focus areas, and seven strategies designed to navigate both short and long-term challenges. Underlying these seven strategies are long-term goals, objectives that can be achieved in the short-term, and performance measures to track the organization's progress.

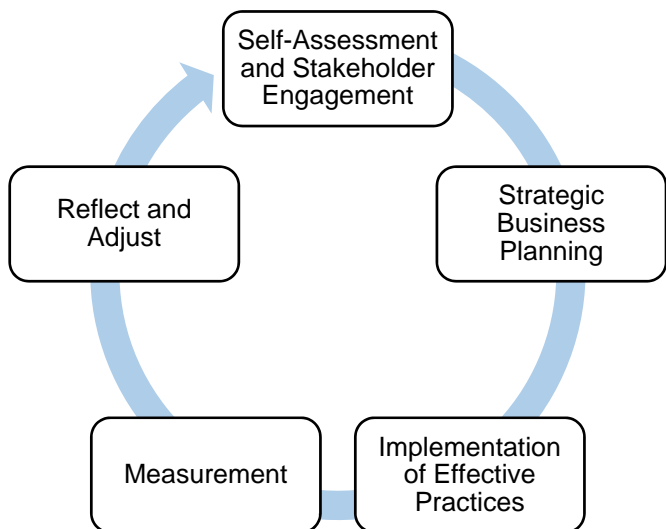
Strategic Plan Elements

WES' strategic plan is composed of the following elements:

Plan Element	Description
Vision	WES' envisioned future state, outlining the organization's aspirations and setting the collective direction.
Mission	The core purpose of WES, defining the organization's identity, activities, and significance.
Focus Areas	Essential themes that help guide WES' strategic efforts and resource allocation.
Strategies	Broad and long-term initiatives that WES will undertake to achieve its vision and mission, adhering to core focus areas. Strategies reflect the most important issues that must be addressed to achieve WES' desired future.
Goals	Primary outcomes WES aims to achieve to support the overarching strategies.
Objectives	Specific actions that will be taken to achieve each goal.
Measures	Metrics used to track the progress towards achieving objectives. Measures provide a quantifiable means to assess performance and link staff's work to organizational goals.

Strategic Planning Cycle

The chart below illustrates the steps in the strategic planning cycle.



Strategic Planning Process

WES' current Strategic Plan is the result of an extensive engagement and planning process that included the following efforts:

- Stakeholder and community engagement via surveys, interviews, and focus groups
- Employee input via all-staff surveys and focus groups
- Effective Utility Management Assessment
- Leadership and Management Team Workshops

Performance Clackamas

Performance Clackamas is a planning framework and process modeled after a system known as Managing for Results (MFR), which has been used successfully in cities and counties throughout the United States. Clackamas County adopted Performance Clackamas in 2014, with plan updates provided when appropriate. The County's current plan was adopted by the Board of County Commissioners in March 2021. WES staff implemented the first Performance Clackamas Plan in FY 2016-17 with updates made in FYs 2018-19 and 2023-24. WES' Performance Clackamas Plan is a component of WES' Strategic Plan that complements and supports WES' efforts to have a more comprehensive district-wide plan to guide and measure our work. The FY 2023-24 plan is reflected in this budget and detailed in the Performance Clackamas section of this document.



VISION

Be a collaborative partner in building a resilient clean water future where all people benefit and rivers thrive.



MISSION

Clackamas Water Environment Services produces clean water, protects water quality and recovers renewable resources. We do this by providing wastewater services, stormwater management, and environmental education.

It's our job to protect public health and support the vitality of our communities, natural environment, and economy.



OUR FOCUS AREAS



*Protecting
Public Health*



*Investment in
Our People*



*Stewardship of
Healthy
Waterways*



*Responsive
Customer
Service*



*Fiscal
Responsibility*

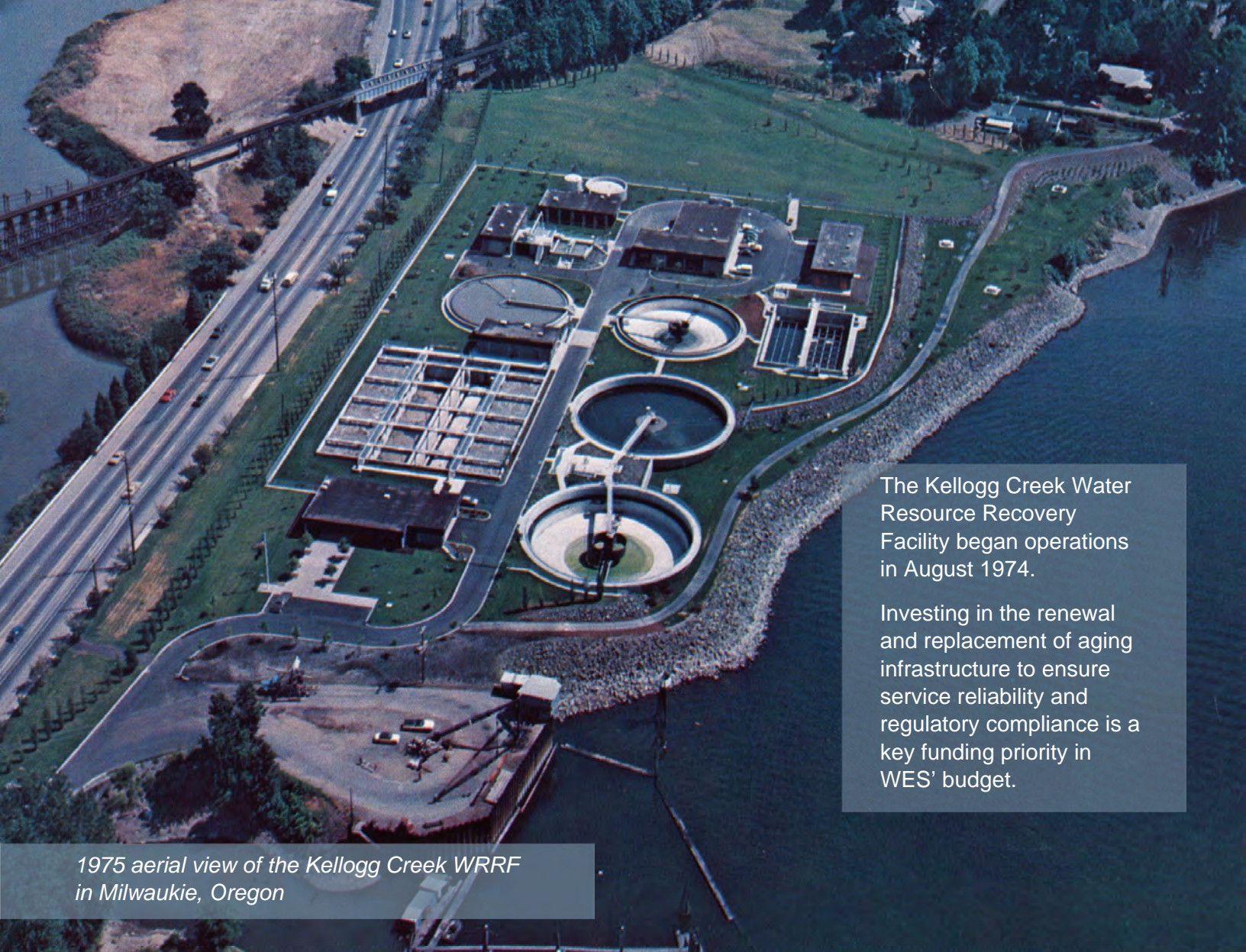


*Water Resource
Recovery*

CLEAN WATER FOR ALL.

WES' seven key strategies summarize the main actions WES is taking to address current and future business challenges.

No.	Strategy	Description
1	Workforce Planning and Development	We build an organization and work culture that attracts, retains, develops, engages, and invests in a high performing workforce to achieve our vision, mission, and support our values.
2	Utility Operations and Environmental Protection	We effectively manage wastewater and stormwater systems to meet or surpass environmental, safety, and public health standards, to recover resources and to protect watersheds.
3	Asset Management	We proactively invest in and maintain WES' infrastructure assets to ensure the cost-effective, sustainable delivery of reliable, high quality, and efficient clean water services.
4	Capital Planning and Delivery	We strategically plan and upgrade WES' infrastructure to ensure the sustainable delivery of reliable, high quality, and climate-resilient clean water services that support the growth and vitality of our communities, natural environment, and economy.
5	Financial Viability	We manage WES' financial resources to meet present and future funding needs, and to maintain fair, reasonable, and equitable rates that demonstrate fiscal responsibility.
6	Customer Satisfaction	We provide reliable, responsive customer service that aligns with our communities' values and the expressed needs of our customers.
7	Stakeholder Support	We are committed to building collaborative partnerships that result in a resilient clean water future, where all people benefit and rivers thrive, through proactive engagement, effective communication, public education, and community leadership.



1975 aerial view of the Kellogg Creek WRRF in Milwaukie, Oregon

The Kellogg Creek Water Resource Recovery Facility began operations in August 1974.

Investing in the renewal and replacement of aging infrastructure to ensure service reliability and regulatory compliance is a key funding priority in WES' budget.

FY 2024-25 Budget Factors and Priorities

Ongoing Capital Improvement Program

For the third consecutive fiscal year, capital outlay remains the most significant annual expense for WES, with a total of \$79.5 million budgeted for FY 2024-25. The budget includes a number of important wastewater and stormwater projects to ensure the reliability of WES' services and accommodate future growth.

Key projects funded in the FY 2024-25 budget include:

- \$30.0 million towards constructing a new outfall at the Tri-City Water Resource Recovery Facility (WRRF) to build capacity for future peak flows.
- \$9.2 million towards addressing condition issues and expanding the capacity of the Willamette Pump Station and force main.
- \$8.0 million allocated to completing the construction of the Intertie 2 force main and increasing capacity of the pump station for excess flows diverted from the Kellogg Creek WRRF to the Tri-City WRRF.
- \$3.0 million to fund the construction phase of the 3-Creeks Water Quality project to enhance fish and wildlife habitat, restore wetlands, and reestablish natural floodplain function.
- \$471 thousand for ongoing American Rescue Plan Act (ARPA) funded projects to mitigate flooding and enhance habitat in the upper Kellogg Creek area.

The FY 2024-25 budget also addresses capacity issues through increased funding for the Inflow & Infiltration (I&I) Reduction Program. Budgeted spending for this program is \$5.6 million, based on an anticipated 33% reimbursement of capital project costs for I&I reduction efforts within the collection systems of WES' partner cities. This strategic investment is projected to save WES more than \$100 million over the next 20 years by reducing the need for additional wet-weather treatment plant capacity.

WES is well-positioned to finance the projects in the capital budget through existing construction and system development fund reserves, with no new debt planned for FY 2024-25.

Economic Factors

The local economy in Clackamas County has shown signs of improvement over the last two years, evidenced by lower unemployment rates and rising household income levels, although growth in the housing market has slowed. During the current fiscal year, WES has observed lower single-family residential development activity, which has impacted system development charge (SDC) revenues. This trend is expected to reverse, with construction activities projected to resume in late-2024 as interest rates normalize following anticipated action by the Federal Reserve. As development activity is expected to resume, the FY 2024-25 budget maintains a growth assumption of 1.0% annually, in line with December 2022 population forecasts.

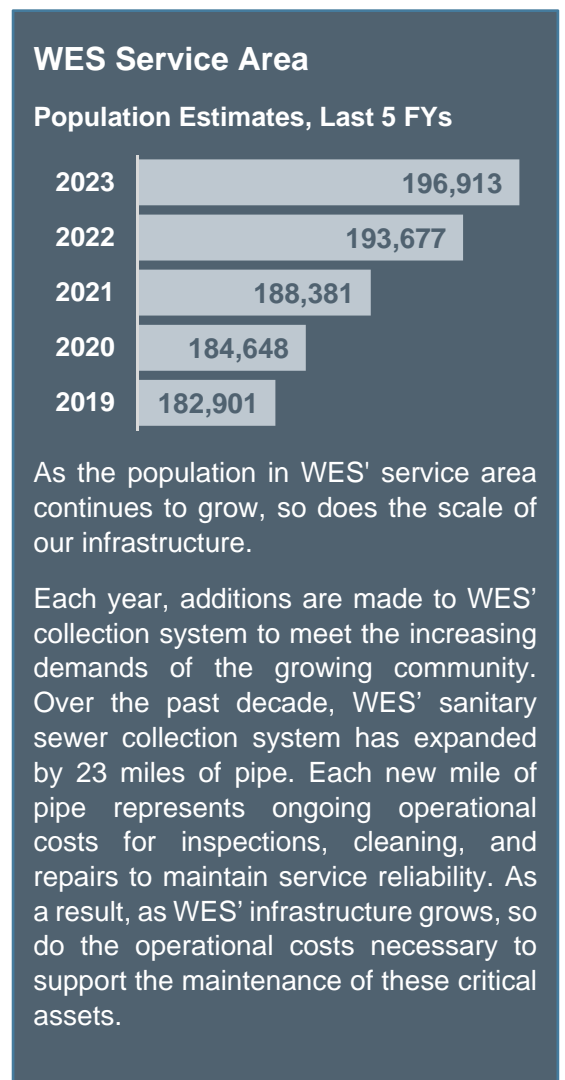
Inflationary indexes have eased since the peaks of 2022 but remain persistently above target levels. WES continues to experience upward cost pressures in the area of critical operating inputs, including utilities, chemicals, and labor costs. Notably, expenditures for chemicals and electricity, which constitute nearly 25% of WES' non-labor operating budget, have increased by an average of 13.3% annually over the past two fiscal years. The FY 2024-25 budget projects further increases in these costs, which will be partially offset by energy-saving initiatives outlined in WES' strategic plan.

WES has added two new positions in the current fiscal year to support the capital improvement plan. No new positions are planned for FY 2024-25. Labor cost increases are attributable to cost-of-living adjustments, step increases in salaries, and rising costs for health care, pensions, and other benefits. These increases in WES' budget are partially offset by two factors: savings from frictional vacancy expectations, which account for the time needed to fill positions, and a shift in the allocation of staff supporting WES' extensive capital program.

Rate Increases and Service Affordability

As a not-for-profit government utility, WES relies on service rates and SDC fees to fund its operations. In alignment with WES' long-range financial planning projections, FY 2024-25 rate increases are approximately 5.0% for wastewater services and surface water management services. WES' current monthly single-family residential wastewater treatment, collection, and surface water management rates are below the average for neighboring jurisdictions. The proposed adjustments are designed to ensure financial sustainability, while keeping WES' rates below the regional average.

WES is mindful of the potential impact any rate increase may have on low-income households and is committed to assisting customers through its existing low-income discount program. In support of one of the goals in WES' strategic plan, staff will develop a new customer assistance program to broaden program eligibility in the coming year.



Controlling Costs

Despite ongoing cost pressures, WES' FY 2024-25 operating budget reflects only a 4.7% overall increase. This is due to a focused approach to prioritizing discretionary spending, the aforementioned savings from vacancy considerations, and prudent budgeting. The 4.7% increase aligns with WES' long-range financial planning target of no more than a 5% increase in operating costs annually. Meeting this target is an important and necessary constraint to ensure sufficient resources are available for capital investment without requiring additional rate increases.

Total Budget and Significant Changes

The following summary data serves to provide a general overview of significant FY 2024-25 budgetary items, highlights, and trends for Clackamas Water Environment Services¹. A more detailed discussion, including summaries for each fund, is provided in the Budget Detail section.

FY 2024-25 Total Budget

Requirement		Service Category		FY 2024-25 Budget	FY 2023-24 Budget	Change from FY 2023-24	
		Sewer	Surface Water			\$	%
Expenditures	Materials & Services	\$ 26,429,691	\$ 6,121,400	\$ 32,551,091	\$ 31,085,707	\$ 1,465,384	4.7%
	Capital Outlay	75,186,500	4,359,500	79,546,000	52,062,327	27,483,673	52.8%
	Debt Payments	12,956,022	82,600	13,038,622	12,770,987	267,635	2.1%
	Special Payments	1,327,900	-	1,327,900	1,250,300	77,600	6.2%
	Subtotal - Expenditures	115,900,113	10,563,500	126,463,613	97,169,321	29,294,292	30.1%
Other Requirements	Interfund Transfers	30,784,393	2,082,600	32,866,993	32,477,751	389,242	1.2%
	Contingencies	23,201,625	2,109,875	25,311,500	18,779,932	6,531,568	34.8%
	Reserves	75,667,398	15,630,614	91,298,012	140,478,813	(49,180,801)	-35.0%
	Subtotal - Other Requirements	129,653,416	19,823,089	149,476,505	191,736,496	(42,259,991)	-22.0%
Total Budget		\$ 245,553,529	\$ 30,386,589	\$ 275,940,118	\$ 288,905,817	\$ (12,965,699)	-4.5%

WES' total FY 2024-25 budget is \$275.9 million and consists of budgeted expenditures of \$126.5 million and other requirements of \$149.5 million. Budgeted expenditures include materials and services for operations of \$32.6 million, capital outlay of \$79.5 million, debt payments of \$13.0 million, and special payments of \$1.3 million. Compared to FY 2023-24's budget, the increase in total expenditures is 30.1% or approximately \$29.3 million. This increase is primarily due to an additional \$27.5 million in capital outlay for a higher level of planned capital spending as reflected by the CIP. Materials and services reflects an increase of approximately \$1.5 million or 4.7%; special payments reflects an increase of \$78 thousand or 6.2%, and debt service reflects an increase of \$270 thousand or 2.1%.

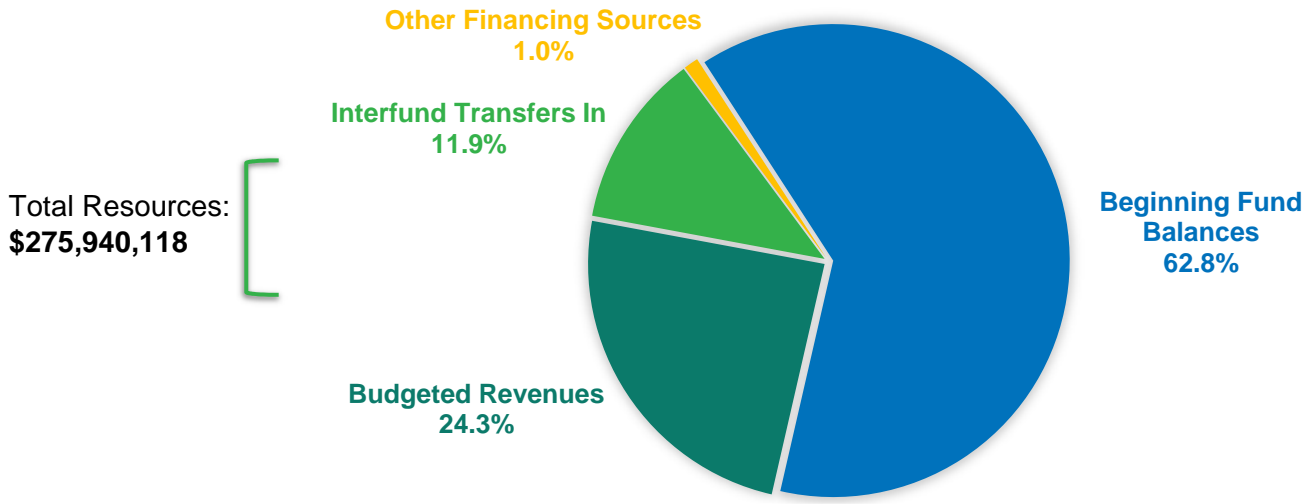
Other requirements of \$149.5 million include interfund transfers made to share resources between funds of \$32.9 million, contingencies of \$25.3 million to provide for unexpected or unforeseen costs, and reserves of \$91.3 million. WES' adopted 5-Year CIP anticipates investing \$260 million over the next five years in critical infrastructure and projects to add capacity to support growth and rehabilitate and replace aging infrastructure. The majority of the \$91.3 million in reserves has been intentionally built over the last several years to fund this planned capital outlay. It is projected that these reserves will be spent over the next two to three fiscal years to actualize WES' capital plan.

A detailed discussion of each of the major budget categories is provided on the following pages.

¹ Financial figures are consistently rounded to the nearest tenth in the narrative. Due to this rounding convention, the sum of the underlying rounded figures discussed in the narrative may not tie to the narrative's rounded total.

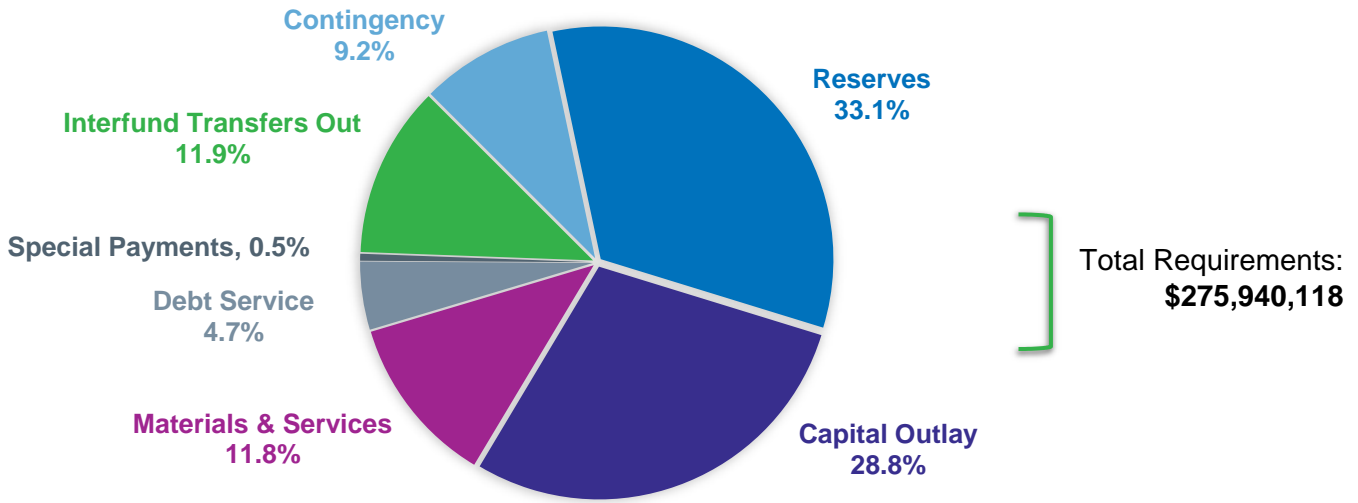
Budget Summary

FY 2024-25: Combined Summary of Resources



Total resources are budgeted at approximately \$275.9 million. Resources include: budgeted revenues of \$67.1 million, beginning fund balances of \$173.2 million, other financing sources of \$2.7 million, and interfund transfers in of \$32.9 million.

FY 2024-25: Combined Summary of Requirements



Total requirements are budgeted at approximately \$275.9 million. Requirements include: materials and services of approximately \$32.6 million, special payments of \$1.3 million, capital outlay of \$79.5 million, debt service of approximately \$13.0 million, contingencies of \$25.3 million, reserves of \$91.3 million, and interfund transfers out of \$32.9 million.

Per Oregon State Budget Law, WES' total budget is balanced overall and in each fund. That balancing results when "resources," which consist of revenues combined with other financing sources, interfund transfers in and beginning fund balances, are equal to "requirements," which consist of planned expenditures, contingencies, interfund transfers out and reserves.

CLACKAMAS WATER ENVIRONMENT SERVICES BUDGET SUMMARY – ALL FUNDS ¹

	2022-23 ACTUAL	2023-24 BUDGET	2024-25 BUDGET	Change from 2023-24	
				\$	%
RESOURCES					
Beginning Fund Balance	\$ 188,127,779	\$ 193,428,346	\$ 173,184,165	\$ (20,244,181)	-10.5%
Revenues					
Sales and Services					
Sewer Charges	42,256,191	43,521,300	45,603,300	2,082,000	4.8%
Surface Water Charges	6,033,587	6,476,300	6,906,100	429,800	6.6%
System Development Charges	6,894,764	7,442,400	7,794,200	351,800	4.7%
Interest Income	3,053,733	2,901,400	5,195,600	2,294,200	79.1%
All Other Revenues	1,912,315	1,632,420	1,642,420	10,000	0.6%
Subtotal - Revenues	60,150,590	61,973,820	67,141,620	5,167,800	8.3%
Other Financing Sources					
State Revolving Fund Loans	2,644,727	685,900	162,400	(523,500)	-76.3%
Grants and Project Contributions	1,046,111	340,000	2,584,940	2,244,940	660.3%
Interfund Transfers In	31,896,393	32,477,751	32,866,993	389,242	1.2%
TOTAL RESOURCES	\$ 283,865,600	\$ 288,905,817	\$ 275,940,118	\$ (12,965,699)	-4.5%
REQUIREMENTS					
Materials & Services					
WES Labor	\$ 13,951,925	\$ 16,314,750	\$ 16,857,890	\$ 543,140	3.3%
Other County Services	2,668,426	3,284,617	3,526,829	242,212	7.4%
Professional Services	2,196,194	2,140,360	2,439,620	299,260	14.0%
Administrative	2,129,630	2,212,150	2,382,270	170,120	7.7%
Supplies	2,586,456	2,859,250	3,127,900	268,650	9.4%
Utilities	1,940,741	1,975,340	2,286,180	310,840	15.7%
Repair & Maintenance	1,204,112	1,951,310	1,588,210	(363,100)	-18.6%
Rents & Leases	395,230	347,930	342,192	(5,738)	-1.6%
Subtotal - Materials & Services	27,072,714	31,085,707	32,551,091	1,465,384	4.7%
Special Payments	1,149,866	1,250,300	1,327,900	77,600	6.2%
Capital Outlay	17,699,894	52,062,327	79,546,000	27,483,673	52.8%
Debt Service	11,692,859	12,770,987	13,038,622	267,635	2.1%
Contingency	-	18,779,932	25,311,500	6,531,568	34.8%
Ending Fund Balance & Reserves	194,353,874	140,478,813	91,298,012	(49,180,801)	-35.0%
Interfund Transfers Out	31,896,393	32,477,751	32,866,993	389,242	1.2%
TOTAL REQUIREMENTS	\$ 283,865,600	\$ 288,905,817	\$ 275,940,118	\$ (12,965,699)	-4.5%

SUMMARY OF CHANGES BETWEEN PROPOSED AND ADOPTED BUDGET

The FY 2024-25 Budget was adopted as proposed with no changes made.

¹ In FY 2024-25, this table was revised to separately present the Grants and Project Contributions line item from the Revenues section.



Land application of biosolids in eastern Oregon

Revenue and Expense Highlights

REVENUE HIGHLIGHTS

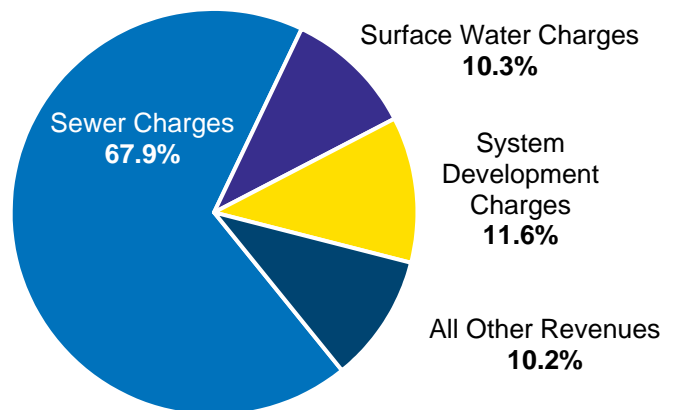
BUDGETED REVENUES - \$67,141,620

The majority of WES' revenues are sewer charges, surface water charges, and System Development Charges (SDCs) for new sewer and surface water connections. Of the \$67.1 million in revenue budgeted for FY 2024-25, these three sources account for approximately 90% or \$60.3 million.

Other revenue represents \$6.8 million or approximately 10% of WES' total revenue. These sources include non-operating revenue such as interest earnings on investments, special assessment principal and interest collections, pass-through revenue in the form of city right-of-way fees, and miscellaneous fees and charges.

FY 2024-25 budgeted revenues reflect an increase of \$5.2 million or 8.3% from FY 2023-24's budget. This overall increase consists of additional revenue from sewer charges of \$2.1 million, surface water charges of \$0.4 million, system development charges of \$0.4 million, and other revenue sources of \$2.3 million. The increase in sewer and surface water service charges results from anticipated growth in the service area which increases the number of units billed, and 5% adjustments to the monthly rates for wastewater treatment, collection, and surface water management services. The budget for SDCs reflects 2.7% inflationary rate adjustments, as well as growth estimates from a population study completed in December 2022, which projected an annual average population growth rate of approximately 1% across the service area. This growth forecast is the same as the forecast used in FY 2023-24's budget.

The increase in all other revenue sources of \$2.3 million, or 10.2% from the FY 2023-24 budget, is driven by increased interest income resulting from higher investment earnings. For a more detailed discussion of revenues, please refer to the Revenues Sources and Trends section beginning on page 22 and the separate Budget Detail section.



OTHER FINANCING SOURCES - \$2,747,340


The FY 2024-25 budget includes other financing sources of \$2.7 million. This total consists of \$2.5 million in federal grant funding, with state and local grant funding, and State Revolving Fund (SRF) loan proceeds making up the balance. Budgeted federal grants include \$2.0 million in Environmental Protection Agency (EPA) Community Grant funds for work on the Boring Water Resource Recovery Facility project and approximately \$0.5 million in American Rescue Plan Act (ARPA) funds for surface water infrastructure projects. The budget anticipates \$162 thousand in the form of capital financing from the State of Oregon Clean Water State Revolving Fund for the design phase of the 3-Creeks Water Quality Project. Design for the 3-Creeks Water Quality project is anticipated to be completed in summer 2024, and this resource is budgeted to cover those costs. SRF funding is discussed in further detail in the separate Debt section.

EXPENSE HIGHLIGHTS

BUDGETED EXPENSES - \$126,463,613

Expenses for FY 2024-25 reflect an increase of 30.1% or \$29.3 million from FY 2023-24's budget. This increase consists of additional spending of \$27.5 million for capital outlay, \$1.5 million for materials and services, \$78 thousand for special payments, and \$268 thousand for debt service.

FY 2024-25 Budget by Major Expense Category



Expense Category	FY 2024-25 Budget
Capital Outlay	\$ 79,546,000
Special Payments	1,327,900
Debt Service	13,038,622
Materials & Services	32,551,091
Total	\$ 126,463,613

Capital Outlay

Capital outlay expenditures provide for land acquisition, facility modification and expansion, system improvements, and significant equipment for treatment facilities, collection systems, and maintenance operations.

In accordance with the adopted Capital Improvement Plan (CIP), WES' budget anticipates \$79.5 million in capital outlay for project costs to increase wastewater system capacity, rehabilitate existing facilities, reduce inflow and infiltration, and improve the efficiency of treatment processes. Compared to FY 2023-24's capital outlay budget of \$52.0 million, the increase is 52.8% or \$27.5 million. This increase is largely due to the timing of three major projects. During FY 2024-25, the Tri-City Outfall project, Willamette Pump Station and Force Main project, and Intertie 2 Pump Station and Force Main project will all be in the construction phase. Together, these three projects represent approximately 60% of the total capital budget, with combined spending of \$47.2 million. Other major sanitary sewer projects include increased cost-sharing funding of \$5.6 million for the Regional Inflow & Infiltration Reduction Intergovernmental Agreement, \$5.0 million for rehabilitation of primary clarifiers at Tri-City WRRF, and work on the Clackamas Interceptor. The largest share of FY 2024-25's surface water capital budget includes \$3.0 million for the 3-Creeks Water Quality project and a combined \$471 thousand for 2 ARPA-funded stormwater infrastructure projects. WES added two new Civil Engineer positions in FY 2023-24 to support project delivery and continue the implementation of WES' CIP.

Additional information on WES' capital outlay, including detailed descriptions of major projects and projected expenditures under the adopted CIP may be found in the Capital section of this budget document.

Special Payments

Special Payments provide for city right-of-way (ROW) fees and Good Neighbor fund contributions. The FY 2024-25 budget for Special Payments is \$1.3 million and 6.2% or \$78 thousand higher than the FY 2023-24 budget. This increase stems from higher ROW fees to be collected on behalf of the cities due to anticipated growth of the service area as well as budgeted rate increases.

Debt Service

The FY 2024-25 budget for Debt Service is \$13.0 million based on principal and interest payments on outstanding revenue obligations and Clean Water SRF loans used to fund capital improvements. This amount reflects an increase of approximately \$268 thousand or 2.1% from FY 2023-24. WES made interest prepayments on SRF Loan R95030 in FYs 2021-22 and 2022-23, which reduced the interest due on the loan in FY 2023-24. Consequently, the majority of the budgeted increase for FY 2024-25 is attributable to the interest payment for this loan realigning with the original loan repayment schedule. The increase in FY 2024-25's debt service budget also reflects the first payment on SRF Loan R95031, which is being used to finance the design phase of the 3-Creeks Water Quality project. Further details regarding WES' debt service are provided in the fund summary for the Debt Service Fund in the Budget Detail section and in the separate Debt section.

Materials & Services

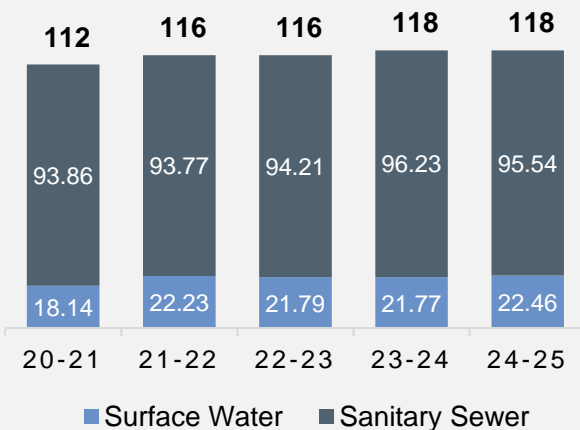
Materials & Services expenses consist of current year operating costs incurred to provide sewer and surface water management services to meet customer needs and maintain WES' treatment and collection systems. For FY 2024-25, these total approximately \$32.6 million, an increase of 4.7% or \$1.5 million from the FY 2023-24 budget.

The \$32.6 million budget for materials and services consists of \$16.9 million for labor expenses and \$15.7 million in non-labor expenses.

Materials & Services – Labor

Labor expenses are budgeted to increase approximately \$543 thousand or 3.3% from FY 2023-24's adopted budget due to an inflationary cost of living adjustment, salary step increases, and higher pension and health insurance costs. During FYs 2022-23 and FY 2023-24, WES has been experiencing labor shortages and a high level of vacancies in line with those in the broader economy. As of the publication of this document, WES has seven vacancies, a reduction of eight from the vacancy count of 15 as of last year's budget. The FY 2024-25 budget anticipates filling 4 of these vacant positions by the beginning of the new budget year and the remaining 3 positions during the budget year. The 3 positions that will not be filled by July 1, 2024 are budgeted at a percentage of the full FTE cost to recognize the partial vacancy status. In addition to partial vacancy considerations for specific positions, the personnel expense budget reflects a 5% "frictional vacancy" reduction for programs with existing vacancies. This 5% reduction acts as a negative contingency and acknowledges the potential for internal promotions that could create new vacancies, the timing delay from the hiring process, and unanticipated retirements or departures that may occur during the year. The incorporation of a frictional vacancy rate and consideration of partial vacancies serves as an offset to a portion of the overall salary, health, and pension increases. The allocation of FTE by sewer and surface water service category for the last four fiscal years and the budget is detailed in the chart below.

**Budgeted FTEs by Service Category
FY 2020-21 through FY 2024-25**



Year-to-year staffing changes result from addressing priority areas such as investments in, and maintenance of, WES' infrastructure. There are no new positions in FY 2024-25's budget and the total position count is 118 FTE, the same number as the FY 2023-24 budget.

WES added two new positions in FY 2023-24, including a Senior Civil Engineer and a Civil Engineer, to support implementation of WES' Capital Improvement Plan.

Full-time equivalent positions increased by 4 FTE in FY 2021-22 and remained steady in FY 2022-23. The new positions added in FY 2021-22 were needed to provide maintenance to existing infrastructure, support in constructing new treatment capacity, and for operations of the same.

Additional information on the allocation of positions among WES' programs and work divisions is contained in the Performance Clackamas section and in the Appendix.

Materials & Services - Other

Non-labor Materials & Services are budgeted at an increase of approximately \$920 thousand or 6.2%. The budget includes increases related to cost pressures and inflation, with the most significant increases anticipated in utilities, supplies, and professional services. Changes in each materials and services category are outlined below.

Other County Services – The FY 2024-25 budget for Other County Services is \$3.5 million and reflects a \$242 thousand or 7.4% increase. This cost category was held relatively flat for a number of years and then increased by 26.7%, or \$691 thousand, in FY 2023-24. FY 2024-25 represents the second consecutive fiscal year that WES' budget has seen a significant rise in expenses within this category. This category encompasses the costs for various services provided by the County to WES and other departments, such as technology services, building maintenance, procurement, payroll, and human resources. The budget for this category also covers the costs of intergovernmental agreements between WES and other County departments as well as County personnel who perform work on behalf of WES as embedded legal and communications staff. In addition to incurring increased costs to provide these services, the County's cost allocation plan was updated during FY 2022-23, which resulted in the distribution of a larger portion of these costs to WES and other non-internal service departments.

Professional Services - Professional Services include engineering, environmental, legal, utility plant services, and other services. The FY 2024-25 budget of \$2.4 million for these expenses reflects an increase of \$299 thousand or 14.0%. Contributing factors to this increase include price increases from contractors for biosolids hauling and land application, as well as additional landfill disposal costs. These adjustments take into account the potential for weather conditions to limit access to fields. The increased budget also reflects spending on one-time initiatives in WES' strategic plan, including hydraulic modeling and master planning, consulting work for a new customer satisfaction survey, temporary staffing to assist in implementing a records management system, and regulatory support.

Administrative - Administrative costs include banking fees, telephone and internet expenses, permit fees, insurance premiums, advertising and marketing, and other similar expenses. The FY 2024-25 budget of \$2.4 million reflects an increase of \$170 thousand or 7.7%. Property and liability insurance costs are budgeted to increase by \$71 thousand due to higher property values driven by inflation, and rising insurance rates attributed to recent catastrophic events, such as wildfires. Other increases within the Administrative category include increased permit fees, merchant service charges, postage, and uniform costs. These increases are partially counterbalanced by decreases in advertising, office supplies, and printing costs.

Supplies – This category includes chemicals, utility plant supplies, safety supplies, computer equipment, small tools, and fuel costs. The FY 2024-25 budget for Supplies is \$3.1 million, reflecting an increase of 9.4% or \$269 thousand. Chemical costs, the largest line item within this category, increased by 25.0% from FY 2021-22 to FY 2022-23, and by 15.0% from FY 2022-23 to FY 2023-24. Although inflationary pressures are beginning to ease, WES continues to experience rising chemical costs and the increase in the budget for this category is primarily due to an additional \$210 thousand for chemicals, as well as increases in fuel and plant supply costs.

Utilities - Utilities include electricity, natural gas, purchased sewer services, and water charges. The FY 2024-25 budget for Utilities is \$2.3 million, an increase of \$311 thousand or 15.7% from the FY 2023-24 budget. WES' electricity costs increased by 15.0% on January 1, 2024, and further cost increases are anticipated in 2024 and 2025. A portion of the increases in electricity have been, and continue to be, offset through energy savings from the cogeneration engine installed at the Tri-City WRRF in 2021 as well as participation in energy reduction programs. WES' strategic plan includes several objectives aimed at realizing further energy savings to conserve resources, reduce costs and operate facilities more efficiently. The majority of utility costs are incurred for sewer operations at WES' water resource recovery facilities and pump stations with only a minor amount budgeted under surface water operations for a portion of the utility costs for WES' water quality lab.

Repair & Maintenance - The \$1.6 million budget for Repair & Maintenance costs reflects a decrease of \$363 thousand or 18.6% due to the shifting of the portion of qualified costs, related to minor equipment rebuilds and replacements, to the capital budget. This category continues to include resources for computer and software maintenance, vehicle maintenance, and contracted maintenance of WES' wastewater and stormwater infrastructure. This budget category also includes costs for watershed restoration work performed by community partners and funded by WES' Riverhealth Stewardship Program.

Rents & Leases - FY 2024-25's budget for Rents & Leases is approximately \$342 thousand and reflects a slight decrease of \$6 thousand, or 1.6%, from the budget FY 2023-24. This expense category accounts for equipment rental as well as WES' rent of a portion of the County's Development Services Building (DSB) for administrative office space. The decrease reflects a reduction in the square footage assigned to WES within the DSB building.

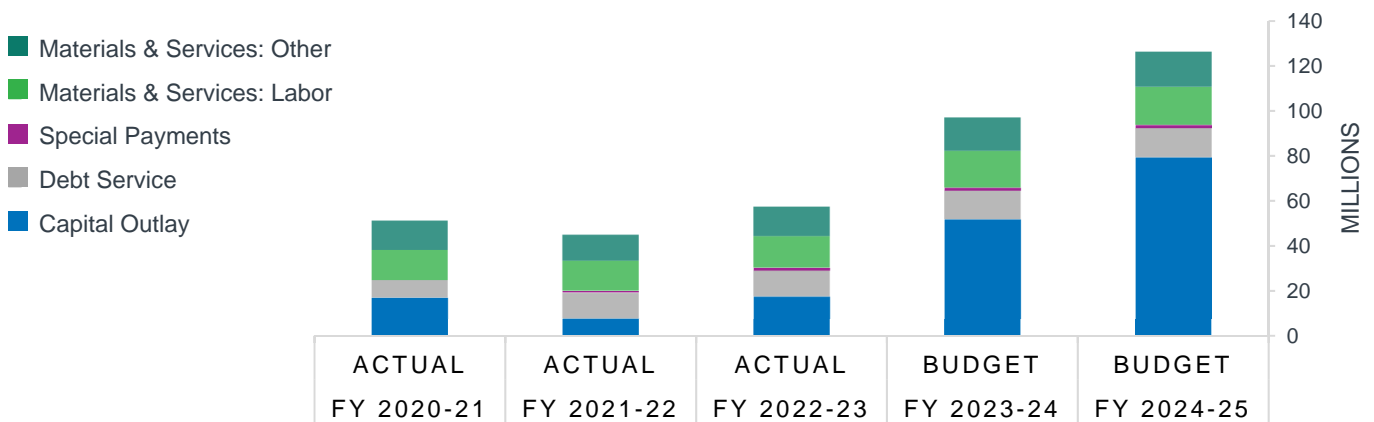


Tour of the green roof at the Tri-City Water Resource Recovery Facility

EXPENSE TRENDS

The chart and table below reflect actual spending by major category for FYs 2020-21 through 2022-23 and the current budget in relation to the budget. Reduced spending in FYs 2020-21 through 2022-23 was driven by lower capital spending. Increases in debt service for FYs 2021-22 through 2023-24 reflect the issuance of new debt during FY 2021-22 and repayment commencing on the Tri-City Solids Handling Improvement project loan in FY 2022-23. FY 2021-22 actuals for Materials & Services: Other was lower due to reduced professional services spending. Actuals for FYs 2020-21 through 2022-23 for labor reflect high vacancy counts.

Expense Trends by Major Category, FY 2020-21 Actual through FY 2024-25 Budget



	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Budget	FY 2024-25 Budget
Capital Outlay	\$ 17,199,090	\$ 7,963,730	\$ 17,699,894	\$ 52,062,327	\$ 79,546,000
Debt Service	7,815,521	11,280,785	11,692,859	12,770,987	13,038,622
Special Payments	-	1,112,774	1,149,866	1,250,300	1,327,900
Materials & Services: Labor	13,369,677	13,265,958	13,951,925	16,314,750	16,857,890
Materials & Services: Other	13,055,011	11,556,177	13,120,789	14,770,957	15,693,201
Total	\$ 51,439,299	\$ 45,179,424	\$ 57,615,333	\$ 97,169,321	\$ 126,463,613

Fund Balance and Contingencies

FUND BALANCE / RESERVES

Fund balance is the difference between accumulated resources and the requirements charged against them over the life of a fund. The fund balance at the end of one fiscal year is carried forward to the following year. WES' fund balance includes unrestricted operating cash reserves, capital construction reserves, debt service reserves, and SDC reserves restricted for capacity-enhancing capital projects.

