

# 2023 - 2024 FISCAL YEAR Budget

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



CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES

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## **Clackamas Water Environment Services**

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WES Finance Department

# FY 2023-24 BUDGET TABLE OF CONTENTS



## INTRODUCTION

### Budget Message

Introductory Letter .....	1
Principle Issues and Budget Development....	3
Total Budget and Significant Changes .....	5
Budget Summary.....	6
Revenue and Expense Highlights .....	8
Fund Balance and Contingencies.....	12
Rates and Charges .....	13
Revenue Sources and Trends.....	17

## ABOUT THE DEPARTMENT

Organizational Information .....	21
Statistics.....	22
Department Milestones .....	24
Awards .....	25
Department Organization .....	26
Organizational Chart .....	27
Service Area Map.....	28

## GUIDE TO THE BUDGET

Financial Structure and Fund Chart.....	29
Sources and Uses by Fund Type .....	29
Basis of Budgeting and Financial Reporting.....	30
Budget Process.....	30
Budget Calendar .....	32
Financial Policies .....	33

## PERFORMANCE CLACKAMAS

### Budget by Program

Introduction and Overview .....	35
Program Summary of Changes .....	41
Budget Summary by Program and Fund .....	42
Business Services .....	43
Administrative Services .....	44
Account Services .....	46
Financial Management .....	48
Capital Planning and Management .....	50
Asset Management .....	51
Capital Delivery .....	53
Environmental Services .....	55
Environmental Monitoring.....	56
Permit Services.....	58
Watershed Protection.....	60

Operations .....	62
Resource Recovery .....	63
Field Operations and Maintenance .....	65
Plant Operations and Maintenance.....	67

## BUDGET DETAIL

Consolidated Financial Schedule.....	69
Fund Detail .....	70

## DEBT

Debt Service Requirements .....	84
Debt Limits .....	85
Credit Rating .....	85
Impact of Debt on User Charges .....	85
Coverage Requirements .....	85
Repayment Schedule .....	86

## CAPITAL

Introduction.....	87
Sewer Capital Budget .....	87
Surface Water Capital Budget .....	93
Sewer Capital Project List .....	98
Surface Water Capital Project List .....	100

## LONG-RANGE FINANCIAL PLAN

Introduction.....	101
Financial Planning Objectives.....	101
Forecasting Assumptions .....	103
10-Year Projected Financial Schedules.....	104
Forecasted Monthly Rates .....	107

## APPENDIX

Position Summary Schedules .....	108
Historic Debt Service Fund Schedules .....	109
Line Item Descriptions .....	111
Acronyms and Initialisms .....	113
Glossary .....	114

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please visit:**

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# Introduction



*Kellogg Creek Water Resource Recovery Facility*





# BUDGET MESSAGE | FISCAL YEAR 2023-24

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") 2023-24 budget:

- Introductory letter from the Administrator and Director
- Principle Issues and Budget Development
- 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 27, 2023

Dear Clackamas County Board of County Commissioners, Budget Committee Members, Residents, and Customers:

On behalf of Clackamas Water Environment Services (WES), we are pleased to present the proposed FY 2023-24 budget for your consideration.

The budget reflects the essential resources WES needs to fulfill its charge of producing clean water, protecting water quality, and recovering renewable resources for the nearly 200,000 residents, businesses and other key stakeholders within its geographically unique and diverse service area. At WES, we pride ourselves on providing wastewater services, stormwater management, and environmental education in the most fiscally responsible manner possible.

In order to protect public health and support the vitality of our communities, natural environment, and economy effectively and efficiently, we must be strategic and vision-focused in our work. WES staff have engaged in several extensive planning efforts and are exercising our commitment to our ratepayers on how we will execute our obligations. The evidence of our thorough planning can be found in our Board adopted 2022-2027 Capital Improvement Plan (CIP), as well as our Performance Clackamas strategic plan. You can read more about these two plans in the respective Performance Clackamas and Capital sections of this budget document.

One of the keys to effective planning is stakeholder input. Over the past few years, WES has conducted a number of listening sessions with both internal and external stakeholders to better reflect and align with the County's goal of building a strong infrastructure. These sessions were designed to strengthen customer and stakeholder understanding, create new clean water partnerships, improve services, and increase trust through enhanced connections. The discovery process included surveys, focus groups, interviews, and small group discussions. This highly collaborative process helped us better understand how we could build a more resilient future for our department, employees and customers, and positions us to provide the best service possible at an affordable cost.