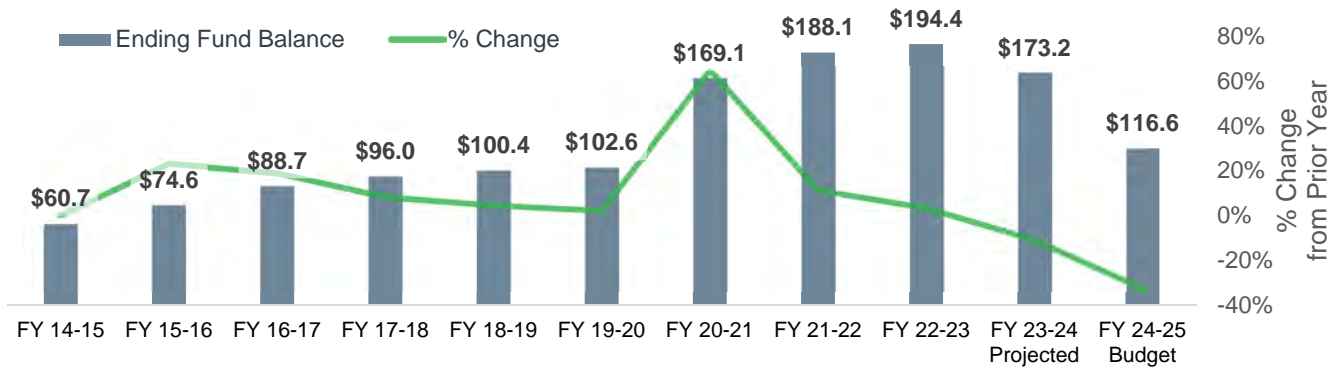
Understanding changes in fund balance is useful in determining if expenditures can be sustained without additional revenue. The table below shows the aggregate fund balance totals for FY 2020-21 through FY 2022-23 actuals, the FY 2023-24 estimate, and the FY 2024-25 budget.

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimate	FY 2024-25 Budget
BEGINNING FUND BALANCES	\$ 102,580,898	\$ 169,051,390	\$ 188,127,779	\$ 194,353,873	\$ 173,184,165
ENDING FUND BALANCES ¹	\$ 169,051,390	\$ 188,127,779	\$ 194,353,873	\$ 173,184,165	\$ 116,609,512
INCREASE / (DECREASE)	\$ 66,470,492	\$ 19,076,389	\$ 6,226,094	\$ (21,169,708)	\$ (56,574,653)

¹Includes budgeted contingency for FY 2024-25 as this amount is not expected to be expended during the year and will be added to reserves at year-end.

The increase in fund balance in FY 2020-21 was driven both by the issuance of new debt to finance WES' capital plan and reduced capital spending caused by pandemic-related delays. The growth in fund balance and strengthening of reserves for FYs 2021-22 and 2022-23 was due to lower than anticipated capital spending. The reduction in fund balance for FYs 2023-24 and 2024-25 results from planned capital spending in alignment with WES' adopted CIP. WES anticipates spending the majority of capital construction reserves over the next 2 to 3 years to deliver projects in the capital plan. Additional detail on the planned use of reserves may be found in the Long-Range Financial Plan section; discussion of fund balance changes for individual funds are contained in the Budget Detail section.

Aggregate Ending Fund Balance (Millions) and Percentage Change by Fiscal Year



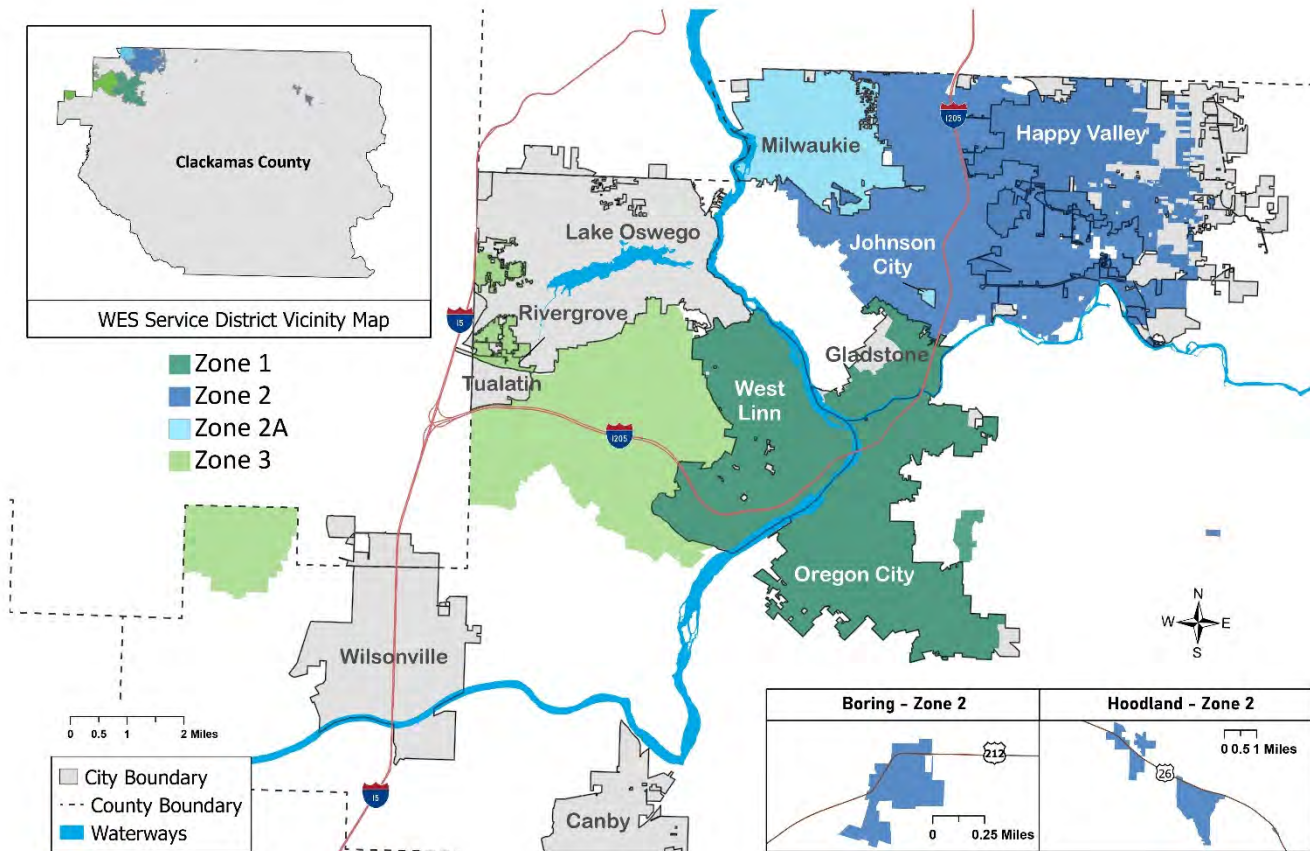
CONTINGENCIES

Contingencies are funds set aside to provide for unforeseen circumstances that may arise during the year such as increases in costs or reductions in revenue. The FY 2024-25 budget reflects total contingencies of \$25.3 million, with \$5.4 million budgeted as contingency within the operating funds and the remaining \$19.9 million budgeted as contingency within the construction and SDC funds. Operating fund contingencies are equal to 60 days of budgeted operating expenses, consistent with WES' financial policy for operating reserves. Construction and SDC fund contingencies are set equal to 25% of each fund's budgeted capital outlay. Amounts budgeted as contingencies may only be accessed through special action by the Board of County Commissioners, as the governing body of WES. Contingencies are typically not expended during the year and added to reserves at year-end to become part of the subsequent year's beginning fund balance.

WES RATE ZONES

The Oregon Revised Statutes (ORS) 190 agreement that formed WES established rate zones for each of WES' service areas. This distinction will be meaningful for a number of years with respect to rate setting, as part of the agreements between the districts upon the formation of WES. Once the Legacy Debt is phased out, as discussed in the next section, there will be no meaningful difference between Rate Zones as a whole with respect to the costs of service received.

Map of WES Service Area and Rate Zones (larger version of map provided on page 33)



Rate Zone 1

Within Rate Zone 1, WES provides wholesale wastewater treatment services to the Cities of Gladstone, Oregon City and West Linn, as well as wastewater treatment and collection services to a small retail population outside of these three cities. These services are predominantly funded by revenues derived from monthly service charges and fees for development, both of which are collected by the three cities and remitted to WES.

Rate Zone 2/2A

Within Rate Zone 2/2A, WES provides retail wastewater treatment and collection services to unincorporated portions of North Clackamas County as well as the City of Happy Valley, the communities of Boring and the Hoodland corridor, and Fischer's Forest Park near Redland. Wholesale wastewater treatment services are provided to the Cities of Johnson City and Milwaukie. Surface water management services are provided to the unincorporated portions of North Clackamas County and the City of Happy Valley. All of these services are predominantly funded by revenues derived from monthly service charges and fees for development.

Rate Zone 3

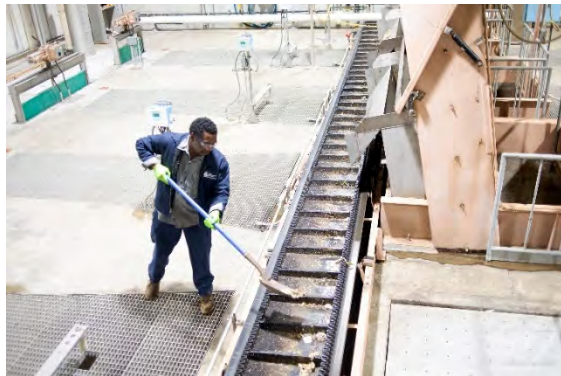
Within Rate Zone 3, WES provides surface water management services to those portions of unincorporated Clackamas County and the City of Rivergrove draining into the Tualatin River. WES continues to provide the same level of service to its customers as in prior years through maintenance of existing roadside ditches and drywells. WES also responds to water quality complaints, and contracts for stream assessment and analysis. These services are funded entirely by revenues from the Rate Zone 3 monthly service charges as there are currently no development fees that apply.

RATES FOR SERVICES

WES establishes rates to meet the respective operating, capital, and debt service requirements for its primary services: wastewater treatment, collection, and surface water management. The rate increases for the FY 2024-25 budget are aligned with WES' long-range financial planning projections and guidance from the WES Advisory Committee.

Wastewater Rates

Wastewater rate increases for FY 2024-25 are approximately 5% to support increased operating costs and to achieve the long-range planning goals to provide sufficient funding for capital investment while harmonizing sewer rates. WES' wastewater rates consist of a treatment rate and a local collection rate, as described below.



Wastewater Treatment Rate:

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.

	FY 2024-25	FY 2023-24	Change	
	Rate	Rate	\$	%
Rate Zones 1 and 2	\$ 29.30	\$ 27.90	\$ 1.40	5.0%



Wastewater Local Collection Rate:

Applies to sewer 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.

	FY 2024-25	FY 2023-24	Change	
	Rate	Rate	\$	%
Rate Zone 2	\$ 15.65	\$ 14.90	\$ 0.75	5.0%

Surface Water Rates

Surface water rate increases for FY 2024-25 are approximately 5%. These adjustments support increased costs to meet ongoing operational requirements in both rate zones, and for Rate Zone 2, capital investment for projects in WES' surface water CIP.



Surface Water Management Rates:

Applies to ratepayers in WES' two surface water service areas. The increase in Rate Zone 2 supports both operating cost increases, and delivery of capital projects. The increase in Rate Zone 3 is needed to provide for ongoing operating costs.

	FY 2024-25	FY 2023-24	Change	
	Rate	Rate	\$	%
Rate Zone 2	\$ 9.10	\$ 8.65	\$ 0.45	5.2%
Rate Zone 3	\$ 5.45	\$ 5.20	\$ 0.25	4.8%

Additional Rate Adjustments:

Right-of-Way (ROW) Surcharges

In addition to rates for primary services, the rates for Gladstone, Happy Valley, and Oregon City contain surcharges to provide for the Cities' right-of-way (ROW) fees. These additional charges represent pass-through revenue that is collected on behalf of, and remitted to, the Cities as required by their right-of-way ordinances. ROW fees are charged as a percentage of gross revenue collected in the cities: the ROW fee for the Cities of Gladstone and Happy Valley is 5%; the City of Oregon City's ROW fee is 6%. ROW fee surcharges included in the monthly service charge table on the following page are estimated based on WES' rates and each City's respective ROW fee percentage.

Wastewater Legacy Debt Component

As part of the past integration of Clackamas County Service District No. 1's ("CCSD No. 1's") budget, assets and operations into the WES entity, debt issued by CCSD No. 1 to construct certain treatment assets (the "Legacy Debt") was transferred to WES. Per the requirements of WES' founding agreement and related board orders, a Legacy Debt component of the wastewater rate is collected only from Rate Zone 2 ratepayers. By utilizing a strategy to repay debt to the extent allowable with system development charges, staff anticipate this rate component will be phased out over the next seven years. In alignment with this approach, the FY 2024-25 rate for the Legacy Debt component reflects a decrease of \$1.40 per month.

For customers in Rate Zone 2 who receive wastewater treatment service-only, this decrease fully offsets the wastewater treatment service rate adjustment, resulting in no change to the monthly bill. For customers in Rate Zone 2 who receive both wastewater treatment and collection services, the decrease in the legacy debt component offsets a portion of the combined rate adjustments.

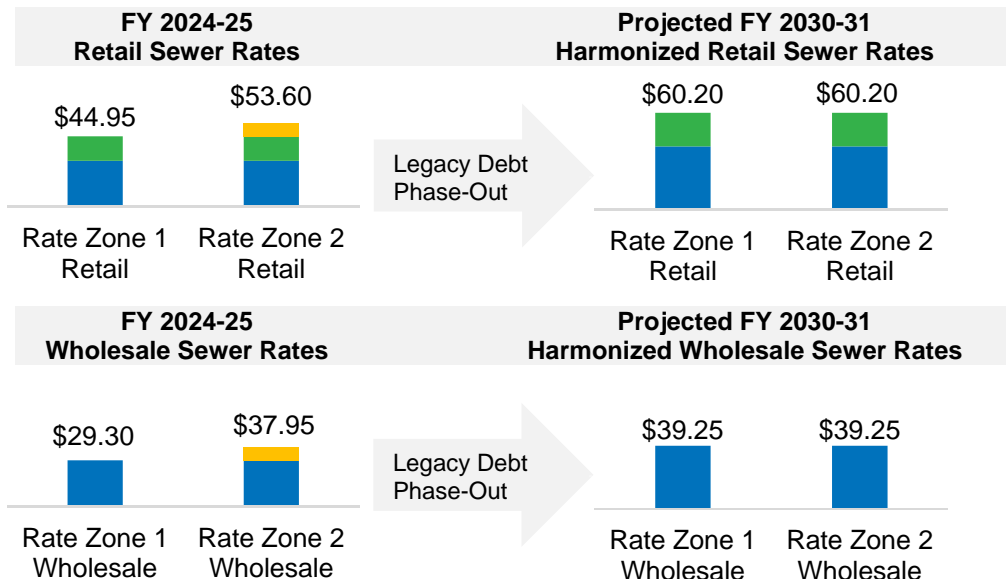
	FY 2024-25 Rate	FY 2023-24 Rate	\$ Change	% Change
Rate Zone 2	\$ 8.65	\$ 10.05	\$ (1.40)	-13.9%

Sewer Rate Harmonization

The inclusion of the legacy debt component creates a disparity between Rate Zone 1's and Rate Zone 2's charges for the same wastewater services. The phrase "rate harmonization" describes a long-term strategy that will result in all sewer customers paying the same for services received, regardless of the rate zone in which they reside. In WES' long-range financial planning, sewer rate harmonization is projected to be achieved through gradual, annual reductions in the legacy debt component until the component is entirely phased out in FY 2030-31. The charts below illustrate the difference in WES' current retail and wholesale sewer rates and the harmonized rates projected for FY 2030-31. As the strategy for phasing out the legacy debt component relies on the use of system development charge revenue from Rate Zone 2 for a portion of the necessary debt payments, the timing of the phase out may be impacted if Rate Zone 2 SDCs are not received as projected.

Rate Components

- Legacy Debt
- Local Collection
- Wastewater Treatment



Note: Retail sewer services include wastewater treatment and collection services. Wholesale sewer services include wastewater treatment only.

Monthly Service Charges

The table below summarizes the FY 2024-25 monthly service charges by service category and rate component to provide a view of the total monthly bill and increase from the current monthly bill for each service area within WES.

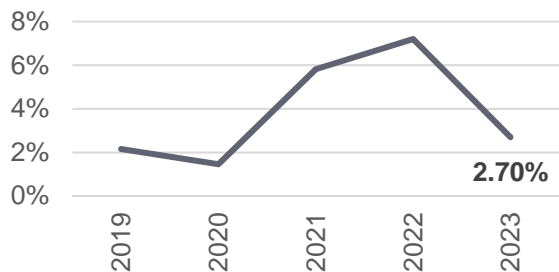
		Rate Zone 1				Rate Zone 2 (and 2A)				Rate Zone 3	
		Wholesale		Retail		Wholesale		Retail		Retail	
Rate Components		Gladstone	Oregon City	West Linn	Unincorp RZ1	Johnson City	Milwaukie	Unincorp RZ2	Happy Valley	Rate Zone 3	
Sewer	Treatment	\$ 29.30	\$ 29.30	\$ 29.30	\$ 29.30	\$ 29.30	\$ 29.30	\$ 29.30	\$ 29.30	\$ -	
	Local Collection				15.65			15.65	15.65		
	Legacy Debt					8.65	8.65	8.65	8.65		
	Subtotal - Sewer	29.30	29.30	29.30	44.95	37.95	37.95	53.60	53.60	-	
Surface Water	Surface Water							9.10	9.10	5.45	
	On-Site Maintenance							3.00	3.00		
	Subtotal – Surface Water	-	-	-	-	-	-	12.10	12.10	5.45	
City Right-of-Way Fees		1.45	1.85	-	-	-	-	-	3.29	-	
Total Monthly Bill	FY 2024-25		\$ 30.75	\$ 31.15	\$ 29.30	\$ 44.95	\$ 37.95	\$ 37.95	\$ 65.70	\$ 68.99	\$ 5.45
	Δ from FY 2023-24	\$	\$ 1.45	\$ 1.50	\$ 1.40	\$ 2.15	-	-	\$ 1.20	\$ 1.26	\$ 0.25
		%	4.9%	5.1%	5.0%	5.0%	0.0%	0.0%	1.9%	1.9%	4.8%
	FY 2023-24		\$ 29.30	\$ 29.65	\$ 27.90	\$ 42.80	\$ 37.95	\$ 37.95	\$ 64.50	\$ 67.73	\$ 5.20
	% Δ from FY 2022-23		5.0%	4.8%	5.1%	5.0%	0.0%	0.0%	1.9%	1.9%	5.1%
FY 2022-23		\$ 27.90	\$ 28.30	\$ 26.55	\$ 40.75	\$ 37.95	\$ 37.95	\$ 63.30	\$ 66.47	\$ 4.95	

SYSTEM DEVELOPMENT CHARGES

WES uses construction price indices to plan capital expenses and as the basis for adjustments to System Development Charge rates. The chart to the right illustrates the change in construction costs for the last five calendar years as measured by the Engineering News Record (ENR) Construction Cost Index (CCI).

Inflationary adjustments of 2.7% are proposed for FY 2024-25 for Sewer and Surface Water System Development Charges based on the 2023 CCI. The table below presents the SDC rates for FY 2024-25 alongside the rates and annual percentage increases for the prior four fiscal years.

Average Construction Cost Index



Service Category	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25	
	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase
Sewer	\$ 8,005	2.0%	\$ 8,120	1.4%	\$ 8,600	5.9%	\$ 8,860	3.0%	\$ 9,100	2.7%
Surface Water	\$ 215	1.9%	\$ 220	2.3%	\$ 233	5.9%	\$ 240	3.0%	\$ 246.50	2.7%



REVENUE SOURCES AND TRENDS

WES' budgeted revenues for FY 2024-25 are \$67.1 million, an increase of 8.3% or \$5.2 million from the FY 2023-24 budget due to increased sewer and surface water charge revenue as well as increased interest earnings. Total budgeted revenues comprise sewer revenues of \$59.3 million and surface water revenues of \$7.8 million. WES receives approximately 90% of its revenues from three primary sources: sewer charges, surface water charges, and system development charges. Revenues for the FY 2024-25 budget reflect the aforementioned adjustments to the monthly user rates, estimates based upon historic trend analysis, recent development activity, and a population forecast completed in 2022, which projects approximately 1.0% average annual aggregate growth in the service area.

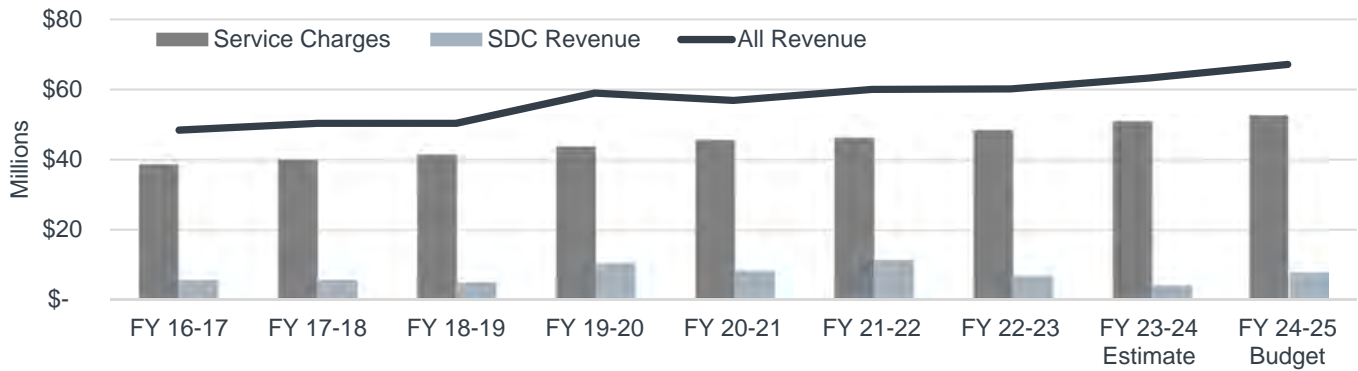
The following table shows WES' total combined revenues for FY 2020-21 through FY 2022-23 actuals, the current FY 2023-24 estimate, and the FY 2024-25 budget.

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Estimate	FY 2024-25 Budget
Sewer Charges	\$ 40,003,404	\$ 40,426,033	\$ 42,256,191	\$ 44,212,300	\$ 45,603,300
Surface Water Charges	5,502,982	5,676,998	6,033,587	6,525,500	6,906,100
System Development Charges	8,333,675	11,394,423	6,894,764	4,199,750	7,794,200
Interest Income	1,201,462	581,516	3,053,733	6,512,000	5,195,600
All Other Revenues	1,850,693	1,967,160	1,912,315	1,801,120	1,642,420
Total	\$ 56,892,216	\$ 60,046,130	\$ 60,150,590	\$ 63,250,670	\$ 67,141,620

In FY 2024-25, this table was revised to remove grant and project contributions from the All Other Revenues category.

The chart on the following page illustrates revenue growth trends for service charges and SDC revenue. As shown on the chart, monthly service charge revenue tends to predictably increase each year. Significant year-over-year fluctuations in total revenue are typically the result of differences in SDC revenue, which are less predictable as they are driven by shifting growth and development factors.

Revenue History and Forecast - Service Charges, SDCs, and Total Revenue



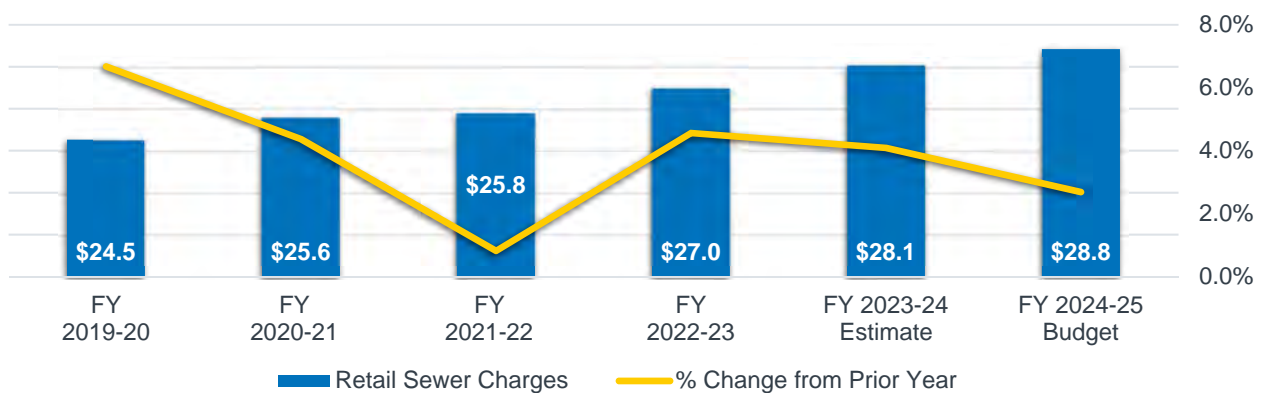
SEWER CHARGES – 67.9% of Budgeted Revenues

FY 2024-25's budget includes sewer charge revenue of \$45.6 million, consisting of \$28.8 million in retail monthly service charges and \$16.8 million in wholesale monthly service charges.

RETAIL SEWER CHARGES

WES provides retail sewer service, consisting of wastewater treatment and collection, to the Rate Zone 2 service area and to a small number of customers in the Rate Zone 1 service area. For FY 2024-25, charges for these services represent 63.2% or \$28.8 million of projected total monthly sewer charges, an increase of \$1.4 million or 5.1% from WES' FY 2023-24 budget and an increase of \$0.8 million or 2.7% from FY 2023-24's estimated revenue. As shown in the chart below, over the past 5 years, retail service charge revenue has increased in proportion to user charge increases and customer growth. FY 2021-22's increase was lower in comparison to other years due to lower adopted rate increases and a \$700 thousand reduction in revenue from commercial accounts due to pandemic-related business closures. Commercial account activity returned to normal in FY 2022-23. The FY 2024-25 budget includes 5% increases to the monthly rates for wastewater treatment and collection services and an offsetting 13.9% reduction in the legacy debt service component of Rate Zone 2's monthly rate.

Retail Sewer Charge Revenue, Millions



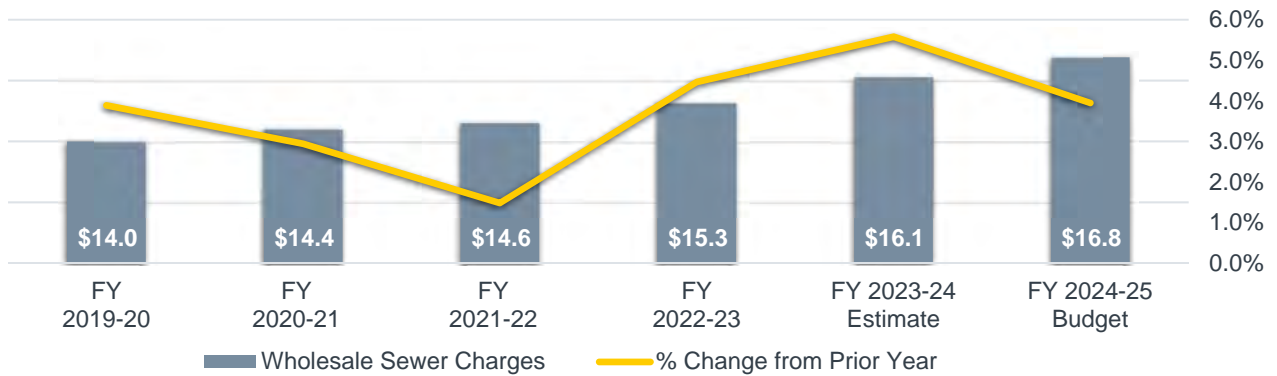
Retail growth in the district for FY 2024-25 is projected at 547 EDUs. This growth estimate is based on the medium growth forecast from a population study completed by FCS Group in December 2022, which analyzed historic trends and local growth forecasts adopted by cities within WES' service area.

WHOLESALE SEWER CHARGES

WES provides wholesale sewer service, consisting of wastewater treatment only, to the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1 and to the Cities of Johnson City and Milwaukie in Rate Zone 2. Each of the cities provide their own local wastewater collection services.

Total wholesale sewer revenues are budgeted at approximately \$16.8 million for FY 2024-25, an increase of \$0.7 million from the FY 2023-24 budget and \$0.6 million from the FY 2023-24 estimate.

Wholesale Sewer Charge Revenue, Millions



Approximately \$11.2 million is expected from wholesale service charges from Rate Zone 1 in FY 2024-25, \$0.6 million more than the amount budgeted in FY 2023-24. This increase is the result of moderate growth in the number of customers in the member cities and a 5.0% adjustment to the monthly wastewater treatment service fee.

The monthly wholesale sewer service rate in Rate Zone 2, consisting of the WES regional wastewater treatment rate and a legacy debt component, is proposed to remain at \$37.95 for FY 2024-25 as the \$1.40 increase in the wastewater treatment rate component is entirely offset by a decrease in the legacy debt component. The FY 2024-25 budget reflects service charge revenues of approximately \$127 thousand from the City of Johnson City and \$5.4 million from the City of Milwaukie.

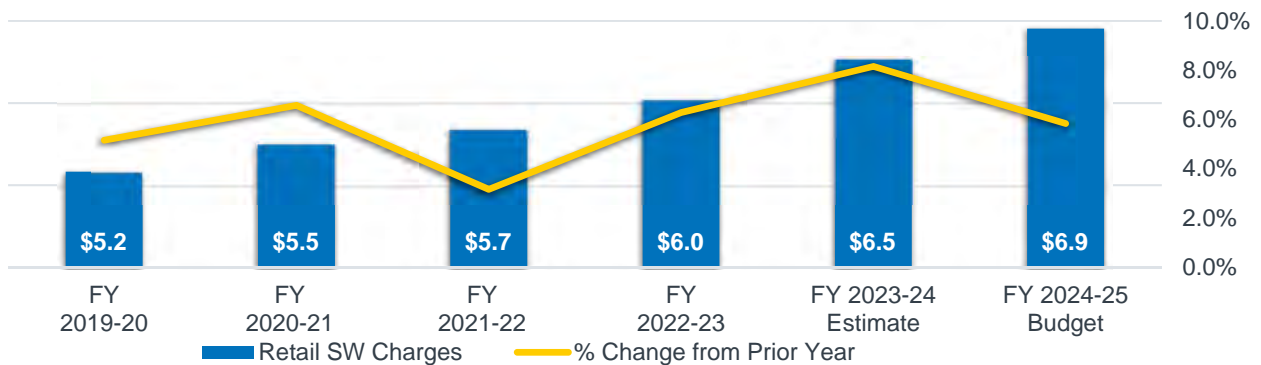
For FY 2024-25, growth in the member cities of the Rate Zone 1 and Rate Zone 2 service areas is projected to be 245 and 43 EDUs, respectively. These estimates are based on the medium growth forecast from a population study completed in December 2022.

SURFACE WATER CHARGES – 10.3% of Budgeted Revenues

WES provides surface water services to the North Clackamas Service Area of Rate Zone 2 and to the Rate Zone 3 service area. Surface water charges are expected to produce revenues of \$6.9 million in FY 2024-25, an increase of approximately \$0.4 million over the FY 2023-24 budget and FY 2023-24’s estimated revenue.

The chart below illustrates the revenue trend for surface water monthly service charges for FY’s 2019-20 to 2022-23 actuals, and the estimated revenues for FY 2023-24 relative to the budget.

Surface Water Monthly Service Charge Revenue, Millions

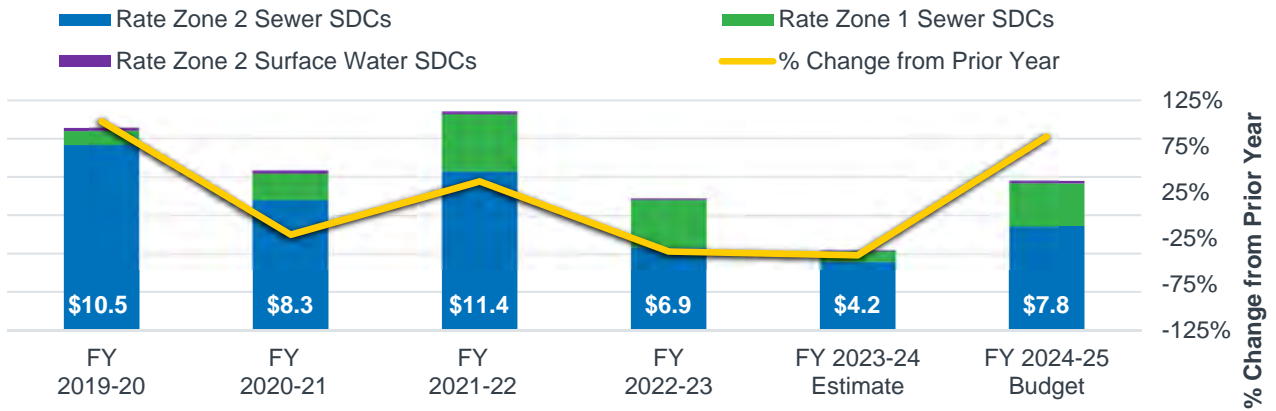


SYSTEM DEVELOPMENT CHARGES – 11.6% of Budgeted Revenues

System Development Charges (SDCs) are one-time charges assessed when customers connect to the system. SDC revenues for new sewer connections are expected to generate around \$7.7 million for FY 2024-25 and SDC revenues for new surface water connections are expected to generate \$135 thousand. As SDCs result from growth within the service areas, projected SDC revenue is closely tied to population growth projections. The budget includes 835 new connections for FY 2024-25 based on service area population forecasts. The Rate Zone 2 service area is expected to add 590 connections in FY 2024-25 with the majority of growth occurring in the City of Happy Valley. Within Rate Zone 1, a total of 245 connections are anticipated, with the majority of growth expected to occur in Oregon City which is projected to add 200 connections this upcoming year.

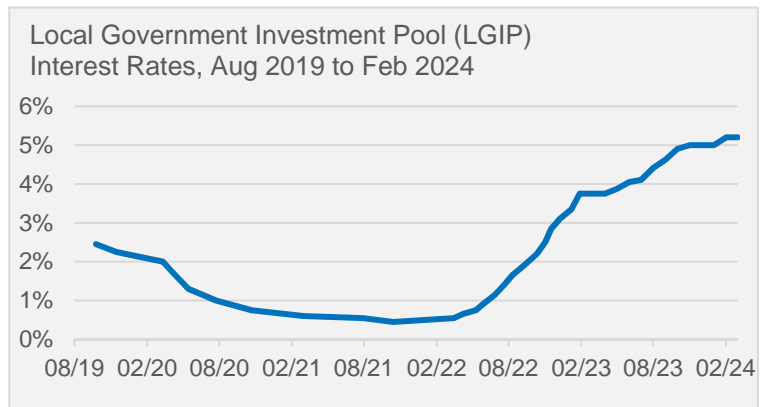
FY 2024-25's budgeted SDC revenue is based on a wholesale Sewer SDC fee of \$9,100, which will apply to all sewer customer classes in Rate Zones 1 and 2. This fee represents an inflationary adjustment of 2.7% from FY 2023-24's SDC fee of \$8,860. The proposed retail surface water connection fee for FY 2024-25 is \$246.50, which is an increase of 2.7% above the current \$240 retail SDC fee. Surface Water SDCs apply to Rate Zone 2 only.

System Development Charge Revenue by Rate Zone and Service Type, Millions



INTEREST INCOME – 7.7% of Budgeted Revenues

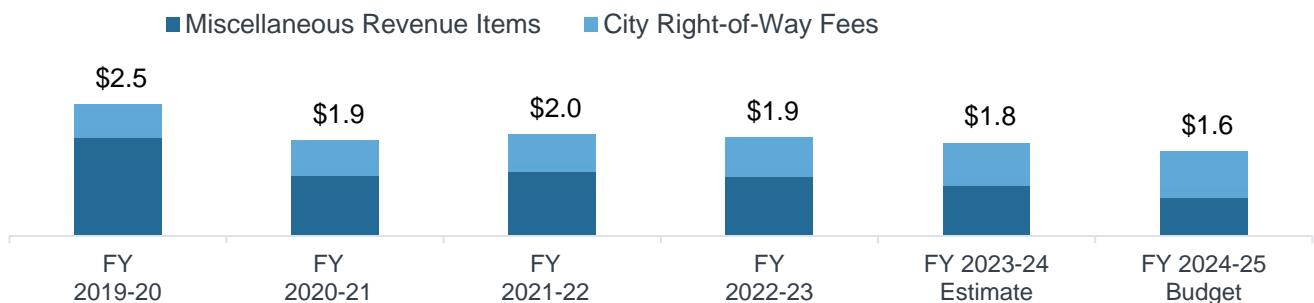
The FY 2024-25 budget for interest income totals \$5.9 million. WES' interest yield declined from FY 2019-20 to mid-FY 2021-22, as a result of reduced market interest rates as illustrated in the chart to the right. Due to action by the Federal Reserve to raise rates over the last two years, FY 2023-24's estimated interest income is significantly higher than that of prior years. Although interest earnings are expected to decrease from the current year's estimate due to the impact of declining fund balances to fund planned capital spending, FY 2024-25's budgeted interest income reflects an increase of \$2.3 million from the FY 2023-24 budget.



ALL OTHER REVENUES – 2.5% of Budgeted Revenues

Other revenue sources for FY 2024-25 total \$1.6 million and include \$0.9 million of city right-of-way (ROW) fees, and approximately \$0.7 million in a variety of other small miscellaneous revenue categories, including permit fees and penalties for past-due accounts. The \$0.9 million in city right-of-way fees represents pass-through revenue that is collected by WES and then remitted to the respective cities. These collected fees are offset in their entirety by a portion of the Special Payments expense item in the Sewer Operating Fund budget.

Other Revenue Sources, Millions



About the Department



Kellogg Creek Water Resource Recovery Facility

ORGANIZATIONAL INFORMATION

WATER ENVIRONMENT SERVICES

Water Environment Services (WES) was created in 2016 under Oregon Revised Statute 190 as a governmental partnership between Clackamas County Service District No. 1 (CCSD No.1) and Tri-City Service District (TCSD) in order to provide long-term certainty and stability for customers in both districts. The Surface Water Management Agency of Clackamas County (SWMACC) joined the partnership in June 2017.

The enabling legislation establishes the partnership as an independent municipal corporation authorized to provide specific services within specified boundaries in the county. The legislation also designates the Board of County Commissioners as the governing body.

On July 1, 2017, Water Environment Services began providing wastewater treatment services at the Tri-City Water Resource Recovery Facility, located in Oregon City, Oregon, to the Cities of Gladstone, Oregon City and West Linn, and to a small number of retail customers. These services were provided by TCSD in prior years.

On July 1, 2017, Water Environment Services began providing surface water management services to the City of Rivergrove and portions of unincorporated Clackamas County draining into the Tualatin River. These services were formerly provided by SWMACC.

On July 1, 2018, Water Environment Services began providing wastewater collection and treatment services to the unincorporated areas of Clackamas County, the City of Happy Valley, the western edges of Damascus, and communities of Hoodland, Boring, and Fischer's Forest Park. In addition, Water Environment Services began providing wastewater treatment services to the Cities of Johnson City and Milwaukie under wholesale agreements. These services were formerly provided by CCSD No. 1.

On July 1, 2018, Water Environment Services began providing surface water management services within the City of Happy Valley and unincorporated Clackamas County. These services were provided by CCSD No. 1 in prior years.

Water Environment Services is managed by the County Department of the same name in a coordinated effort within the overall county organization. The Director of Water Environment Services is a member of the County Administrator's staff. Actions of the Board of County Commissioners, essential for WES' operation, pass through the Administrator for scheduling. The partnership also receive services from other county departments such as Finance, Human Resources, and Technology Services.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1

Clackamas County Service District No. 1 (CCSD No. 1) was formed in 1967 to construct and operate a sanitary sewer system within Clackamas County. On July 1, 2018, CCSD No. 1's operations were transferred to the Water Environment Services partnership. CCSD No. 1 continues to exist as the Rate Zone 2/2A service area within WES.

TRI-CITY SERVICE DISTRICT

The Tri-City Service District (TCSD) was formed in 1980 to carry out a sewage improvement program for the Willamette and Clackamas Rivers. On July 1, 2017, TCSD's operations were transferred to the Water Environment Services partnership. TCSD continues to exist as the Rate Zone 1 service area within WES.

SURFACE WATER MANAGEMENT AGENCY OF CLACKAMAS COUNTY

The Surface Water Management Agency of Clackamas County (SWMACC) was created in 1992 to address the Oregon Department of Environmental Quality (DEQ) regulations applied to the Tualatin River as a result of the topography of the basin and density of development. On July 1, 2017, SWMACC's operations were transferred to the Water Environment Services partnership. SWMACC continues to exist as the Rate Zone 3 service area within WES.

RATE ZONE 1

Rate Zone 1 includes the Cities of Gladstone, Oregon City, and West Linn, and a small number of retail customers.

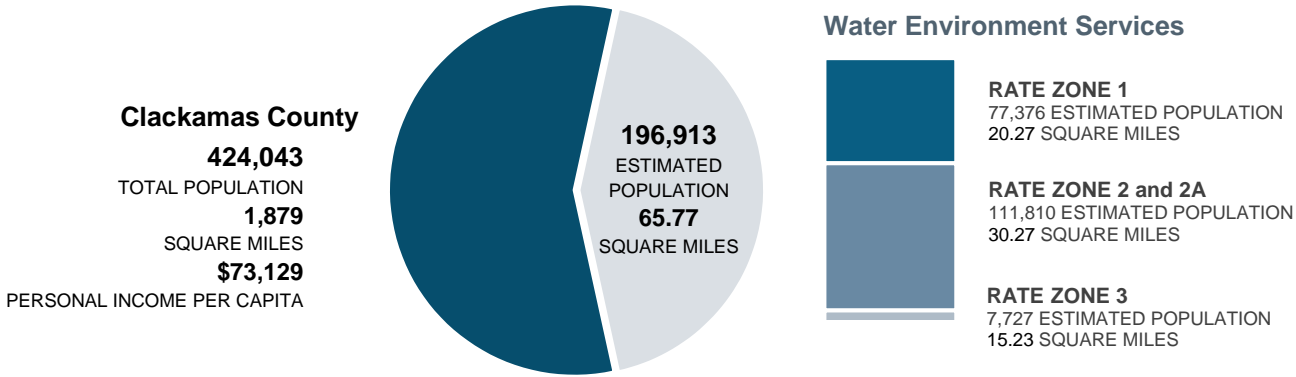
RATE ZONE 2/2A

Rate Zone 2 includes four separate, noncontiguous sewer service areas encompassing the unincorporated areas of Clackamas County, the City of Happy Valley, the western edges of Damascus, and communities of Hoodland, Boring, and Fischer's Forest Park as well as a surface water management service area within the City of Happy Valley and in unincorporated Clackamas County. Rate Zone 2A includes the Cities of Johnson City and Milwaukie as wholesale customers.

RATE ZONE 3

Rate Zone 3 includes the City of Rivergrove and portions of unincorporated Clackamas County draining into the Tualatin River.