Another key to effective planning is using the "Effective Utility Management" or "EUM" framework. This framework, developed by water sector professionals and based on the practice of continuous improvement, is designed to help utilities like WES more effectively manage its resources and organizational responsibilities. Together, this helps us focus our time and resources on those areas and activities that best serve the organization's purpose. It also prioritizes our work in new ways to ensure we meet critical needs, address growing challenges and opportunities, and provide for the ongoing, long-term financial needs of our organization. Some of the significant items within WES' proposed budget which reflect these priorities include: increased capital spending to meet the demands of growth and replace aging infrastructure; a proposal for two new engineering positions to support implementation of our ambitious capital plans; and only a modest increase in the budget for materials and services despite significant and ongoing cost pressures.

Like other organizations, we have had to make reductions and tough choices. However, our good planning has provided us the guidance needed to make wise financial decisions to ensure we will have the resources to fully fund necessary capital investments, build the financial capacity to obtain debt financing when needed, and keep rates for our customers affordable and predictable. We are devoted to what's critical to the nature of our work, our service area communities, our people and the public we serve. Despite the challenges for WES, we remain excited for our future and our commitment to building a resilient clean water future where all people benefit, and rivers thrive.

It is our pleasure and privilege to serve you.



Gary Schmidt  
District Administrator



Greg Geist  
WES Director





## Principle Issues and Budget Development

WES' FY 2023-24 budget focuses on addressing the key issues the organization is facing, which include:

- Investing in the renewal and replacement of aging infrastructure to ensure service reliability and regulatory compliance
- Constructing sufficient treatment and conveyance capacity to meet the anticipated demand for our services
- Managing the impacts of inflation
- Maintaining affordable service rates while meeting WES' current and long-term financial needs
- Finalizing and implementing WES' updated Performance Clackamas Plan
- Responding to a challenging workforce environment by focusing on internal workforce development and attracting and retaining talent

As described below, WES' capital plans, long-range financial plans, financial policies, and strategic plans provide the basis for the annual budget and define WES' priorities in responding to the aforementioned issues.

### Capital Improvement Plan (CIP)

The CIP is a rolling five-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 87 - 100.

### Long-Range Financial Plan

WES' long-term financial planning combines elements of the CIP, strategic plans, and economic assumptions to form a ten-year view of WES' financial position. The long-range financial plan balances capital project investment needs while ensuring resources are sufficient to provide for ongoing operating and maintenance needs, and projecting the timing of borrowings so that adequate capacity is available to issue debt when needed. The long-range financial plan is also the basis for WES' ten-year rate forecasts. WES' long-range financial plan and ten-year rate forecasts are detailed on pages 101 - 107.

### 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 Government Finance Officers Association (GFOA) best practices and affirm WES' commitment to sound financial management. A summary of WES' financial policies can be found on pages 33 - 34.



## Strategic Plans

Performance Clackamas Plan - Performance Clackamas is a strategic framework, plan 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 and an updated plan in FY 2018-19. The FY 2018-19 plan is reflected in this budget and detailed in the Performance Clackamas section of this document. At the time of budget publication, an update to this plan, based on the strategies developed for WES' Comprehensive Strategic Plan (discussed below), and with particular attention given to alignment with the BCC's overarching priorities for Clackamas County, has been submitted for administrative review and is expected to be approved for implementation beginning in FY 2023-24. The Performance Clackamas section of this budget document contains measures under the current plan that was adopted in FY 2018-19.

Comprehensive Strategic Plan - Over the last year, staff have been engaged in developing a Comprehensive Strategic Plan that expands on the Performance Clackamas Plan structure by bringing in additional elements from the Effective Utility Management framework and incorporating more detailed goals and objectives. The new plan, which is currently being finalized, is centered on seven key strategies which will address issues WES is currently facing and position WES for success in the future.

WES' seven key strategies, as outlined below, 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.

## Total Budget and Significant Changes

The following summary data serves to provide a general overview of significant FY 2023-24 budgetary items, highlights and trends for Clackamas Water Environment Services. A more detailed discussion, including summaries for each fund, is provided in the Budget Detail section.

SERVICE CATEGORY	EXPENDITURES				OTHER REQUIREMENTS			TOTAL BUDGET
	Materials & Services	Capital Outlay	Debt Payments	Special Payments	Interfund Transfers	Contingencies	Reserves	
<b>Sewer</b>	\$ 25,177,626	\$ 49,728,927	\$ 12,770,987	\$ 1,250,300	\$ 30,477,751	\$ 16,628,232	\$ 125,544,153	\$ 261,577,976
<b>Surface Water</b>	\$ 5,908,081	\$ 2,333,400	\$ -	\$ -	\$ 2,000,000	\$ 2,151,700	\$ 14,934,660	\$ 27,327,841
<b>Total</b>	<b>\$ 31,085,707</b>	<b>\$ 52,062,327</b>	<b>\$ 12,770,987</b>	<b>\$ 1,250,300</b>	<b>\$ 32,477,751</b>	<b>\$ 18,779,932</b>	<b>\$ 140,478,813</b>	<b>\$ 288,905,817</b>

WES' total FY 2023-24 budget is \$288.9 million and consists of budgeted expenditures of \$97.2 million and other requirements of \$191.7 million. Budgeted expenditures include materials and services for operations of \$31.1 million, capital outlay of \$52.0 million, debt payments of approximately \$12.8 million and special payments of \$1.3 million. Compared to FY 2022-23's budget, the increase in total expenditures is 29.2% or \$21.9 million. This increase is primarily due to an additional \$21.4 million in capital outlay as WES returns to a higher level of planned capital spending as indicated in the CIP. Materials and services reflects an increase of approximately \$1.0 million or 3.3%; special payments reflects an increase of \$35 thousand or 2.9%, and debt service reflects a decrease of \$500 thousand or 3.8%.

Other requirements of \$191.7 million include interfund transfers made to share resources between funds of \$32.5 million, contingencies of \$18.8 million to provide for unexpected or unforeseen costs, and reserves of \$140.4 million. A portion of reserves consists of unspent bond proceeds from the \$40 million debt issuance in 2021. WES has an extended sewer capital plan that anticipates investing \$350 million over the next ten years in critical infrastructure and projects to add capacity to support growth and rehabilitate and replace aging infrastructure. The majority of the \$140.4 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 four to five fiscal years to actualize WES' capital plan.

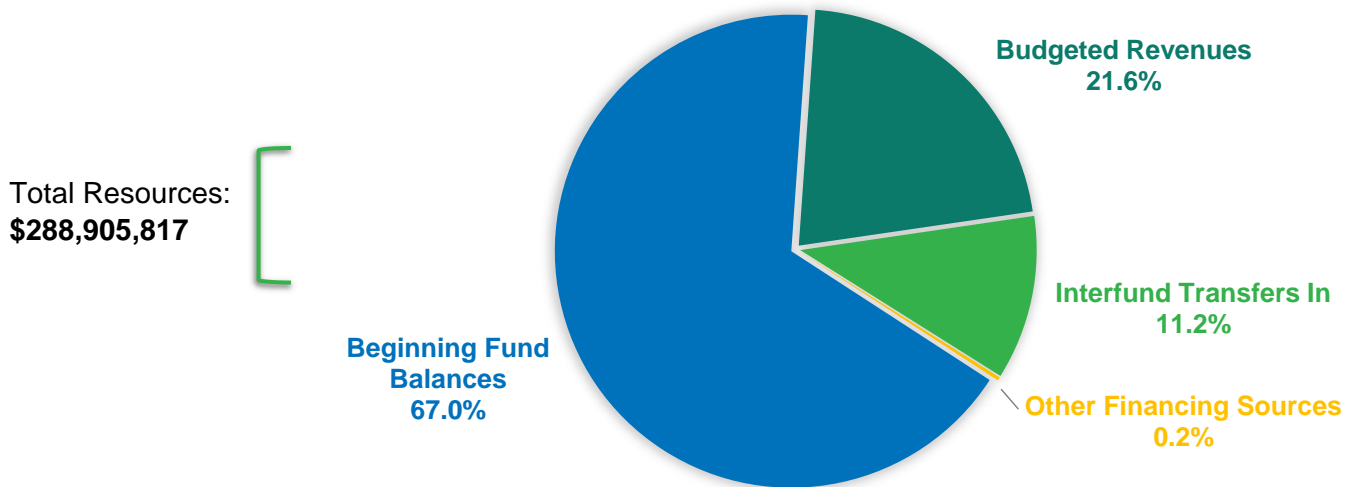
### **Highlights of the FY 2023-24 Budget include:**