Population and Service Area



Operating Statistics

5 Water Resource Recovery Facilities

23 Pump Stations

19,168



22.954 MILLION GALLONS PER DAY
 TOTAL DRY-WEATHER TREATMENT CAPACITY



360.37
 MILES OF SANITARY SEWER PIPE

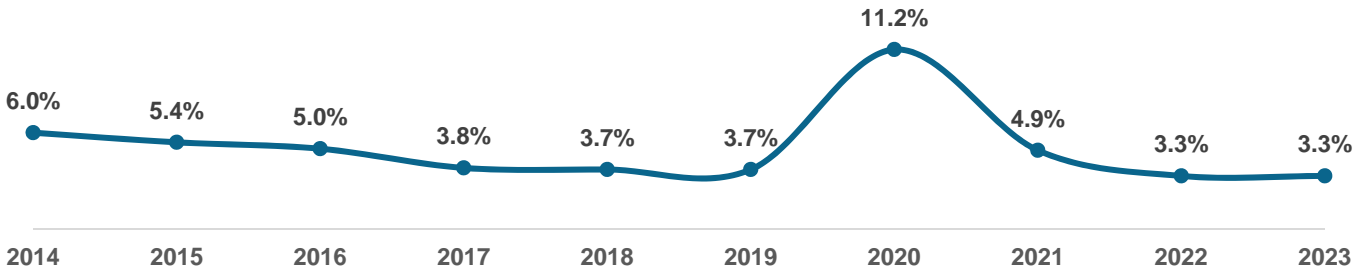


19,168
 SURFACE WATER CATCH BASINS/
 MANHOLES

Major Industries by Number of Employees, Total Employees 206,003

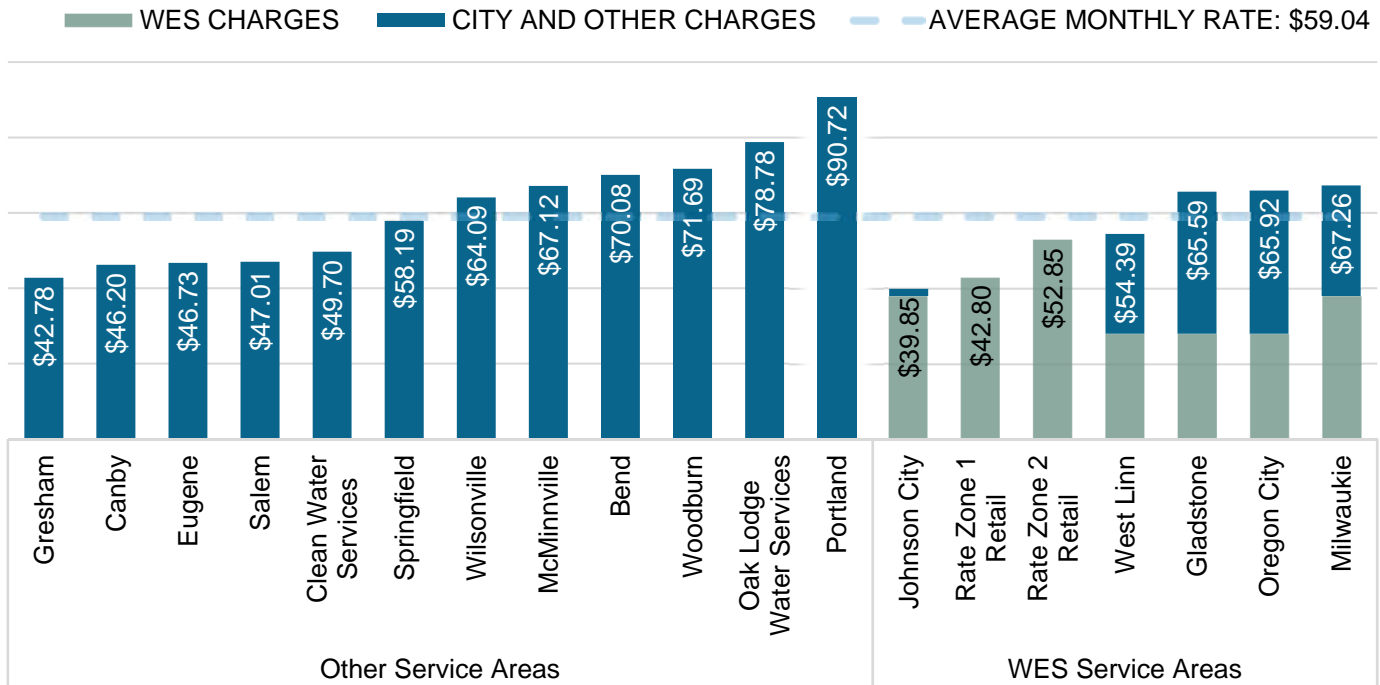


Clackamas County Unemployment Rates by Calendar Year



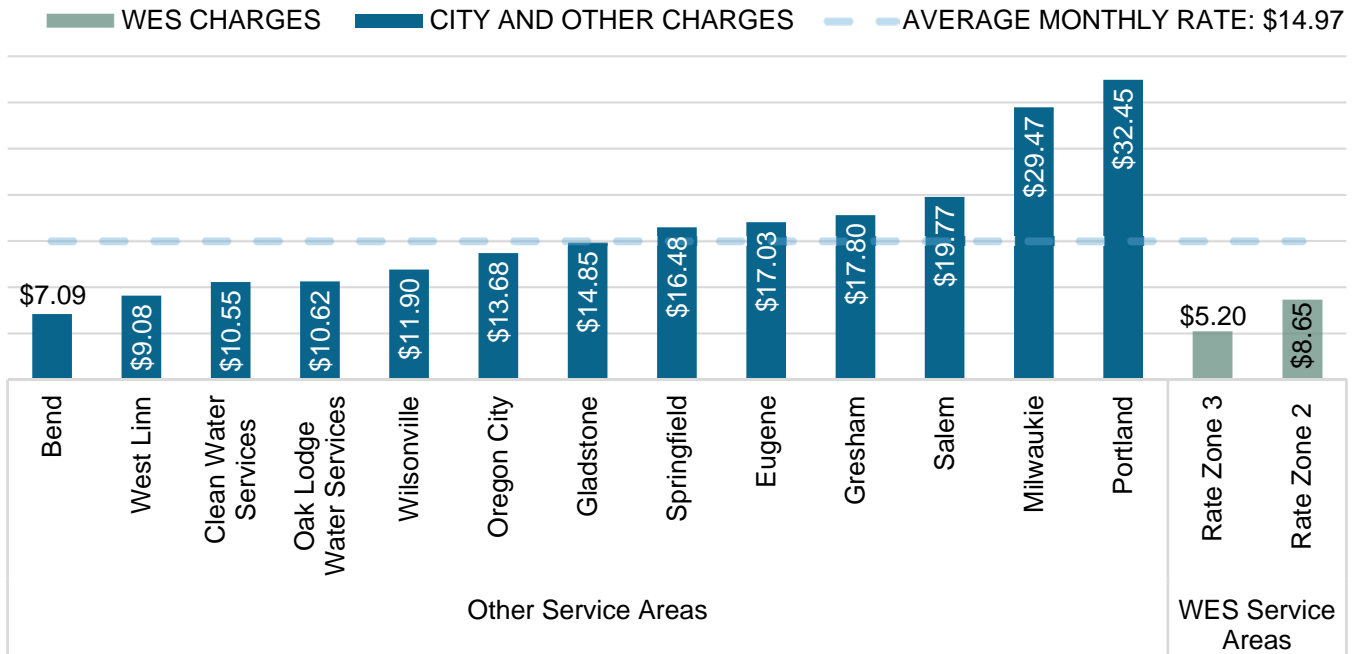
SOURCES: WES Records, Census Bureau, Bureau of Labor and Statistics, State of Oregon Employment Department, and Center for Population and Research

Monthly Sewer Rate Survey, FY 2023-24



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.

Monthly Surface Water Rate Survey, FY 2023-24



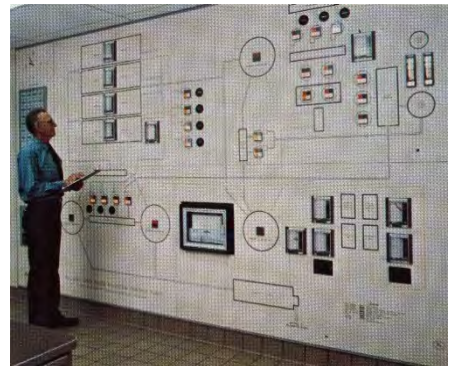
City and other charges includes ROW fees, where applicable.

DEPARTMENT MILESTONES

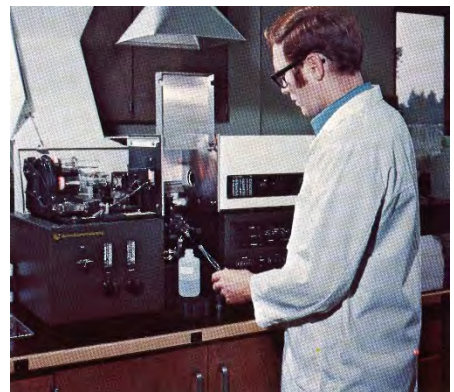
- 1967 • Clackamas County Service District No. 1 (CCSD No. 1) organized to construct and operate a sanitary sewer system.
- 1971 • CCSD No. 1's Fischer's Forest Park Water Resource Recovery Facility begins service to 26 single family residences.
- 1974 • CCSD No. 1's Kellogg Creek Water Resource Recovery Facility completed; service begins to North Clackamas Service Area. Design capacity 10.0 million gallons per day (dry weather flow).
- 1980 • Cities of Gladstone, Oregon City, and West Linn, in conjunction with Clackamas County form Tri-City Service District (TCSD) to provide wastewater transmission and treatment services.
- 1982 • CCSD No. 1's Hoodland Water Recovery Facility begins service to Hoodland, Welches, and the Wemme Recreational Corridor. Design capacity 0.9 million gallons per day.
- 1984 • Clackamas County Water Environment Services Department created to administer County service districts CCSD No. 1 and TCSD formed within Clackamas County, Oregon under the provisions of ORS Chapter 451.
- 1986 • CCSD No. 1's Boring Water Resource Recovery Facility completed, providing service to 60 commercial and residential connections. Design Capacity 0.020 million gallons per day.
- 1987 • TCSD's Tri-City Water Resource Recovery Facility (WRRF) completed; service begins to the Cities of Gladstone, Oregon City, and West Linn. Design capacity 8.4 million gallons per day (dry weather flow).
- 1992 • Surface Water Management Agency of Clackamas County (SWMACC) formed to improve the water quality of the Tualatin River.
- 1993 • CCSD No. 1 initiates service to North Clackamas Surface Water Service Area.
- 1996 • CCSD No. 1 and TCSD construct the shared Tri-City Water Quality Lab Facility.
- 1999 • Tri-City WRRF begins providing growth-related capacity for CCSD No. 1.
- 2010 • Tri-City WRRF expansion; increases facility's capacity to 11.9 million gallons per day to support area growth.
- 2012 • CCSD No. 1 and TCSD jointly purchase former Blue Heron property in West Linn, Oregon.
- 2015 • WES embarks on a strategic planning effort focused on providing positive results for its customers and stakeholders.



1974 - Construction of the Kellogg Creek WRRF



1974 – Original monitoring panel at Kellogg Creek WRRF



1975 – Water Quality Lab at Kellogg Creek WRRF



1985 – Construction of the Tri-City WRRF

- 2016
 - WES implements the first Performance Clackamas Plan.
 - CCSD No. 1 and TCSD form ORS 190 partnership Water Environment Services.
- 2017
 - SWMACC joins Water Environment Services partnership.
 - Water Environment Services begins providing service to the Rate Zone 1 and 3 service areas.
- 2018
 - Water Environment Services begins providing service to the Rate Zone 2 service area.
 - Carli Creek Treatment Wetland completed to treat surface water runoff from Clackamas Industrial Area.
- 2019
 - Tri-City WRRF chlorine gas tanks replaced with sodium hypochlorite disinfection system.
 - Clackamas Water Environment Services' new brand and logo announced.
- 2020
 - Startup of new digester at Tri-City WRRF.
 - Completion of 11 rehab and upgrade projects at Kellogg Creek WRRF.
 - New online customer account management system launched.
- 2021
 - Completion of biogas cogeneration engine at Tri-City WRRF to reduce plant energy use.
 - WES initiates a robust community engagement and discovery process called the Clean Water Exchange.
 - WES Exchange process begins to support update of Strategic Plan.
- 2022
 - Regional Inflow and Infiltration (I&I) Reduction Intergovernmental Agreement approved to reduce I&I in WES' service area.
 - Storm System Master Plan completed.
- 2023
 - Preliminary work begins on Clackamas Area Interceptor Improvement Project.
 - Phase 1 of Fischer's Forest Park Rehabilitation project completed
 - Strategic Energy Management Program participation begins at Kellogg Creek WRRF.
 - Vision and Mission Statements refreshed; finalization of FY 2023-24 – FY 2025-26 Strategic Plan
- 2024
 - Groundbreaking for Tri-City Outfall project
 - Kellogg Creek WRRF celebrates 50th year of operation



2022 – Touring the new digester at the Tri-City WRRF



2023 – Biogas cogeneration engine at Tri-City WRRF



2023 – Carli Creek Treatment Wetland



2023 – Aerial view of 3-Creeks








2024 – Tri-City Outfall groundbreaking

DEPARTMENT ORGANIZATION

The Department is proposed to contain 118 full time equivalent (FTE) positions for FY 2024-25, the same as the FY 2023-24 budget.

From an operational and strategic management perspective, Clackamas Water Environment Services is organized into four lines of business and eleven programs under the Performance Clackamas structure. Each program has a distinct operating budget containing the costs associated with carrying out that program's functions. FTEs are allocated to programs based upon budgeted needs and the program's objectives for the coming fiscal year.

From a human resources perspective, the Department is organized into five main divisional workgroups, three of which parallel their corresponding Performance Clackamas Lines of Business (Capital Planning and Management, Operations, and Environmental Services) and two divisional workgroups that fall under the Business Services Line of Business (Director and Business Services).

<p>DIRECTOR 2 FTE</p> 	<p>Staff in this workgroup provides services including: department oversight, district governance, public information and outreach, risk management, strategic planning, regulatory compliance, and policy administration.</p>
<p>BUSINESS SERVICES 28 FTE</p> 	<p>Staff in this workgroup provide services including: financial analysis and reporting, accounting, budgeting, rate projections, utility billing, customer service and administration, human resources, records and contract administration, administrative support, and development review and permitting.</p>
<p>CAPITAL PLANNING AND MANAGEMENT 9 FTE</p> 	<p>Staff in this workgroup provide services including: capital projects and fleet management, capital improvement program administration, and technical services.</p>
<p>ENVIRONMENTAL SERVICES 20 FTE</p> 	<p>Staff in this workgroup provide services including: biosolids management, riparian restoration and erosion control, laboratory operations, program field monitoring, source control, and water quality monitoring.</p>
<p>OPERATIONS 59 FTE</p> 	<p>Staff in this workgroup provide services including: sanitary sewer treatment, collection system maintenance, treatment plant maintenance, mechanical and electrical equipment maintenance, storm system maintenance, asset management, and information technology.</p>
<p>CLACKAMAS COUNTY EMBEDDED PERSONNEL</p>	<p>WES contracts with other County departments for personnel to provide legal and public communications services. As these specialized positions are employees of the departments that WES contracts with, they are funded in the Other County Services line item in the budget and not included in WES' labor budget. These positions are listed on the organizational chart on the following page as embedded staff and identified with a dashed box. Embedded staff generally operate within the Director workgroup under the direction of Department Management.</p>
<p>WES ADVISORY COMMITTEE</p>	<p>WES' Advisory Committee is a 21-person committee consisting of customers, stakeholders and city representatives. The Committee's purpose is to provide input and make recommendations on wastewater and surface water issues to WES and the BCC.</p>

The organizational chart on the following page illustrates the allocation of staff among the divisional workgroups for the 2024-25 fiscal year.

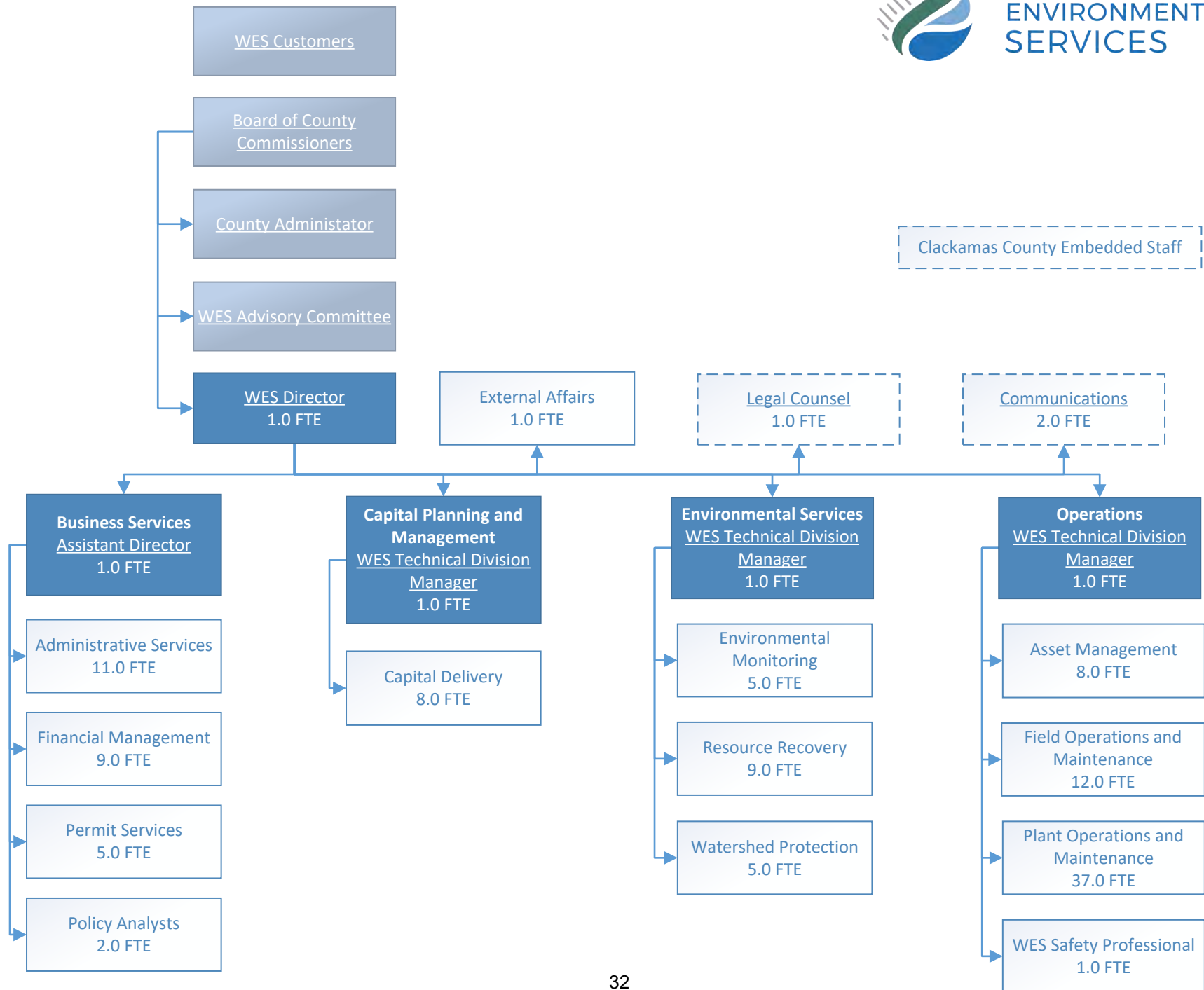
The Performance Clackamas section of this document contains details on the Department's 11 programs, which establish the structure for the operating budget.

Functional Organization Chart, FY 2024-25

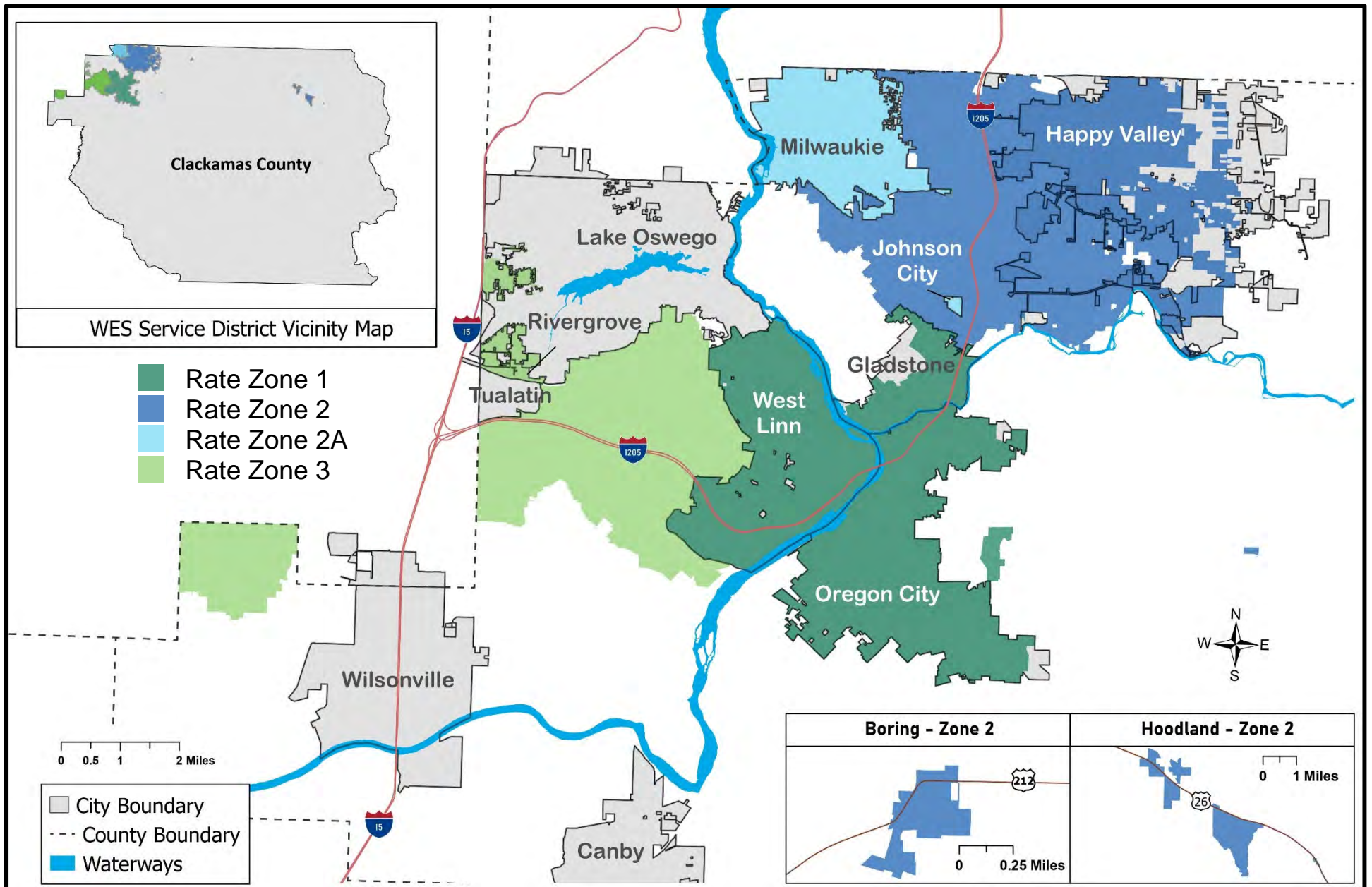


CLACKAMAS

WATER ENVIRONMENT SERVICES



WES Service Area Map



Guide to the Budget

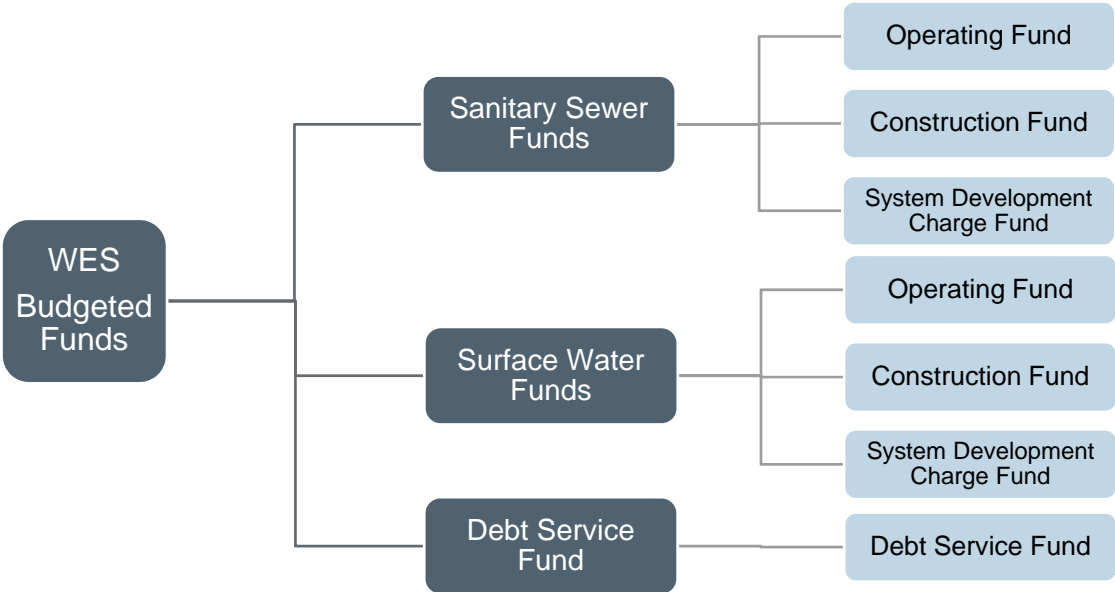


Checking the blowers at the Tri-City Water Resource Recovery Facility

FINANCIAL STRUCTURE

Per Oregon Budget Law requirements, WES’ budget is prepared and adopted by individual funds. A fund is a fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives. Oregon Administrative Rules require that each fund’s budget is balanced, which means that the resources must equal the requirements each fiscal year. The fund accounting structure below outlines the organization of the various funds within WES.

BUDGET FUND STRUCTURE CHART



SOURCES AND USES OF FUNDS

An overview of WES’ primary sources and uses of funds by fund type is outlined in the table below.

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

BASIS OF ACCOUNTING AND FINANCIAL REPORTING

The audited financial statements are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP), as applicable to governmental proprietary fund types (enterprise funds).

BASIS OF BUDGETING

In accordance with budgetary accounting principles, all funds are budgeted on the accrual basis of accounting under which revenues are recognized at the time they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flow.

Differences between the budget basis and accounting basis are reconciled at year-end as shown in the Annual Comprehensive Financial Report (ACFR). In particular, these differences include: depreciation is accrued for GAAP purposes but is not a budgeted expense item as it does not require an expenditure of funds; principal payments on long term debt are expended on a budgetary basis but are applied to the outstanding liability on a GAAP basis; and capital outlay are treated as expenditures on a budgetary basis but are capitalized on a GAAP basis.

BUDGET PROCESS

WES' budget process follows the overall framework for budget development as established by Oregon Budget Law (ORS 294.305 to 294.565 and ORS 294.900 to 294.930):

1. Planning & Preliminary Budget Development

The budget process begins in January of each year and requires program managers to estimate their current fiscal year expenses and project their operating budget requirements for the next fiscal year. During this phase, managers review their program's spend needs and craft their current fiscal year estimates and budgets to support strategic plan initiatives and their Performance Clackamas plan program goals.

The capital budget for the upcoming year is prepared based on the Capital Improvement Plan which details capital projects over a rolling 5-Year planning horizon.

Managers submit their operating and capital budgets to Department Finance where they are consolidated on a fund level and assembled into a preliminary budget which is used to update WES' long-range financial plan and forecast revenue requirements.

2. Review, Proposal, and Approval

The preliminary budgets are evaluated and revised as necessary by management. The revised version is then presented to the County Administrator for review. After the County Administrator's review, the proposed budget is published and distributed to the members of the WES Budget Committee and presented at an Advisory Committee Meeting.

A "Notice of Budget Committee Meeting" is published and a meeting is held, in which the WES Budget Committee hears the budget message, hears and considers public comments, discusses and revises the budget as needed, and approves the budget.

3. Adoption and Implementation

Once the WES Budget Committee has approved the budget, a budget summary and a notice of public budget hearing is published. This hearing provides another opportunity for public comment from interested citizens and other interested parties. Following the public hearing, the budget is adopted and appropriations are made by the Board of County Commissioners (BCC), which serves as the governing body for WES.

The budget must be adopted by June 30th of each year.

4. Budget Amendment after Adoption

The level of control is the level at which spending cannot exceed budgeted amount without formal governing board authorization. The budget is adopted at the fund level with appropriations made at the principal object level in the categories of Materials & Services, Interfund Transfers Out, Capital Outlay, Debt Service, Special Payments, and Contingency. Management may make transfers of appropriations within these object levels, however, transfers of appropriations among object levels require approval by the BCC.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The BCC, at a regular Board meeting, may adopt a supplemental budget less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires a hearing before the public, publication, and approval by the BCC.

STAKEHOLDER INPUT

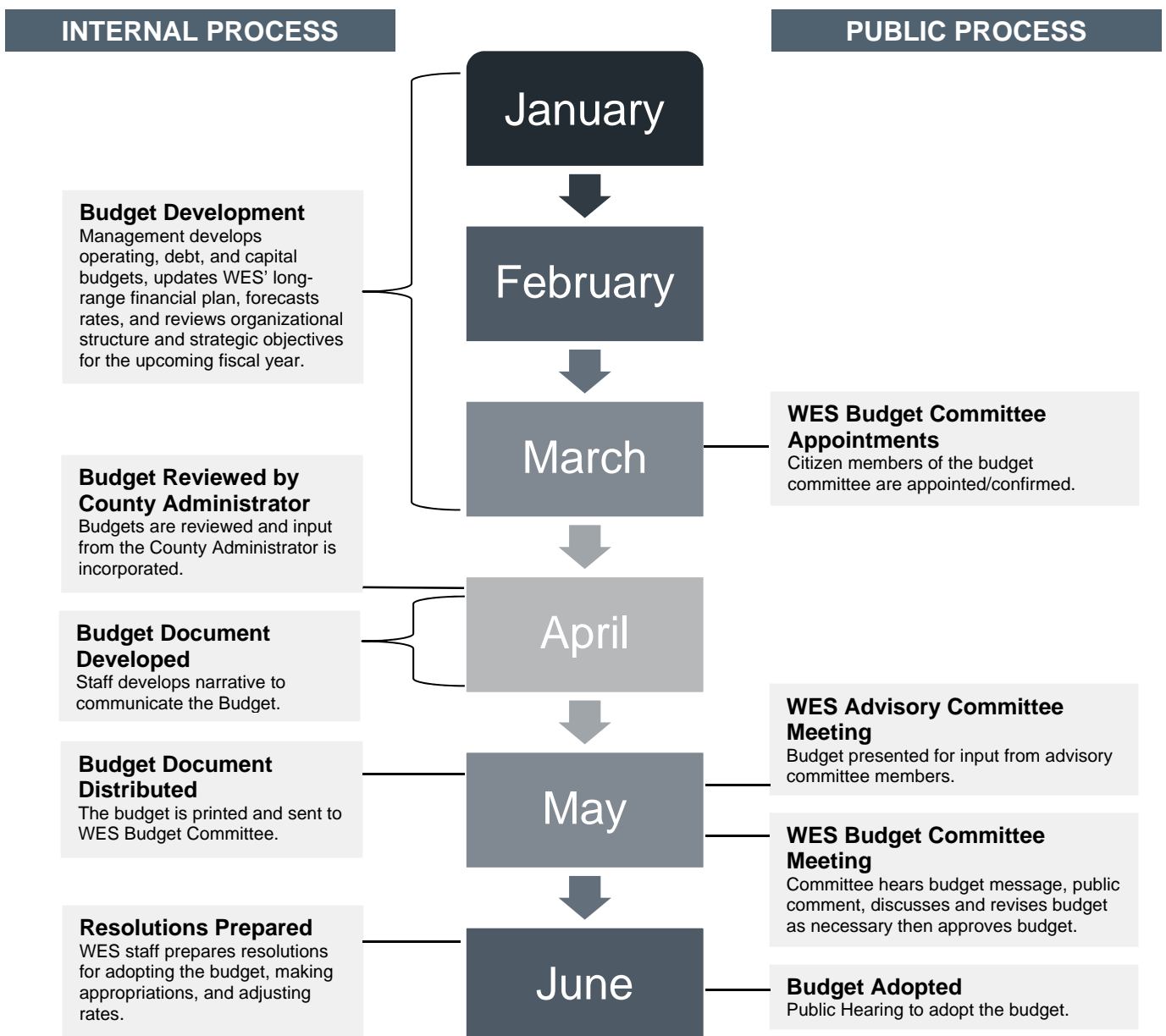
WES Advisory Committee

WES has established the Water Environment Services Advisory Committee (WESAC) which meets regularly at publicly held meetings to provide input and discuss significant affairs of WES, including operations, capital improvements, regulatory compliance, and the development of the annual budget. Members of the advisory committee have experience and/or background in wastewater management, watershed health and restoration, economic development, and surface water. Members must reside or work within the WES service area.

WES Budget Committee

The WES Budget Committee is composed of WES' Board of Directors (the BCC) and a five-member subcommittee of the WESAC. The role of the WES Budget Committee is to perform duties consistent with County practices and Oregon Budget Law as outlined in the narrative overview of the budget process on the preceding page and the timeline below.

OVERVIEW OF BUDGET DEVELOPMENT: INTERNAL AND PUBLIC PROCESSES



BUDGET CALENDAR

The following calendar reflects the milestones met to develop the FY 2024-25 budget.

Date	Activity
January 1, 2024	Management begins review of Organization Structure and Performance Clackamas Lines of Business and Programs
February 5, 2024	Program Operating Budgets prepared by Managers and submitted to Department Finance; Capital Budget requests based on CIP submitted to Department Finance
February 14, 2024	Preliminary Budgets reviewed by Department Leadership
February 21, 2024	Final Operating and Capital Budget review by Department Leadership; all changes submitted to Department Finance
February 22, 2024	Management Team review of Consolidated Operating Budgets, budgetary trends, and significant changes
February 29, 2024	Long-Range Financial Plan drafted to incorporate preliminary budgets; rates projected
March 14, 2024	WES Budget Committee appointments
April 1, 2024	Budgets presented to the County Administrator
April 4, 2024	Long-Range Financial Plan and rates updated with final budget numbers
April 22, 2024	Budget document completed and submitted to printer
May 1, 2024	Proposed Budgets distributed to WES Budget Committee
May 14, 2024	First notice of Budget Committee meeting published online
May 15, 2024	Second notice of Budget Committee meeting published in The Oregonian
May 16, 2024	WES Advisory Committee Budget Review Meeting
May 28, 2024	WES Budget Committee Meeting
June 7, 2024	Summary of budget as approved by the Budget Committee and Notice of Budget Hearing published
June 10, 2024	Resolutions prepared for adopting the budget, making appropriations, and adjusting rates
June 20, 2024	Public Hearing Budget Adopted
July 1, 2024	Begin Fiscal Year 2024-25

FINANCIAL POLICIES

The Clackamas County Board of Commissioners (BCC) has adopted resolutions, which establish policies to provide direction and framework for the County and each component unit's operations. As WES is considered a component unit of Clackamas County, in addition to being governed by the BCC, WES adheres to the County's financial policies as applicable to enterprise funds.

Financial policies are reviewed periodically to incorporate minor changes to existing policy or major shifts in financial priorities at the discretion of the BCC. In 2020, a large scale project was initiated to update the County's financial policies. Policies that are under review and development, as well as those that have been recently updated, are identified with a note in this section.

The FY 2024-25 Budget complies with all relevant financial policies.

Budgeting and Financial Planning

WES will comply with Oregon Administrative Rules (OAR) 150-294.388(1) and adopt a balanced budget for each fund meaning that budgeted expenditures plus contingencies and reserves, if required, will be met by an equal amount of budgeted resources.

WES shall legally adopt its budgets on a fund basis with appropriations made at the principal object-level in the categories of Materials & Services, Interfund Transfers, Capital Outlay, Debt Service, Special Payments, and Contingency. Appropriations will lapse at the end of the fiscal year.

WES shall plan annual budgets for each fiscal year that accurately reflect the service priorities and needs of the residents as directed by the BCC.

WES will maintain a budgetary control system to monitor expenditures and revenues on an ongoing basis to ensure adherence to the budget.

Contingency accounts may be budgeted in each Operating, System Development Charge, and Capital fund for circumstances that may arise, which could not have been reasonably anticipated and which may require a change in the annually adopted plan. Contingencies may be re-appropriated to other spendable accounts during the budget year by approval of the BCC.

Note: *This policy is currently under review and an updated version is expected to be formally considered in FY 2023-24.*

WES will manage funds with the objective of the Ending Fund Balance exceeding the original Contingency appropriation for the fiscal year.

Capital Improvement Plan (CIP) and Capital Budget

Note: *A new Capital Asset Policy was adopted and implemented in July 2023. The summary below reflects this new policy.*

WES shall prepare a long-term plan for capital improvements based on master planning studies. This plan shall be used to develop a 5-year Capital Improvement Plan (CIP) and extended 10-year capital spending projections for use in long-range financial planning.

WES will prepare a prioritized 5-year CIP addressing large-scale investments in infrastructure and equipment. The plan will be updated annually and all changes will be reviewed for approval by the BCC.

Capital Outlay budgets will include all anticipated expenditures for individual items with a cost greater than \$5,000 and a useful life expectancy of one year or more. Purchases below the thresholds, and outlays that only return a capital asset to its original condition, are budgeted as fiscal year expenditures in the Materials & Services category.

Each year's budget for capital expenditures will be in conformance with the CIP and in compliance with requirements of Oregon Revised Statutes (ORS).

Revenue

WES will maintain to the greatest extent possible a diversified base of revenue sources, limiting reliance on any single source.

WES shall establish fees and charges that support the total direct and indirect costs of providing services. The BCC may approve fees or charges that do not recover the full cost of the service if considered in the best interest of Clackamas County. Fees and charges will be in compliance with state statutes and County ordinances.

Note: *This policy is currently under review and an updated version is expected to be formally considered in FY 2024-25.*

WES will aggressively pursue the collection of delinquent accounts.

Debt

Note: *A new WES Debt policy was adopted and implemented in October 2022. The summary below reflects this new policy.*

WES will issue debt as needed and as authorized by the BCC in a form related to the type of improvement to be financed.

WES shall undertake and maintain all debt financings in compliance with applicable Federal law, the Oregon Constitution, ORS, and OAR. WES will further comply with the Security and Exchange Commission and Municipal Securities Rulemaking Board rules regarding ongoing disclosure, and oversight of participants in the municipal debt market including advisors and securities dealers.

WES will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, arbitrage rebate compliance, insurance provisions, reporting and monitoring requirements. Any instance of noncompliance will be reported to the BCC.

WES may participate in federal, state, or other loan programs, if in the best interests of WES. WES specifically will evaluate Clean Water Act State Revolving Fund loans and Water Infrastructure Finance and Innovation Act (WIFIA) financing options.

Refunding obligations may be issued to retire all or a portion of an outstanding debt issue. Economic refunding may refinance high-coupon debt at lower interest rates to achieve debt service savings. Alternatively, WES may conduct a refunding for reasons other than cost savings, such as to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

WES will maintain the highest practical credit rating (or ratings) to ensure efficient access to capital markets at the lowest prevailing interest rates.

Investments

WES' cash and investments are invested by the Clackamas County Treasurer on behalf of WES with the primary objectives of safety, liquidity, and yield.

WES will monitor the activities of the Clackamas County Treasurer regarding WES' cash and investments held by the County to ensure that liquidity and working capital needs are met and that investments are in compliance with the County's Investment Policy.

Performance Clackamas



WES' Tri-City Water Quality Lab performs more than 30,000 analyses per year to check the health of the water at every step of the wastewater treatment process



PERFORMANCE CLACKAMAS Budget by Program

Introduction

Performance Clackamas is based on the 'Managing for Results' methodology, which is an integrated management system dedicated to delivering outcomes for customers. It is an integral part of WES' Strategic Plan and aligns WES' initiatives with the overarching priorities of Clackamas County.

Clackamas County Strategic Priorities



Honor, Utilize, Promote and Invest in our Natural Resources



Grow a Vibrant Economy



Ensure Safe, Healthy and Secure Communities



Build a Strong Infrastructure



Build Public Trust through Good Government

Performance Clackamas Structure

Lines of Business and Programs

Under the Performance Clackamas structure, WES is organized into 4 broad lines of business and 11 more specific programs, each aimed at providing services that share a common purpose and/or result. The subsequent pages provide details on how each program monitors its performance targets and establishes a unique operating budget to encompass the expenses of executing its designated functions. Full-time equivalent employees (FTEs) are allocated among programs based upon the program's budgeted needs and objectives for the upcoming fiscal year.

Business Services

- Administrative Services
- Account Services
- Financial Management

Capital Planning and Management

- Capital Delivery

Environmental Services

- Environmental Monitoring
- Permit Services
- Resource Recovery
- Watershed Protection

Operations

- Asset Management
- Field Operations and Maintenance
- Plant Operations and Maintenance

Alignment with Countywide Strategic Priorities and Program Primary Indicators

Indicators serve as broad pathways to align WES' plan to Clackamas County's five overarching Strategic Priorities. The table below shows the primary Countywide indicators that WES' Performance Clackamas Programs support within four of the County's five Strategic Priorities¹.

Countywide Strategic Priority	WES Performance Clackamas Program	Countywide Primary Indicator	Evidenced By
Build Public Trust Through Good Government	Account Services	Resident Satisfaction Rate	Increase in resident satisfaction with the delivery of County services
	Administrative Services	Transparency	Increase in easy access of public information
	Environmental Monitoring	Internal Services Support	The ability of Internal Services to support critical program functions, services, and processes as perceived by their customers
	Financial Management	Affordable Services	Affordability of County services through rates and fees
Build Strong Infrastructure	Asset Management	Infrastructure Condition	Improvement in the condition or capacity of roads, railways, bridges, tunnels, water supply, sewers, electrical grids, and telecommunications
	Capital Delivery		
	Field Operations and Maintenance		
Grow a Vibrant Economy	Permit Services	Business Growth/ Construction Growth	Increase in business revenue, GDP and expansion; construction opportunities, including permitting
Honor, Utilize, Promote and Invest in our Natural Resources	Plant Operations and Maintenance	Clean Water	Increase in availability of clean water to residents for all activities
	Watershed Protection		
	Resource Recovery	Recycle/Reduce/ Reuse Rate	Increase in reducing, recycling or reuse of recyclable materials

¹ WES' programs are aligned with four of the County's five Strategic Priorities through primary indicators. The Strategic Priority 'Ensure Safe, Healthy, and Secure Communities' is not represented in the above table, as none of WES' programs have primary indicators associated with this priority.

Performance Clackamas Lines of Business and Program Descriptions

<p>Business Services Line of Business</p>	<p>The purpose of the Business Services Line of Business is to provide administrative, financial, and utility relations services to WES staff, the WES Advisory Committee, and the Board of County Commissioners so they can provide cost-effective, well-managed services and information to our communities.</p>
<p>Administrative Services Program</p>	<p>The purpose of the Administrative Services Program is to provide efficient and effective administrative, human resources, and communication and engagement support to WES staff so they can provide well-managed services and information to customers and stakeholders.</p>
<p>Account Services Program</p>	<p>The purpose of the Account Services Program is to provide our communities and the individuals we serve with reliable, responsive customer service, billing services, and comprehensive account management to ensure customers' expectations and needs are met.</p>
<p>Financial Management Program</p>	<p>The purpose of the Financial Management Program is to provide accurate and timely budget development and monitoring, financial reporting and compliance, analysis, and forecasting services to WES staff, the WES Advisory Committee, the Board of County Commissioners, bondholders, and the community so they have the necessary resources to achieve strategic results and make informed financial decisions.</p>
<p>Capital Planning and Management Line of Business</p>	<p>The purpose of the Capital Planning and Management Line of Business is to provide capital planning, design, and construction services to ensure sustainable, reliable service delivery and support the growth and vitality of our communities.</p>
<p>Capital Delivery Program</p>	<p>The purpose of the Capital Delivery Program is to strategically plan for, design, and construct infrastructure projects that are cost-effective, sustainable, resilient, and reliable to protect clean water and support a vibrant economy.</p>
<p>Environmental Services Line of Business</p>	<p>The purpose of the Environmental Services Line of Business is to provide monitoring, permitting, pollution prevention, and resource recovery services to WES staff, permit applicants, and our communities so they can access and appropriately use WES' infrastructure, and understand their potential impact on water quality.</p>
<p>Environmental Monitoring Program</p>	<p>The purpose of the Environmental Monitoring Program is to collect and analyze samples, and report results to WES staff so they can operate the water resource recovery facilities and collection systems effectively, track performance, and comply with regulatory permit requirements.</p>
<p>Permit Services Program</p>	<p>The purpose of the Permit Services Program is to provide permit consultation, review, and approval services to developers, businesses, and industrial users so they can efficiently connect to WES' infrastructure, and appropriately discharge wastewater and stormwater.</p>
<p>Resource Recovery Program</p>	<p>The purpose of the Resource Recovery Program is to provide energy conservation, water reuse, and recycled solids coordination and support services to better utilize renewable sources of nutrients, recycled water and energy produced at WES facilities and build a more sustainable and climate resilient future for our communities.</p>
<p>Watershed Protection Program</p>	<p>The purpose of the Watershed Protection Program is to provide surface water management, watershed restoration, and watershed health education services to our communities so they can benefit from healthy and clean water.</p>

Operations
Line of Business

The purpose of the Operations Line of Business is to provide wastewater treatment, asset management, and collection and conveyance services to care for clean water infrastructure, and to protect the natural environment and public health of our communities.