- \$52.0 million in capital expenditures, including \$49.7 million in sewer capital expenditures and \$2.3 million in surface water capital expenditures. Two new engineering positions have been proposed to support project delivery and implementation of WES' capital plans.
- Increased cost-sharing funding totaling \$4.7 million for the Regional Inflow and Infiltration (I&I) Intergovernmental Agreement (IGA). Under this agreement, WES reimburses 33% of capital project costs for I&I reduction projects in the collection systems owned and maintained by WES' partner cities. This approach will allow WES to build far less wet-weather treatment capacity at the plants and is expected to save more than \$100 million over the next 20 years.
- Despite ongoing cost pressures, especially in labor and major operating inputs such as chemicals and utilities, the operating budget reflects only a 3.3% overall increase. This is due to reductions in discretionary spending, achieving cost savings through operational efficiency initiatives and vacancy considerations, and conscientious budgeting to align expenses more closely with actual spending.
- A decrease of \$500 thousand in annual debt service as a result of taking advantage of the Clean Water State Revolving Fund's sponsorship loan program to obtain an interest reduction from the original rate of 2.14% to a promotional rate of 1% for financing the Tri-City Solids Handling project.
- Average annual service area growth of approximately 1% based on an updated population forecast completed in December 2022.
- Proposed rate increases of approximately 5% for wastewater services and 6% for surface water services in alignment with prior year long-range financial planning projections.

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

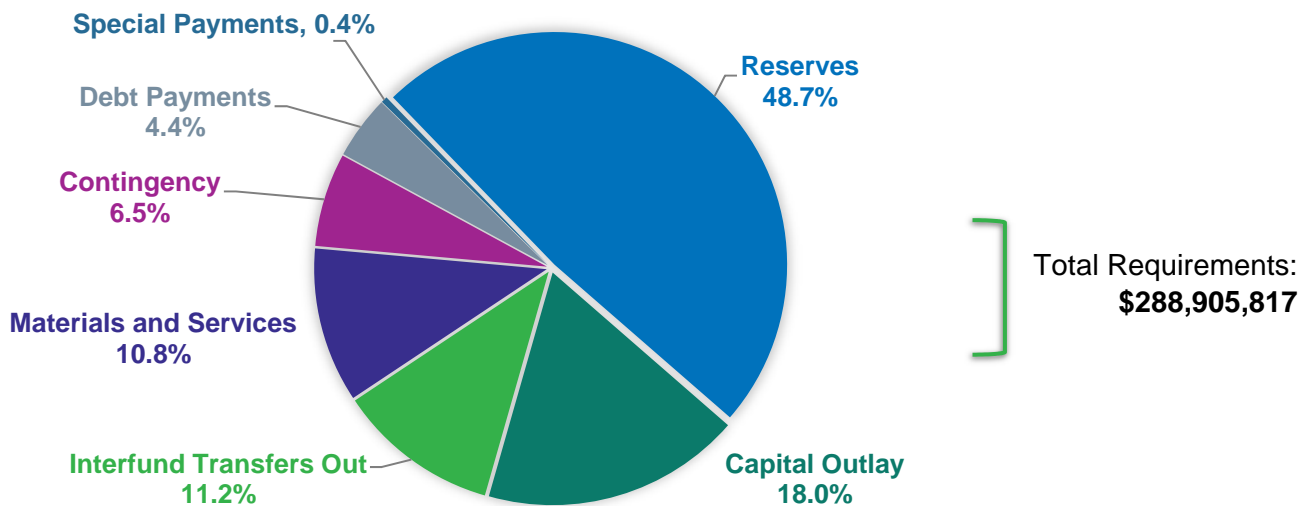
# Budget Summary

## FY 2023-24: Combined Summary of Resources



Total resources are budgeted at approximately \$288.9 million. Resources include: budgeted revenues of \$62.3 million, beginning fund balances of \$193.4 million, other financing sources of \$0.7 million, and interfund transfers in of \$32.5 million.

## FY 2023-24: Combined Summary of Requirements



Total requirements are budgeted at approximately \$288.9 million. Requirements include: materials and services of approximately \$31.1 million, special payments of \$1.3 million, capital outlay of \$52.0 million, debt service of approximately \$12.8 million, contingencies of \$18.8 million, reserves of \$140.4 million, and interfund transfers out of \$32.5 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

	2021-22 ACTUAL	2022-23 AMENDED BUDGET <sup>1</sup>	2023-24 BUDGET	\$ Change From 2022-23	% Change From 2022-23
<b>RESOURCES</b>					
Beginning Fund Balance	\$169,051,390	\$ 179,927,783	<b>\$ 193,428,346</b>	\$13,500,563	7.5%
<b>Revenues</b>					
Sales and Services					
Sewer Charges	40,426,033	41,487,600	<b>43,521,300</b>	2,033,700	4.9%
Surface Water Charges	5,676,998	6,044,700	<b>6,476,300</b>	431,600	7.1%
System Development Charges	11,394,423	6,484,100	<b>7,442,400</b>	958,300	14.8%
Interest Income	581,516	1,259,400	<b>2,901,400</b>	1,642,000	130.4%
All Other Revenues	2,719,387	2,350,820	<b>1,972,420</b>	(378,400)	-16.1%
<b>Subtotal - Revenues</b>	60,798,357	57,626,620	<b>62,313,820</b>	4,687,200	<b>8.1%</b>
Other Financing Sources					
State Revolving Fund Loans	3,457,456	1,000,000	<b>685,900</b>	(314,100)	-31.4%
Bond Proceeds	-	-	-	-	
Interfund Transfers In	29,792,750	34,409,611	<b>32,477,751</b>	(1,931,860)	-5.6%
<b>TOTAL RESOURCES</b>	<b>\$ 263,099,953</b>	<b>\$ 272,964,014</b>	<b>\$ 288,905,817</b>	<b>\$ 15,941,803</b>	<b>5.8%</b>
<b>REQUIREMENTS</b>					
<b>Materials &amp; Services</b>					
WES Labor	\$ 13,265,957	\$15,634,870	<b>\$ 16,314,750</b>	679,880	4.3%
Other County Services	2,486,772	2,593,160	<b>3,284,617</b>	691,457	26.7%
Professional Services	2,195,974	2,398,130	<b>2,140,360</b>	(257,770)	-10.7%
Administrative	1,605,133	2,167,010	<b>2,212,150</b>	45,140	2.1%
Supplies	2,058,854	3,015,090	<b>2,859,250</b>	(155,840)	-5.2%
Utilities	1,640,569	2,066,490	<b>1,975,340</b>	(91,150)	-4.4%
Repairs and Maintenance	1,175,934	1,847,720	<b>1,951,310</b>	103,590	5.6%
Rents & Leases	392,942	370,420	<b>347,930</b>	(22,490)	-6.1%
<b>Subtotal - Materials &amp; Services</b>	24,822,135	30,092,890	<b>31,085,707</b>	992,817	<b>3.3%</b>
Special Payments	1,112,774	1,215,100	<b>1,250,300</b>	35,200	2.9%
Capital Outlay	7,963,730	30,649,772	<b>52,062,327</b>	21,412,555	69.9%
Debt Service	11,280,785	13,277,055	<b>12,770,987</b>	(506,068)	-3.8%
Contingency	-	19,523,386	<b>18,779,932</b>	(743,454)	-3.8%
Ending Fund Balance & Reserves	188,127,779	143,796,200	<b>140,478,813</b>	(3,317,387)	-2.3%
Interfund Transfers Out	29,792,750	34,409,611	<b>32,477,751</b>	(1,931,860)	-5.6%
<b>TOTAL REQUIREMENTS</b>	<b>\$ 263,099,953</b>	<b>\$ 272,964,014</b>	<b>\$ 288,905,817</b>	<b>\$ 15,941,803</b>	<b>5.8%</b>

### SUMMARY OF CHANGES BETWEEN PROPOSED AND ADOPTED BUDGET

The FY 2023-24 Budget was adopted as proposed with no changes made.

<sup>1</sup> All references and comparisons to FY 2022-23's Amended Budget include an increase of \$380,000 in surface water capital outlay via a transfer from surface water construction contingency of \$247,500 and an additional surface water operating transfer of \$132,500.