Asset Management
Program

The purpose of the Asset Management Program is to provide strategies, technology and asset tracking services to WES staff so they can make proactive, data-driven decisions that support cost-effective sustainable delivery of reliable high quality services.

Field Operations and Maintenance
Program

The purpose of the Field Operations and Maintenance Program is to maintain the public storm and wastewater collection systems so our communities can benefit from properly functioning infrastructure with assets optimized to protect property, infrastructure, and clean water.

Plant Operations and Maintenance
Program

The purpose of the Plant Operations and Maintenance Program is to effectively clean wastewater, maintain equipment and facilities, and recover renewable resources, while meeting or surpassing environmental, safety and public health standards, to protect the vitality of our communities.

Performance Measures

Performance Clackamas utilizes four types of measures, outlined in the table below. For WES, these measures constitute a subset of the measures in WES' Strategic Plan.

Measure Type	Used to track:
Result	Progress towards a specific goal by a set future date.
Customer	The sentiment of how program outcomes or engagements are received by stakeholders.
Ratio	Program performance in terms of other factors, such as combinations of outcomes or dollars.
Output	Program activity represented by numbers that change during a time period.

WES' Strategic Plan for FY 2023-24 through 2025-26 and the FY 2023-24 Performance Clackamas Plan update have introduced several new performance measures and discontinued others. Within the Key Performance Measure tables in this section, new measures are marked with "(NEW)" beneath the measure type, and discontinued measures are labeled with "DISCONTINUE" in the FY 24-25 Target column. Where available, prior year actuals and year-to-date data for new measures are included, or noted as "NEW" in the prior year actual column when data is not available.

The introduction of new measures and the discontinuation of outdated ones ensure that WES' performance metrics remain relevant, accurate, and aligned with our evolving strategic objectives. Additionally, some initiative/results-type measures have been completed and thus retired. This approach enables us to respond effectively to changes within the organization and the external environment, driving continuous improvement and better decision-making.

The majority of the newly introduced, customer-oriented measures in WES' plan are based on questions from a bi-annual stakeholder survey. The customer survey measures for FY 2023-24 Actuals as of 12/31/23 reflect responses from the March 2023 stakeholder survey.

Program Budget Summaries

Budget information for each program is consolidated into two broad categories:

Operating Expense Category	Description
Materials & Services: WES Labor	Covers employee salaries and benefits, including direct labor costs associated with the program, a proportionate share of allocated leave, as well as any budgeted overtime, and temporary labor expenses.
Materials & Services: Other	Encompasses all other operating costs, such as chemicals, supplies, utilities, professional and administrative services, insurance and banking fees, permit fees, and an allocation of Countywide overhead costs for central and internal services.

FY 2024-25 Budget Program Summary of Changes

Program	FY 2024-25 Budget	Change from FY 2023-24		Summary of Influencing Factors for Change from FY 2023-24	Pg. # for Detail
		\$	%		
Administrative Services	\$3,448,410	(226,907)	-6%	5% decrease in labor due to the shift of Administrative Services staff activities to the Account Services program and 7% decrease in materials and services due to lower advertising and marketing expenses.	47
Account Services	1,408,420	347,730	33%	67% increase in labor due to the shift and continued alignment of Administrative Services and Financial Management staff activities to the Account Services program and 14% increase in materials and services due to increased payment processing fees and consulting fees to support program initiatives.	49
Financial Management	1,643,170	15,750	1%	No significant changes. 1% increase in labor due to inflationary increases net of shift of staff activities to the Account Services program and 1% increase in materials and services due to a minor increase in audit and financial service costs.	51
Capital Delivery	1,371,870	372,610	37%	7% increase in labor due to update to labor leave allocation methodology partially offset by a shift of program labor to capital project work and 77% increase in materials and services due to increased contracted engineering services.	54
Environmental Monitoring	1,631,500	86,780	6%	1% decrease in labor due to inflationary increases offset by the anticipated reduction in overtime work and 16% increase in materials and services due to increase in professional services spending for new monitoring requirements.	57
Permit Services	1,353,130	(348,920)	-20%	10% decrease in labor due to the shift of source control staff to the Watershed Protection program and 46% decrease in materials and services spending due to the completion of program initiatives.	59
Resource Recovery	1,909,970	34,220	2%	16% decrease in labor due to the shift of technicians to the Plant Operations and Maintenance program and 20% increase in materials and services in professional services spend due to an increase in anticipated costs to haul biosolids in adverse weather, and consultation costs.	61
Watershed Protection	2,280,990	380,990	20%	38% increase in labor due to the shift of source control staff from the Permit Services program and 4% increase in materials and services due to aligning supply budget for source control staff.	63
Asset Management	1,881,180	(1,420)	0%	No overall change. 6% increase in materials and services due to anticipated cost increases and realignment of software costs to the Asset Management program fully offset by a 3% decrease in labor due to the shift of Asset Management staff activities to the Plant Operations and Maintenance program.	66
Field Operations and Maintenance	4,032,320	331,550	9%	4% increase in labor due to inflationary increases and 14% increase in materials and services due to increases in pump station utility costs, odor control chemicals, and enhanced management of stormwater vegetated facilities.	68
Plant Operations and Maintenance	11,887,861	448,291	4%	5% increase in labor due to inflationary increases and 3% increase in materials and services due to increase in facility utility and chemical costs all partially offset by a decrease in repairs and maintenance costs now covered by the capital projects.	70



Water Environment Services

FY 2024-25 Budget Summary by Program and Fund

Line of Business			WES Sewer Operating Fund 631 (Excl. Non Program)	WES Surface Water Operating Fund 641 (Excl. Non Program)	ARPA	Non Program / Non Operating	Total Budget
Program	Prog #	FTE					
Operating Budget							
Business Services							
Administrative Services	700101	12.96	\$ 2,718,390	\$ 730,020	\$ -	\$ -	\$ 3,448,410
Account Services	700102	4.76	1,132,810	275,610			1,408,420
Financial Management	700103	7.10	1,364,580	278,590			1,643,170
Equipment Cost Pool (Contra-Expense)	700104	N/A	(297,730)				(297,730)
Business Services Total		24.82	4,918,050	1,284,220	-	-	6,202,270
Capital Planning and Management							
Capital Delivery	700203	9.85	1,371,870				1,371,870
Capital Planning and Management Total		9.85	1,371,870	-	-	-	1,371,870
Environmental Services							
Environmental Monitoring	700302	5.95	1,130,630	500,870			1,631,500
Permit Services	700303	5.88	671,690	681,440			1,353,130
Resource Recovery	700305	5.40	1,909,970				1,909,970
Watershed Protection	700304	7.10	432,130	1,848,860			2,280,990
Environmental Services Total		24.33	4,144,420	3,031,170	-	-	7,175,590
Operations							
Asset Management	700405	8.17	1,473,400	407,780			1,881,180
Field Operations and Maintenance	700403	14.30	2,634,090	1,398,230			4,032,320
Plant Operations and Maintenance	700404	36.53	11,887,861				11,887,861
Operations Total		59.00	15,995,351	1,806,010	-	-	17,801,361
Operating Budget Total			26,429,691	6,121,400	-	-	32,551,091
Non Program / Non Operating							
Debt Service and Related Reserves						15,398,621	15,398,621
Capital Outlay					471,000	79,075,000	79,546,000
Interfund Transfers						32,866,993	32,866,993
Special Payments						1,327,900	1,327,900
Contingencies and Ending Fund Balances						114,249,513	114,249,513
Non-Program / Non-Operating Total					471,000	242,918,027	243,389,027
TOTAL		118.00	\$ 26,429,691	\$ 6,121,400	\$ 471,000	\$ 242,918,027	\$ 275,940,118
FY 2023-24 Budget							
		118.00	25,177,626	5,908,081	1,050,431	256,769,679	288,905,817
\$ Increase (Decrease)		0.00	1,252,065	213,319	(579,431)	(13,851,652)	(12,965,699)
% Increase (Decrease)		0.0%	5.0%	3.6%	-55.2%	-5.4%	-4.5%

Business Services



Line of Business Purpose Statement

The purpose of the Business Services Line of Business is to provide administrative, financial, and utility relations services to WES staff, the WES Advisory Committee, and the Board of County Commissioners so they can provide cost-effective, well-managed services and information to our communities.

<p style="text-align: center;">Water Environment Services Greg Geist - Director FTE 118.00 Total Program Operating Budget \$32,551,091</p>

<p style="text-align: center;">Business Services Ron Wierenga - Assistant Director Total Budget \$6,202,270</p>
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<p style="text-align: center;">Administrative Services Ron Wierenga - Assistant Director FTE 12.96 Total Budget \$3,448,410</p>
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<p style="text-align: center;">Account Services Ron Wierenga - Assistant Director FTE 4.76 Total Budget \$1,408,420</p>
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<p style="text-align: center;">Financial Management Ron Wierenga - Assistant Director FTE 7.10 Total Budget \$1,643,170</p>
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<p style="text-align: center;">Equipment Cost Pool (Contra-Expense) Total Budget (\$297,730)</p>
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Business Services Administrative Services

Purpose Statement

The purpose of the Administrative Services Program is to provide efficient and effective administrative, human resources, and communication services to department employees so they can provide well managed services and information to customers and stakeholders.

Performance Narrative Statement

The Administrative Services Program provides customer service to our ratepayers, and internal human resource, workforce and administrative support services to the department.

Our measure for performance review tracking has been updated to a target of 100 completed reviews. WES has dedicated staff to ensure the components of the Workforce Plan are in action and maintained which should ensure great progress and make meeting this goal attainable. It will also ensure forward movement on the Program initiative to have a completed Workforce Plan by July of 2025. In FY 2024-25, WES will begin tracking how many hours of training we've invested in each staff member; WES has set a goal of 40 hours per employee.

WES' measure to perform 3 plant evacuation drills, one at each facility, supports our goal to ensure staff are safe and aware of evacuation procedures in the event they are necessary. WES' Risk and Loss Control Analyst has been working on building and plant safety for our staff. We have discontinued this measure going into FY 2024-25; however, safety and evacuation procedures will continue to be a focus and important to WES.

Customer satisfaction is important to WES. We have a goal to obtain 95% positive survey feedback on the customer service provided. WES' Customer Service survey is accessible from our website, in our signature lines, and our customer service staff actively engage with customers to complete the survey. Going into FY 2024-25, we will discontinue tracking customer satisfaction through general survey responses, and will instead measure the percentage of our stakeholders who agree that WES is providing reliable clean water services at a reasonable rate.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Efficiency	Percent of annual reviews completed	69%	46%	100%	28%	DISCONTINUE
Output	# Plant Evacuation Drills (one per plant) per year	0	3	3	0	DISCONTINUE
Result	95% of surveyed WES customers are satisfied with the service they receive	49%	70%	95%	Data not yet available	DISCONTINUE
Customer (NEW)	80%+ of stakeholders agree that WES is providing reliable clean water services at a reasonable rate	NEW	NEW	80%	72%	80%
Output (NEW)	# of employee evaluations completed per year	NEW	NEW	100	30	100
Ratio (NEW)	Training hours / Full Time Equivalent (FTE) employee	NEW	NEW	40 hrs/FTE	Data not yet available	40 hrs/FTE
Result (NEW)	By 2025 complete and implement a department Workforce Plan	NEW	NEW	7/1/2025	On Track	7/1/2025

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="N"/>

Explanation

The Administrative Services Program provides services as required by the Public Utility Commission in Oregon Administrative Rules, Chapter 860, Division 37 and organizes and administrates the advisory committees that review and provide policy recommendations to the governing body of the districts, in compliance with Oregon Public Meetings Law (ORS 192.610 to 192.690).



Business Services
Administrative Services
Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	1,969,442	1,898,512	2,203,590	2,152,390	2,085,470	(118,120)	-5%
Materials & Services: Other	1,393,907	1,326,456	1,471,727	1,245,968	1,362,940	(108,787)	-7%
Operating Expense	3,363,349	3,224,968	3,675,317	3,398,358	3,448,410	(226,907)	-6%
Total Expense	3,363,349	3,224,968	3,675,317	3,398,358	3,448,410	(226,907)	-6%

Significant Issues and Changes

The Administrative Services Program budget is decreasing by 6% overall. The decrease in labor is due to realigning procurement support staff to the Financial Management Program to better support Program core services. The Administrative Services Program hired a Policy and Research Analyst to assist with project management and to help maintain compliance with policies and Programs. The individual has been hired and is currently working on these projects. The overall decrease in the budget is also due to a decrease in Advertising and Marketing.



The purpose of the Account Services Program is to provide our communities and the individuals we serve with reliable, responsive customer service, billing services, and comprehensive account management to ensure customers' expectations and needs are met.

Performance Narrative Statement

On an annual basis, the Account Services Program issues approximately 300,000 bills and is responsible for collecting all retail sewer and surface water monthly service charges, which constitute nearly 70% of WES' annual service charge revenue. This Program is also responsible for administering customer assistance programs, assessment and miscellaneous billing, collections and delinquency management, processing account payments, adjustments and refunds, account openings and closings, and other account management services.

Program accomplishments for FY 2022-23 and Fiscal Year-to-Date 2023-24 include the following:

- Introduction of a new online payment portal for permit fees, assessments, and miscellaneous accounts receivable.
- Launch of the Federal Low Income Household Water Assistance (LIHWA) Program, providing over \$26,000 in direct financial aid to eligible households.
- Enhancement of the certification process, including new account notices and the creation of a frequently asked questions (FAQ) section for WES' website.
- Review and updates of several program policies and procedures.
- Consistent achievement of the annual goal of less than 5% of accounts certified for delinquency, marking the third consecutive year.

Strategic Objectives for FY 2024-25

In recent years, program staff have significantly improved the customer experience by introducing new systems; particularly a comprehensive online account management system, now serving approximately 40% of WES' directly-billed customers. A key objective in the new strategic plan will be continuing to increase utilization of these systems with a target of 60% of WES' customers using online or Interactive Voice Response methods to make payments by the end of calendar year 2025.

WES' Low Income Discount (LID) Program was revised during the current year to better align income guidelines with state and federal utility assistance standards. This update, along with customer outreach to promote both the LIHWA and LID Programs, resulted in a 26% increase in enrollment from FY 2021-22 to FY 2023-24. Despite this progress, enrollment remains limited due to program requirements that restrict eligibility to property owners. An objective for the next year is to revise and expand the low-income discount program to broaden eligibility and access, thereby increasing enrollment.

Key Performance Measures ¹

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Result	500 additional accounts added to paperless billing each year	391	322	500	162	DISCONTINUE
Output	# callers assisted	12,145	13,607	12,000	5,809	DISCONTINUE
Output	# customer bills issued annually	295,306	299,923	294,500	151,613	DISCONTINUE
Customer (NEW)	80% of customers are satisfied with WES' efforts to be customer-oriented	NEW	NEW	80%	79%	80%
Output (NEW)	# utility accounts enrolled in WES' Customer Assistance Programs	148	152	200	187	250
Ratio (NEW)	# utility accounts certified / total utility accounts ⁽²⁾	823 / 25,701 3.2%	1,005 / 25,988 3.9%	900 / 25,988 < 5.0%	1,921 / 26,224 7.3%	900 / 26,500
Result (NEW)	By 2025 60%+ of utility customers utilize online and automated phone system account management options to make payments	33%	38%	45%	39%	47%

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

Program includes:

Mandated Services Y

Shared Services N

Grant Funding N

Explanation

The Account Services Program provides billing services to customers as required by the Public Utilities Commission in Oregon Administrative Rules, Chapter 860, Division 37.



Business Services

Account Services

Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	249,435	282,655	374,040	385,490	625,850	251,810	67%
Materials & Services: Other	320,510	330,327	686,650	700,230	782,570	95,920	14%
Operating Expense	569,945	612,982	1,060,690	1,085,720	1,408,420	347,730	33%
Total Expense	569,945	612,982	1,060,690	1,085,720	1,408,420	347,730	33%

Significant Issues and Changes

The FY 2024-25 budget represents an increase of 33% from FY 2023-24. This increase is primarily due to increased labor costs resulting from shifting Administrative Services and Financial Management staff to the Account Services Program to better align the nature of the work performed with the core services of each program. The proposed budget also includes additional resources for printing and consulting fees to support program initiatives, and increased payment processing fees in anticipation of greater use of WES' online account management system.



Purpose Statement

The purpose of the Financial Management Program is to provide accurate and timely budget development and monitoring, financial reporting and compliance, analysis, and forecasting services to WES staff, the WES Advisory Committee, the Board of County Commissioners, bondholders, and the community so they have the necessary resources to achieve strategic results and make informed financial decisions.

Performance Narrative Statement

The Financial Management Program is responsible for the development, preparation, and management of WES' budget and long-range financial plan, overseeing the rate setting process, annual financial reporting, and debt management. Additionally, the program supports other programs with financial analysis, prepares revenue and expenditure forecasts, develops and prepares various financial reports and analyses, and oversees the department's procurement processes.

The performance metric for annual operating expenditures, which targets a variance of less than 15% from the budgeted amount, was met for the first time in FY 2022-23 with an actual variance of 10%. This metric is now included in the new strategic plan as a ratio measure, targeting actual operating expenses to be at least 90% of the budgeted amount.

Additional Program highlights for FY 2022-23 and Fiscal Year-to-Date 2023-24 include:

- Submission of WES' FY 2023-24 Budget and FY 2022-23 Annual Comprehensive Financial Report to Government Finance Officers Association (GFOA) for award consideration, resulting in received awards.
- Successful integration of procurement functions from the Administrative Services Program.
- Revision of the long-range financial plan to include the adopted Capital Improvement Plan.
- Maintenance of a AAA credit rating.

In the prior strategic plan, the target range for monthly service charge rate increases was between a floor determined by an annually-updated inflation index and a ceiling of 10%. The result for rate increases to meet this target range was consistently achieved since the establishment of the metric in FY 2016-17. In March 2022, the WES Advisory Committee recommended adoption of a long-term financial strategy that establishes a target of level, consistent monthly service rate increases of 5% for wastewater treatment and collection services through FY 2030-31. This financial strategy ensures predictable increases and revenue stability over the coming years while achieving harmonization of sewer service rates in Rate Zones 1 and 2. WES' new strategic plan refines the rate metric to focus on maintaining service affordability for low-income households, with a target impact rating of 2.0% or lower on the percentage of income that low-income households spend on wastewater services.

Strategic objectives for FY 2024-25 include:

- Update the sewer and surface water system development charge methodologies.
- Enhance stakeholder understanding of WES' rate structure by creating a Rates 101 presentation and fact sheet for WES' website.
- Implement a comprehensive project funding program to evaluate and pursue opportunities for alternative funding sources including grants, capital project participation, strategic partnerships, and energy rebates/incentives.
- Develop a critical spare parts plan, inventory, and warehouse tracking system to improve operational resiliency.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	Annual operating expenditures will vary from budgeted operating expenditures by less than 15%	16.9%	10.0%	10.0%	3.3%	DISCONTINUE
Result	Rates will not increase more than 10% in any year nor less than the adopted index stating the current rate of inflation.	0.68% avg (0.00% - 1.53%)	3.2% avg (0.00% - 5.32%)	5%	3.2% avg (0.00% - 5.1%)	DISCONTINUE
Result	Quarterly budget to actual reports are distributed within three weeks of quarter's close	0%	75%	100%	50%	DISCONTINUE
Customer (NEW)	70% of customers are satisfied with WES' efforts to control costs and rates	NEW	NEW	70%	Data not yet available	70%
Output	S&P Global Credit Rating ⁽²⁾	AAA	AAA	AAA	AAA	AAA
Ratio (NEW)	Actual operating expenses / budgeted operating expenses	\$ 24,822,134 / \$ 29,887,030	\$ 27,072,714 / \$ 30,092,890	\$ 27,977,136 / \$ 31,085,707	\$ 15,031,399 / \$ 31,085,707	≥ 90%
Result (NEW)	Annually earn GFOA's Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Awards	Completed	Completed	Complete	On Track	Complete
Result (NEW)	Annually maintain a mid-range or low impact rating for total annual cost of wastewater service, relative to lowest quintile household income	NEW	NEW	Low < 1.0% or Mid-Range 1.0% to 2.0%	Mid-Range 1.36%	Low < 1.0% or Mid-Range 1.0% to 2.0%

⁽¹⁾ The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

⁽²⁾ Previously reported as "Maintain current bond rating of AAA"

Program includes:

- Mandated Services Y
- Shared Services N
- Grant Funding N

Explanation

The Financial Management Program provides financial reporting and audit-related services as required by ORS 297.405 to 297.740 and 297.990 and prepares and administers the annual budget in compliance with ORS 294.305 to 294.565 and 294.900 to 294.930.



	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	846,500	927,691	1,130,690	961,440	1,139,840	9,150	1%
Materials & Services: Other	697,338	740,029	496,730	513,793	503,330	6,600	1%
Operating Expense	1,543,838	1,667,720	1,627,420	1,475,233	1,643,170	15,750	1%
Total Expense	1,543,838	1,667,720	1,627,420	1,475,233	1,643,170	15,750	1%

Significant Issues and Changes

The FY 2024-25 budget for the Financial Management Program is \$1.6 million, and approximately equal to the current FY's budget. A minor increase in audit and financial services was offset by reductions in other line items. A shift of 0.3 FTE to the Account Services Program offset salary and benefit increases in labor costs.

Capital Planning and Management



Line of Business Purpose Statement

The purpose of the Capital Planning and Management Line of Business is to provide capital planning, design, and construction services to ensure sustainable, reliable service delivery and support the growth and vitality of our communities.

Water Environment Services

Greg Geist - Director

FTE 118.00

Total Program Operating Budget \$32,551,091

Capital Planning and Management

Jeff Stallard - Mgr

Total Budget

\$1,371,870

Capital Delivery

Jeff Stallard - Mgr

FTE 9.85

Total Budget

\$1,371,870



Purpose Statement

The purpose of the Capital Delivery Program is to strategically plan for, design, and construct infrastructure projects that are cost-effective, sustainable, resilient, and reliable to protect clean water and support a vibrant economy.

Performance Narrative Statement

The Capital Delivery Program plans all capital project expenditures which range from \$5,000 to several tens of millions of dollars. We are a staff of a program manager, two supervising engineers, three senior engineers and a construction coordinator. Our five-year plan includes approximately \$240 million in required sewer project expenditures. We are actively managing approximately 45 major projects representing over \$150 million in facilities in planning, design, and construction costs. Projects have been completed on budget and with the addition of new engineers this fiscal year, we are starting to get project delivery back on schedule.

Initiative: By 2025, complete the Tri-City WRRF Outfall Project Design.

The design of the Tri-City outfall was completed in October of 2023, and a construction contract was awarded to Michels to complete construction by February 2026.

Initiative: By 2025, complete the Intertie 2 Pump Station Expansion and Force Main Project design.

This project is being designed as two bid packages, the Force Main and the Pump Station. The Force Main bid package will be out to bid in April of 2024 with construction to span multiple years. The Pump Station bid package is currently scheduled to be out to bid in November of 2024.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	Annual 5-year CIP	1	1	1	1	DISCONTINUE
Result	90% of capital projects started will be completed on time and on budget	84%	93%	90%	87%	DISCONTINUE
Customer (NEW)	60% of WES customers are satisfied with WES' planning and investments in infrastructure	NEW	NEW	60%	66%	60%
Output (NEW)	\$ of partner city I/I reduction projects WES funds annually	NEW	\$1,439,871	\$3,000,000	\$192,939	\$5,600,000
Ratio (NEW)	Actual capital expenses / budgeted capital expenses	\$ 7,963,730 / \$ 25,223,000	\$ 17,699,895 / \$ 30,649,772	\$26,031,164 / \$ 52,062,327	\$13,211,438 / \$ 52,062,327	\$42,727,600 / \$ 79,546,000
Result (NEW)	By 2024 complete the 3-Creeks Water Quality Project design	NEW	NEW	12/31/2024	On Track	12/31/2024
Result (NEW)	By 2025 complete the Intertie 2 Pump Station Expansion and Force Main Project design	NEW	NEW	1/1/2025	On Track	1/1/2025
Result (NEW)	By 2025 complete the Tri-City WRRF Outfall Project design	NEW	NEW	1/1/2025	Design Complete	Design Complete

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

- Mandated Services
- Shared Services
- Grant Funding

Explanation

The Capital Delivery Program provides services which are mandated by state and federal public procurement laws and the requirements regarding the construction and maintenance of facilities subject to the Clean Water Act and OAR 340, Division 45.



	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	481,015	433,101	568,150	628,940	609,210	41,060	7%
Materials & Services: Other	399,862	230,918	431,110	347,245	762,660	331,550	77%
Operating Expense	880,877	664,019	999,260	976,185	1,371,870	372,610	37%
Total Expense	880,877	664,019	999,260	976,185	1,371,870	372,610	37%

Significant Issues and Changes

The Capital Delivery budget shows the following changes:

Materials & Services: WES Labor: Costs shown in these line items are calculated from number of employees, respective salaries and the proportion of staff time that is not-capitalized (not spent on design and construction projects). The change from the prior year budget is a result of adding two new Engineers to our staff, which are needed to deliver the projects identified by our planning documents.

Materials & Services: Other: This item is the sum of engineering services (planning), miscellaneous materials/services, training and document management software. The increase in this line item is due to hiring external support for NPDES Permit Renewal as well as Process Engineering support. The NPDES Support will be a one year impact, while the process engineering support will be ongoing.

Environmental Services



Line of Business Purpose Statement

The purpose of the Environmental Services Line of Business is to provide monitoring, permitting, and pollution prevention services to WES staff, permit applicants, and our communities so they can access and appropriately use WES' infrastructure, and understand their potential impact on water quality.

Water Environment Services
Greg Geist - Director
FTE 118.00
Total Program Operating Budget \$32,551,091

Environmental Services

Terrance Romaine - Mgr

Total Budget
\$7,175,590

Environmental Monitoring

Terrance Romaine - Mgr

FTE 5.95
Total Budget
\$1,631,500

Permit Services

Ron Wierenga -
Assistant Director

FTE 5.88
Total Budget
\$1,353,130

Resource Recovery

Terrance Romaine - Mgr

FTE 5.40
Total Budget
\$1,909,970

Watershed Protection

Ron Wierenga -
Assistant Director

FTE 7.10
Total Budget
\$2,280,990

Environmental Services

Environmental Monitoring



Purpose Statement

The purpose of the Environmental Monitoring Program is to collect and analyze samples, and report results to WES staff so they can operate the water resource recovery facilities and collection systems effectively, track performance, and comply with regulatory permit requirements

Performance Narrative Statement

Environmental monitoring is pivotal in WES' compliance with issued permits, and sample collection and analysis efforts provide the data for regulatory requirements and process information. Performance is measured by producing timely and accurate reporting. Strategic results for this program focus on turn-around time in the laboratory; this is a benchmark for assessing the ability to serve those data users. A standard performance measure for analytical labs is to have 80% of lab analyses ready to report to customers within 15 days of receiving a sample. The program's strategic performance is tracking above target, with a 94% average for the first two quarters of the FY. The main output for the lab is the number of tests performed, which is on track to exceed the target of 30,000 analyses, showing continued high demand for lab services within the organization. We will adjust the target for the next fiscal year to 40,000 tests to accommodate increases in surface water monitoring and will track and report counts monthly.

The lab maintained its accreditation status from the Oregon Lab Accreditation Program.

Additional program performance highlights include:

- The purchase of a Total Organic Carbon (TOC) analyzer will aid in surface water sample analysis. This is a requirement for surface water analysis from the Municipal Separate Storm Sewer System (MS4) permit. Performing this analysis in-house will ensure faster turnaround times and help to control costs.
- Laboratory staff reviewed the new DEQ-issued National Pollutant Discharge Elimination System (NPDES) permit for Tri-City WWRF reporting requirements and meet regularly with Operations and Source Control staff to coordinate required compliance analyses.
- The monitoring program continued to support the wastewater flow monitoring initiative led by WES' Engineering team, which provides data critical for inflow/infiltration analysis and planning. The Engineering program expanded the flow monitoring network, increasing the support needed by monitoring staff. The monitoring program supported WES' precipitation monitoring network of 7 new rain gauges throughout WES' service area through a contract that will operate the network for the next 5 years.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	Laboratory maintains ORELAP accredited status	Accredited	Accredited	Accredited	Accredited	DISCONTINUE
Customer	80% of test results are ready to report to customers within 15 days of receiving a sample	84%	87%	80%	94%	80%
Output	# of surface water and wastewater tests completed	41,241	36,175	30,000	19,066	40,000
Ratio (NEW)	Total Environmental Monitoring Program cost / total number of lab tests	\$ 1,430,961 / 41,241	\$ 1,392,948 / 36,175	\$1,544,720 / 30,000	\$1,327,783 / 19,066	\$ 1,631,500 / 40,000
Result (NEW)	Annually collect 90% of planned flow monitoring and rain gauge data	NEW	NEW	90%	Data not available	90%

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

- Mandated Services
- Shared Services
- Grant Funding

Explanation

The Environmental Monitoring Program is mandated by the State of Oregon for sampling and collection services following the water quality permit (ORS 468B.050) issued by the DEQ, the Federal Clean Water Act, the Code of Federal Regulations (40 CFR Part 136 and Part 503) for sampling and collections, EPA Methods, Standard Methods and Industrial pre-treatment (40 CFR Part 403).



Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	837,946	796,255	933,690	807,980	924,890	(8,800)	-1%
Materials & Services: Other	593,015	596,693	611,030	519,803	706,610	95,580	16%
Operating Expense	1,430,961	1,392,948	1,544,720	1,327,783	1,631,500	86,780	6%
Total Expense	1,430,961	1,392,948	1,544,720	1,327,783	1,631,500	86,780	6%

Significant Issues and Changes

The Environmental Monitoring program proposes a \$1.63 million operating budget to provide sample collection, analysis, and reporting services to WES Programs so they can operate the treatment plants and collection systems effectively and comply with regulatory permit requirements. The FY 2024-25 budget represents a 6% increase from the previous FY budget. An increase in materials and services of 16% reflects new macroinvertebrate and geomorphic monitoring requirements to evaluate stream health in our MS4 permit. Increased monitoring of per- and polyfluoroalkyl substances (PFAS) and additional sampling for Tri-City permit renewal have also accounted for the increase in lab services. The program will procure laboratory contracts to secure pricing and performance for outside lab analysis this fiscal year.

Environmental Services

Permit Services

Purpose Statement



The purpose of the Permit Services Program is to provide permit consultation, review, and approval services to developers, businesses, and industrial users so they can efficiently connect to WES' infrastructure, and appropriately discharge wastewater and stormwater.

Performance Narrative Statement

Strategic results for the Permits Services Program center on 1) efficient and timely permitting for customers seeking to access WES' infrastructure, and 2) compliance with WES' Rules and Regulations for use of the infrastructure. Year-to-date Program performance is very good, with all results exceeding the strategic targets. Nearly all plans submitted for review are turned around in 3 weeks or less. Just over half of the projects that were permitted were done so with 3 or fewer submittals, meaning applicants are getting through the process efficiently. Over 90% of permitted industrial waste dischargers are in compliance with their WES-issued permits at any given time, indicating a high compliance rate. The number of permitted EDUs is well under previous FY performance and expected output, which is an indication of land development and new connections slowing down.

Additional program performance highlights include:

- The initiative to update WES' Rules and Regulations and design standards was completed in 2023 with several presentations to the WES Advisory Committee and the District Board. Adoption hearings for the Rules and Regulations were held in May 2023 with implementation of the new rules and standards starting on July 1, 2023. Implementation of the new Rules and design standards have required a significant amount of work from Permit Program staff.
- The number of erosion control inspections of construction projects continues to increase with a high compliance rate from permittees, as indicated by the absence of violations and penalties issued to permittees by Oregon DEQ.
- Industrial Permitting staff initiated a DEQ-required project to evaluate and update limits for priority pollutants discharged to WES' wastewater system. The project is expected to be completed by the end of FY 2023-24, and will require a Rules update to implement the new limits for industrial dischargers.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	# industry compliance inspections	37	32	45	22	DISCONTINUE
Output	# permitted Equivalent Dwelling Units (EDUs)	1,195	287	500	115	500
Result	80% of sanitary sewer and storm plan reviews are completed within 3 weeks of submittal	99%	100%	80%	99%	80%
Output	# sanitary and storm plan reviews	165	286	150	64	DISCONTINUE
Result	90% of permitted industrial customers are in compliance with wastewater discharge rules	97%	96%	90%	95%	DISCONTINUE
Customer (NEW)	50% of sanitary sewer and storm plans are approved in three or fewer submittals	63%	44%	50%	53%	50%
Ratio (NEW)	Total value of privately-built donated capital / total Permits Program cost	\$ 2,313,103 / \$ 1,382,633	\$ 2,760,563 / \$ 1,480,472	>1	\$ 2,349,486 / \$ 1,702,050	>1

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

Mandated Services Y

Shared Services N

Grant Funding N

Explanation

The review of sanitary sewer and stormwater plans and specifications are authorized by District Rules and Regulations, and are required by state law, including ORS 468B, Water Quality, and by rule, including OAR 340 Division 52.

The discharge of industrial wastes to sanitary sewer are authorized by District Rules and Regulations, and are permitted by state law, including ORS 468B, Water Quality, and by rule, including OAR 340 Division 45.



Environmental Services

Permit Services

Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	1,162,027	1,220,216	1,205,400	1,182,990	1,083,190	(122,210)	-10%
Materials & Services: Other	220,606	260,256	496,650	405,144	269,940	(226,710)	-46%
Operating Expense	1,382,633	1,480,472	1,702,050	1,588,134	1,353,130	(348,920)	-20%
Total Expense	1,382,633	1,480,472	1,702,050	1,588,134	1,353,130	(348,920)	-20%

Significant Issues and Changes

The Permit Services program proposes a \$1.35 million operating budget to support land development and industrial permits for WES' sanitary sewer and surface water systems. These resources allow for permit consultations, reviews, approvals, and inspection services to residential and business property owners, including industrial dischargers. The FY 2024-25 budget represents a 20% decrease from the previous FY budget. This decrease reflects a shift of program services to WES' Watershed Protection program, specifically the permitting and management of industrial wastewater discharges to WES' sanitary sewer systems.

Several professional services initiatives will be completed this FY including support for implementation of the Rules and Regulations update and the industrial wastewater local limits development. Professional services in this Permits budget include \$60K for engineering services to validate WES' stormwater design model as required by the MS4 permit issued to the District; also includes ongoing development review consultant support.

The program is fully staffed with no current vacancies. Labor allocations were reduced by 1.4 FTE reflecting the allocation of industrial wastewater permits staff to the Watershed Protection program.

Environmental Services

Resource Recovery



Purpose Statement

The purpose of the Resource Recovery Program is to provide energy conservation, water reuse, and recycled solids coordination and support services to better utilize renewable sources of nutrients, recycled water and energy produced at WES facilities and build a more sustainable and climate resilient future for our communities.

Performance Narrative Statement

ENERGY: Kellogg Creek Water Resource Recovery Facility (KC WRRF) finished its second year of continuous improvement in the Strategic Energy Management (SEM) program with Energy Trust of Oregon, which helps reduce energy consumption using low or no-cost operational changes equaling an additional 1.5% in the second year of engagement for energy savings. Tri-City WRRF reengaged with SEM in the second quarter and performed a Treasure Hunt to identify projects for a goal of a 5% reduction in the first year. Tri-City WRRF also participates in the demand response program as an Energy Partner with PGE that helps reduce energy use during peak demand times, keeping more energy on the grid and receiving financial incentives; WES plans to expand that program to KC WRRF this year. The most significant impact on energy management is the continued use of the larger CAT engine that produces combined heat and power using biogas produced by the anaerobic digesters; the new metric will track that output.

SOLIDS REUSE: WES uses a third-party hauling and land application contract that assists with efficiently maintaining the beneficial reuse of biosolids in Sherman County. WES will work to decrease solids hauled to landfills by exploring temporary storage options for when weather affects land application. WES revised the Biosolids Management Plan to reflect the changes at the facilities and within the program and received approval of the updated plan from DEQ, but it will track any new requirements in the updated Tri-City permit.

WATER REUSE: WES continues to utilize recycled water in plant processes but will explore options to use recycled water outside of the facility. WES secured a grant from the Oregon Water Resources Department to study the feasibility of a water recycling project outside the fence. The study will provide the data WES needs to revise the Recycled Water Use Plan (RWUP) and will require DEQ approval to use recycled water for additional beneficial purposes. The use of recycled water decreases the consumption of potable water and reduces utility bills.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	Metric tons of solids produced	2,410	1,979	2,000	941	DISCONTINUE
Efficiencies	Energy cost / volume processed (MG)	\$182	\$224	\$145	\$264	DISCONTINUE
Output	Gallons of recycled water used	264.22	211.89	300.00	105.95	DISCONTINUE
Demand	Gallons of recycled water needed	287.32	229.66	300.00	114.74	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to protect the environment	NEW	NEW	70%	62%	70%
Output (NEW)	kWh electricity produced by WES' wastewater facilities	NEW	NEW	4,000,000	1,891,150	4,000,000
Ratio (NEW)	Metric tons of wastewater biosolids landfilled / total metric tons of wastewater biosolids produced ⁽²⁾	422 / 2,410 17.5%	325 / 1,979 16.4%	200 / 2,000 ≤10%	210 / 941 22.3%	200 / 2,000 ≤10%
Result (NEW)	By 2025 obtain Oregon DEQ approval for WES' Recycled Water Plan	NEW	NEW	12/31/2025	On Track	12/31/2025

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

Program includes:

Mandated Services

Shared Services

Grant Funding

Explanation

The Resource Recovery Program provides solids disposals which meet all requirements set forth in Oregon Administrative Rules (OAR) Chapter 340, Division 50 and Title 40 Code of Federal Regulations Part 503.

Environmental Services

Resource Recovery

Budget Summary



	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	704,845	707,830	940,770	718,960	790,390	(150,380)	-16%
Materials & Services: Other	955,247	1,137,161	934,980	1,045,069	1,119,580	184,600	20%
Operating Expense	1,660,092	1,844,991	1,875,750	1,764,029	1,909,970	34,220	2%
Total Expense	1,660,092	1,844,991	1,875,750	1,764,029	1,909,970	34,220	2%

Significant Issues and Changes

In FY 2023-24, Resource Recovery moved into the second year of contracted hauling and land application of cake biosolids and is on target with the \$400,000 annual budget allocated for those services. However, the vendor has updated the pricing to reflect increased overhead costs, so the contract is being amended, and costs need to be tracked closely to not exceed the total contract value. Landfill disposal is the second largest non-labor cost and can fluctuate due to the impacts of weather at times during the year, diverting materials from land application. WES will continue to look for alternatives to temporarily store solids to decrease landfill hauling. The landfill contract was renewed at the beginning of the fiscal year and rates increased significantly for Biosolids disposal at Coffin Butte. There are emerging contaminants such as per- and polyfluoroalkyl substances (PFAS) that the program is tracking to see how they will impact land application and solids handling in the near future.

One vacancy in Resource Recovery will be filled, and one of the two remaining vacancies will be filled and moved into the Plant Operations and Maintenance Program budget because the position involves hauling materials to different facilities for further processing or disposal rather than beneficial reuse.



Environmental Services Watershed Protection

Purpose Statement

The purpose of the Watershed Protection Program is to provide surface water management, watershed restoration, and watershed health education services to our communities so they can benefit from healthy and clean water.

Performance Narrative Statement

Strategic results for the Watershed Protection Program focus on long-term outcomes realized by the implementation of a broad range of services, including assessments and plans to target water quality improvement activities, watershed health education that informs the public on how they can help protect water quality, pollution prevention activities including inspection and enforcement, and on-the-ground restoration.

WES staff inspected 22 businesses to-date this FY and the percentage determined as having adequate pollution controls and exhibiting proper maintenance of their storm systems is averaging 55% for the first two quarters. Strategic performance is just above the 50% target for businesses being in compliance with WES' rules, and continues to trend up from previous years.

Another long-term strategic result is that streams in WES' service area meet Oregon water quality criteria. Of the 5 streams routinely monitored by WES, 3 of them failed to meet two or more water quality criteria again this FY; as a result, 40% meet the quality goal, reflecting the difficulty of this particular challenge to improve water quality after decades of degradation. Only through ongoing, collaborative implementation of pollution prevention measures, along with targeted restoration projects, will this result improve. WES continues to monitor water quality in District streams to track overall improvement.

This FY, WES' Watershed Protection Program staff led county departments and the cities of Happy Valley and Rivergrove through a planning process to develop a new Stormwater Management Program Plan in compliance with the Municipal Stormwater Permit issued to WES and the County in 2021. Oregon DEQ approved that plan in early 2023. Staff also led the group through a required update of the Total Maximum Daily Load (TMDL) implementation plans which is pending DEQ approval. Implementation of both plans began in mid-2023.

Restoration planning of WES' 3 Creeks Natural Area also continued, including selection of a preferred design alternative and permit submittals.

Watershed Health education events are on target to meet the annual goal. While the number of acres planted through December 2023 are zero, this program is on-track to meet the target of 15 acres. Several restoration planting projects, supported primarily through RiverHealth grants, will be completed spring of 2024. WES is partnering with SOLVE again this year to bring Summer Waterways Cleanup events to Clackamas County.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Result	50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance.	53%	62%	50%	55%	50%
Output	# commercial/industrial site pollution prevention visits	102	52	100	22	DISCONTINUE
Output	Acres of pond and streamside planted	23	27	15	0	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to educate customers on water quality practices	NEW	NEW	70%	66%	70%
Output (NEW)	# of schools participating in WES' Watershed Health Education Program	NEW	NEW	6	5	6
Ratio (NEW)	# of streams meeting or exceeding Oregon's water quality criteria / # streams monitored within WES' jurisdiction ⁽²⁾	4 / 9 44%	4 / 9 44%	3 / 5 60%	2 / 5 40%	3 / 5

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

Program includes:

Mandated Services	<input type="checkbox"/>
Shared Services	<input type="checkbox"/>
Grant Funding	<input type="checkbox"/>

Explanation

Program activities support compliance with Municipal Stormwater and WPCF UIC permits, and TMDL orders, through Oregon DEQ's statutory authority in ORS468B and by Rule in OAR 340-4 and 340-44, and 340-42, respectively.



	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	779,414	770,260	884,780	782,360	1,220,670	335,890	38%
Materials & Services: Other	1,188,701	934,652	1,015,220	689,408	1,060,320	45,100	4%
Operating Expense	1,968,115	1,704,912	1,900,000	1,471,768	2,280,990	380,990	20%
Total Expense	1,968,115	1,704,912	1,900,000	1,471,768	2,280,990	380,990	20%

Significant Issues and Changes

The Watershed Protection Program proposes a \$2.3 million operating budget to support surface water protection and restoration services in WES' service area. The program also supports general pollution prevention services including inspections, permits, and enforcement that protect water quality and WES's utility systems. The FY 2024-25 budget represents about a 20% increase from the FY 2023-24 budget. The program is fully staffed with no current vacancies. The labor budget is significantly higher this FY reflecting more staff time for industrial wastewater services being moved to this Program. The move necessitated an increase in some materials and services as well, which were partially offset by reductions in contracted services. There is budget for implementation of projects that are related to water quality management for the Municipal Stormwater Permit and TMDL Implementation. In this upcoming FY, storm system inspection and pollution prevention assistance will continue to be a core focus. Watershed health education will increase so that customers understand their impact on water quality and will know how to help improve it. RiverHealth grants will continue to be provided to grass-roots organizations to do restoration and watershed health education in the community.



Line of Business Purpose Statement

The purpose of the Operations Line of Business is to provide wastewater treatment, asset management, water resource recovery, and collection and conveyance services to care for clean water infrastructure, and to protect the natural environment and public health of our communities.

Water Environment Services
Greg Geist - Director
FTE 118.00
Total Program Operating Budget \$32,551,091

Operations
Matt House - Mgr
Total Budget
\$17,801,361

Asset Management
Matt House - Mgr
FTE 8.17
Total Budget
\$1,881,180

Field Operations and Maintenance
Matt House - Mgr
FTE 14.30
Total Budget
\$4,032,320

Plant Operations and Maintenance
Matt House - Mgr
FTE 36.53
Total Budget
\$11,887,861



The purpose of the Asset Management Program is to provide strategies, technology and asset tracking services to WES staff so they can make proactive, data-driven decisions that support cost-effective sustainable delivery of reliable high quality services.

Performance Narrative Statement

The Asset Management Program tracks WES-owned and operated assets including their condition, manages information systems and mapping, provides software licensing, support and training, develops asset renewal and replacement plans, and implements utility management best practices. The program supports building and maintaining strong infrastructure so we can protect clean water for our community.

Staff has continued the positive trend with the timeliness of our mapping and maintenance management system asset inventory updates. This work will continue to be a high priority for the program and is utilized daily by our operations staff.

Staff completed an asset management model that supports a risk-to-cost decision matrix. This data will be used to produce the annual list of proposed renewal, replacement and operational efficiency capital projects.

In this upcoming fiscal year, staff will continue work developing operational dashboards and automating additional regulatory compliance reports. Staff will complete implementation of a new Permits system that will integrate with our utility billing, assessment and customer receipt systems. Staff will continue building a new strategic plan reporting site for tracking the organization's key performance indicators.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Output	# asset inventories completed/expected	136	192	35	93	DISCONTINUE
Result	100% of new assets mapped and entered into the maintenance management system within six months of construction acceptance	91%	90%	100%	100%	DISCONTINUE
Output	# asset renewal/replacement plans provided/expected	3	3	3	1.5	DISCONTINUE
Output (NEW)	# asset condition assessments completed/expected	1,331	258	500	278	500
Customer (NEW)	100% of new assets mapped and entered into computerized maintenance management system (CMMS) within 3 months of construction acceptance	NEW	NEW	100%	100%	100%
Ratio (NEW)	Miles of wastewater pipe condition assessments completed / total miles of wastewater pipes	25.9/324	10.1/342	36/360	11.1/360	36/360
Result (NEW)	Annually submit a prioritized list of proposed renewal, replacement and operational efficiency capital projects, including impact if not implemented	NEW	NEW	Complete	In progress	Complete

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

- Mandated Services
- Shared Services
- Grant Funding

Explanation

The Asset Management Program provides services which are mandated by state and federal public procurement laws and are subject to the requirements of the Clean Water Act and OAR 340, Division 45.



	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	948,871	1,090,151	1,292,600	1,065,280	1,255,160	(37,440)	-3%
Materials & Services: Other	331,392	480,557	590,000	530,644	626,020	36,020	6%
Operating Expense	1,280,263	1,570,708	1,882,600	1,595,924	1,881,180	(1,420)	0%
Total Expense	1,280,263	1,570,708	1,882,600	1,595,924	1,881,180	(1,420)	0%

Significant Issues and Changes

The Asset Management Program proposes a \$1,881,180 operating budget to provide strategies, technology and asset tracking services to WES staff so they can make proactive, data-driven decisions that support cost-effective delivery of reliable high quality services. During FY 2024-25, the Asset Management Program materials and services budget is expected to increase by 6% to accommodate inflationary cost increases and some additional software costs that will be shifted to the Asset Management Program. We have continued creating operational efficiencies with our consolidation of software, hardware and supporting professional services budgets. We are continuing our improvements to optimize the systems and ensure we have the staffing capacity to support them.



Field Operations and Maintenance

Purpose Statement

The purpose of the Field Operations and Maintenance Program is to maintain the public storm and wastewater collection systems so our communities can benefit from properly functioning infrastructure with assets optimized to protect property, infrastructure, and clean water.

Performance Narrative Statement

During the past year we have filled our vacancies and continue to prioritize training, catch basin maintenance, pipe condition assessment inspections, pipe cleanings and pump station preventative maintenance programs. We continue to plan, schedule and track our work through the computerized maintenance management system. We will continue to leverage asset management principles and best practices to improve our inspection and maintenance performance to prevent larger emergency responses, sanitary sewer overflows and costly repairs.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Result	Clean 33.3% of all WES-owned or operated catch basins per year, such that the entire system is cleaned every three years.	28.2%	28.2%	20.0%	16.2%	DISCONTINUE
Result	Camera inspect, clean and provide preventative maintenance to 16.7% (approximately 54 miles of pipe) of the sanitary collection system each year, such that the entire system is inspected and maintained every six years.	20.8%	10.3%	16.7%	7.4%	DISCONTINUE
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	89%	90%	85%	88%	DISCONTINUE
Customer (NEW)	90% of service requests are responded to within 24 hours of receiving	NEW	NEW	90%	88%	90%
Output (NEW)	# miles of wastewater collection pipe inspected and cleaned annually	66.1	34.1	72.0	26.8	72.0
Ratio (NEW)	# Sanitary Sewer Overflows (SSOs) / 100 miles of pipe ⁽²⁾	0.61	3.51	≤ 2	0.55	≤ 2
Result (NEW)	10% of wastewater collection system cleaned annually	12.4%	7.0%	10%	4.4%	10%

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) The target of less than or equal to two SSOs per 100 miles of pipe is derived from the American Water Works Association Benchmarking survey median average of 2.6 SSOs per 100 miles of pipe.

Program includes:

Mandated Services

Shared Services

Grant Funding

Explanation

Utility Locates: The Attorney General's Model Rules of Procedure under the Administrative Procedures Act, which became effective January 1, 2012, are by this reference adopted as rules of administrative procedure of the Board of Directors for the Oregon Utility Notification Center and are controlling except as otherwise required by statute or rule. (Stat. Auth.: ORS 757.552, Stat. Implemented: ORS 183.341, 757.552, Hist.: OUNC 2-2013, f. & cert. ef. 11-14-13)



Field Operations and Maintenance

Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	1,258,673	1,558,772	1,856,830	1,786,990	1,936,090	79,260	4%
Materials & Services: Other	1,373,731	1,653,565	1,843,940	1,998,672	2,096,230	252,290	14%
Operating Expense	2,632,404	3,212,337	3,700,770	3,785,662	4,032,320	331,550	9%
Total Expense	2,632,404	3,212,337	3,700,770	3,785,662	4,032,320	331,550	9%

Significant Issues and Changes

The Field Operations and Maintenance Program proposes a \$4,032,320 operating budget to inspect and maintain the public stormwater and wastewater collection systems and vegetated water quality facilities, so our communities can benefit from properly functioning infrastructure that protects clean water. The FY 2024-25 budget represents a 9% increase from the current fiscal year budget. Materials and services is increasing by 14%, reflecting anticipated increases in utility costs to operate our wastewater pump stations, cost increases for odor control chemicals, and additional budget for repairs and maintenance to improve our management of stormwater vegetated facilities.



Plant Operations and Maintenance

Purpose Statement

The purpose of the Plant Operations and Maintenance Program is to effectively clean wastewater, maintain equipment and facilities, and recover renewable resources, while meeting or surpassing environmental, safety and public health standards, to protect the vitality of our communities.

Performance Narrative

Strategic results for the Plant Operations and Maintenance Program are focused on the efficient treatment of wastewater and optimizing the maintenance of the process support equipment within our water resource recovery facilities. Currently we are achieving a wastewater treatment effectiveness of 99%. We continue to train staff, improve operating procedures, and invest in asset reliability projects, as we work toward the goal of achieving 100% permit compliance.

The percentage of planned maintenance activities year-to-date is at 89% exceeding our target of 78%.

Total water resource recovery facility flows treated only represent one half of the fiscal year-to-date target and are largely dependent upon weather. Increased efforts to identify and reduce inflow and infiltration will take years to see a tangible impact; with increasing populations, the anticipated flow increase may offset inflow and infiltration reductions, rather than result in a net decrease in flow.

Key Performance Measures ⁽¹⁾

		FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Target	FY 23-24 Actuals as of 12/31/23	FY 24-25 Target
Result	WES will continually achieve a “wastewater treatment effectiveness rate” of 85% in addition to 100% permit compliance. (Treatment effectiveness rate is calculated on a daily basis for all facilities. The number of compliance samples that are outside of internal control limits divided by the total number of compliance samples. Internal control limits are set well within compliance limits to decrease violations through early detection of system failures.)	97%	99%	100%	99%	DISCONTINUE
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	90%	82%	78%	89%	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to provide reliable service	NEW	NEW	70%	80%	70%
Output	# gallons of wastewater treated ⁽²⁾	7,040,000,000	6,510,000,000	7,000,000,000	2,890,000,000	7,000,000,000
Ratio (NEW)	Scheduled preventative maintenance / unscheduled reactive maintenance	90% / 10%	82% / 18%	78% / 22%	89% / 11%	85% / 15%
Result (NEW)	85+% average monthly removal of pollutant parameters (BOD and TSS) at all WES wastewater facilities	97%	98%	85%	98%	85%
Result (NEW)	Zero annual occurrences of permit violations that result in fines or penalties	1	1	0	0	0

(1) The Key Performance Measure tables for the FY 2024-25 Budget include several new performance measures marked as "(NEW)" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported in rounded billion gallons.

Program includes:

Mandated Services Y

Shared Services N

Grant Funding N

Explanation

Wastewater treatment is mandated under the Clean Water Act (CWA 33 U.S.C. §1251et seq 1972.) The Oregon Department of Environment Quality issues a NPDES permit for treatment systems to discharge directly to surface waters.



Plant Operations and Maintenance

Budget Summary

	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected Year End	FY 24-25 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials & Services: WES Labor	4,027,791	4,266,481	4,924,210	4,810,270	5,187,130	262,920	5%
Materials & Services: Other	4,877,847	5,883,667	6,515,360	6,061,885	6,700,731	185,371	3%
Operating Expense	8,905,638	10,150,148	11,439,570	10,872,155	11,887,861	448,291	4%
Total Expense	8,905,638	10,150,148	11,439,570	10,872,155	11,887,861	448,291	4%

Significant Issues and Changes

The Plant Operations and Maintenance program proposes an \$11,887,861 operating budget to effectively clean wastewater and proactively maintain facilities and equipment, to meet or surpass environmental, safety and public health standards. The FY 2024-25 budget represents a 4% increase from the previous FY budget. Materials and services is increasing by about 3%, reflecting an increase in utility and chemical costs to operate our facilities that was primarily offset by further reductions in the use of professional contracted services.

Budget Detail



The green roof at the Tri-City Water Resource Recovery Facility

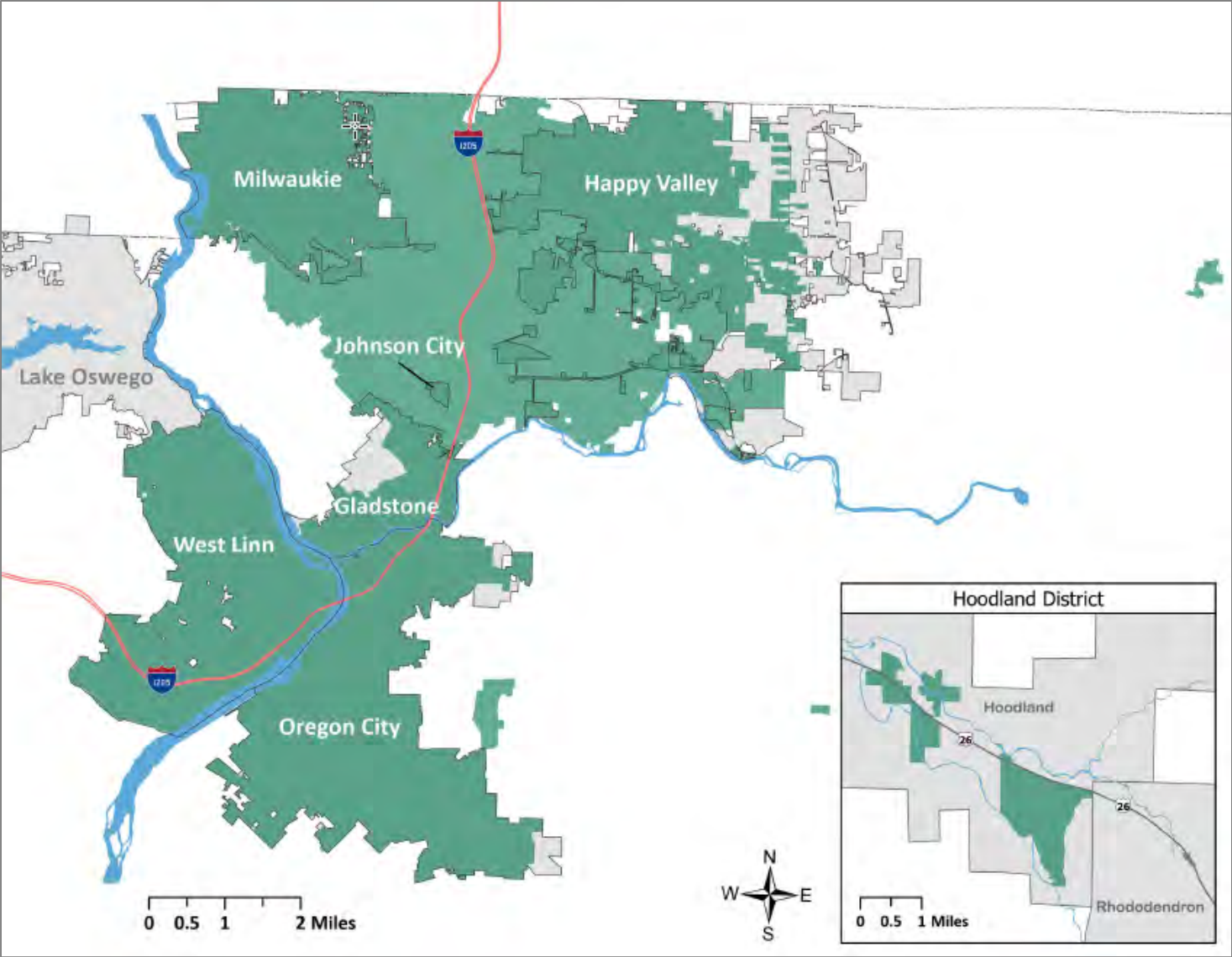
Clackamas Water Environment Services

FY 2024-25 BUDGET - CONSOLIDATED FINANCIAL SCHEDULE - ALL FUNDS

SERVICE CATEGORY FUND DESCRIPTION	Sanitary Sewer			Surface Water			Debt Service	TOTAL BUDGET
	Operating Fund	SDC Fund	Construction Fund	Operating Fund	SDC Fund	Construction Fund	Debt Service Fund	
RESOURCES								
Beginning Fund Balance	\$ 7,190,579	\$ 50,509,900	\$ 92,012,857	\$ 5,262,466	\$ 2,882,265	\$ 11,695,718	\$ 3,630,380	\$ 173,184,165
Sales and Services								
Sewer Charges	45,603,300							45,603,300
Surface Water Charges				6,906,100				6,906,100
System Development Charges	70,000	7,589,400			134,800			7,794,200
Charges for Services - All Other	1,016,200			100,000				1,116,200
Interest Income	215,700	1,515,300	2,760,400	157,900	86,500	350,900	108,900	5,195,600
Permits	45,000			30,000				75,000
Special Assessment Collections	5,000						170,000	175,000
Penalties	45,000							45,000
Miscellaneous Income	206,220			25,000				231,220
Subtotal - Revenues	47,206,420	9,104,700	2,760,400	7,219,000	221,300	350,900	278,900	67,141,620
Other Financing Sources								
Grants and Capital Contributions	75,000		2,000,000			509,940		2,584,940
Revenue from Bonds & Other Debts						162,400		162,400
Interfund Transfers In			17,938,826			2,000,000	12,928,167	32,866,993
TOTAL RESOURCES	\$ 54,471,999	\$ 59,614,600	\$ 114,712,083	\$ 12,481,466	\$ 3,103,565	\$ 14,718,958	\$ 16,837,447	\$ 275,940,118
REQUIREMENTS								
Materials & Services								
WES Labor	\$ 13,458,110			\$ 3,399,780				\$ 16,857,890
Other County Services	2,679,919			846,910				3,526,829
Professional Services	1,734,780			704,840				2,439,620
Administrative	1,930,410			451,860				2,382,270
Supplies	3,074,550			53,350				3,127,900
Utilities	2,274,480			11,700				2,286,180
Repair & Maintenance	994,370			593,840				1,588,210
Rents & Leases	283,072			59,120				342,192
Subtotal - Materials & Services	26,429,691			6,121,400				32,551,091
Special Payments	1,327,900							1,327,900
Capital Outlay		12,375,000	62,811,500			4,359,500		79,546,000
Debt Service							13,038,622	13,038,622
Interfund Transfers Out	20,802,784	8,542,783		2,082,600			1,438,826	32,866,993
Contingency	4,405,000	3,093,750	15,702,875	1,020,000		1,089,875		25,311,500
Ending Fund Balance and Reserves	1,506,624	35,603,067	36,197,708	3,257,466	3,103,565	9,269,583	2,359,999	91,298,012
TOTAL REQUIREMENTS	\$ 54,471,999	\$ 59,614,600	\$ 114,712,083	\$ 12,481,466	\$ 3,103,565	\$ 14,718,958	\$ 16,837,447	\$ 275,940,118
CHANGES IN FUND BALANCE								
Net Increase (Decrease) in Fund Balance	(5,683,955)	(14,906,833)	(55,815,149)	(2,005,000)	221,300	(2,426,135)	(1,270,381)	(81,886,153)
% Change	-79%	-30%	-61%	-38%	8%	-21%	-35%	-47%

The sanitary sewer funds (“sewer funds”) consolidate all revenues and expenses for the sewer service areas within WES.

WES Sewer Service Area Map



SANITARY SEWER OPERATING FUND 631

Clackamas Water Environment Services' Sanitary Sewer Operating Fund ("Sewer Operating Fund") accounts for all operating and maintenance expenses for day-to-day sewer operations.

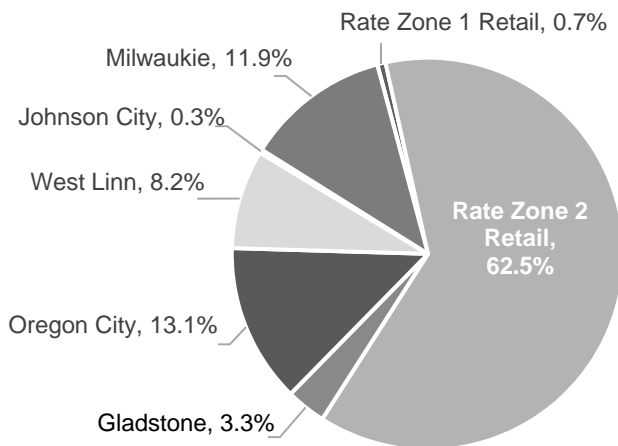
FY 2024-25 resources in the Sewer Operating Fund are approximately \$54.5 million. Primary resources include sewer charges of \$45.6 million, other minor charges, fees and miscellaneous revenues of approximately \$1.6 million, an Oregon Water Resources Department local operating grant of \$75 thousand, and beginning fund balance carried over from the prior year of approximately \$7.2 million.

WES has established rate zones within its boundaries to reflect the different levels of service provided and to differentiate between components of rates that only apply to certain service areas. The primary difference between WES' two sewer rate zones is the inclusion of a legacy debt service component in the rate for customers in Rate Zone 2 for debt incurred by CCSD No. 1 prior to WES' formation.

Sewer Charges

Budgeted sewer charges are \$45.6 million for FY 2024-25, consisting of retail sewer charges of approximately \$28.8 million and wholesale sewer charges of approximately \$16.8 million. The chart and table below detail budgeted sewer charge revenue by service type and service area.

Sewer Charges by Service Type and Service Area



Service Type and Service Area	FY 2024-25 Budget
Retail Sewer Charges	
Rate Zone 1	\$ 313,600
Rate Zone 2	28,525,700
Wholesale Sewer Charges	
Rate Zone 1 Gladstone	1,494,700
Rate Zone 1 Oregon City	5,983,500
Rate Zone 1 West Linn	3,721,700
Rate Zone 2 Johnson City	126,600
Rate Zone 2 Milwaukie	5,437,500
TOTAL SEWER CHARGES	\$ 45,603,300

Retail Sewer Charges

WES provides retail sewer service to a small number of customers within Rate Zone 1 and to four separate sewer service areas in Rate Zone 2: North Clackamas Service Area (NCSA), Hoodland, Fischer's Forest Park, and Boring. The Hoodland, Fischer's Forest Park, and Boring service areas have not traditionally generated service charge revenue sufficient to cover the costs of serving these areas. As a result, any deficiencies have been covered by funds from the NCSA. These deficiencies are negligible due to the small size of these service areas.

The Rate Zone 1 retail rate for FY 2024-25 is proposed to increase \$2.15 or approximately 5.0% from \$42.80 per EDU per month to \$44.95 per EDU per month. The budget includes a Rate Zone 2 retail rate increase of \$0.75 or approximately 1.4% from \$52.85 per EDU per month to \$53.60 per EDU per month. The difference in the Rate Zone 1 and Rate Zone 2 rates is the inclusion of the legacy debt service component in Rate Zone 2's rate, as discussed above.

SEWER FUND DETAIL

A summary of WES' FY 2024-25 retail sewer rates and their rate components is as follows:

	WES Retail Rate Components			WES Retail Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2024-25 EDUs
	Wastewater Treatment	Local Collection	Legacy Debt Service Component				
Rate Zone 1	\$ 29.30	\$ 15.65	\$ -	\$ 44.95	\$ -	\$ 44.95	535
Rate Zone 2	\$ 29.30	\$ 15.65	\$ 8.65	\$ 53.60	\$ 2.68	\$ 56.28	43,961

*City Right-of-Way Fee Surcharge applies only to Rate Zone 2 ratepayers within the City of Happy Valley.

Wholesale Sewer Charges

WES provides wholesale service to the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1 and to the Cities of Johnson City and Milwaukie in Rate Zone 2.

The budget includes a wholesale monthly service charge rate increase of \$1.40 or approximately 5.0% from \$27.90 per EDU per month to \$29.30 per EDU per month. The following table combines WES' wholesale rate with the legacy debt service component for Rate Zone 2, applicable city right-of-way (ROW) fees, and the rate charged by individual cities for their local operating expenses, to arrive at the total user rates for FY 2024-25 that will be charged for a single-family unit in each city:

	WES Wholesale Rate Components			WES Wholesale Subtotal	City Retail Monthly Rate ¹	Estimated Monthly Total	Projected FY 2024-25 EDUs
	Wastewater Treatment	Legacy Debt Service Component	City Right-of-Way Fee Surcharge				
Rate Zone 1							
Gladstone	\$ 29.30	\$ -	\$ 1.45	\$ 30.75	\$ 36.29	\$ 67.04	4,251
Oregon City	\$ 29.30	\$ -	\$ 1.85	\$ 31.15	\$ 36.27	\$ 67.42	17,018
West Linn	\$ 29.30	\$ -	\$ -	\$ 29.30	\$ 26.49	\$ 55.79	10,585
Rate Zone 2							
Johnson City	\$ 29.30	\$ 8.65	\$ -	\$ 37.95	\$ 1.90	\$ 39.85	278
Milwaukie	\$ 29.30	\$ 8.65	\$ -	\$ 37.95	\$ 29.31	\$ 67.26	11,940

¹ City Retail Monthly Rates for Gladstone and Oregon City reflect FY 2023-24 rates; these are subject to change.

Other Revenue Items

Other revenues of approximately \$1.7 million for FY 2024-25 include interest income, ROW fees, and other miscellaneous charges for septage processing, permitting and plan review, and lien searches. Proportions of budgeted other revenues are detailed in the chart below:

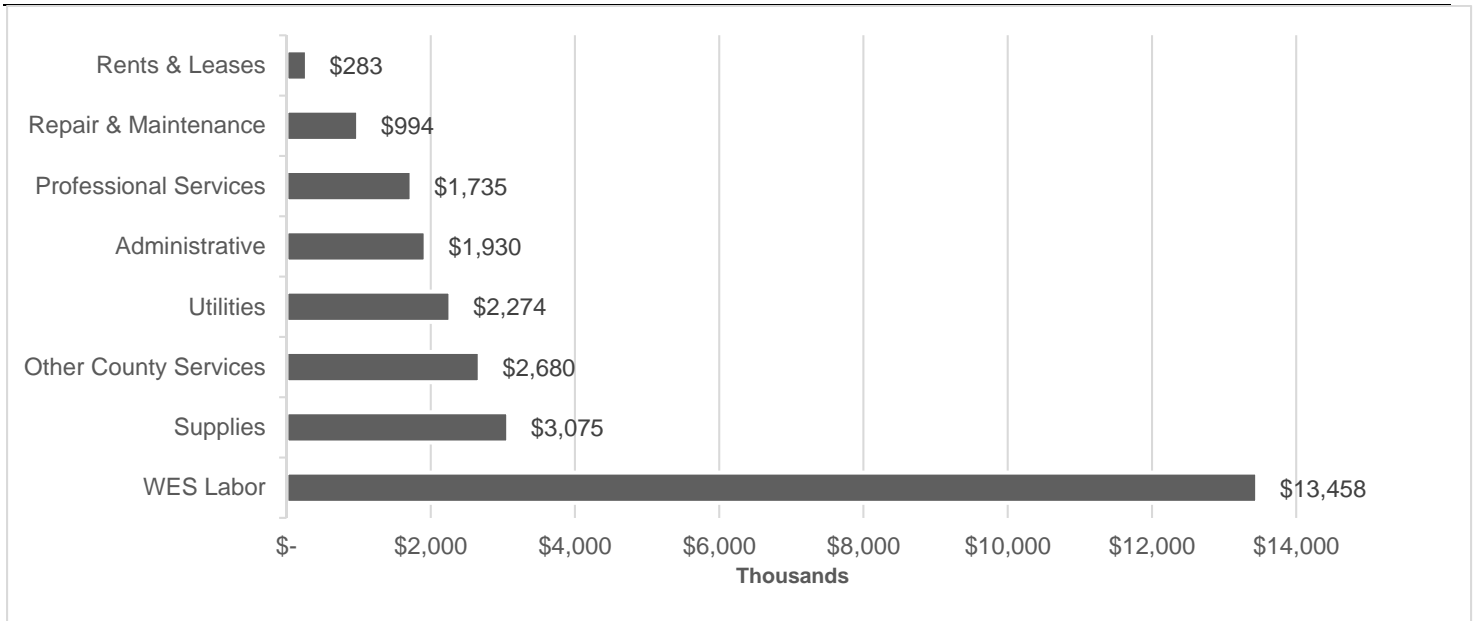


SEWER FUND DETAIL

The Sewer Operating Fund's budgeted requirements are approximately \$54.5 million and include current year materials and services, special payments, interfund transfers, contingency, and ending fund balance.

Budgeted materials and services for FY 2024-25 total approximately \$26.4 million and include all expenses related to WES' sewer operations including the costs of: labor, utilities, supplies such as chemicals, professional services, administrative costs such as insurance and telephone expenses, repairs and maintenance, and rents and leases.

SEWER OPERATING FUND MATERIALS & SERVICES



Special payments of \$1.3 million have been budgeted for FY 2024-25 to provide for pass-through payments to remit city right-of-way fees to the Cities of Gladstone, Happy Valley, and Oregon City and to provide for Good Neighbor Fund contributions.

Budgeted interfund transfers for FY 2024-25 include \$16.5 million to the Sewer Construction Fund and \$4.3 million to the Debt Service Fund.

The budgeted contingency, based on 60 days of budgeted operating expenses, is approximately \$4.4 million and represents funds set aside for unforeseen circumstances which may arise during the year. Contingencies are typically not expended and added to reserves at year end.

Ending fund balance is budgeted at approximately \$1.5 million, a reduction from the anticipated FY 2024-25 beginning fund balance of 79% or approximately \$5.7 million. This reduction is the result of transferring all funds not needed to meet operating requirements, debt service requirements, and reserve requirements to the Sewer Construction Fund.

SEWER OPERATING FUND DETAIL

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 11,447,693	\$ 13,357,957	\$ 10,141,558	\$ 10,106,032	\$ 7,190,579	\$ 7,190,579	\$ 7,190,579
Revenues							
Sales and Services							
Retail Sewer Charges	25,803,796	26,981,353	27,438,800	28,085,000	28,839,300	28,839,300	28,839,300
City Payments	14,622,237	15,274,838	16,082,500	16,127,300	16,764,000	16,764,000	16,764,000
System Development Charges	120,234	25,050	175,000	166,570	70,000	70,000	70,000
Charges for Services – All Other	946,509	943,760	957,700	953,700	1,016,200	1,016,200	1,016,200
Interest Income	63,297	332,905	152,100	328,400	215,700	215,700	215,700
Permits	48,454	45,625	55,000	45,000	45,000	45,000	45,000
Special Assessment Collections	18,022	9,452	5,000	5,000	5,000	5,000	5,000
Penalties	-	-	45,000	-	45,000	45,000	45,000
Miscellaneous Income	288,393	349,586	244,720	286,220	206,220	206,220	206,220
Operating Grants	752,227	-	-	-	75,000	75,000	75,000
Subtotal - Revenues	42,663,169	43,962,569	45,155,820	45,997,190	47,281,420	47,281,420	47,281,420
TOTAL RESOURCES	\$ 54,110,862	\$ 57,320,526	\$ 55,297,378	\$ 56,103,222	\$ 54,471,999	\$ 54,471,999	\$ 54,471,999
REQUIREMENTS							
Materials & Services							
WES Labor	\$ 10,933,857	\$ 11,510,092	\$ 13,075,780	\$ 12,647,930	\$ 13,458,110	\$ 13,458,110	\$ 13,458,110
Other County Services	1,874,526	2,077,615	2,487,861	2,455,276	2,679,919	2,679,919	2,679,919
Professional Services	1,408,940	1,628,177	1,486,350	1,432,750	1,734,780	1,734,780	1,734,780
Administrative	1,076,910	1,733,790	1,805,385	1,730,877	1,930,410	1,930,410	1,930,410
Supplies	2,035,014	2,576,536	2,810,800	2,744,500	3,074,550	3,074,550	3,074,550
Utilities	1,633,467	1,930,717	1,965,800	2,091,620	2,274,480	2,274,480	2,274,480
Repair & Maintenance	853,542	765,335	1,261,970	902,230	994,370	994,370	994,370
Rents & Leases	310,904	342,366	283,680	290,860	283,072	283,072	283,072
Subtotal - Materials & Services	20,127,160	22,564,628	25,177,626	24,296,043	26,429,691	26,429,691	26,429,691
Special Payments	1,112,774	1,149,866	1,250,300	1,217,300	1,327,900	1,327,900	1,327,900
Interfund Transfers Out -							
To Sewer Construction Fund	15,500,000	21,863,302	21,500,000	21,500,000	16,500,000	16,500,000	16,500,000
To Debt Service Fund	3,888,956	1,636,698	1,899,300	1,899,300	4,302,784	4,302,784	4,302,784
To Surface Water Operating Fund	124,015	-	-	-	-	-	-
Contingency	-	-	4,196,000	-	4,405,000	4,405,000	4,405,000
Ending Fund Balance / Reserves for Future Expenditure	13,357,957	10,106,032	1,274,152	7,190,579	1,506,624	1,506,624	1,506,624
TOTAL REQUIREMENTS	\$ 54,110,862	\$ 57,320,526	\$ 55,297,378	\$ 56,103,222	\$ 54,471,999	\$ 54,471,999	\$ 54,471,999

SANITARY SEWER SYSTEM DEVELOPMENT CHARGE FUND 632

The Sanitary Sewer System Development Charge Fund ("Sewer SDC Fund") accounts for capital expenditures that are related to growth or capacity increases.

FY 2024-25 budgeted resources total approximately \$59.6 million and include SDCs of \$7.6 million, interest income of \$1.5 million, and beginning fund balance of \$50.5 million.

The primary resources in this fund are SDC revenues for new connections to the system. The largest portion of SDC revenue in FY 2024-25 of \$5.4 million is expected from retail connections within Rate Zone 2. Wholesale SDC revenues of approximately \$2.2 million are anticipated in Rate Zone 1 with \$1.8 million from the City of Oregon City; \$337 thousand from the City of West Linn, and \$73 thousand from the City of Gladstone. These revenues are based on an SDC fee of \$9,100 per EDU, which reflects an inflationary adjustment of \$240 or 2.7% from the \$8,860 fee per EDU effective during FY 2023-24.

Oregon Revised Statutes (ORS) 223 restricts the use of SDC revenues to expenditure for capacity-increasing capital improvements including the repayment of associated indebtedness. Budgeted capital outlay for FY 2024-25 in this fund is \$12.4 million and directed towards the SDC-eligible portions of various projects. Significant SDC-eligible projects include: Tri-City Water Resource Recovery Facility (WRRF) Wet Weather Outfall, Willamette Pump Station, Intertie 2 Pump Station and Force Main, and Regional Inflow & Infiltration Reduction Program Cost Share. Descriptions of all major projects are provided in the separate Capital section.

The FY 2024-25 budget includes an interfund transfer to the Debt Service Fund of approximately \$8.5 million. This transfer reflects WES' financial strategy to use SDC funds to repay debt to the extent eligible. This strategy, which was presented to and recommended by the WES Advisory Committee in February 2021, reduces pressure for rate increases. The budgeted transfer amount represents the SDC-eligible portions of FY 2024-25 debt service payments for the Series 2016 sewer revenue obligations, the Series 2021 sewer revenue obligations, and the State Revolving Fund (SRF) Loan used to finance the Tri-City Solids Handling Improvement project.

Contingency is budgeted at \$3.1 million based on 25% of budgeted capital outlay. Contingencies are typically not expended and added to reserves at year end. Ending fund balance is budgeted at approximately \$35.6 million. The \$14.9 million decrease from the projected FY 2024-25 beginning fund balance reflects the budgeted use of resources for capital outlay and contingency. The \$35.6 million ending fund balance will be used in future years for capacity-related capital expenditures as well as SDC-eligible debt service.

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 47,620,241	\$ 51,215,688	\$ 51,022,693	\$ 52,339,171	\$ 50,509,900	\$ 50,509,900	\$ 50,509,900
System Development Charges	11,135,878	6,797,056	7,141,100	3,973,180	7,589,400	7,589,400	7,589,400
Interest Income	153,138	760,688	765,300	1,701,000	1,515,300	1,515,300	1,515,300
TOTAL RESOURCES	\$ 58,909,257	\$ 58,773,432	\$ 58,929,093	\$ 58,013,351	\$ 59,614,600	\$ 59,614,600	\$ 59,614,600
REQUIREMENTS							
Capital Outlay	\$ 413,790	\$ 170,367	\$ 450,000	\$ 425,000	\$ 12,375,000	\$ 12,375,000	\$ 12,375,000
Interfund Transfers Out – To Debt Service Fund	7,279,779	6,263,894	7,078,451	7,078,451	8,542,783	8,542,783	8,542,783
Contingency	-	-	112,500	-	3,093,750	3,093,750	3,093,750
Ending Fund Balance / Reserves for Future Expenditure	51,215,688	52,339,171	51,288,142	50,509,900	35,603,067	35,603,067	35,603,067
TOTAL REQUIREMENTS	\$ 58,909,257	\$ 58,773,432	\$ 58,929,093	\$ 58,013,351	\$ 59,614,600	\$ 59,614,600	\$ 59,614,600

SANITARY SEWER CONSTRUCTION FUND 639

The Sanitary Sewer Construction Fund ("Sewer Construction Fund") accounts for non-SDC capital expenditures. The primary resources are interfund transfers from the Sewer Operating Fund, proceeds from the issuance of debt for capital project financing, and interest earnings.

Total resources for FY 2024-25 are \$114.7 million and include interfund transfers in from the Sewer Operating Fund of \$16.5 million and from the Debt Service Fund of \$1.4 million, interest income of approximately \$2.8 million, an Environmental Protection Agency (EPA) Community grant of \$2.0 million for the Boring WRRF capital project, and beginning fund balance of approximately \$92.0 million.

FY 2024-25 requirements include capital outlay of approximately \$62.8 million. Major projects include the Tri-City WRRF outfall, Willamette Area capacity improvements, Intertie 2 Pump Station and Force Main project, a project to recoat and upgrade the Tri-City primary clarifiers, Kellogg Creek WRRF Administration building remodel, the Regional Inflow & Infiltration Reduction program cost share, and upgrades to multiple pump stations. Descriptions of all major projects are provided in the separate Capital section.

The FY 2024-25 budget includes a contingency of approximately \$15.7 million based on 25% of budgeted capital outlay to provide for unforeseen capital expenses. Contingencies are typically not expended and added to reserves at year end. Projected ending fund balance is approximately \$36.2 million and will provide funding for capital projects in future years. The decrease of \$55.8 million from the projected FY 2024-25 beginning fund balance reflects the budgeted use of resources for capital outlay.

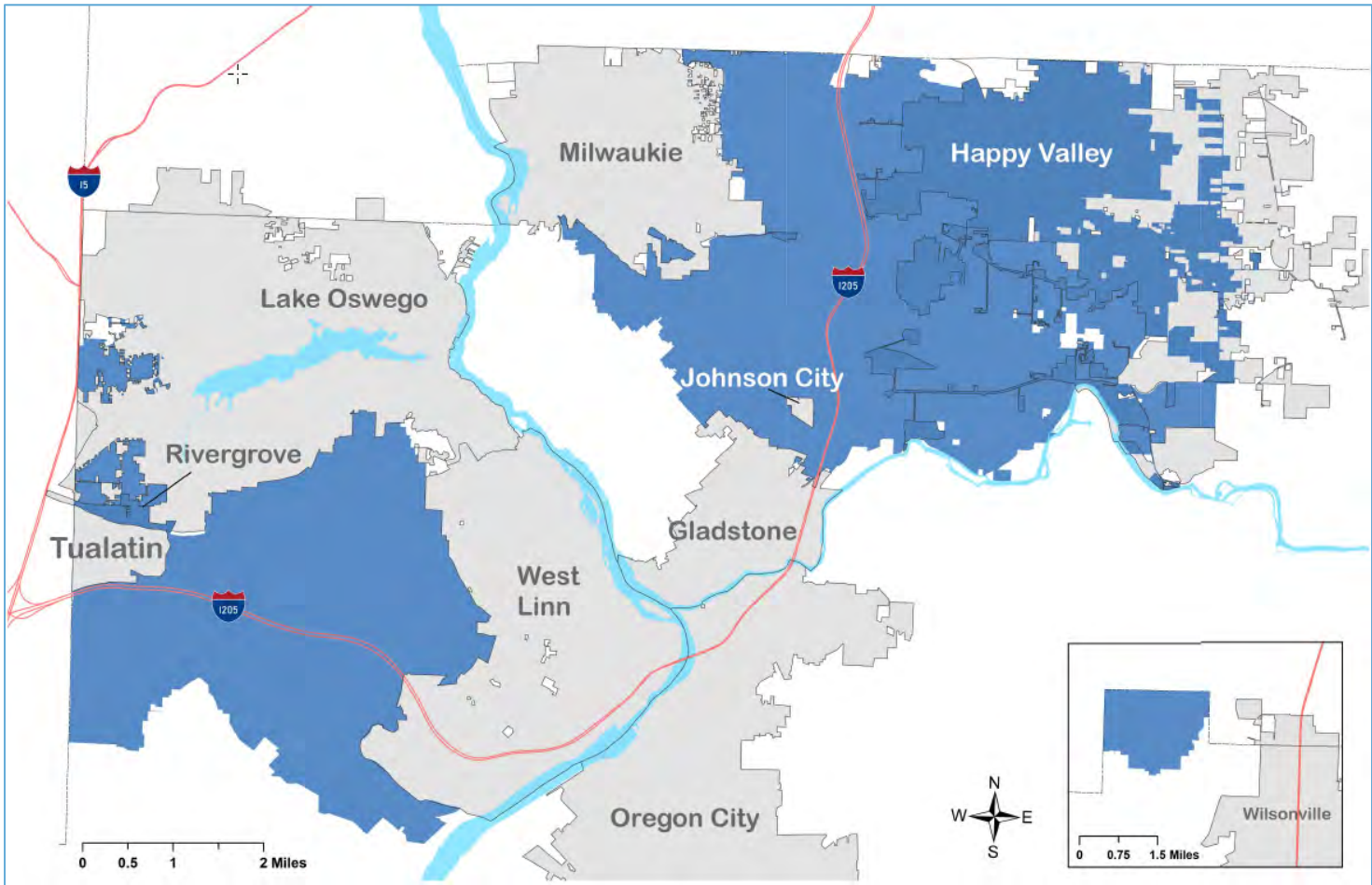
	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 84,947,827	\$ 97,396,842	\$ 108,061,454	\$ 107,717,807	\$ 92,012,857	\$ 92,012,857	\$ 92,012,857
Interfund Transfers In – From Sewer Operating Fund	15,500,000	21,863,302	21,500,000	21,500,000	16,500,000	16,500,000	16,500,000
From Debt Service Fund	-	-	-	-	1,438,826	1,438,826	1,438,826
Interest Income	285,563	1,562,074	1,620,900	3,696,400	2,760,400	2,760,400	2,760,400
Federal Operating Grants	-	-	-	-	2,000,000	2,000,000	2,000,000
Capital Project Contribution	-	1,046,111	-	-	-	-	-
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	3,457,456	2,114,616	-	-	-	-	-
TOTAL RESOURCES	\$ 104,190,846	\$ 123,982,945	\$ 131,182,354	\$ 132,914,207	\$ 114,712,083	\$ 114,712,083	\$ 114,712,083
REQUIREMENTS							
Capital Outlay	\$ 6,794,004	\$ 16,265,138	\$ 49,278,927	\$ 40,901,350	\$ 62,811,500	\$ 62,811,500	\$ 62,811,500
Contingency	-	-	12,319,732	-	15,702,875	15,702,875	15,702,875
Ending Fund Balance / Reserves for Future Expenditure	97,396,842	107,717,807	69,583,695	92,012,857	36,197,708	36,197,708	36,197,708
TOTAL REQUIREMENTS	\$ 104,190,846	\$ 123,982,945	\$ 131,182,354	\$ 132,914,207	\$ 114,712,083	\$ 114,712,083	\$ 114,712,083

SURFACE WATER FUND DETAIL

Surface water management services provided to the community include the construction and maintenance of infrastructure necessary to improve water quality and provide adequate conveyance and control of stormwater runoff, development plan review, public education related to water quality and stormwater issues, restoration and enhancement of riparian areas and stream channels, and watershed planning.

In recent years, environmental regulations have tightened the standards for water quality and flow control in WES' streams and waterways. These new standards require WES to increase its efforts to improve water quality through on-going maintenance, plan review, and public education activities. As part of this effort, WES is also looking for opportunities to construct regional stormwater management facilities that can serve multiple developments more cost-effectively. As a program element of WES, surface water management activities have their own accounting cost centers, budget, and dedicated funding sources.

WES Surface Water Service Area Map



SURFACE WATER OPERATING FUND 641

WES' Surface Water Operating Fund provides for all surface water operating and maintenance activities and acts as a source of financing for future capital improvements.

FY 2024-25 resources in the Surface Water Operating Fund are \$12.5 million. These resources consist of beginning fund balance of \$5.3 million, monthly service charges of \$6.9 million, miscellaneous income of \$155 thousand, and interest earnings of \$158 thousand.