## Revenue and Expense Highlights

### REVENUE HIGHLIGHTS

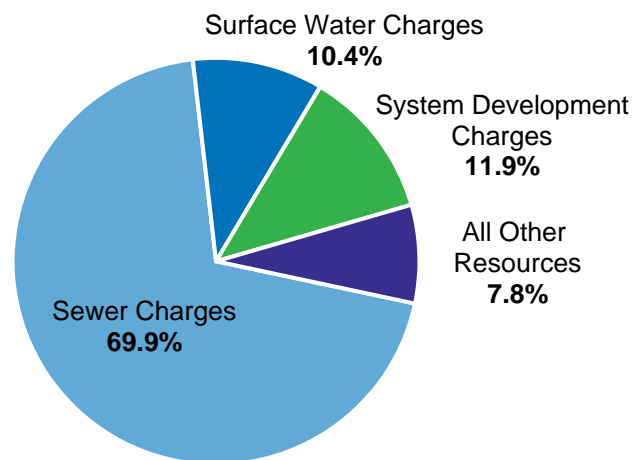
#### BUDGETED REVENUES - \$62,313,820

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 \$62.3 million in revenue budgeted for FY 2023-24, these three sources account for 92.2% or \$57.4 million.

Other revenue 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, grant revenue, capital contributions, and miscellaneous fees and charges.

FY 2023-24 budgeted revenues reflect an increase of \$4.7 million or 8.1% from FY 2022-23's budget. This overall increase consists of additional revenue from sewer charges of \$2.0 million, surface water charges of \$0.4 million, system development charges of \$1.0 million, and other revenue sources of \$1.3 million. The increase in sewer and surface water service charges results from growth in the service area which increases the number of units billed, approximately 5% adjustments to the monthly rates for wastewater treatment and collection, and approximately 5% to 6.1% adjustments to the surface water rates. The budget for SDCs reflects 3% 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 slightly higher than the growth forecast used for FY 2022-23's budget, resulting in increased budgeted SDC revenue.

The increase in all other revenue sources of \$1.3 million is driven by \$1.6 million in increased interest income resulting from higher investment earnings and an increase of \$340 thousand in American Rescue Plan Act (ARPA) grant revenue for surface water infrastructure projects. These increases are partially offset by a reduction in capital project contributions related to a one-time \$0.8 million incentive payment received during FY 2022-23 for the cogeneration engine at the Tri-City Water Resource Recovery Facility (WRRF). For a more detailed discussion of revenues, please refer to the Revenues Sources and Trends section beginning on page 17 and the separate Budget Detail section.



#### OTHER FINANCING SOURCES - \$685,900

The FY 2023-24 budget includes other financing sources of \$686 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 project is anticipated to be completed in FY 2023-24, and this resource is budgeted to cover those costs. This funding is discussed in detail in the separate Debt section.

## EXPENSE HIGHLIGHTS

### BUDGETED EXPENSES - \$97,169,321

Expenses for FY 2023-24 reflect an increase of 29.2% or \$21.9 million from FY 2022-23's budget. This increase consists of additional spending of \$21.4 million for Capital Outlay, \$1.0 million for Materials and Services, and \$35 thousand for Special Payments partially offset by a reduction of \$500 thousand for Debt Service. The combined increase for non-capital expense items is equal to 1.2%, below the current rate of inflation.

#### FY 2023-24 Budget by Major Expense Category



Expense Category	FY 2023-24 Budget
Capital Outlay	\$ 52,062,327
Special Payments	1,250,300
Debt Service	12,770,987
Materials & Services	31,085,707
<b>Total</b>	<b>\$ 97,169,321</b>

#### 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. WES' budget includes \$52.0 million for capital outlay, which is an increase of 69.9% or \$21.4 million from the FY 2022-23 budget. During FY's 2021-22 and 2022-23, the capital budget was reduced due to a shift of projects to the design phase where expenditures are generally lower. The budget of \$52.0 million reflects a transition to the construction phase for several projects, including the Tri-City Outfall. WES is proposing an increase of 2 full-time equivalent employees (FTEs) for new Civil Engineer positions to support project delivery and continue the implementation of WES' Capital Improvement Plan.

The FY 2023-24 budget includes project costs to increase wastewater system capacity, rehabilitate existing facilities, reduce inflow and infiltration, and improve the efficiency of treatment processes. The largest shares of sewer capital spending for FY 2023-24 includes \$20 million towards the total estimated project costs of \$54.6 million for the Tri-City WRRF Wet Weather Outfall to build capacity for future peak wet weather flows, and \$6.0 million for improvements and rehabilitation of primary clarifiers at Tri-City WRRF. The FY 2023-24 capital budget also includes increased cost-sharing funding of \$4.7 million for the Regional I&I IGA. The largest shares of FY 2023-24's surface water capital budget includes \$800 thousand for the 3-Creeks Water Quality project, just under \$600 thousand to continue work on drainage system modifications to improve and repair stormwater infrastructure, and a combined \$340 thousand for 2 ARPA-funded stormwater infrastructure projects.