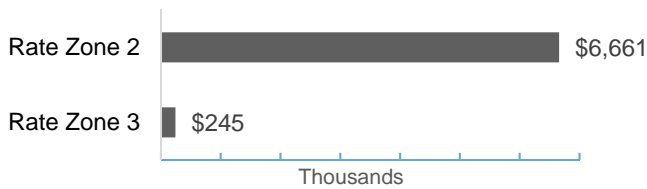
WES has established surface water rate zones to reflect the different levels of service provided to the two distinct surface water service areas within its boundaries.

SURFACE WATER FUND DETAIL

Surface Water Charges

Budgeted service charge revenues for FY 2024-25 amount to approximately \$6.9 million, including \$6.7 million from Rate Zone 2 and \$245 thousand from Rate Zone 3. The chart and table below detail budgeted surface water charge revenue by service area.

Surface Water Charges by Service Area



Service Area	FY 2024-25 Budget
Surface Water Charges	
Rate Zone 2	\$ 6,661,400
Rate Zone 3	244,700
TOTAL SURFACE WATER CHARGES	\$ 6,906,100

Rate Zone 2

Within Rate Zone 2's total surface water charges of \$6.7 million, \$6.3 million is expected in monthly user fees charged to residents and businesses and an additional \$0.4 million is anticipated from surface water maintenance contracts. Surface water maintenance contract revenues are derived from an on-site facilities maintenance program. A charge of \$3.00 per month for On-Site Maintenance (OSM) is assessed for the annual maintenance and inspection of water quality and quantity facilities. This fee applies to properties in subdivisions that contract with WES to provide this maintenance. The revenues generated by the OSM fee are used to recover the costs of the personnel and materials necessary to provide this service.

The budget includes a Rate Zone 2 monthly service charge rate increase of \$0.45 or approximately 5% from \$8.65 per ESU per month to \$9.10 per ESU per month. The monthly rate for customers in the City of Happy Valley is proposed to be approximately \$9.56 per ESU per month in order to cover the City's 5% Right-of-Way fee.

Rate Zone 3

For Rate Zone 3, \$245 thousand is budgeted for monthly user fees from residents and businesses within the service area boundaries. The FY 2023-24 fee of \$5.20 per month per single-family dwelling is proposed to increase approximately \$0.25 or approximately 5% to \$5.45 for FY 2024-25. Business and institutional customers are charged multiples of the impervious surface area typical for a single-family dwelling. The projected revenue from monthly user fees is based on providing service to 3,741 accounts.

A summary of WES' surface water rates is as follows:

	WES Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2024-25 EDUs
Rate Zone 2	\$ 9.10	\$ 0.46	\$ 9.56	57,330
Rate Zone 3	\$ 5.45	\$ -	\$ 5.45	3,741

*City Right-of-Way Fee Surcharge applies only to Rate Zone 2 ratepayers within the City of Happy Valley.

Requirements for the Surface Water Operating Fund total \$12.5 million and include operating and maintenance expenses, contingencies and reserves of \$4.3 million, interfund transfers to the Surface Water Construction Fund of \$2.0 million and to the Debt Service Fund of \$83 thousand.

SURFACE WATER OPERATING FUND MATERIALS & SERVICES

Utilities	\$2,286
Supplies	\$3,128
Rents & Leases	\$342
Administrative	\$2,382
Repair & Maintenance	\$1,588
Professional Services	\$2,440
Other County Services	\$3,527
WES Labor	\$16,858

Thousands

SURFACE WATER FUND DETAIL

Operating and maintenance expenses for FY 2024-25 are budgeted at approximately \$6.1 million and include all charges necessary to fund WES' surface water operations, including the costs of: labor, professional services, supplies, administrative costs, repairs and maintenance, and rents and leases.

The budgeted contingency is approximately \$1.0 million, based on 2 months' of budgeted operating expenses, and represents funds set aside for unforeseen circumstances, which may arise during the year. Contingencies are typically not expended and added to reserves at year end. Ending fund balance is \$3.3 million, a decrease of \$2.0 million or approximately 38% from the beginning fund balance. This decrease is a result of transferring all funds not needed to meet operating, debt service, and reserve requirements to the Surface Water Construction Fund.

SURFACE WATER OPERATING FUND DETAIL

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 6,868,364	\$ 5,276,402	\$ 4,886,237	\$ 5,032,994	\$ 5,262,466	\$ 5,262,466	\$ 5,262,466
Interfund Transfers In – From Sewer Operating Fund	124,015	-	-	-	-	-	-
Revenues							
Sales and Services							
Surface Water Charges	5,676,998	6,033,587	6,476,300	6,525,500	6,906,100	6,906,100	6,906,100
Charges for Services – All Other	216,528	211,471	100,000	200,000	100,000	100,000	100,000
Interest Income	23,342	95,231	73,300	163,600	157,900	157,900	157,900
Permits	32,055	34,105	30,000	30,000	30,000	30,000	30,000
Miscellaneous Income	30,075	22,783	25,000	25,000	25,000	25,000	25,000
Subtotal - Revenues	5,978,998	6,397,177	6,704,600	6,944,100	7,219,000	7,219,000	7,219,000
TOTAL RESOURCES	\$ 12,971,377	\$ 11,673,579	\$ 11,590,837	\$ 11,977,094	\$ 12,481,466	\$ 12,481,466	\$ 12,481,466
REQUIREMENTS							
Materials & Services							
WES Labor	\$ 2,332,101	\$ 2,441,833	\$ 3,238,970	\$ 2,635,160	\$ 3,399,780	\$ 3,399,780	\$ 3,399,780
Other County Services	612,246	590,811	796,756	702,448	846,910	846,910	846,910
Professional Services	786,651	568,017	654,010	292,974	704,840	704,840	704,840
Administrative	529,622	395,840	406,765	458,243	451,860	451,860	451,860
Supplies	22,824	9,919	48,450	35,933	53,350	53,350	53,350
Utilities	7,102	10,025	9,540	10,700	11,700	11,700	11,700
Repair & Maintenance	322,391	438,776	689,340	524,600	593,840	593,840	593,840
Rents & Leases	82,038	52,864	64,250	54,570	59,120	59,120	59,120
Subtotal - Materials & Services	4,694,975	4,508,085	5,908,081	4,714,628	6,121,400	6,121,400	6,121,400
Interfund Transfers Out- To Surface Water Construction Fund	3,000,000	2,132,500	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
To Debt Service Fund	-	-	-	-	82,600	82,600	82,600
Contingency	-	-	985,000	-	1,020,000	1,020,000	1,020,000
Ending Fund Balance / Reserves for Future Expenditure	5,276,402	5,032,994	2,697,756	5,262,466	3,257,466	3,257,466	3,257,466
TOTAL REQUIREMENTS	\$ 12,971,377	\$ 11,673,579	\$ 11,590,837	\$ 11,977,094	\$ 12,481,466	\$ 12,481,466	\$ 12,481,466

SURFACE WATER SYSTEM DEVELOPMENT CHARGE FUND 642

The Surface Water System Development Charge (SDC) Fund accounts for surface water capital expenditures that are related to growth or capacity increases. Currently, all surface water capital projects are in Rate Zone 2 and are consequently funded exclusively with Rate Zone 2 SDC revenues.

The FY 2024-25 budget includes resources of approximately \$3.1 million consisting of system development charges, interest income, and beginning fund balance.

The primary revenue source is SDC charges for new connections to the system; these charges are budgeted at \$135 thousand for FY 2024-25. The current surface water SDC of \$240 per ESU is proposed to increase by an inflationary amount of \$6.50 or 2.7% to \$246.50 per ESU for FY 2024-25.

Requirements total approximately \$3.1 million and are comprised solely of ending fund balance for FY 2024-25. Expenditures of SDC funds are restricted to capacity-improving capital outlay by Oregon Revised Statutes and there are currently no planned surface water capacity-improving projects, thus budgeted capital outlay for FY 2024-25 is \$0. An update is planned to the Surface Water SDC Methodology for FY 2024-25 and SDC-eligible stormwater capital improvements will be identified during that update.

The increase in the ending fund balance from the beginning fund balance of \$221 thousand is due to budgeted revenues exceeding budgeted expenses.

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 2,473,973	\$ 2,620,151	\$ 2,726,201	\$ 2,733,465	\$ 2,882,265	\$ 2,882,265	\$ 2,882,265
System Development Charges	138,311	72,658	126,300	60,000	134,800	134,800	134,800
Interest Income	7,867	40,656	40,900	88,800	86,500	86,500	86,500
TOTAL RESOURCES	\$ 2,620,151	\$ 2,733,465	\$ 2,893,401	\$ 2,882,265	\$ 3,103,565	\$ 3,103,565	\$ 3,103,565
REQUIREMENTS							
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	-	-	-	-	-	-	-
Ending Fund Balance / Reserves for Future Expenditure	\$ 2,620,151	\$ 2,733,465	\$ 2,893,401	\$ 2,882,265	\$ 3,103,565	\$ 3,103,565	\$ 3,103,565
TOTAL REQUIREMENTS	\$ 2,620,151	\$ 2,733,465	\$ 2,893,401	\$ 2,882,265	\$ 3,103,565	\$ 3,103,565	\$ 3,103,565

SURFACE WATER CONSTRUCTION FUND 649

WES' Surface Water Construction Fund accounts for non-SDC surface water capital expenditures. The primary resources are interfund transfers from the Surface Water Operating Fund, interest earnings, proceeds from the issuance of debt for surface water capital project financing, grants, and capital project contributions. Currently, all surface water capital projects are in Rate Zone 2 and are consequently funded exclusively with Rate Zone 2 revenues.

Budgeted resources for FY 2024-25 total \$14.7 million and include interest income of \$351 thousand, a transfer from the Surface Water Operating Fund of \$2.0 million, capital project financing of \$162 thousand, federal operating grants of \$471 thousand, a Metro Nature in the Neighborhood grant of \$39 thousand, and beginning fund balance of \$11.7 million.

Budgeted resources for capital financing of \$162 thousand are from the State of Oregon Department of Environmental Quality (DEQ) Clean Water State Revolving Fund (SRF) and reflect continued funding for capital outlay for the design phase of the 3-Creeks Water Quality project. Financing obtained through the Clean Water SRF is project-specific and treated as a loan with repayment occurring over time after the project is complete. Design of the 3-Creeks project is expected to be completed in 2024 and repayment of the associated loan is anticipated to begin in late FY 2024-25. This funding source is discussed in greater detail in the Debt section.

In October 2022, the Board of County Commissioners allocated \$2.4 million of the County's American Rescue Plan Act (ARPA) funding towards WES' Aldercrest Culvert and Kellogg Creek Restoration and SE Clackamas Road Drainage stormwater infrastructure projects. These two projects will reduce flooding and improve fish and wildlife habitat through culvert replacement and drainage improvement. The \$471 thousand in budgeted federal grant revenue reflects the anticipated disbursements of these funds for FY 2024-25.

Requirements for FY 2024-25 include contingency of approximately \$1.1 million, based on 25% of budgeted capital outlay, for unforeseen capital expenditures; reserves of \$9.3 million; and capital outlay of approximately \$4.4 million. The majority of budgeted capital outlay, \$3.0 million, will be directed towards the 3-Creeks Water Quality Project, which will be entering the construction phase in mid-2024. Detailed descriptions of all major capital projects and their funding sources may be found in the separate Capital section.

The decrease in fund balance of approximately \$2.4 million or 21% is due to the use of existing reserves for budgeted capital outlay.

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 5,703,585	\$ 7,964,622	\$ 9,672,603	\$ 9,482,588	\$ 11,695,718	\$ 11,695,718	\$ 11,695,718
Interfund Transfers In – From Surface Water Operating Fund	3,000,000	2,132,500	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Interest Income	16,973	119,745	145,100	308,200	350,900	350,900	350,900
Operating Grants	-	-	-	14,970	38,940	38,940	38,940
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	-	530,111	685,900	757,500	162,400	162,400	162,400
Federal Grants (ARPA)	-	-	340,000	190,000	471,000	471,000	471,000
TOTAL RESOURCES	\$ 8,720,558	\$ 10,746,978	\$ 12,843,603	\$ 12,753,258	\$ 14,718,958	\$ 14,718,958	\$ 14,718,958
REQUIREMENTS							
Capital Outlay	\$ 755,936	\$ 1,264,390	\$ 2,333,400	\$ 1,057,540	\$ 4,359,500	\$ 4,359,500	\$ 4,359,500
Contingency	-	-	1,166,700	-	1,089,875	1,089,875	1,089,875
Ending Fund Balance / Reserves for Future Expenditure	7,964,622	9,482,588	9,343,503	11,695,718	9,269,583	9,269,583	9,269,583
TOTAL REQUIREMENTS	\$ 8,720,558	\$ 10,746,978	\$ 12,843,603	\$ 12,753,258	\$ 14,718,958	\$ 14,718,958	\$ 14,718,958

DEBT SERVICE FUND 635

The Debt Service Fund accounts for the repayment of principal and interest on WES' revenue obligations and State Revolving Fund (SRF) loans. The SRF loans financed the North Clackamas Revitalization Area (NCRA) assessment district in Rate Zone 2, the Tri-City Solids Handling Improvement project, and are currently financing the 3-Creeks Water Quality project. The primary resources include monthly charges transferred from the Operating Funds, system development charges transferred from the Sewer SDC Fund, and the interest and principal payments associated with the NCRA loans received from beneficiaries in that assessment district.

The budget for FY 2024-25 includes resources of \$16.8 million, consisting of beginning fund balance of \$3.6 million, interfund transfers in from the Sewer SDC Fund of approximately \$8.5 million, from the Sewer Operating Fund of \$4.3 million and from the Surface Water Operating Fund of \$83 thousand, assessment principal and interest collections of \$170 thousand, and interest income of \$109 thousand. The transfer from the Sewer SDC fund reflects WES' financial strategy to use restricted SDC cash to make debt service payments to the extent eligible under applicable state statutes. This strategy, which was implemented beginning in FY 2021-22 after receiving support from the WES Advisory Committee, reduces pressure for rate increases. The amount transferred for FY 2024-25 represents the SDC-eligible portions of the budgeted debt service for the Series 2016 sewer revenue obligations, the Series 2021 sewer revenue obligations, and SRF Loan R95030.

Requirements include debt service payments of approximately \$13.0 million, a transfer to the Sewer Construction Fund of \$1.4 million, designated reserves of approximately \$0.7 million, and ending fund balance of \$1.6 million.

FY 2024-25 debt service in this fund consists of \$10.6 million for principal and interest on sewer revenue obligations and \$2.5 million for principal and interest on state loans. Of the \$2.5 million related to state loan repayments, \$2.3 million is for SRF Loan R95030. SRF Loan R95030 was used to provide capital financing for the Tri-City Solids Handling Improvement project; the project was completed in late FY 2021-22 and repayment of the loan commenced in FY 2022-23.

The remaining \$10.6 million of debt service for FY 2024-25 includes approximately \$6.9 million for the Series 2016 sewer revenue obligations and \$3.7 million for the Series 2021 sewer revenue obligations. The Series 2016 sewer revenue obligations, issued in August 2016, were used to refinance portions of the 2009 and 2010 revenue bonds and all of SRF Loan R22403. The Series 2021 sewer revenue obligations, issued in February 2021, are being used to finance capital projects. The debt service for Series 2016 and Series 2021 is paid from sewer user charges and sewer SDC charges via interfund transfers in from the respective funds. As the Series 2016 debt was originally incurred by CCSD No. 1, only ratepayers within Rate Zone 2 are responsible for this debt. WES' borrowings are covered in further detail in the separate Debt section.

Designated reserves are budgeted at \$0.7 million, a decrease of \$1.4 million from both the FY 2024-25 budget and the FY 2023-24 estimate. This decrease is due to the transfer of \$1.4 million in reserves from the premium on the Series 2021 revenue obligations to the Sewer Construction Fund for spending on capital projects. In prior years, a portion of the Series 2021 premium reserves was used for debt service to reduce the needed interfund transfers from the Sewer Operating Fund. Designated reserves for FY 2024-25 consist of SRF Loan reserves required by the loan agreements.

Ending fund balance and reserves for future expenditures for FY 2024-25 are budgeted at \$1.6 million, approximately equal to the FY 2024-25 beginning fund balance, exclusive of designated reserves.

DEBT SERVICE FUND DETAIL

	2021-22 ACTUAL	2022-23 ACTUAL	2023-24 BUDGET	2023-24 ESTIMATE	2024-25 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 9,989,707	\$ 10,296,117	\$ 6,917,600	\$ 6,941,816	\$ 3,630,380	\$ 3,630,380	\$ 3,630,380
Assessment Collections	387,124	295,532	170,000	256,200	170,000	170,000	170,000
Interfund Transfers In							
From Sewer Operating Fund	3,888,956	1,636,697	1,899,300	1,899,300	4,302,784	4,302,784	4,302,784
From Surface Water Operating Fund	-	-	-	-	82,600	82,600	82,600
From Sewer SDC Fund	7,279,779	6,263,894	7,078,451	7,078,451	8,542,783	8,542,783	8,542,783
Interest Income	31,336	142,435	103,800	225,600	108,900	108,900	108,900
TOTAL RESOURCES	\$ 21,576,902	\$ 18,634,675	\$ 16,169,151	\$ 16,401,367	\$ 16,837,447	\$ 16,837,447	\$ 16,837,447
REQUIREMENTS							
Interfund Transfers Out- To Sewer Construction Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,438,826	\$ 1,438,826	\$ 1,438,826
Principal Payments							
R06224	106,208	106,208	106,208	106,208	106,208	106,208	106,208
R95030	-	861,585	1,736,115	1,736,115	1,753,519	1,753,519	1,753,519
R95031	-	-	-	-	32,600	32,600	32,600
2016	4,125,000	4,345,000	4,705,000	4,705,000	4,945,000	4,945,000	4,945,000
2021	2,065,000	2,170,000	2,280,000	2,280,000	2,395,000	2,395,000	2,395,000
Total Principal	6,296,208	7,482,793	8,827,323	8,827,323	9,232,327	9,232,327	9,232,327
Interest Payments							
R06224	5,842	5,310	4,779	4,779	4,248	4,248	4,248
R95030	728,979	270,000	338,878	338,878	507,290	507,290	507,290
R95031	-	-	-	-	50,000	50,000	50,000
2016	2,635,756	2,424,006	2,197,757	2,197,757	1,956,507	1,956,507	1,956,507
2021	1,614,000	1,510,750	1,402,250	1,402,250	1,288,250	1,288,250	1,288,250
Total Interest	4,984,577	4,210,066	3,943,664	3,943,664	3,806,295	3,806,295	3,806,295
Total Debt Service	11,280,785	11,692,859	12,770,987	12,770,987	13,038,622	13,038,622	13,038,622
RESERVES							
R06224	53,104	53,104	53,104	53,104	53,104	53,104	53,104
R95030	-	695,854	695,854	695,854	695,854	695,854	695,854
R95031	-	-	-	-	-	-	-
2021	8,801,286	5,121,076	1,438,826	1,438,826	-	-	-
TOTAL RESERVES	8,854,390	5,870,034	2,187,784	2,187,784	748,958	748,958	748,958
Reserves - Designated	8,854,930	5,870,034	2,187,784	2,187,784	748,958	748,958	748,958
Ending Fund Balance / Reserves for Future Expenditure	1,441,187	1,071,782	1,210,380	1,442,596	1,611,041	1,611,041	1,611,041
TOTAL REQUIREMENTS	\$ 21,576,902	\$ 18,634,675	\$ 16,169,151	\$ 16,401,367	\$ 16,837,447	\$ 16,837,447	\$ 16,837,447

Debt



Checking pumps at the Tri-City Water Resource Recovery Facility

DEBT SERVICE REQUIREMENTS

Clackamas Water Environment Services' debt strategy targets three purposes: (i) efficient and cost-effective funding and completion of necessary WES infrastructure; (ii) gradual, relatively linear rate adjustments to avoid "rate shock"; and (iii) participation in the costs of constructed infrastructure by future users of the system. In support of this strategy, WES finances investments in infrastructure using cash, System Development Charges, and long-term debt.

All long-term debt issued prior to WES' formation was originally incurred by WES' member district CCSD No. 1. Consequently, in order to ensure financial equity among ratepayers, only those ratepayers within Rate Zone 2 (the former CCSD No. 1 service area) are responsible for the debt issued before July 1, 2018. The mechanism to ensure this equity is the inclusion of a legacy debt service component based on annual debt service requirements in WES' rate structure. As one of the benefits of WES' formation is savings through shared capital investment, debt issued after the formation of WES is the responsibility of all ratepayers served.

As of June 30, 2024, WES' long term indebtedness consists of the following:

Issue Date	Date of Maturity	Amount Issued	Interest Rate	June 30, 2024	FY 2024-25 Debt Service		
				Principal Outstanding	Principal	Interest	
Revenue Bonds							
2016 Ref.	08/30/2016	12/01/2035	\$ 83,250,000	2.20%	\$ 63,905,000	\$ 4,945,000	\$ 1,956,507
2021	02/24/2021	06/01/2035	40,000,000	0.84%	33,485,000	2,395,000	1,288,250
Revenue Bonds Subtotal					97,390,000	7,340,000	3,244,757
State Loans							
R06224	10/26/2009	09/01/2032	4,142,142	0%	902,783	106,208	4,248
R95030	01/15/2019	03/01/2042	37,000,000	1.00%	34,402,300	1,753,519	507,290
R95031 ¹	09/24/2020	-	-	1.38%	1,287,611	32,600	50,000
State Loans Subtotal					36,592,694	1,892,327	561,538
Total Outstanding Debt					\$ 133,982,694	\$ 9,232,327	\$ 3,806,295

¹ R95031 amount of principal outstanding included in the table above is an *estimate only*, based on anticipated disbursements.

In September 2020, WES entered into a Loan Agreement with DEQ for SRF Loan R95031 to provide financing for the design phase of the 3-Creeks Water Quality project. The loan was issued under the DEQ's sponsorship option program which allowed WES to pair Loan R95030 for the Tri-City Solids Handling Improvement project with the 3-Creeks project to obtain a reduced interest rate on both borrowings. As a result, in October 2022, WES closed on the \$37.0 million loan for the Tri-City Solids Handling Improvement project and received an interest rate reduction from 2.14% to 1.00%. The interest savings over the life of the loan is approximately \$4.0 million and will more than offset future debt service for the \$1.45 million 3-Creeks design loan. The debt service for the Tri-City Solids Handling Improvement project loan is allocated 36% to Rate Zone 1 and 64% to Rate Zone 2 in accordance with the ORS 190 formation agreement for WES.

In the table above, the June 30, 2024 Principal Outstanding amount of \$1,287,611 for Loan R95031 is an estimate based on the expected disbursements received through the end of FY 2023-24. The FY 2024-25 budget accounts for the remaining \$162 thousand of loan proceeds. As loan disbursements are dependent on actual project costs and scheduling, the exact amount and timing of this borrowing is not yet determined; the future debt service repayment schedule on page 89 assumes the full \$1.45 million is borrowed and that the first payment is due during FY 2024-25.

In February 2021, WES capitalized on historically low interest rates by issuing the Series 2021 Sewer Revenue Obligations in the amount of \$40,000,000 with a true interest cost of 0.84% and a 15-year term. The timing of this borrowing enabled WES to secure interest savings exceeding \$8.0 million over the term of the debt, thereby increasing the funds available for capital projects. The total proceeds from this issuance included a premium of approximately \$8.8 million. To realize an effective interest rate of 0.84%, during FYs 2022-23 and 2023-24, the majority of the premium was used to fund a portion of the budgeted debt payments, thereby reducing transfers from the Sanitary Sewer Operating Fund. In FY 2024-25, the remaining premium balance of \$1.4 million will be transferred to the Sewer Construction Fund, where it will be allocated towards capital projects.

WES does not anticipate issuing any new debt in FY 2024-25.

DEBT LIMITS

Oregon Revised Statutes 451.545 provides a limitation on general obligation debt of 13.0% of the aggregate real market value of all property by law assessable for state and county purposes within WES’ boundaries. WES’ total real market value as of July 1, 2023 is \$40,124,251,980 which calculates to a legal debt limit of approximately \$5.216 billion. WES has no outstanding general obligation debt so there is currently no debt subject to this limit.

CREDIT RATING

WES holds S&P Global’s highest issuer credit rating, AAA, which recognizes excellent financial health and management. This rating was originally received in May 2018 and affirmed in February 2021.

IMPACT OF DEBT ON USER CHARGES

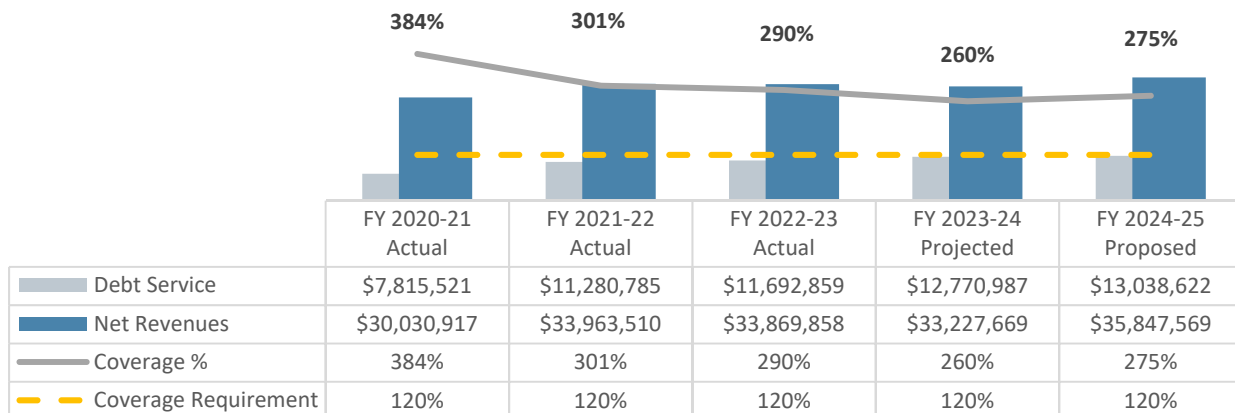
Rate Zone 2 sanitary sewer rates include a legacy debt service component for the Series 2016 debt incurred before WES was formed. This component is calculated for each budget year based on the total legacy debt service for the coming fiscal year and the projected number of EDUs in Rate Zone 2. In FY 2022-23, WES began implementing a plan to phase-out this component by FY 2030-31. To accommodate the phase-out, existing reserves of Rate Zone 2 SDC revenues are being used to fund the SDC-eligible portion of legacy debt service. For FY 2024-25, the legacy debt service component of Rate Zone 2’s rate is \$8.65 per month based on approximately \$7.0 million in legacy debt principal and interest payments.

To reduce pressure on monthly user charges, WES utilizes SDC revenues to make eligible debt payments. The portions of debt service that are not covered by SDC revenues are included in the monthly rates of the user charge the debt was incurred to support.

COVERAGE REQUIREMENTS

WES’ bond covenant requires that the entity establishes and maintains fees, rates, and charges at levels sufficient so that total net revenues (operating revenues less operating expenses) each year during which bonds are outstanding will equal at least 120% of the amount of bond principal and interest due in that fiscal year. The following chart shows WES’ bond coverage for the last three fiscal years, the projected coverage for FY 2023-24, and the proposed coverage for FY 2024-25. Actual coverage for the last 3 fiscal years has ranged from 384% to 290%. Coverage ratios for FY 2021-22 through 2023-24 decreased due to the issuance of debt during FY 2020-21.

Bond Debt Service Coverage



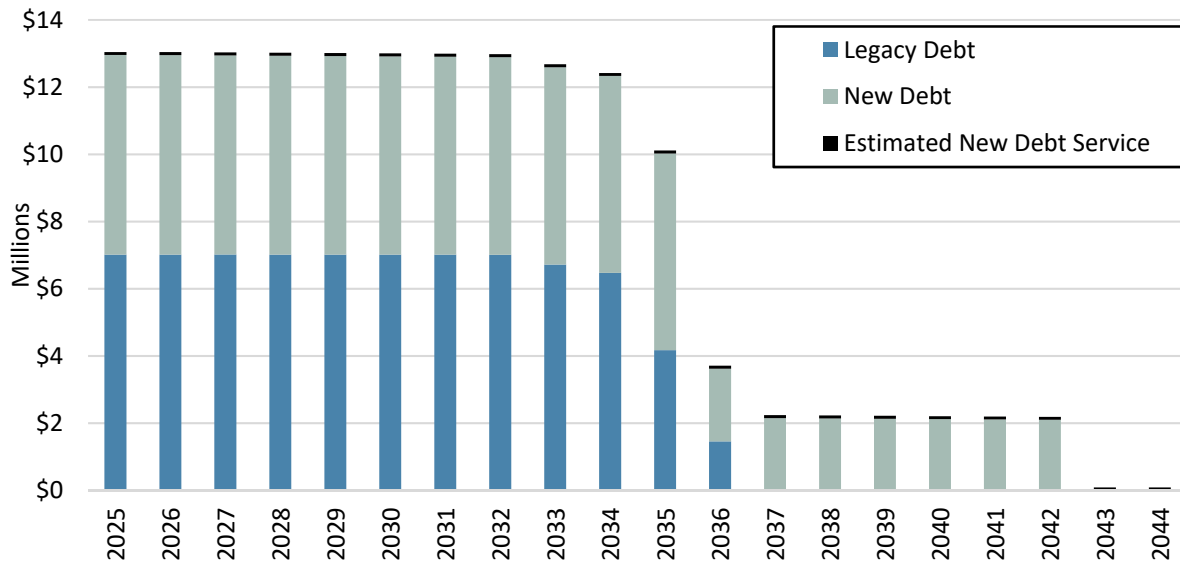
Source: WES Financial Records

Future Debt Service Repayment Schedule

The following table and chart summarize WES' debt service obligations due each year to maturity:

Fiscal Year	Total Annual Legacy Debt Service (Rate Zone 2 Only)	Debt Service for debt issued after WES Formation (All Ratepayers)	Estimated Debt Service for SRF Borrowings	Total Estimated Annual Debt Service
2025	\$ 7,011,962	\$ 5,944,059	\$ 82,600	\$ 13,038,621
2026	7,012,806	5,935,497	91,990	13,040,293
2027	7,015,525	5,925,847	91,659	13,033,031
2028	7,013,844	5,914,858	91,323	13,020,025
2029	7,015,038	5,907,279	90,983	13,013,300
2030	7,014,882	5,897,609	90,638	13,003,129
2031	7,012,726	5,890,597	90,289	12,993,612
2032	7,006,092	5,880,742	89,934	12,976,768
2033	6,718,194	5,870,194	89,575	12,677,963
2034	6,467,963	5,861,250	89,210	12,418,423
2035-2039	5,630,250	14,426,917	440,407	20,497,574
2040-2044		6,326,022	430,530	6,756,552
Totals	\$ 74,919,282	\$ 79,780,871	\$ 1,769,138	\$ 156,469,291

Existing and Estimated Debt Service by Fiscal Year, FY 2025 through FY 2044



Capital



Clarifier rehabilitation at the Kellogg Creek Water Resource Recovery Facility



Sewer line replacement

CAPITAL

INTRODUCTION

The FY 2024-25 Capital Budget is based upon WES' FY 2024-25 – 2028-29 Capital Improvement Plan (CIP), which was approved by the Board of County Commissioners in February 2024. The CIP is an annually-updated, rolling 5-year plan which identifies and prioritizes wastewater and stormwater construction projects and major equipment purchases.

The 5-year CIP is a result of addressing existing capacity and condition concerns identified in our major planning documents.

- Hoodland Master Plan (2017)
- Sanitary Sewer Master Plan (2019)
- Boring Facility Plan (2020)
- Willamette Facility Plan (2021)
- Surface Water Master Plan (2022)

To be considered for the CIP, projects must result in the acquisition of an asset with a total cost of \$5,000 or more and an estimated useful life exceeding one year. Capital project costs include the costs of design, construction (or purchase), WES engineering, administrative and legal costs, and financing. Costs must be directly related to, and primarily benefit, a single capital project to be considered project costs.

CAPITAL EXPENDITURES IMPACT ON THE ANNUAL OPERATING BUDGET

The projects in the current 5-Year CIP address deficiencies in condition at the treatment facilities and condition and capacity in the conveyance system and do not have a measureable impact on operation and maintenance costs.

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

5-YEAR PROJECT COST ESTIMATES

Project cost estimates change over time due to inflation, and during the design phase as the details of the project are refined. Over the last several years, the economy has experienced historic inflation, which resulted in a significant impact on project delivery costs. To capture the impact of this record setting inflation, all of the project costs in the adopted CIP have been adjusted using the Engineering News Record 20-City Average Construction Cost Index through August 2023.

CAPITAL FUNDING SOURCES

Capital expenditures are attributed to one or more capital funds, depending on the purpose and location of the asset.

Fund	Fund Title	Description
632	Sanitary Sewer System Development Charge (SDC) Fund	Provides for the construction of sanitary sewer projects attributable to growth and therefore eligible for SDC funding.
639	Sanitary Sewer Construction Fund	Provides for the construction of sanitary sewer projects that are financed by monthly service rate revenues, debt proceeds, grants, or other resources.
642	Surface Water System Development Charge Fund	Provides for the construction of surface water projects attributable to growth and therefore eligible for SDC funding.
649	Surface Water Construction Fund	Provides for the construction of surface water projects that are financed by monthly service rate revenue, debt proceeds, grants, or other resources.

Funding for capital projects that benefit both WES' sanitary sewer/wastewater treatment and surface water programs is proportionately split between the sanitary sewer and surface water construction and/or SDC funds based on the relative benefit to each program. Projects with shared sanitary sewer and surface water funding include improvements to, or rehabilitation of, shared facilities (e.g., Tri-City Administration Building Remodel and Water Quality Lab), as well as the purchase costs of shared equipment.

WES utilizes a cost-pool model for fleet management, where capital expenditures for vehicles are initially attributed to the Sanitary Sewer Construction Fund. The full annual operating costs of these vehicles, including asset replacement costs, are subsequently charged to the sanitary sewer or surface water programs, depending on each program's usage of the vehicles.

SEWER CAPITAL BUDGET

The FY 2024-25 Sewer Capital Budget is approximately \$75.2 million. Sewer projects are categorized according to their location and/or function: Tri-City Water Resource Recovery Facility (WRRF), Kellogg Creek WRRF, Hoodland WRRF, Boring WRRF, Fischer's Forest Park WRRF, Collection System, Fleet, Asset Management, Pump Stations, Water Quality Lab, and Development Review. The map on the following page provides an overview of WES' sewer infrastructure and FY 2024-25's budgeted capital spending.

FY 2024-25's capital budget anticipates utilizing approximately \$12.4 million of SDC funds for eligible projects. The itemized project summaries in the proceeding section note projects that are anticipated to be funded with SDCs.

WES Sewer System

FY 2024-25 Sewer Capital Budget

KELLOGG CREEK WRRF – \$2.46 M



- Administration Building Remodel
- UV Replacement

TRI-CITY WRRF - \$36.95 M



- Wet Weather Outfall
- Recoat Primary Clarifiers and Mechanical
- Influent Pump Station Expansion
- Aeration Basin Improvements
- Rehabilitate Chlorine Contact Basins and Replace Gates

BORING WRRF - \$2.0 M

FISCHER'S FOREST PARK WRRF - \$0.2 M

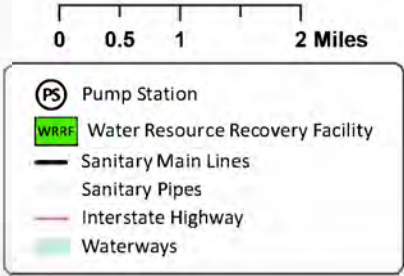
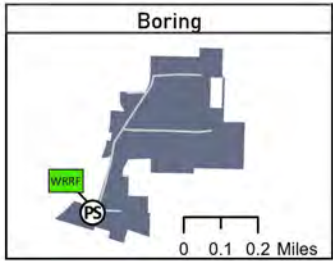
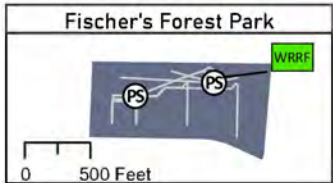
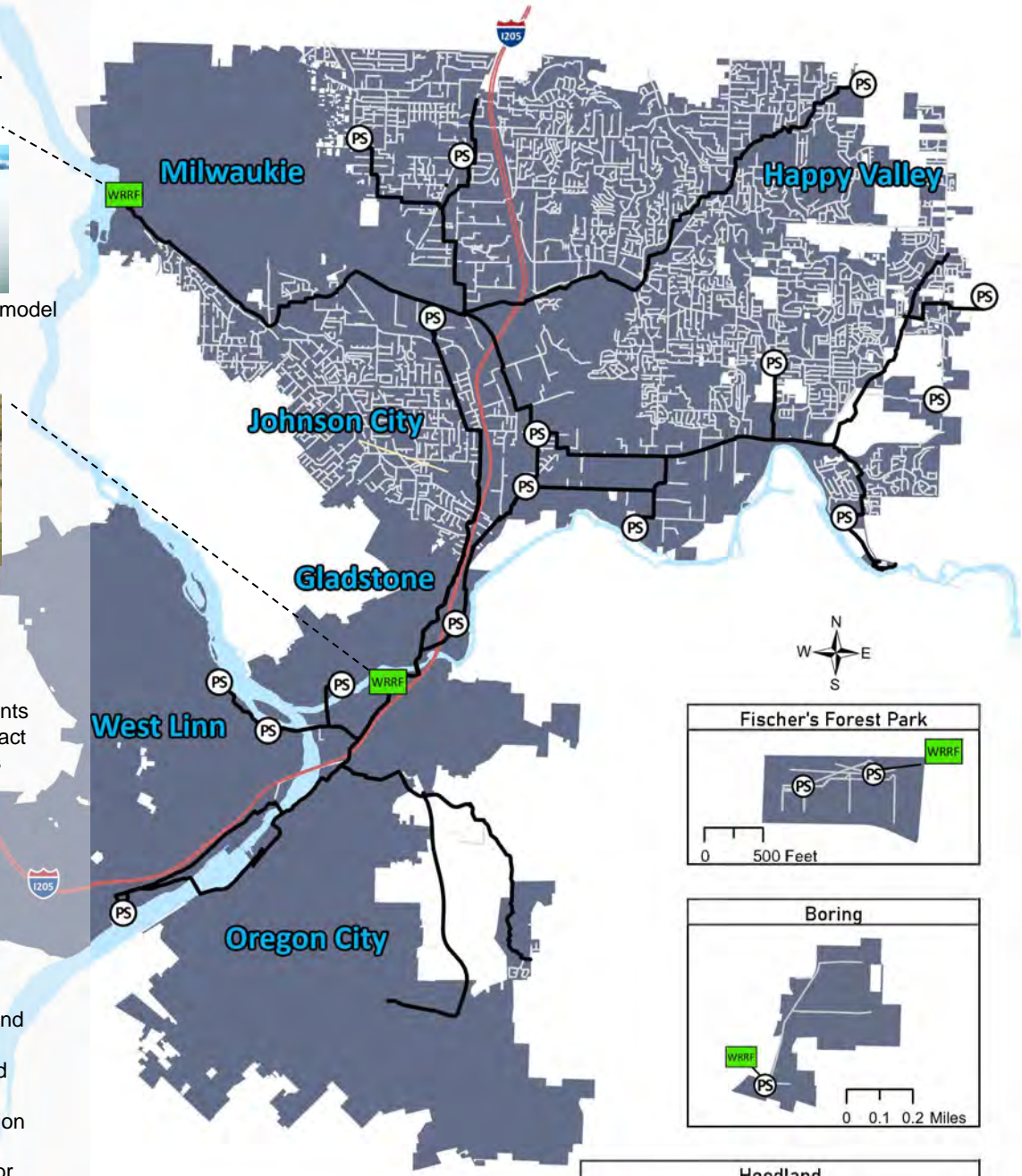
COLLECTIONS SYSTEM – \$31.65 M

- Willamette Pump Station and Force Main
- Intertie 2 Pump Station and Force Main
- Inflow & Infiltration Reduction Program
- Clackamas Area Interceptor Improvements
- Multiple Pump Station Upgrades
- Extend Rock Creek Interceptor
- Mt. Talbert Realignment
- Pipe and Manhole Rehabilitation and Replacement

WATER QUALITY LAB - \$0.47 M

OTHER - \$1.46 M

- Fleet
- Asset Management
- Development Review



For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

FY 2024-25 PROJECT SUMMARIES

Of the \$75.2 million in the FY 2024-25 Sewer Capital Budget, \$74.9 million is expected to be spent on the following projects:

PROJECT	FY 2024 - 25 BUDGET
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Tri-City WRRF Wet Weather Outfall

Projected flows to the Tri-City WRRF were developed as part of the Sanitary Sewer Master Plan (SSMP) and are expected to be approximately 176 MGD under build-out (2080) conditions and assuming inflow and infiltration (I&I) is reduced to levels recommended in the SSMP. The capacity of the existing Tri-City WRRF outfall is approximately 75 MGD. The capacity of the new outfall alone will be sufficient for decades to come. The new outfall, along with the existing outfall, will provide capacity for build-out flows. Total capital project cost is estimated at \$66.5M.

Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 26,700,000
Sewer SDC	\$ 3,300,000
2024-25 Budget	\$ 30,000,000

Willamette Pump Station and Force Main Capacity and Condition Improvements

The Willamette Pump Station collects flow from the Willamette area of West Linn and conveys it to the Willamette Interceptor. The Sanitary Sewer System Master Plan (2019) and a subsequent detailed evaluation showed the pump station and force main are at capacity and in need of expansion and condition issues also need to be addressed. The Willamette Facilities Plan (2022) included an evaluation that resulted in a confirmation that the current configuration and use of the pump station and force main will continue into the future. WES took advantage of the Abernethy Bridge Expansion Project and contracted with Oregon Department of Transportation (ODOT) to suspend a portion of the force main from the bridge at a cost savings to ratepayers. The remainder of the project includes replacement of the Willamette Pump Station and a new force main from the pump station to the Abernethy Bridge to accommodate planned future flows. Total program capital cost is estimated at \$30.5M with \$10.0M transferred to ODOT as a deposit in FY 2021-22 for the force main segment across the I-205 bridge. ODOT will draw on WES' \$10.0M deposit as expenses are incurred.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 6,900,000
Sewer SDC	\$ 2,300,000
2024-25 Budget	\$ 9,200,000

Intertie 2 Pump Station Expansion and 30-inch Force Main

The Intertie (IT) Pump Station diverts flow in excess of Kellogg WRRF capacity to the Tri-City WRRF. The pump station is at capacity and was constructed so that pump(s) can be added to increase capacity. The 30-inch force main from the pump station to Tri-City WRRF was partially constructed in past years. This project will complete construction of the force main and increase the capacity of the pump station. The capital project cost is estimated at \$25.0M. The IT pump station is scheduled for a second and final planned expansion beyond 2030.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 6,000,000
Sewer SDC	\$ 2,000,000
2024-25 Budget	\$ 8,000,000

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

Inflow and Infiltration (I&I) Reduction Program

Inflow and Infiltration (I&I) is clean groundwater and/or rainwater that enters the sewer system through direct connections such as roof drains, area drains, or defects such as leaking joints or manholes. When the amount of I&I becomes excessive it can cause capacity deficiencies in the sewer system and possible overflows. The Sanitary Sewer Master Plan (2019) determined it is more cost effective to remove the I&I than upsize infrastructure or treatment facilities to transport and treat the extraneous clean water. The plan recommended removal of excessive I&I in 19 basins in WES and member city systems. All future WES planning assumes removal of the I&I. WES initiated a five-year program to assist member cities and fund 33% of approved I&I projects.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 2,800,000
Sewer SDC	\$ 2,800,000
2024-25 Budget	\$ 5,600,000

Tri-City WRRF Primary Clarifier Rehabilitation

This project replaces the mechanical equipment associated with the primary clarifier basins and rehabilitation of the concrete basin walls, which have deteriorated following exposure to continuous wear from grit and hydrogen sulfide. The mortar repair will help maintain the integrity of the structure and the mechanical rehab will replace equipment that is original to the plant. There are six primary sedimentation basins, two of which can be off-line at a time. This work is required to be completed during the dry season when basins can be taken out of service. This spreads the construction over three years. The total project cost is estimated to be \$16.8M.

Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 5,000,000
Sewer SDC	\$ -
2024-25 Budget	\$ 5,000,000

Clackamas Area Interceptor Improvements

The Clackamas Interceptor has been shown in past studies and in the Sanitary Sewer System Master Plan (2019) to lack capacity to serve the current and future service areas. Parts of the interceptor require rehabilitation. A conceptual design has been completed. Improvements along the length of the interceptor will be designed as one system to assure cohesiveness, then construction will be phased over several years and multiple projects to best meet capacity needs and funding resources. There will be three construction packages: Upper Clackamas Interceptor including Clackamas Industrial Area (CIA) (complete 2030), Middle Clackamas Interceptor including the Mt. Scott Interceptor and Camp Withycombe (complete 2027), and Lower Clackamas Interceptor (complete 2035). The anticipated cost for the program is \$22.9M over the 5-year CIP with future phases scheduled for FYs 29-31. Total capital program cost is estimated at \$46.1M.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 2,550,000
Sewer SDC	\$ 850,000
2024-25 Budget	\$ 3,400,000

Multiple Pump Station Upgrades

Several pump stations are in need of rehabilitation. The type of upgrades include, but are not limited to, pumps and electrical, HVAC and structural components. By designing the project once and constructing in phases, WES is providing consistency across our facilities and being efficient with design costs. The pump stations include Sieben Lane, South Welches, Golf Course Terrace, Gladstone, Clackamas, 82nd Drive, Bolton, River Street, Timberline Rim, and Willamette. Estimated total capital cost for this program is \$9.6M.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 2,350,000
Sewer SDC	\$ -
2024-25 Budget	\$ 2,350,000

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

Boring Upgrades

A Facilities Plan was prepared for the facility, and recommends the facility be converted to a pump station to convey flow to another facility for treatment. A preliminary design was prepared. The cost estimate for the recommended plan increased to the point that the project was postponed until additional funding sources can be secured or to a later date that will be more feasible. Until then, WES will continue with the current program of hauling in the winter months and irrigating in summer months to achieve compliance. The FY 2024-25 expenditures for this project are anticipated to be funded through an Environmental Protection Agency Community Grant.

Project Category: Boring WRRF

Funding Sources	Amount
Sewer Construction	\$ 2,000,000
Sewer SDC	\$ -
2024-25 Budget	\$ 2,000,000

Kellogg Creek WRRF Administration Building Remodel

This project remodels the Administration Building at the Kellogg Creek WRRF to update the lab, provide locker rooms, a kitchen/lunchroom, and offices for staff. This project will also include a dual purpose conference room that will be available for community use. A conceptual design has been completed. This project needs to be completed prior to construction of the Digestion and Dewatering Project at the Kellogg Creek WRRF as that project includes demolishing the current staff locker rooms and kitchen/lunchroom. Total project capital cost is estimated at \$4.0M.

Project Category: KC WRRF

Funding Sources	Amount
Sewer Construction	\$ 1,900,000
Sewer SDC	\$ -
2024-25 Budget	\$ 1,900,000

Tri-City WRRF Influent Pump Station (IPS) Expansion

The Influent Pump Station (IPS) pumps flow that arrives from the sanitary sewer collection system by gravity to the influent screening channel for subsequent treatment through the facility. The pumps are original to the 1985 construction and have a firm (largest pump out of service) hydraulic capacity of 50 MGD. The pumps and variable frequency drives have reached the end of their service life and are due for replacement. The firm capacity has been exceeded during wet weather events in recent years, necessitating the immediate need for expansion. The project will include new pumps and drives sized for projected 2040 influent flows. Pump station mechanical, electrical, and control systems will be replaced as needed to operate the new pumps and extend the life of the facility. Estimated total capital project cost is \$7.3M.

Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 1,125,000
Sewer SDC	\$ 375,000
2024-25 Budget	\$ 1,500,000

Mt. Talbert Realignment

An 8-inch sewer that connects to the Mount Talbert Interceptor and serves properties south of Sunnybrook Boulevard in the vicinity of SE 97th Avenue in Clackamas had a failure in August of 2022. This project will reroute the existing sewer to eliminate a creek crossing and establish a more reliable sewer alignment.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 1,000,000
Sewer SDC	\$ -
2024-25 Budget	\$ 1,000,000

Pipe and Manhole Rehabilitation and Replacement

Sanitary sewer pipe and manholes are subject to degraded condition through exposure to chemicals, organic growths, and soil movement. This degradation leads to defects in pipe which can result in surface water and groundwater infiltration into the collection system, straining treatment capacities and increasing risk of pipe failure. WES tracks manhole and pipe condition through our asset management program. Projects are prioritized, and each year, work is planned based on available budget. Projects within this program include repairing and/or replacing damaged and aging pipelines utilizing methods including pipe-lining, pipe bursting and replacement. This program also includes projects to rehabilitate aging manholes which have degraded condition through normal exposure to chemical and biological components and soil movement. Rehabilitation efforts to reduce risk will range from cleaning and spray lining to complete manhole replacement depending upon the degree of wear. This is an annual budget item.

Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 750,000
Sewer SDC	\$ 250,000
2024-25 Budget	\$ 1,000,000

Kellogg Creek WRRF UV Replacement

Treated wastewater at the Kellogg Creek WRRF is disinfected with ultraviolet (UV) light. A chlorination / dechlorination system provides the plant with a backup disinfection system. The Willamette Facilities Plan identified the disinfection system replacement at Kellogg Creek WRRF to address reliability of the disinfection system. The UV equipment is at the end of its useful life. This project will provide an evaluation and selection of the most cost effective disinfection system, then design and construction of the recommended system. The total project cost is estimated at \$3.1M.

Project Category: KC WRRF

Funding Sources	Amount
Sewer Construction	\$ 560,000
Sewer SDC	\$ -
2024-25 Budget	\$ 560,000

Tri-City Lab Remodel

A conceptual design was performed for a remodel of the WES Lab Building located on the Tri-City campus. The project includes a new roof, a new HVAC system, and reconfiguration of office space. Due to the immediate need for the roof system, that part of the remodel was completed during FY 2022-23. The HVAC Improvements are in design and will be constructed in 2025. The full lab remodel will be constructed along with the Tri-City Administration remodel project, which is expected to be completed in 2029. Funding for this project is proportionately split between the Sanitary Sewer and Surface Water Construction funds based on the relative benefit to each program.

Project Category: Water Quality Lab

Funding Sources	Amount
Sewer Construction	\$ 425,000
Sewer SDC	\$ -
Surface Water Construction	\$ 75,000
Surface Water SDC	\$ -
2024-25 Budget	\$ 500,000

Tri-City WRRF Aeration Basin Improvements

The aeration basins are original to the facility. The aeration system consists of valves and instrumentation to control the delivery of oxygen to the biological treatment process. The aeration system in the Tri-City aeration basins and the programming controls are antiquated and need to be replaced/updated. Doing so will vastly improve process performance and increase efficiency, significantly reducing power demand by the blowers. In addition to the control and process improvements, this project will also address any condition related deficiencies of the basin structural concrete and other ancillary systems. Design will begin in FY 2024-25 and construction will follow. The total project cost is estimated at \$3.6M.

Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 250,000
Sewer SDC	\$ -
2024-25 Budget	\$ 250,000

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

Fischer's Forest Park Renovation Project

Fischer's Forest Park is a septic system serving 26 residential customers near Redland. The system was built in 1970 and required renovation. The overall project addressed condition issues identified in 2019 including: rehabilitation of the collection system, conveyance lines, manholes and pump station entry points, and replacement of the gravity conveyance lines and septic tanks. The work remaining for project completion is the installation of an emergency backup generator. When completed, the system will be more resilient, more efficient, and will provide effective sewer treatment.

Project Category: FFP WRRF

Funding Sources	Amount
Sewer Construction	\$ 200,000
Sewer SDC	\$ -
2024-25 Budget	\$ 200,000

Tri-City Rehabilitate Chlorine Contact Basins and Replace Gates

The Willamette Facilities Plan (WFP) Condition Assessment identified two items related to the Tri-City facility chlorine contact basins (CCB). The first is the concrete inside the chlorine contact basins is showing signs of deterioration and recommended the surface be repaired and coated. The second item is the replacement of the influent gates. This project will be addressed in two phases, starting with the influent gate and actuator replacement in FY 2024-25. The concrete surface repair work will be further evaluated to develop a final plan for addressing this condition item identified by the WFP and to extend the life of the basins.

Project Category: TC WRRF

Funding Sources	Amount
Sewer Construction	\$ 200,000
Sewer SDC	\$ -
2024-25 Budget	\$ 200,000

Asset Management – Renewal & Replacement

These funds are reserved for small projects related to operational assets that are capital in nature, including: small pump replacements, minor system and process updates, and small machinery. The intent is to replace or upgrade high risk assets efficiently, thereby maintaining effective treatment plant operations. This is an annual budget item.

Project Category: Asset Management

Funding Sources	Amount
Sewer Construction	\$ 800,000
Sewer SDC	\$ -
2024-25 Budget	\$ 800,000

Fleet

This project pool funds the replacement of aging equipment and fleet used in administrative functions, environmental monitoring, and field operations and maintenance. Several of the purchases continue to be carryovers from the prior budget cycle due to global manufacturing delays. FY 2024-25 is highlighted by the purchase of a new vactor truck for sanitary and storm-water system maintenance. We continue to work toward a greener fleet to achieve the county's climate action goals.

Project Category: Fleet

Funding Sources	Amount
Sewer Construction	\$ 509,000
Sewer SDC	\$ -
2024-25 Budget	\$ 509,000



WES' 3-Creeks Natural Area

SURFACE WATER CAPITAL BUDGET

WES' goals for surface water capital projects include:

- Protect and enhance streams and wetlands through planning and constructing modifications to the stormwater infrastructure.
- Minimize the degradation of receiving waters from impacts attributable to stormwater runoff in existing developed areas.
- Maximize public benefits of natural areas by providing multiple uses including water quality and habitat, as well as recreation, and by leveraging funding from multiple sources.
- Provide stormwater facilities for future development and redevelopment.

The following table summarizes the different categories of surface water projects and their corresponding project costs for FY 2024-25 by funding source.

Project Category	FY 2024-25 Surface Water Capital Budget			
	Surface Water Construction Fund	Surface Water SDC Fund	American Rescue Plan Act (ARPA) Grant	Total FY 2024-25 Budget
3-Creeks Water Quality Project	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Aldercrest Culvert Replacement & Kellogg Creek Restoration	-	-	390,000	390,000
SE Wildlife Estates Dr Ditch Inlet and Upstream Detention	306,000	-	-	306,000
Small Drainage Projects Program	200,000	-	-	200,000
Stormwater Pond Repair and Rehabilitation Program	200,000	-	-	200,000
Small Storm System Emergency Repairs	100,000	-	-	100,000
SE Clackamas Rd Drainage Infrastructure	-	-	81,000	81,000
Water Quality Lab	82,500	-	-	82,500
Total	\$ 3,888,500	\$ -	\$ 471,000	\$ 4,359,500

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

FY 2024-25 PROJECT SUMMARIES

The FY 2024-25 Surface Water Capital Budget includes the following projects:

PROJECT	FY 2024 - 25 BUDGET
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3-Creeks Water Quality Project

WES owns the 3-Creeks Natural Area where Mt. Scott, Phillips and Deer (Dean) Creeks come together on 89 acres in Northern Clackamas County. WES is working on the final plans to enhance floodplain processes and the existing natural floodplain area, construct wetlands and floodplain terraces to increase flood storage, improve fish and wildlife habitat, restore wetlands, and restore natural floodplain function. The project will improve the creek’s water quality by allowing sediments in high water to settle onto the floodplain, and by restoring floodplain processes such as filtration and infiltration. Pre-design work has been completed and is being financed through the DEQ’s State Revolving Loan Fund program. Permits have been submitted and construction is anticipated to begin Summer/Fall 2024.

Funding Sources	Amount
Surface Water Construction	\$ 3,000,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 3,000,000

Operating Budget Impact

Annual Cost	Type of Impact
\$50,000	Permit monitoring and maintenance requirements

Aldercrest Culvert Replacement & Kellogg Creek Restoration

The project will reduce flooding and improve habitat along Kellogg Creek between SE Clackamas Road and SE Thiessen Road by removing or replacing culverts and stream crossings. Replacement stream crossings will be designed to be fish passable.

At the southern end of the creek section, this project will remove one pair of parallel culverts that appear to serve no purpose, replace a small culvert with a concrete slab driveway bridge, and restore native vegetation along a length of the stream. Three driveway crossings will be replaced with concrete slab bridges to accommodate the natural stream form and provide fish passage. The proposed improvements take place entirely on private property and will require the cooperation of multiple property owners along the project reach.

The benefits of this project include reducing flooding and improving fish and wildlife habitat.

This project will be funded with resources from Clackamas County’s American Rescue Plan Act (ARPA) grant award, as approved by the Board of County Commissioners in October 2022.

Funding Sources	Amount
Surface Water Construction	\$ -
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ 390,000
2024-25 Budget	\$ 390,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

SE Wildlife Estates Dr Ditch Inlet and Upstream Detention

The purpose of this project is to prevent flooding and reduce maintenance requirements by decreasing the volume of sediment eroded and deposited at the ditch inlet. The project will involve improvements at the top of the bluff, along the stream, and at the inlet location where debris is deposited. The project will reduce erosion by detaining stormwater runoff from the neighborhood in a pond at the top of the hill and stabilizing the creek through enhancement actions at the bottom of the hill, a settling basin will remove sediment before it reaches the ditch inlet. The inlet will also be improved to reduce the potential for clogging.

Funding Sources	Amount
Surface Water Construction	\$ 306,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 306,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

Small Drainage Projects Program

Providing regular maintenance to existing stormwater infrastructure is important to proper asset management. The Storm System Master Plan (SSMP) grouped similar drainage issues together. Projects within the Small Drainage Program correct nuisance drainage issues and includes small pipe conveyance, upgrading manholes and inlets, and small pipe lining and root removal.

Funding Sources	Amount
Surface Water Construction	\$ 200,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 200,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

The Small Drainage Projects Program improves drainage issues when flooding is caused by WES-owned stormwater infrastructure. These projects support WES's goal of proactively addressing performance deficiencies or enhancements and decrease the number of customer service requests. The SSMP identified 32 instances where a new inlet or manhole is needed, three instances of root removal in small pipe, and assumed 3,000 linear feet of 18" (or smaller) pipe that could be installed to address some flooding and ponding issues through a given year.

The Small Drainage Project Program is intended to provide steady annual funding so that WES can both reactively and proactively address small flooding and drainage issues in a timely manner.

Stormwater Pond Repair and Rehabilitation Program

WES owns or operates 621 stormwater facilities that reduce pollutants in stormwater runoff and/or control flows prior to discharge to a natural wetland, stream, or river. These facilities also help reduce erosive runoff, or drainage hydromodification, in stream channels. Of those facilities, 58 are currently in need of repair or rehabilitation. These facilities need routine inspection and maintenance, as well as eventual rehabilitation, to ensure functionality and maximize their useful life.

Funding Sources	Amount
Surface Water Construction	\$ 200,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 200,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

The Stormwater Pond Repair and Rehabilitation Program provides a clear budget line for these assets that are critical to meeting water quality goals and to protecting conveyance infrastructure downstream. Associated costs include project management, mobilization, traffic control, erosion controls, and surface restoration. To keep up with maintenance needs, WES is planning to fund the repair and rehabilitation of 10% of all facilities every five years.

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: <https://www.clackamas.us/wes/capprojects.html>

Small Storm System Emergency Repairs

This project budget provides for repair of storm infrastructure such as pipes, manholes or catch basins that break and need immediate repair.

Funding Sources	Amount
Surface Water Construction	\$ 100,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 100,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

SE Clackamas Rd Drainage Infrastructure

This project will re-route the ditch inlet that collects a tributary stream, add a berm and route the flows from this tributary to the existing wetland area upstream of SE Clackamas Road. This project will also add inlets, new/upsized storm pipes and a new outfall on the downstream side of the Kellogg Creek crossing instead of into the wetland upstream of the crossing.

The benefits of this project include reducing flooding of private property, homes, and a roadway, and reduced maintenance needs.

This project will be funded with resources from Clackamas County's American Rescue Plan Act (ARPA) grant award, as approved by the Board of County Commissioners in October 2022.

Funding Sources	Amount
Surface Water Construction	\$ -
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ 81,000
2024-25 Budget	\$ 81,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

Tri-City Lab Remodel

A conceptual design was performed for a remodel of the WES Lab Building located on the Tri-City campus. The project includes a new roof, a new HVAC system and reconfiguration of office space. Due to the immediate need for the roof system, that part of the remodel was completed during FY 2022-23. The HVAC Improvements are in design and will be constructed in 2025. The full lab remodel will be constructed along with the Tri-City Administration remodel project anticipated to be completed in 2029. Funding for this project is proportionately split between the Sanitary Sewer and Surface Water Construction funds based on the relative benefit to each program.

Funding Sources	Amount
Surface Water Construction	\$ 75,000
Surface Water SDC	\$ -
Sewer Construction	\$ 425,000
Sewer SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
2024-25 Budget	\$ 500,000

Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget	Estimate	Budget	BASED ON FY 2024-25 - 2028-29 CIP			
		FY 2023-24	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Tri-City Water Resource Recovery Facility								
	Wet Weather Outfall	\$ 20,000,000	\$ 22,813,203	\$ 30,000,000	\$ 12,000,000	\$ -	\$ -	\$ -
	Primary Clarifier Rehab	6,000,000	3,850,000	5,000,000	5,000,000			
	Influent Pump Station (IPS) Expansion	750,000	180,000	1,500,000	5,000,000			
	Aeration Basin Improvements		60,000	250,000	850,000	850,000	850,000	850,000
	Rehabilitate Chlorine Contact Basins and Replace Gates			200,000		775,000		
	Headworks Rehabilitation		45,000		1,000,000			
	Landfill Grading and Fill Removal				500,000	3,500,000	3,500,000	
	Wet Weather Expansion					4,872,500	4,872,500	13,000,000
	Relocate Maintenance Building						1,105,000	
	Administration Building Remodel						680,000	2,720,000
	TOTAL	26,750,000	26,948,203	36,950,000	24,350,000	9,997,500	11,007,500	16,570,000
Kellogg Creek Water Resource Recovery Facility								
	Administration Building Remodel	250,000	85,000	1,900,000	1,900,000			
	UV Replacement		20,000	560,000	1,300,000	1,300,000		
	Primary Clarifier Floor					500,000	800,000	500,000
	Headworks/Grit Loading Improvements					340,000	1,500,000	
	Digester Improvements and Dewatering						2,600,000	2,600,000
	Aeration Basin Improvements	1,800,000	1,422,700					
	Secondary Clarifier - Mechanisms and Weirs	950,000	620,000					
	Influent Pump Station - Pumps 2 and 4	450,000	200,000					
	TOTAL	3,450,000	2,347,700	2,460,000	3,200,000	2,140,000	4,900,000	3,100,000
Hoodland Water Resource Recovery Facility								
	TOTAL	-	-	-	250,000	-	-	-
Boring Water Resource Recovery Facility								
	TOTAL	-	30,000	2,000,000	-	-	-	-
Fischer's Forest Park (FFP)								
	Renovation Project		932,500	200,000				
	TOTAL	-	932,500	200,000	-	-	-	-

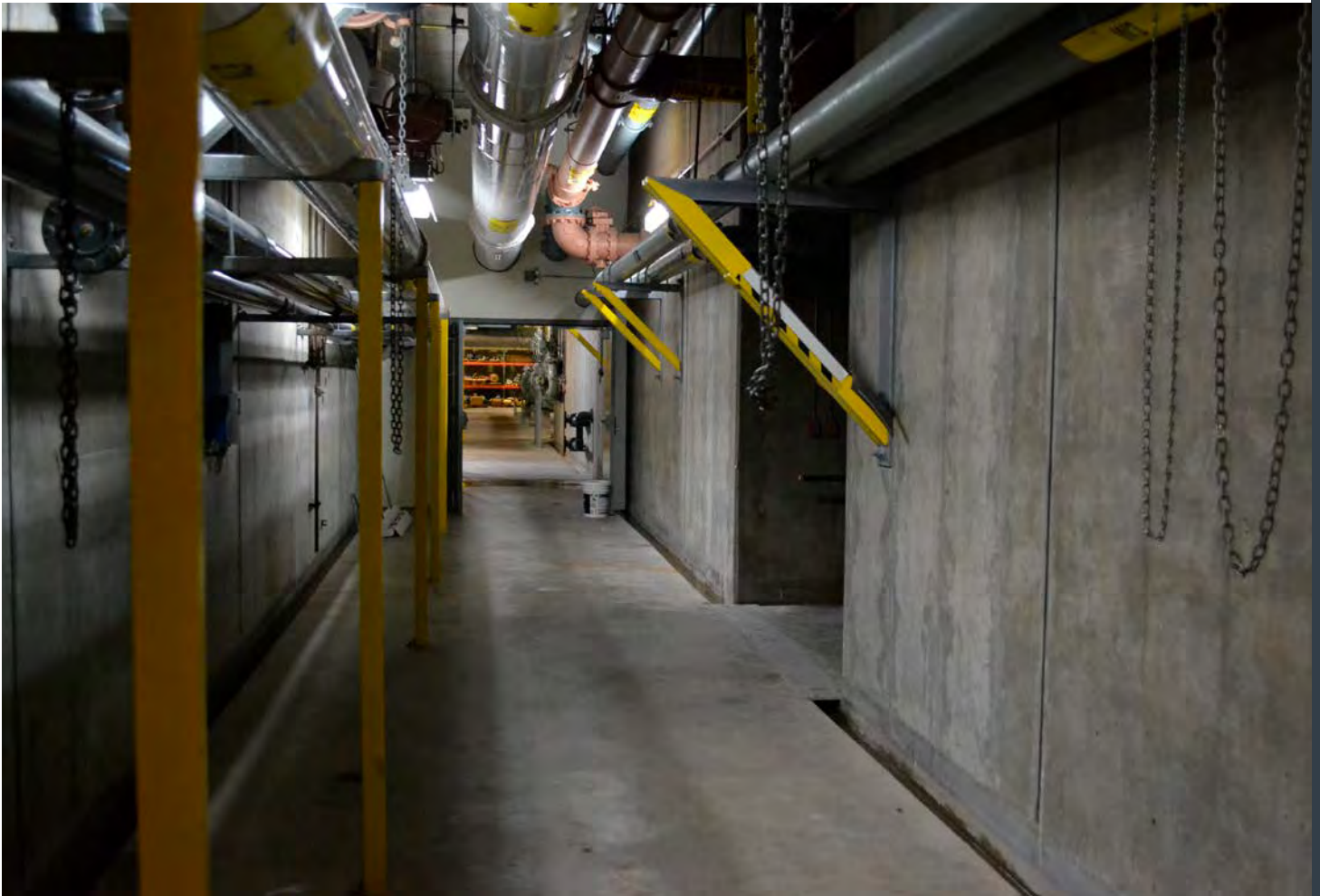
SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget	Estimate	Budget	BASED ON FY 2024-25 - 2028-29 CIP			
		FY 2023-24	FY 2023-24	FY 2024-25	PROJECTED			
					FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Collection System								
	Willamette Pump Station and Force Main Capacity and Condition Improvements	3,785,667	750,000	9,200,000	8,250,000	8,300,000		
	Intertie 2 Pump Station Expansion and 30-inch Force Main	900,000	850,000	8,000,000	10,000,000	2,000,000		
	Inflow & Infiltration (I&I) Reduction Program	4,693,260	3,000,000	5,600,000	2,700,000	3,975,000	3,760,000	2,310,000
	Clackamas Area Interceptor Improvements	2,250,000	1,760,000	3,400,000	6,000,000	7,500,000		
	Multiple Pump Station Upgrades	3,700,000	2,300,000	2,350,000				
	Extend Rock Creek Interceptor		200,000	1,000,000	1,000,000	5,000,000	5,000,000	
	Mt. Talbert Realignment			1,000,000				
	Pipe and Manhole Rehabilitation and Replacement	2,500,000	317,939	1,000,000		1,000,000	1,000,000	1,000,000
	Bolton Force Main Capacity-Resiliency			100,000		1,000,000	2,500,000	2,500,000
	Clackamas Force Main 10-inch Upsize					1,000,000		
	Upper Clackamas Interceptor						2,000,000	4,000,000
	Flow Monitoring (SCADA Master Plan Recommendations and Meter Upgrades)		5,000				50,000	50,000
	Linnwood Ave Pump Station and Force Main		32,000					
	Carver Pump Station Generator Repair		16,000					
	I205 Bridge Willamette Force Main Crossing		10,000					
	TOTAL	17,828,927	9,240,939	31,650,000	27,950,000	29,775,000	14,310,000	9,860,000
Fleet								
	Light Duty Fleet			259,000	210,000	260,000	605,000	165,000
	Heavy Equipment	750,000	184,360	250,000	490,000	210,000		500,000
	TOTAL	750,000	184,360	509,000	700,000	470,000	605,000	665,000
Water Quality Laboratory								
	Lab Remodel			425,000			170,000	680,000
	Lab Equipment		35,700	42,500		42,500		42,500
	TOTAL	-	35,700	467,500	-	42,500	170,000	722,500
Operations & Maintenance Asset Management								
	Asset Management - Renewal and Replacement	800,000	991,865	800,000	800,000	800,000	800,000	800,000
	TOTAL	800,000	991,865	800,000	800,000	800,000	800,000	800,000
Pump Station Upgrades								
	Pump Station Improvements	50,000	594,023	50,000	50,000	50,000	50,000	50,000
	TOTAL	50,000	594,023	50,000	50,000	50,000	50,000	50,000
Development Review								
	Developer-Installed Assets	100,000	21,060	100,000	100,000	100,000	100,000	100,000
	TOTAL	100,000	21,060	100,000	100,000	100,000	100,000	100,000
TOTAL - ALL SEWER PROJECTS		\$ 49,728,927	\$ 41,326,350	\$ 75,186,500	\$ 57,400,000	\$ 43,375,000	\$ 31,942,500	\$ 31,867,500

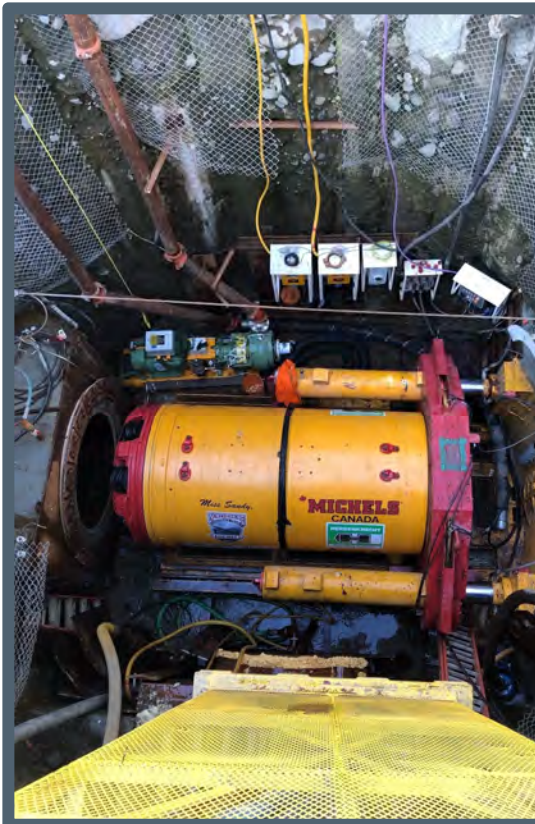
SURFACE WATER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget	Estimate	Budget	BASED ON FY 2024-25 - 2028-29 CIP			
		FY 2023-24	FY 2023-24	FY 2024-25	PROJECTED			
					FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
SURFACE WATER								
	3-Creeks Water Quality Project	\$ 800,000	\$ 461,540	\$ 3,000,000	\$ 141,000	\$ -	\$ -	\$ -
	Aldercrest Culvert Replacement & Kellogg Creek Restoration	250,000	100,000	390,000	1,140,000	420,000		
	SE Wildlife Estates Dr Ditch and Upstream Detention	239,400	10,000	306,000	1,035,000	396,000		
	Small Drainage Projects Program	596,000	290,000	200,000	100,000	100,000	100,000	100,000
	Stormwater Pond Repair and Rehabilitation Program	108,000	100,000	200,000	411,000	411,000	411,000	411,000
	Small Storm System Emergency Repairs	100,000		100,000	100,000	100,000	100,000	100,000
	SE Clackamas Rd Drainage Infrastructure	90,000	90,000	81,000	422,000	177,000		
	Water Quality Laboratory - Lab Remodel			75,000			30,000	120,000
	Water Quality Laboratory - Lab Equipment		6,300	7,500		7,500		7,500
	Restoration and Property Acquisition	150,000			650,000	650,000	823,200	823,200
	Rose Creek Detention and Instream Restoration				349,000	1,522,000	1,522,000	
	Water Quality Retrofit Program				100,000	198,300	198,300	198,300
	UIC Decommissioning/Retrofit Program				20,000	53,000	53,000	53,000
	Relocate Maintenance Building						195,000	
	NCRA Stormwater Plan						150,000	
	Tri-City Administration Building Remodel						120,000	480,000
	Sunnyside Place Culvert Replacement & Stream Restoration							670,000
	Valley View (Storm costs only)							250,000
	TOTAL	2,333,400	1,057,840	4,359,500	4,468,000	4,034,800	3,702,500	3,213,000
	TOTAL - ALL SURFACE WATER PROJECTS	\$ 2,333,400	\$ 1,057,840	\$ 4,359,500	\$ 4,468,000	\$ 4,034,800	\$ 3,702,500	\$ 3,213,000

Long-Range Financial Plan



Underground at the Tri-City Water Resource Recovery Facility



LONG-RANGE FINANCIAL PLAN

INTRODUCTION

WES updates its long-range financial plan in concert with the development of the annual budget. The plan provides a 10-year view of WES' financial position by projecting all operating, capital, and debt service requirements and the resulting utility rates needed to fund WES' sewer and surface water enterprises. This forecast allows WES to assess financial sustainability and ensure adherence to strategic objectives and compliance with financial policies. Projections in the plan are preliminary and subject to change based on updates in the underlying inputs and assumptions.

FINANCIAL PLANNING OBJECTIVES

In March 2022, WES staff finalized a comprehensive long-term financial strategy. The key objectives under this long-term strategy are as follows:

- Provide all necessary services to protect public health and water quality
- Ensure sufficient capacity to support economic development
- Provide services in the most cost-effective manner for ratepayers
- Honor foundational commitments regarding Legacy Debt payments
- Achieve WES Advisory Committee directive of charging by service received, not geographic location

As detailed on the following pages, WES' long-range planning incorporates strategies to achieve these objectives in compliance with WES' financial policies, which demonstrate to ratepayers, credit markets, investors, and rating agencies that WES is committed to financial sustainability and prudent stewardship of resources. The financial plan ensures sufficient funding for future infrastructure needs, replacement of aging facilities, bond reserves, and various operating expenses in a manner that mitigates unexpected rate changes.

PROTECTING PUBLIC HEALTH & THE ENVIRONMENT

Financial planning objectives first ensure annual operating expenses are fully met so that WES can provide all necessary services to meet the requirements of the Clean Water Act and expectations of our customers regarding human and watershed health. This minimum operating expenditure level, coupled with the cost inflation assumptions detailed on the following page, serves as the foundation for the long-range financial plan input.

INFRASTRUCTURE INVESTMENT

The Capital Improvement Plan (CIP) ensures sufficient capacity to support economic development and growth in WES' service area. As capacity projects must be constructed prior to allowing access to WES' system, all planning processes and related capital investments are completed in advance of new customer connections.

The financial plan incorporates WES' 5-year CIP and extended sewer and surface water capital expenditure projections developed for long-range planning. The capital projection figures in this section for FYs 2024-25 through 2028-29 reflect the adopted CIP, as detailed in the Capital Section of this document. For FY 2029-30 through FY 2033-34, the projections reflect the extended capital figures developed for application in the long-range plan.

CAPITAL FINANCING

WES' capital financing strategy primarily utilizes cash reserves and system development charge (SDC) revenue, followed by debt financing, to minimize the impact on ratepayers. Employing cash reserves and SDCs reduces financing costs and represents a prudent, sustainable approach to funding ongoing capital investments. Debt financing may be favored over cash reserves when low interest rates provide a financial benefit to ratepayers and allow WES to preserve cash reserves for future projects. The optimal mix of cash versus debt financing varies with the capital investment lifecycle of each project. The overall financial strategy involves steady, incremental rate increases to prevent major rate fluctuations. This strategy requires building cash reserves during the project planning stages and having sufficient borrowing capacity available during the construction phase to implement the capital improvement plan.

RATEPAYER ASSURANCE

The objective of ratepayer assurance establishes WES' guiding principles for the prudent use of ratepayer funds, setting rates and charges, and ensuring transparency in budgeting and the rate-setting process. Prudent management of ratepayer funds promotes accountability with regards to fulfilling WES' mission, as well as asset and personnel management, operating cost containment, and environmental stewardship. This objective reinforces WES' commitment to developing rates and charges that are affordable and predictable, honor foundational commitments regarding legacy debt payments, and generate sufficient revenue for full cost recovery and required debt service coverage.

SEWER RATE HARMONIZATION

As an entity, WES began operations with existing debt issued by CCSD No. 1 ("Legacy Debt"), and certain restrictions in its foundational documents included the manner in which certain debt is apportioned among the service districts. In order to honor foundational commitments towards Legacy Debt payments and achieve the WES Advisory Committee directive of charging by service received and not by geographic location, WES' long-term financial planning targets the retirement of the Legacy Debt as the key inflection point for harmonizing rates. Under the current plan, wastewater rates will be increased at a steady predictable rate of 5% for treatment services and 5% for local collection services. Simultaneously, the Legacy Debt rate component that is only charged to Rate Zone 2 will continue to decrease over time due to anticipated customer growth and the use of SDC revenues to cover related debt service payments until it is fully phased out in FY 2030-31. For customers in Rate Zone 2, including Rate Zone 2A (the Cities of Johnson City and Milwaukie), this reduction in the Legacy Debt component will offset the annual 5% increases on the treatment rate, allowing rates between Rate Zone 1 and 2 to converge. This revenue path will provide sufficient funds to sustain operating expenses and realize essential capital infrastructure so that in 2031, rates will be harmonized, and all wastewater ratepayers will be paying the same rate for services received irrespective of their geographic location.

DEBT SERVICE COVERAGE

WES' bond covenants require that WES maintain an annual debt service coverage ratio of 1.2 to 1 or 120%. To meet this ratio, annual net revenues (operating revenues less operating expenses) must be 1.2 times greater than annual debt service. WES' debt service coverage strategy is to generate net revenues to target a higher coverage ratio, of 1.4 to 1 or 140%, of annual debt service to ensure WES maintains access to low-cost capital and retains financial flexibility to manage unanticipated economic impacts.

FUND BALANCE RESERVES

A well-designed reserve policy is a financial best practice and communicates WES' commitment to maintaining long-term financial health. The fund balance reserve strategy requires that each operating fund balance maintains a minimum amount of 60 days of annual budgeted operations and maintenance expenses over the 10-year planning period. This strategy mitigates risks and is key to ensuring WES can respond quickly and decisively to extreme events or unforeseen economic conditions. The reserves planned under this strategy also serve as a financial tool to ensure stable, predictable rate increases. WES adopts budgets and establishes rates such that a reserve of undesignated fund balances provides sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures.

FORECASTING ASSUMPTIONS

The long-range financial plan projections are based on assumptions that reflect WES' current policies, goals, and objectives. In general, WES ensures the plan conforms to BCC-approved policies and that it incorporates current operating budgets, capital budgets, and CIP updates. Plan forecasting assumptions are categorized into Revenues, Operating Expenses and Capital Expenses categories: Revenues consist primarily of service charges from utility sales; Operating Expenses consist primarily of operations and maintenance expenses; and Capital Expenses consist of debt service and revenue funded capital improvements. The outputs of the plan provide a view of resulting rates and forecast annual revenues and expenses over the 10-year planning period.

Specific economic assumptions incorporated into WES' financial planning are detailed in the table below. Assumptions include: inflationary adjustments for operating and maintenance expenses by major category (e.g. labor, utilities, etc.); medium population growth projections from a forecast completed in December 2022; conservative earnings rates for investment income; and inflationary adjustments for the costs of construction.

Applied Economic Assumptions in the Long-Range Financial Plan

Expenses	
Operating Expenses – Labor	6.0% annual increases
Operating Expenses – Utilities	4.5% annual increases
Operating Expenses – Other Materials & Services	4.0% annual increase
Capital Expenses	1.98% annual increases
Financing for future borrowings	3.5% interest rate & 30-year term
Revenues	
Interest Earnings	3.0% on fund balance for FY 25/26
	2.0% on fund balance for FY 26/27
	1.0% on fund balance for FYs 27/28 – 33/34
Population growth (average across the service area)	0.98% annual growth

10-YEAR PROJECTED FINANCIAL SCHEDULES

The schedules on the following 4 pages provide the 10-year cash flow and fund balance projections for WES' sewer and surface water operations, capital replacement, and improvement needs. These projections help WES evaluate its performance on various financial sustainability metrics, including fund balance reserve levels, debt service coverage, and revenue-funded capital. The schedule also shows the projected long-term debt service coverage percentage in alignment with WES' planning objectives.

LONG-RANGE FINANCIAL PLAN - 10-YEAR PROJECTED FINANCIAL SCHEDULES

(All figures in \$1,000s)	Budget									
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34
CONSOLIDATED VIEW - ALL FUNDS										
BEGINNING FUND BALANCE	\$ 173,184	\$ 116,610	\$ 72,695	\$ 51,155	\$ 42,294	\$ 36,387	\$ 31,187	\$ 28,157	\$ 28,915	\$ 31,232
OPERATING REVENUES										
Sewer and Surface Water Charges	52,509	54,761	56,761	58,848	61,083	63,429	66,855	70,902	75,215	79,806
System Development Charges	7,794	8,241	8,521	8,813	9,116	9,430	9,754	10,092	10,440	10,801
Interest Income	5,196	3,301	1,569	827	747	691	641	610	618	642
All Other Revenues	1,643	1,615	1,648	1,683	1,715	1,751	1,787	1,825	1,811	1,798
TOTAL OPERATING REVENUE	67,142	67,918	68,499	70,171	72,661	75,301	79,037	83,429	88,084	93,047
% Change from prior year		1%	1%	2%	4%	4%	5%	6%	6%	6%
OPERATING EXPENSES										
Materials & Services - WES Labor	16,858	17,870	18,941	20,079	21,284	22,559	23,915	25,347	26,868	28,481
Materials & Services - Other	15,693	16,463	17,093	17,716	18,327	18,964	19,620	20,302	21,009	21,737
TOTAL OPERATING EXPENSES	32,551	34,333	36,034	37,795	39,611	41,523	43,535	45,649	47,877	50,218
% Change from prior year		5%	5%	5%	5%	5%	5%	5%	5%	5%
NET OPERATING INCOME	34,591	33,585	32,465	32,376	33,050	33,778	35,502	37,780	40,207	42,829
OTHER FINANCING SOURCES										
State Revolving Fund Loans	162	-	-	-	-	-	-	-	-	-
Grants and Project Contributions	2,585	-	-	-	-	-	-	-	-	-
Revenue from Bonds & Other Debts	-	-	10,347	12,365	15,741	19,864	37,921	15,090	2,382	8,766
TOTAL OTHER FINANCING SOURCES	2,747	-	10,347	12,365	15,741	19,864	37,921	15,090	2,382	8,766
OTHER FINANCING USES										
Special Payments	1,328	1,368	1,409	1,451	1,495	1,539	1,586	1,633	1,682	1,733
Capital Outlay	79,546	63,092	49,305	37,804	37,943	40,893	56,250	30,998	19,268	27,800
Debt Service	13,039	13,040	13,638	14,347	15,260	16,410	18,617	19,481	19,322	19,574
TOTAL OTHER FINANCING USES	93,913	77,500	64,352	53,602	54,698	58,842	76,453	52,112	40,272	49,107
ENDING FUND BALANCE	\$ 116,610	\$ 72,695	\$ 51,155	\$ 42,294	\$ 36,387	\$ 31,187	\$ 28,157	\$ 28,915	\$ 31,232	\$ 33,720
Contingency	25,312	18,634	15,329	12,601	12,787	13,684	17,690	11,554	8,807	11,135
Reserves	91,298	54,061	35,826	29,693	23,600	17,503	10,467	17,361	22,425	22,585

LONG-RANGE FINANCIAL PLAN - 10-YEAR PROJECTED FINANCIAL SCHEDULES

(All figures in \$1,000s)	Budget									
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34
SANITARY SEWER OPERATING FUND										
REVENUES										
TOTAL REVENUES	\$ 47,281	\$ 49,083	\$ 50,664	\$ 52,323	\$ 54,079	\$ 55,939	\$ 58,827	\$ 62,324	\$ 66,038	\$ 69,974
EXPENSES										
OPERATING AND MAINTENANCE	26,430	27,714	29,066	30,458	31,921	33,462	35,082	36,786	38,580	40,466
SPECIAL PAYMENTS	1,328	1,368	1,409	1,451	1,495	1,539	1,586	1,633	1,682	1,733
TRANSFERS										
Construction Fund	16,500	17,056	15,064	14,562	13,881	12,985	12,047	12,986	14,842	16,604
Debt Service Fund	4,302	4,301	4,903	5,622	6,541	7,699	9,848	10,639	10,639	10,860
TOTAL TRANSFERS	20,802	21,357	19,967	20,184	20,422	20,684	21,895	23,625	25,481	27,464
BEGINNING FUND BALANCE	7,191	5,912	4,556	4,778	5,008	5,249	5,503	5,767	6,047	6,342
ENDING FUND BALANCE	\$ 5,912	\$ 4,556	\$ 4,778	\$ 5,008	\$ 5,249	\$ 5,503	\$ 5,767	\$ 6,047	\$ 6,342	\$ 6,653
SANITARY SEWER SDC FUND										
REVENUES										
TOTAL REVENUES	\$ 9,105	\$ 9,150	\$ 8,774	\$ 8,715	\$ 8,952	\$ 9,221	\$ 9,517	\$ 9,833	\$ 10,167	\$ 10,519
EXPENSES										
CAPITAL OUTLAY	12,375	13,758	9,027	5,934	4,009	2,854	2,209	1,904	1,892	2,064
TRANSFERS										
Debt Service Fund	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299	8,134
TOTAL TRANSFERS	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299	8,134
BEGINNING FUND BALANCE	50,510	38,697	25,552	16,766	11,022	7,445	5,299	4,101	3,537	3,513
ENDING FUND BALANCE	\$ 38,697	\$ 25,552	\$ 16,766	\$ 11,022	\$ 7,445	\$ 5,299	\$ 4,101	\$ 3,537	\$ 3,513	\$ 3,834
SANITARY SEWER CONSTRUCTION FUND										
REVENUES										
TOTAL REVENUES	\$ 4,760	\$ 1,557	\$ 515	\$ 156	\$ 147	\$ 140	\$ 131	\$ 122	\$ 131	\$ 150
New Borrowings (Net of Financing Costs)	-	-	10,347	12,365	15,741	19,864	36,801	13,603	857	4,496
Transfer from Sewer Operating Fund	16,500	17,056	15,064	14,562	13,881	12,985	12,047	12,986	14,842	16,604
Transfer from Debt Service Fund	1,439	-	-	-	-	-	-	-	-	-
EXPENSES										
CAPITAL OUTLAY	62,812	44,778	36,082	27,943	30,459	33,893	49,926	25,781	13,965	19,469
BEGINNING FUND BALANCE	92,013	51,901	25,736	15,580	14,720	14,030	13,126	12,179	13,109	14,974
ENDING FUND BALANCE	\$ 51,901	\$ 25,736	\$ 15,580	\$ 14,720	\$ 14,030	\$ 13,126	\$ 12,179	\$ 13,109	\$ 14,974	\$ 16,755

LONG-RANGE FINANCIAL PLAN - 10-YEAR PROJECTED FINANCIAL SCHEDULES

(All figures in \$1,000s)	Budget									
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34
SURFACE WATER OPERATING FUND										
REVENUES										
TOTAL REVENUES	\$ 7,219	\$ 7,631	\$ 8,088	\$ 8,556	\$ 9,072	\$ 9,600	\$ 10,179	\$ 10,771	\$ 11,416	\$ 12,116
EXPENSES										
OPERATING AND MAINTENANCE	6,121	6,619	6,968	7,337	7,690	8,061	8,453	8,863	9,297	9,752
TRANSFERS										
Construction Fund	2,000	2,000	2,000	2,000	1,380	1,387	1,506	1,597	1,717	1,708
Debt Service Fund	83	92	92	91	91	91	156	242	331	580
TOTAL TRANSFERS	2,083	2,092	2,092	2,091	1,471	1,478	1,662	1,840	2,048	2,289
BEGINNING FUND BALANCE	5,262	4,277	3,197	2,225	1,353	1,264	1,325	1,389	1,457	1,528
ENDING FUND BALANCE	\$ 4,277	\$ 3,197	\$ 2,225	\$ 1,353	\$ 1,264	\$ 1,325	\$ 1,389	\$ 1,457	\$ 1,528	\$ 1,603
SURFACE WATER SDC FUND										
REVENUES										
TOTAL REVENUES	\$ 222	\$ 212	\$ 209	\$ 209	\$ 212	\$ 218	\$ 223	\$ 231	\$ 237	\$ 245
EXPENSES										
CAPITAL OUTLAY	-	1,160	827	611	472	383	327	293	273	263
BEGINNING FUND BALANCE	2,882	3,104	2,156	1,538	1,136	876	711	607	545	509
ENDING FUND BALANCE	\$ 3,104	\$ 2,156	\$ 1,538	\$ 1,136	\$ 876	\$ 711	\$ 607	\$ 545	\$ 509	\$ 491
SURFACE WATER CONST. FUND										
REVENUES										
TOTAL REVENUES	\$ 861	\$ 104	\$ 91	\$ 78	\$ 66	\$ 50	\$ 27	\$ 15	\$ 16	\$ 17
Other Financing - SRF Loan	162	-	-	-	-	-	-	-	-	-
New Borrowings (Net of Financing Costs)	-	-	-	-	-	-	1,120	1,487	1,525	4,270
Transfer from Surface Water Operating Fund	2,000	2,000	2,000	2,000	1,380	1,387	1,506	1,597	1,717	1,708
EXPENSES										
CAPITAL OUTLAY	4,360	3,396	3,369	3,316	3,003	3,763	3,788	3,020	3,138	6,004
BEGINNING FUND BALANCE	11,696	10,360	9,068	7,790	6,552	4,995	2,669	1,534	1,613	1,733
ENDING FUND BALANCE	\$ 10,360	\$ 9,068	\$ 7,790	\$ 6,552	\$ 4,995	\$ 2,669	\$ 1,534	\$ 1,613	\$ 1,733	\$ 1,724

LONG-RANGE FINANCIAL PLAN - 10-YEAR PROJECTED FINANCIAL SCHEDULES

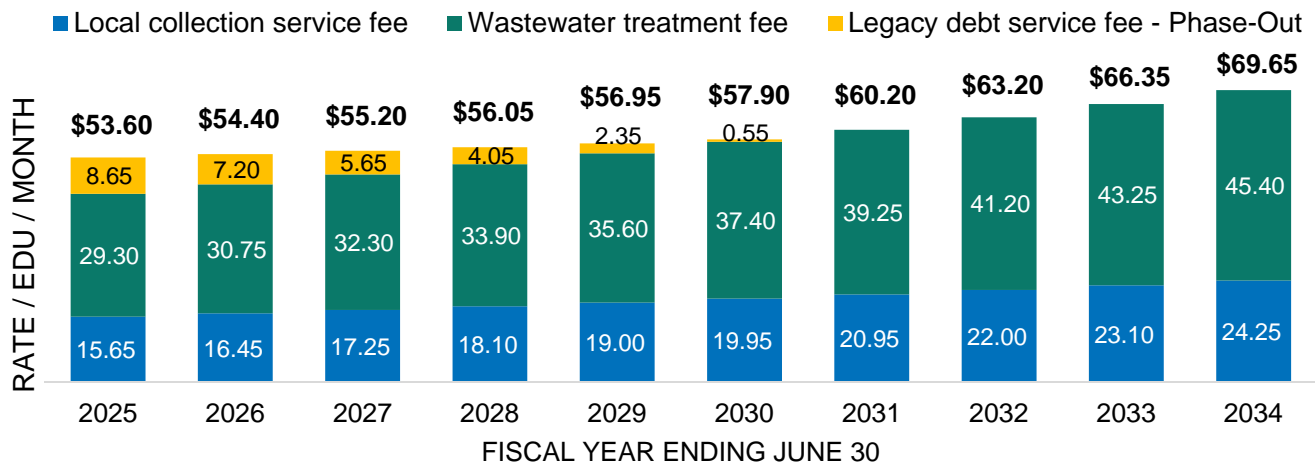
(All figures in \$1,000s)	Budget									
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34
DEBT SERVICE FUND										
REVENUES										
TOTAL REVENUES	\$ 280	\$ 181	\$ 158	\$ 134	\$ 133	\$ 133	\$ 133	\$ 133	\$ 79	\$ 26
Transfer from Sewer Operating Fund	4,302	4,301	4,903	5,622	6,541	7,699	9,848	10,639	10,639	10,860
Transfer from Sewer SDC Fund	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299	8,134
Transfer from Surface Water Operating Fund	83	92	92	91	91	91	156	242	331	580
DEBT SERVICE										
Existing Debt Service	13,039	13,040	13,033	13,020	13,013	13,003	12,994	12,977	12,678	12,418
Future Debt Service	-	-	605	1,327	2,247	3,407	5,623	6,504	6,644	7,156
TOTAL DEBT SERVICE	\$ 13,039	\$ 13,040	\$ 13,638	\$ 14,347	\$ 15,260	\$ 16,410	\$ 18,617	\$ 19,481	\$ 19,322	\$ 19,574
TRANSFERS										
Sewer Construction Fund	1,439	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS	1,439	-	-	-	-	-	-	-	-	-
BEGINNING FUND BALANCE	3,630	2,360	2,431	2,479	2,504	2,529	2,555	2,581	2,607	2,633
ENDING FUND BALANCE	\$ 2,360	\$ 2,431	\$ 2,479	\$ 2,504	\$ 2,529	\$ 2,555	\$ 2,581	\$ 2,607	\$ 2,633	\$ 2,659
WES COMBINED ENDING FUND BALANCE										
	\$ 116,610	\$ 72,695	\$ 51,155	\$ 42,294	\$ 36,387	\$ 31,187	\$ 28,157	\$ 28,915	\$ 31,232	\$ 33,720
TEST OF COVERAGE REQUIREMENTS										
Total Gross Revenues (incl. grants)	\$ 69,727	\$ 67,918	\$ 68,499	\$ 70,171	\$ 72,661	\$ 75,301	\$ 79,037	\$ 83,429	\$ 88,084	\$ 93,047
Operating Expenses (incl. Special Payments)	33,879	35,701	37,442	39,246	41,107	43,063	45,120	47,283	49,558	51,951
Net revenues available for debt service	\$ 35,848	\$ 32,217	\$ 31,056	\$ 30,925	\$ 31,554	\$ 32,238	\$ 33,917	\$ 36,146	\$ 38,526	\$ 41,096
All Debt Service (incl. State Loans)	13,039	13,040	13,638	14,347	15,260	16,410	18,617	19,481	19,322	19,574
Projected Debt Coverage Recognized - All Debt	275%	247%	228%	216%	207%	196%	182%	186%	199%	210%
Senior Lien Debt Service	10,585	10,585	10,586	11,193	11,913	12,836	13,996	16,212	17,087	16,991
Projected Senior Lien Debt Coverage	339%	304%	293%	276%	265%	251%	242%	223%	225%	242%
Debt Coverage Required	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%

FORECASTED MONTHLY RATES UNDER THE 10-YEAR PLAN

WES sets rates and collects fees for sewer and surface water services to achieve full cost recovery. For full-cost recovery, rates must be at least sufficient to pay the operating and maintenance expenses for WES' system, and meet the principal, interest and coverage requirements and other bond covenants of all debt issued by WES. The Clackamas County Board of County Commissioners (BCC) has full power and authority to levy different rates between and within the rate zones. As of FY 2024-25, the BCC has established rates for each of the three rate zones of WES. Customers in Rate Zones 1 and 2 pay monthly user charges for wastewater treatment service. Rate Zone 2 customers also pay monthly user charges for local collection and surface water management services as well as sufficient amounts to meet the Legacy Debt service charge. As levels of service change, the BCC may add or subtract charges within the rate zones.

FORECASTED MONTHLY SEWER CHARGES

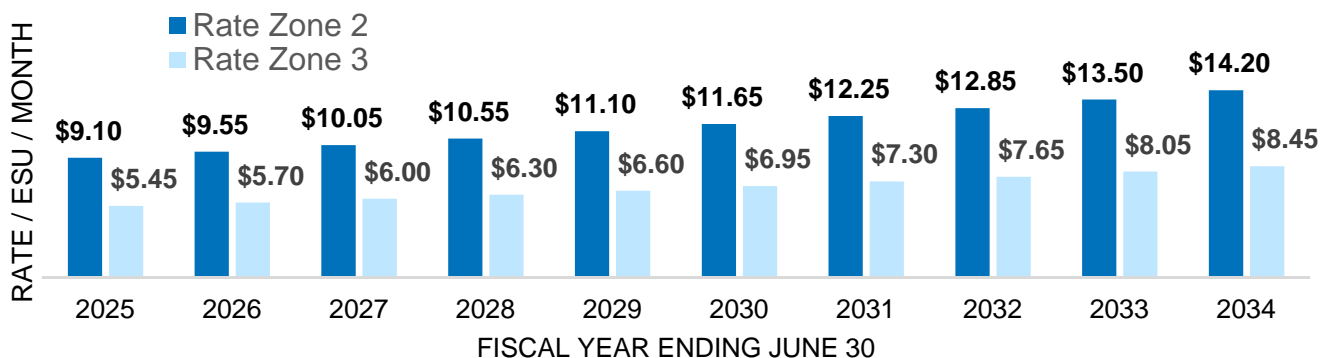
The chart below shows the projected wastewater treatment, wastewater collection, and Rate Zone 2 legacy debt service rates over the ten-year forecast horizon. All monthly rates shown are expressed in dollars per Equivalent Dwelling Unit (EDU) per month.



Rates and % Increase by Service Type and Rate Zone		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Wholesale	Rate Zone 1 Rate	\$27.90	\$29.30	\$30.75	\$32.30	\$33.90	\$35.60	\$37.40	\$39.25	\$41.20	\$43.25	\$45.40
	% Increase		5.0%	4.9%	5.0%	5.0%	5.0%	5.1%	4.9%	5.0%	5.0%	5.0%
	Rate Zone 2 Rate	\$37.95	\$37.95	\$37.95	\$37.95	\$37.95	\$37.95	\$37.95	\$39.25	\$41.20	\$43.25	\$45.40
	% Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	5.0%	5.0%	5.0%
Retail	Rate Zone 1 Rate	\$42.80	\$44.95	\$47.20	\$49.55	\$52.00	\$54.60	\$57.35	\$60.20	\$63.20	\$66.35	\$69.65
	% Increase		5.0%	5.0%	5.0%	4.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Rate Zone 2 Rate	\$52.85	\$53.60	\$54.40	\$55.20	\$56.05	\$56.95	\$57.90	\$60.20	\$63.20	\$66.35	\$69.65
	% Increase		1.4%	1.5%	1.5%	1.5%	1.6%	1.7%	4.0%	5.0%	5.0%	5.0%

FORECASTED MONTHLY SURFACE WATER CHARGES

WES provides surface water management services to the Rate Zone 2 and 3 service areas. The chart below shows the surface water rates for each service area over the 10-year forecast horizon. All monthly rates shown are expressed in dollars per Equivalent Service Unit (ESU) per month.



Appendix



Providing a tour to high school students at the Tri-City Water Resource Recovery Facility

Clackamas Water Environment Services Department Position Summary Schedules

FTEs By Performance Clackamas Program	FY 2015-16 Actual ⁽¹⁾	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Budget	FY 2024-25 Budget
Account Services	-	4.40	4.17	2.68	2.81	2.69	2.65	2.72	3.50	4.76
Administrative Services	-	13.64	11.35	12.60	12.60	14.49	12.86	11.61	13.55	12.21
Asset Management	-	8.03	7.04	7.27	6.83	6.99	7.05	7.48	8.30	8.17
Capital Delivery ⁽²⁾	-	4.69	6.39	5.98	7.09	7.79	7.28	6.40	10.12	9.85
Environmental Monitoring	-	9.33	6.64	6.29	5.99	5.61	6.07	5.58	6.05	5.95
Field Operations and Maintenance ⁽³⁾	-	20.96	13.24	12.92	12.33	13.90	12.62	14.15	14.33	14.30
Financial Management	-	6.56	5.93	6.03	5.98	6.18	6.56	6.58	7.40	7.10
Permit Services ⁽⁴⁾	-	6.69	10.05	8.21	8.64	7.77	8.01	7.73	7.25	5.88
Plant Operations and Maintenance ⁽³⁾	-	15.64	28.81	32.56	33.50	32.74	31.29	32.08	35.00	36.03
Resource Recovery	-	9.82	8.29	8.68	7.76	6.35	5.77	4.99	5.85	5.40
Watershed Protection ⁽⁴⁾	-	6.24	4.09	5.43	5.37	5.11	4.69	4.27	4.90	7.10
Vacancies - All Programs ⁽⁵⁾	-	0.00	0.00	1.35	3.10	2.38	11.15	12.41	1.75	1.25
Totals		106.00	106.00	110.00	112.00	112.00	116.00	116.00	118.00	118.00

FTEs by Performance Clackamas Program are calculated by dividing the total hours charged to the program by hours per FTE.

(1) FY 2015-16 Program Position Data is not available as the Program Budget structure was implemented beginning in FY 2016-17

(2) Includes capitalized labor

(3) Significant shifts in FTEs between the Plant Operations and Maintenance Program and the Field Operations and Maintenance Program from FY 2016-17 to FY 2017-18 were due to changes in the Performance Clackamas program structure

(4) FY 2024-25 increase in the Watershed Protection Program is due to source control position shifts from the Permit Services Program

(5) Vacancies for FY 2023-24 and FY 2024-25 Budget reflects planned partial vacancies only, and exclude frictional vacancy assumptions.

FTEs By Work Division	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Budget ^(1,2)	FY 2024-25 Budget ⁽³⁾
Director	3.00	2.00	3.00	5.00	3.00	4.00	4.00	4.00	1.00	2.00
Business Services	16.00	16.00	17.00	19.00	21.00	22.00	23.00	21.00	24.00	28.00
Capital Planning and Management	13.00	15.00	16.00	14.00	16.00	14.00	14.00	15.00	17.00	9.00
Operations	50.00	49.00	49.00	52.00	52.00	52.00	55.00	56.00	56.00	59.00
Environmental Services	21.00	24.00	21.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Soils	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Totals	107.00	106.00	106.00	110.00	112.00	112.00	116.00	116.00	118.00	118.00

FTEs by Work Division are based on the Functional Organization Chart and include vacancies/unfilled positions.

(1) FY 2023-24 reflects an organizational shift of 3 FTEs from the Director to Business Services work division

(2) FY 2023-24 reflects 2 incremental FTE Engineering positions to support project delivery and implementation of WES' capital plans in the Capital Planning and Management work division

(3) FY 2024-25 reflects the following organizational changes:

- A shift of 8 FTEs in the Asset Management workgroup from the Capital Planning and Management to Operations work division
- A shift of 5 FTEs in the Resource Recovery workgroup from the Operations Division to the Environmental Services work division
- A shift of 5 FTEs in the Watershed Protection workgroup from the Environmental Services work division to the Business Services work division
- A shift of 1 FTE in the Administrative Services workgroup from the Business Services D work division to the Director work division

RESOURCES

Resources are estimated beginning funds on hand, plus interfund transfers in from other funds, and anticipated revenues. Following are descriptions for the resources listed in WES' fund summaries:

Beginning Fund Balance

Represents amounts of unexpended funds carried forward from the previous fiscal year.

Revenues

Funds received by WES for payment of services provided, and from other sources such as interest income, and other miscellaneous income.

Retail Sewer Charges – Includes revenue from monthly charges for retail sewer services, consisting of treatment, collection, and legacy debt service (Rate Zone 2 only).

City Payments - Includes payments by cities having agreements for wholesale sewer treatment services. For Rate Zone 2A service area: includes payments from the Cities of Johnson City and Milwaukie For Rate Zone 1 service area: includes payments from the Cities of Gladstone, Oregon City, and West Linn.

Surface Water Charges – Includes revenue from monthly charges for surface water management services in Rate Zones 2 and 3.

System Development Charges - Revenues from fees for new connections to the sanitary sewer or surface water system. These revenues may be used to fund capital projects that expand system capacity.

Charges for Services – All Other – Includes right-of-way fees charged by some cities for services provided within their streets as well as review fees and miscellaneous fees.

Interest Income - Includes interest earned on investments of reserves as well as cash on hand resulting from operations.

Permits – Includes fees for wastewater, septage, and surface water and environmental permits.

Special Assessment Collections - Includes principal and interest payments for assessment districts originally funded by CCSD No. 1 reserves.

Penalties – Includes charges for late fees on delinquent account balances.

Miscellaneous Income - Includes income for services rendered to other entities for reimbursable expenses and other minor revenues.

Other Financing Sources

Funds received by WES from other sources such as grants and debt financing.

Operating Grants - Includes anticipated funding from federal, state, and local grants.

Capital Project Contributions – Includes Energy Trust and other incentives and contributions received for capital project funding.

Revenues from Bonds & Other Debts – Includes revenue obligation proceeds from new debt issuances and DEQ State Revolving Fund Loan proceeds.

Interfund Transfers

Amounts moved from one fund to another. Interfund transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450).

REQUIREMENTS

Requirements are the total of all budgeted outlays within a fund, including: operating expenditures, interfund transfers to other funds, special payments, capital outlay, debt service, contingencies, and ending fund balance / reserves for future expenditure. Following are descriptions for the requirements listed in WES' fund summaries:

Materials & Services - Amounts expended for day-to-day operations. A major operating expenditure category that includes WES labor, contractual expenditures, consumable materials, supplies, operating costs, and other services.

WES Labor – Includes all budgeted positions of the Department. Department employees are employees of the County who are paid for by WES and recorded within this expense line item.

Other County Services – Includes expenditures for services provided by Clackamas County such as: technology services, investment services, community service work crews, facilities maintenance, payroll, procurement, and charges for embedded County legal and communications staff.

Materials & Services - Continued

Professional Services – Includes all professional services: engineering services, audit and financial services, legal services, consulting services, and utility plant services.

Administrative – Includes advertising and marketing expenses, banking and merchant service fees, permit fees, property, vehicle, and liability insurance costs, uniforms cost for Operations personnel, office supplies, postage and shipping, printing and copies, and telephone and internet service costs.

Supplies – Includes chemicals, utility plant supplies for building maintenance, plumbing, electrical, and mechanical supplies; also includes vehicle materials and supplies such as fuel as well as safety supplies, small tools and minor equipment, and computer hardware and software.

Utilities - Includes electricity, water, and natural gas expenses for WES’ water resource recovery facilities, pump stations, and the water quality lab, as well as purchased water expenses used in maintenance services.

Repair & Maintenance – Includes all costs necessary for the maintenance and repair of vehicles, equipment, structures, and property of WES contracted with outside service providers. Also includes computer and software maintenance costs and watershed restoration/rehabilitation costs.

Rents & Leases - Includes the rental of office facilities for department staff, office equipment, heavy equipment, vehicles and other machinery and tools necessary for maintenance and repair.

Interfund Transfers

Amounts moved from one fund to another. Interfund transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450).

Debt Service Fund Transfer – Includes funds from the sanitary sewer operating and SDC funds sufficient to pay the annual debt service on WES’ revenue obligations and SRF loans.

Construction Fund Transfer – Interfund transfers from WES’ operating funds to the construction funds to pay for current year capital outlay and that add to reserves for use in future year capital outlay.

Special Payments

A budget expenditure category for distributions, pass-through payments, grants made to other organizations and other one-time or unusual expenditures whereby goods or services are not received in return. Includes right-of-way (ROW) fees and good neighbor fund contributions.

Capital Outlay

Expenditures that result in the acquisition of, or addition to, fixed assets. Includes all capital projects and capital equipment. Examples include: plant modification and/or expansion projects, collection system improvements, land acquisition, and the purchase of significant equipment for treatment facilities, collection systems, and maintenance operations.

Debt Service

Payment of principal and interest on borrowed funds.

Contingency

Provides funds for operating, emergency and replacement events; intended to ensure the fiscal and business continuity of WES by accommodating non-routine fluctuations in revenues and expenses.

Reserves - Designated

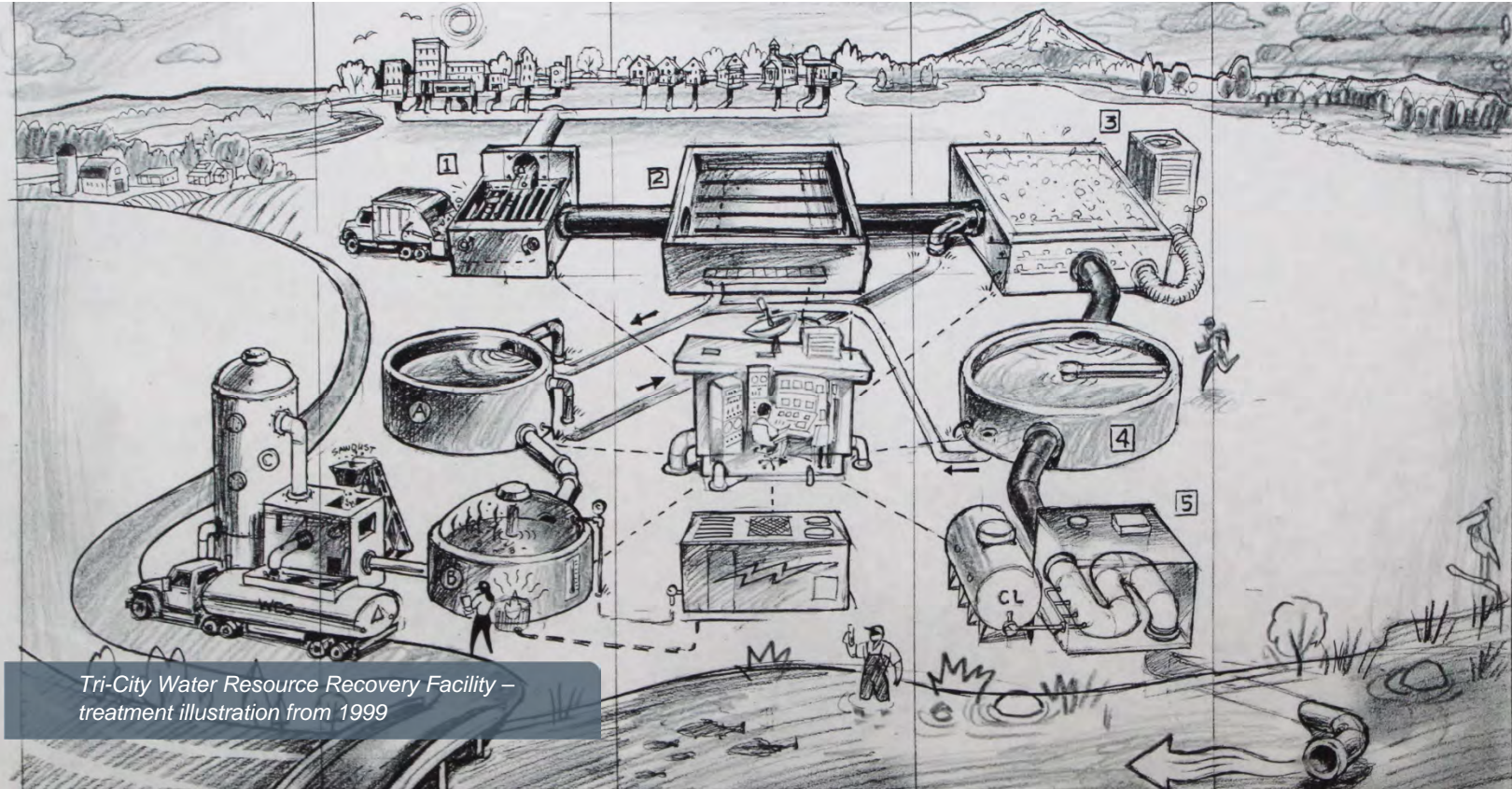
Amounts set aside for specific future expenditure and not intended to be expended during the fiscal year.

Ending Fund Balance / Reserves for Future Expenditure

This line item represents the difference between the resources (beginning fund balance, all revenues, interfund transfers in, and other financing sources) and requirements (operations and maintenance expenditures, capital outlay, debt service, interfund transfers out, special payments, contingencies and reserves), which is carried forward as the beginning fund balance for the next fiscal year. Ending fund balance provides a working capital balance with which to begin the subsequent year; reserves for future expenditure identifies funds that are to be saved for future years.

ACRONYMS AND INITIALISMS

ACFR - Annual Comprehensive Financial Report	MFR - Managing For Results
ARPA - American Rescue Plan Act	NACWA - National Association of Clean Water Agencies
BCC - Clackamas County Board of County Commissioners	NCRA - North Clackamas Revitalization Area
BOD - Biochemical Oxygen Demand	NCSA - North Clackamas Service Area
BSA - Boring Service Area	NCSWSA - North Clackamas Surface Water Service Area
CAS - Conventional Activated Sludge	NPDES - National Pollutant Discharge Elimination System
CCSD No. 1 - Clackamas County Service District No. 1	O&M - Operating and Maintenance
CFR - Code of Federal Regulations	OAR - Oregon Administrative Rules
CIA - Clackamas Industrial Development Area	ODFW - Oregon Department of Fish and Wildlife
CIP - Capital Improvement Plan	ODOT - Oregon Department of Transportation
COA - Chart of Accounts	ORS - Oregon Revised Statutes
COLA - Cost Of Living Adjustment	OSM - On-Site Maintenance
CSMP - Collection System Master Plan	PFAS - Per- and Polyfluoroalkyl Substances
DEQ - Department of Environmental Quality	RAS - Return Activated Sludge
DTD - Department of Transportation and Development	REC - Renewal Energy Certificates
EDU - Equivalent Dwelling Unit	ROW - Right-Of-Way
ENR - Engineering News Record	RWUP - Recycled Water Reuse Plan
EPA - Environmental Protection Agency	SCADA - Supervisory Control and Data Acquisition
ERP - Enterprise Resource Planning	SDC - System Development Charge
ESU - Equivalent Service Unit	SEM - Strategic Energy Management
FEMA - Federal Emergency Management Agency	SRF - State Revolving Fund
FFPSA - Fischer's Forest Park Service Area	SSO - Sanitary Sewer Overflow
FTE - Full-Time Equivalent (Employee)	SSMP - Storm System Master Plan
FY - Fiscal Year	SWMACC - Surface Water Management Agency of Clackamas County
GAAP - Generally Accepted Accounting Principles	TCSD - Tri-City Service District
GASB - Government Accounting Standards Board	TCWRRF - Tri-City Water Resource Recovery Facility
GFOA - Government Finance Officers Association	TMDL - Total Maximum Daily Load
HSA - Hoodland Service Area	TSS - Total Suspended Solids
HVAC - Heating, Ventilation, and Air Conditioning	UIC - Underground Injection Control
I&I - Inflow and Infiltration	WES - Water Environment Services (Department or Partnership, depending on context)
IGA - Intergovernmental Agreement	WFP - Willamette Facilities Plan
IPT - Industrial Pretreatment	WPCF - Water Pollution Control Facilities
KCWRRF - Kellogg Creek Water Resource Recovery Facility	WRRF - Water Resource Recovery Facility
MBR - Membrane Bioreactor	WRU - Water Recycle Use Plan
MGD - Million Gallons per Day	



Tri-City Water Resource Recovery Facility –
treatment illustration from 1999

GLOSSARY

Accrual Basis - The basis of accounting whereby revenues are recognized when they are earned and measurable regardless of when collected, and expenses are recorded on a matching basis when incurred.

Adopted Budget – The final version of the budget formally adopted by the governing body of the local government unit. After considering the approved budget, the governing body may make further revisions. The adopted budget is legally enacted through a budget resolution or ordinance and authorizes the legal spending limits (e.g., makes appropriations) for the fiscal year.

Appropriation - Authorization for spending a specific amount of money for a specific purpose during a specific period of time. It is based on the adopted budget, including supplemental budgets, if any. It is presented in a resolution or ordinance adopted by the governing body (ORS 294.311(3)).

Approved Budget - The financial plan agreed upon by the Budget Committee, after the Budget Committee reviews and makes any changes to the proposed budget. The approved budget is forwarded to the governing body for further consideration.

Asset Management - A systematic process of acquiring, utilizing, maintaining, upgrading, replacing, and disposing of existing assets. Also the name of a program within WES' Performance Clackamas structure.

Audit - Examination of records or financial accounts to check their accuracy and validity.

Balanced Budget - Within a fund, total amount of revenues, including interfund transfers from other funds and the use of fund balance equals the total amount of expenditures, including interfund transfers to other funds and contribution to fund balance.

Beginning Fund Balance - Amounts of unexpended funds carried forward from the previous fiscal year.

Bonds - A written contract for payment of a sum of money at a future date, with interest paid at an agreed rate on a set schedule.

BOD - Biochemical oxygen demand, or BOD, is a key water quality parameter used to measure the amount of oxygen required by aerobic microorganisms to decompose organic matter in wastewater. Measured in milligrams per liter (mg/L), BOD is an essential indicator of the organic pollution level in wastewater. Monitoring and managing BOD is important for ensuring the effectiveness of wastewater treatment processes and for meeting environmental compliance standards. The Plant Operations and Maintenance Programs tracks removal of BOD as a performance measure.

Budget - The local government's financial plan for one fiscal year.

Budget Calendar - The schedule of key dates followed in the preparation and adoption of the budget.

Budget Committee - Fiscal planning board of a local government, consisting of the governing body plus an equal number of legal voters appointed from the district (ORS 294.336). WES' Budget Committee consists of WES' Board of Directors (the BCC) and 5 citizen members from WES' Advisory Committee.

Budget Message - Written explanation of the budget and the local government's financial priorities. It is prepared and presented by the executive officer or chairperson of the governing body (ORS 294.391).

Budget Officer - Person appointed by the governing body to assemble budget material and information and to oversee preparation of the proposed budget (ORS 294.331).

Capital Expenditures - Expenditures to acquire an asset or repairs or upgrades to an existing asset which increase the asset's capacity, efficiency, or useful life and which meet the criteria for capitalization: 1) the total cost is \$5,000 or more, and 2) the estimated useful life is in excess of one year. Expenditures which do not meet the capitalization criteria are included as operating expenditures.

Capital Improvement Plan (CIP) - A plan for capital expenditures to provide long-lasting physical improvements, the cost of which is to be incurred over a fixed time horizon over a number years.

Capital Outlays - Expenditures that result in acquisition of or improvement to an existing fixed asset(s).

Capital Project Fund - A fund used to account for the receipt and disbursement of money used to finance the building or acquisition of capital facilities.

Clean Water Act - Federal laws require the cleanup of our waterways through the Clean Water Act of 1972. The major goal of this act is to restore and maintain the chemical, physical, and biological integrity of the nation's water. Administered by the Environmental Protection Agency.

Collection System - The pipes, pumping stations, and other infrastructure associated with the collection and transportation of wastewater and stormwater.

Compliance - Alignment with guidelines, regulations and legislation set by outside parties such as EPA, DEQ and industry organizations.

Component Unit - A legally separate entity for which a primary government is financially accountable. WES is a component unit of Clackamas County.

Contingency - A budgetary requirement category which provides funds for emergencies and unforeseen circumstances. Amounts budgeted as contingencies may only be expended through special action of the governing body.

Comprehensive Plan - A combined capital improvement plan for all of the districts managed by WES.

Conveyance Systems - The systems of pipes and pump stations that transport wastewater to treatment plants for treatment and resource recovery, and surface water to the river. The districts managed by WES are made up of separate wastewater and stormwater systems.

Cost Allocation Plan - The methods and procedures used to distribute indirect, or overhead, costs to the departments that receive central and internal services.

Culvert - A pipe or channel that carries stormwater runoff from one area to another. Proper maintenance of stormwater culverts is important to ensure they continue to function effectively and prevent flooding or other drainage problems.

Debt Service - Payment of principal and interest on borrowed funds.

Debt Service Coverage - Debt service coverage measures annual net revenues as a percentage of annual debt service. For example, a debt service ratio of 100% means that an issuer generates exactly enough in net revenues to pay its debt service obligations, with no excess funds left over.

Debt Service Fund - A fund established to account for accumulation of resources and payment of general long-term debt principal and interest.

Depreciation - An accounting procedure that spreads the cost of purchasing an asset over the asset's useful life.

Effective Utility Management (EUM) - A comprehensive water sector utility performance assessment and management framework, endorsed by the U.S. Environmental Protection Agency and ten national water sector associations dedicated to improving products and services, increasing community support for water services, and ensuring a strong and viable utility into the future.

Effluent - Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

Ending Fund Balance - The difference between the resources (beginning fund balance, interest and revenues) and requirements (operations and maintenance expense, capital outlay, debt service, interfund transfers, contingencies and reserves), which is carried forward as beginning fund balance to the next fiscal year.

Enterprise Fund - A fund used to account for a business activity for which a customer pays a fee or charge for a service or product.

Environmental Protection Agency (EPA) – The EPA, or the United States Environmental Protection Agency, is a federal agency responsible for protecting human health and the environment by enforcing regulations and conducting research related to air and water quality, hazardous waste management, and other environmental issues.

Equivalent Dwelling Unit (EDU) - A unit of measurement of sewer usage that is assumed to be equivalent to the usage of an average single-family home. EDU's are used to establish user charges for service and connection costs (i.e. System Development Charges).

Equivalent Service Unit (ESU) - A configuration of development resulting in impervious surfaces (i.e. concrete, asphalt, etc.) on a parcel that contributes runoff to the stormwater system. One ESU is equal to 2,500 square feet of impervious surface area.

Expenditure - The incurrence of a liability or the payment of cash for the acquisition of a good or service.

Fiscal Year - A 12-month period to which the annual operating budget applies. For WES, the fiscal year starts July 1st and runs through June 30th.

Full-time Equivalent (FTE) - The ratio of time spent in any position to that of a full-time position. An employee working full-time for one year is 1.0 FTE; an employee working equivalent to 6 months is 0.5 FTE.

Fund - A fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives.

Fund Balance - The excess of a fund's assets over its liabilities. The fund balance is carried over into the next fiscal year and is available to be appropriated or reserved for future expenditures or contingencies. This balance is important for financial planning, as it determines the amount of resources available for future use.

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards and guidelines for financial accounting and reporting. These standards govern the form and content of WES' financial statements.

GIS - Geographic Information System. A computer-based tool which allows for the storage, analysis, management and presentation of spatial and/or geographically linked data.

Good Neighbor Fund - Annual contributions from WES to the Cities of Gladstone, Milwaukie, and Oregon City under Intergovernmental Agreements between WES and the cities. The contributions are budgeted within the Special Payments category and provide funding for the cities to spend on qualifying projects that enhance the areas around WES' Kellogg Creek and Tri-City WRRFs. Qualifying projects include recreational improvements such as parks and trails, fish and habitat enhancements, etc.

Hydromodification – Changes in the volume and timing of watershed runoff from land clearing and development activities, such as forest removal, the addition of impervious surfaces, and the construction of piped surface water systems.

Impervious Surface – Any manmade surface that does not allow water to penetrate into the ground. This category includes roads, rooftops, sidewalks, and driveways. WES uses the area of impervious surfaces to determine service quantities for billing surface water management services.

Inflow & Infiltration (I&I) – Refers to the unintended introduction of surface water, groundwater, or stormwater into a wastewater collection system. Inflow occurs when water enters the system directly through sources such as roof drains or stormwater connections, while infiltration occurs when water seeps into the system through cracks or leaks in pipes or manholes. Excessive inflow and infiltration can overload the wastewater treatment system and cause overflows or backups.

Infrastructure - The large-scale public systems, services, and facilities of a region that are necessary for economic and community activity, including power, water, and sewer services, public transportation, telecommunications, roads and schools.

Interfund Transfers - Amounts moved from one fund to another. Interfund transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450). Synonymous with 'transfers' on some budget schedules.

Line Item - The category in a budget, chart of accounts or financial statement which represents an account used to record transactions for a particular type of income, expense, asset or liability.

Master Plan - Comprehensive, long-term plans that outline the current and future needs of the wastewater and stormwater systems. Master plans typically include an assessment of the existing infrastructure, an evaluation of future demand for services, and a proposed plan for system improvements and expansions. Master plans also identify priorities for capital improvements and provide a framework for financing those improvements through a Capital Improvement Plan (CIP). WES' master plans consist of the Willamette Facilities Plan, Collection System Master Plans, and the Surface Water Master Plan.

Million Gallons per Day (MGD) – The term used to represent million gallons per day of wastewater discharged to WES' water resource recovery facilities.

Mission Statement - An explanation of the Department's purpose expressed in terms of the service it provides to its customers and the benefit to be provided for those customers.

National Pollutant Discharge Elimination System (NPDES) - A regulatory requirement of the Clean Water Act. The purpose is to control the amount of pollutants discharged into the receiving water and thereby ensure that the surface water's designated water quality and designated use are not degraded.

Operating Fund - A fund used to account for the day-to-day operations of WES.

Organizational Unit - Any administrative subdivision of the local government, especially one charged with carrying on one or more specific functions (such as department, office or division).

Oregon Revised Statute (ORS) 190 - Oregon State Statute for intergovernmental cooperation.

Partner Communities – The Cities, hamlets, neighborhoods, and other subsets of our region within the boundaries of the three service districts in the WES 190 partnership. These communities are WES' partners in wastewater resource recovery and watershed protection.

Performance Clackamas Plan – A planning and performance management system adopted by Clackamas County which aligns county operations with specific, measurable goals to improve efficiency, effectiveness, and accountability in government services. The measures in WES' Performance Clackamas Plan are a subset of the measures in WES' Strategic Plan.

Performance Measures - Specific metrics used to track the progress towards achieving objectives. Measures provide a quantifiable means to assess performance and link staff's work to organization goals. WES' FY 2024-25 budget reflects performance measures from WES' adopted Performance Clackamas and Strategic Plans.

Personnel Services - Includes salaries and wages, overtime, temporary and seasonal, part-time pay and fringe benefits for Water Environment Services' Department Staff. As the staff of the Department are Clackamas County employees which serve WES, the personnel services expenditures of the Department are included in Clackamas County's budget. The personnel service expenses incurred by WES are classified under the WES Labor line in the operating budget.

Preventative Maintenance - Scheduled maintenance that is performed on a piece of equipment before failures occur. Consumables are replenished, and assets refurbished on a set time scale in order to fully utilize the usable life of an asset.

Principal Object Category - A grouping of expenditures, such as materials and services, capital outlay, debt service, etc. that serves as the presentation framework for the budget financial schedules.

Program - A group of activities with a common purpose that carries out the Department's Mission and produces results for customers.

Proposed Budget - Financial and operating plan prepared by the Budget Officer. It is submitted to the public and the Budget Committee for review.

Pump Station - A pumping facility which lifts wastewater flow to a sufficient enough elevation to allow it to flow by gravity.

Rate Zone - A geographic area within a service area that delineates between different levels or types of service provided, as well as different rate structures. WES' service area consists of three rate zones. Refer to the Expense Trends WES Rate Zones section for a more detailed discussion of the three rate zones.

Rates - The amount of money charged per unit of service provided.

Requirements – Budgetary uses of funds, including: operating expenditures, interfund transfers to other funds, capital outlay, special payments, debt service, contingencies, reserves, and ending fund balance.

Resolution - A formal order of a governing body.

Resources - Estimated beginning funds on hand plus anticipated sales and service charge receipts, interest income, all other revenues, revenue from bonds & other debts, and interfund transfers.

Retail Customers - Customers receiving combined wastewater treatment and local collection services in Rate Zones 1 and 2; as well as surface water services in Rate Zones 2 and 3.

Revenue Bond - A type of municipal bond where principal and interest are secured by revenues such as charges or rents paid by users of the facility built with the proceeds of the bond issue.

Revenues – Money received by WES from various sources, including but not limited to wastewater and surface water management service charges, system development charges, and various fees. Revenues are used to cover operating and maintenance expenses, capital improvement, and debt service.

Riparian – Refers to the area of land along the banks of a river, stream, or other body of water. The riparian zone is an ecologically important area that serves as a transition zone between aquatic and terrestrial habitats.

Service Area – The area served by WES' wastewater treatment and collection systems, and stormwater management system.

Service District - County service districts are separate legal entities with their own governing board that provide the public with a limited set of services and facilities within a defined geographic boundary. The WES entity is a partnership of three separate county service districts: CCSD No. 1, SWMACC and TCSD.

State Revolving Fund (SRF) - A fund administered by the State of Oregon Department of Environmental Quality that provides low-interest loans for investment in water infrastructure projects.

Strategic Planning - A formal process through which departments analyze, align and explain what they do in terms of achieving results for their customers. Each department articulates its Mission and then organizes itself into Programs and Activities designed to carry out that mission, facilitate decision making and resource allocation, and report progress.

Stream Health Index - Stream Health is measured using a set of multi-metric indices based on water quality and biological variables measured in district streams. The indices were developed regionally to correlate to a rough score-card of overall health, which can be adversely impacted by polluted storm runoff, development activities, and agricultural practices. Stream health can also be improved through pollution prevention and restoration activities.

Stormwater - Storm runoff from impervious surfaces that may contribute to surface water pollution since storm drains, ditches, and culverts lead to the nearest river, stream or wetland.

Supervisory Control and Data Acquisition (SCADA) - A system operating with coded signals over communication channels to provide control of remote equipment.

Supplemental Budget - A financial plan prepared to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. Requires public hearings, notices and adoption by governing body.

Surface Water - Streams, wetlands, rivers, and springs that can be impacted by activities in the watershed.

Surface Water Management – The practice of controlling and optimizing the flow, distribution, use, and quality of water on the surface of the earth, including rivers and streams. This involves managing runoff, reducing erosion, preventing flooding, and enhancing water quality to protect ecosystems and support human use and habitation. Surface water management services include inspecting and maintaining stormwater facilities, setting stormwater design rules and standards for development projects, and providing erosion and sediment control requirements and inspections to minimize pollutant discharges into water bodies.

System Development Charges (SDCs) - Revenues from fees for new connections to the sanitary sewer or surface water system, which may be used to fund capital projects that expand system capacity.

Total Maximum Daily Load (TMDL) - The maximum amount of pollution a water body can receive from all sources and still meet water quality standards.

TSS - Total Suspended Solids or TSS is a key water quality parameter used to quantify the concentration of suspended particles in wastewater. These particles include silt, industrial pollutants, and other particulate matter. Measured in milligrams per liter (mg/L), TSS levels are critical for assessing the effectiveness of wastewater treatment processes. The Plant Operations and Maintenance Programs tracks removal of TSS as a performance measure.

W3 - Plant re-use water; also referred to as non-potable water, used for seal water, spray chemical carrier water, etc.

Wastewater - The used water from homes and businesses, which may be a combination of liquid and water-carried domestic or industrial wastes from buildings, together with any groundwater and stormwater that may be present.

Wastewater Treatment - The process of removing contaminants from wastewater; involves physical, chemical, and biological processes to eliminate pollutants and produce environmentally safe treated effluent. Sludge, the byproduct of treatment, is further processed for safe disposal or reuse as biosolids. This essential service protects water quality and public health, ensuring compliance with environmental regulations.

Water Resource Recovery Facility (WRRF) –

A facility that processes wastewater to remove pollutants and contaminants and produce treated water that can be safely discharged into the environment or reused. Also known as a wastewater treatment plant.

Watershed - The land that water flows across, or under, on its way to a stream, lake or river. Watersheds are sometimes referred to as drainage basins or drainage areas.

Wholesale Customers – City partners receiving only wastewater treatment services. Includes the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1, and the Cities of Johnson City and Milwaukie in Rate Zone 2.



CLACKAMAS
WATER
ENVIRONMENT
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