Additional information on WES' capital outlay, including detailed descriptions of major projects and projected expenditures under the approved 5-year 2022 - 2027 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 2023-24 budget for Special Payments is \$1.2 million and 2.9% or \$35 thousand higher than the FY 2022-23 budget. This increase stems from higher ROW fees to be collected on behalf of the cities due to growth in the service area and budgeted rate increases.

#### Debt Service

The FY 2023-24 budget for Debt Service is \$12.8 million based on principal and interest payments on outstanding revenue obligations and Clean Water State Revolving Fund (SRF) loans used to fund capital improvements. This amount reflects a decrease of approximately \$500 thousand or 3.8% from FY 2022-23 due to savings on interest costs for the SRF loan used to finance the Tri-City Solids Handling Improvement 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.

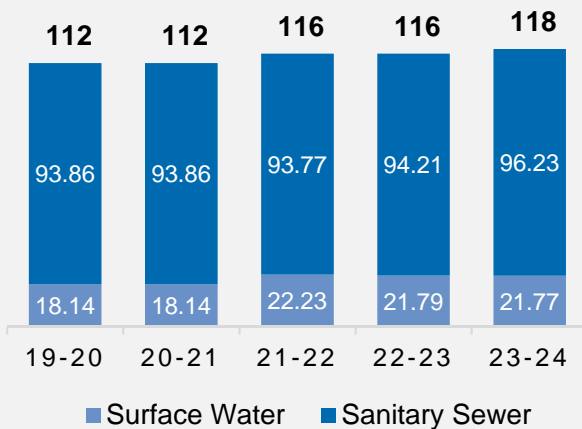


## Materials & Services

Materials and 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 2023-24, these are proposed at approximately \$31.1 million, an increase of 3.3% or \$1.0 million from the 2022-23 FY budget.

The \$31.1 million budget for Materials and Services consists of \$16.3 million for labor expenses and \$14.8 million in non-labor expenses. Labor expenses are budgeted to increase approximately \$680 thousand or 4.3% from FY 2022-23's adopted budget due to an inflationary cost of living adjustment, salary step increases, higher pension and health insurance costs, and the addition of two full-time engineering positions. Throughout FY 2022-23, 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 15 vacancies, not including the two new engineering positions. The FY 2023-24 budget anticipates filling 10 of these vacant positions by the beginning of the new budget year and the remaining 5 positions during the budget year. The 5 positions that will not be filled by July 1, 2023 are budgeted at a percent 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 4% "frictional vacancy" reduction for programs with existing vacancies. This 4% reduction acts as a negative contingency and acknowledges the potential for internal promotions that could create new vacancies, the timing of 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 2019-20 through FY 2023-24**



The FY 2023-24 budget includes 118 FTE, an increase of 2 FTE from the FY 2022-23 budget. The additional positions include a Senior Civil Engineer and a Civil Engineer; both positions will work within WES' Capital Planning and Management line of business to support implementation of WES' capital improvement plan.

Full time equivalent positions remained steady in FY 2020-21 and increased by 4 FTE in FY 2021-22. 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.

Non-labor Materials and Services are projected to increase by just over \$300 thousand or 2.2%. The majority of this increase is driven by a \$690 thousand increase in Other County Services, which represents the costs for services provided by the County to WES and other departments. These services include: technology services, building maintenance, procurement, payroll, and human resources among others. 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.

The budget for Repair and Maintenance costs reflects a \$100 thousand or 5.6% increase to provide for enhanced management of vegetated stormwater facilities. The budget for Administrative costs, which includes banking fees, phone and internet expenses, permit fees, insurance costs, communication, and other similar expenses reflects an increase of \$45 thousand or 2.1%. Increases in merchant service charges, postage, and training-related costs are partially counterbalanced by decreases in advertising, insurance, office supplies and printing costs.

Reductions in the budgets for Supplies, Utilities, Professional Services, and Rents and Leases offset a portion of the increases discussed above. While WES continues to experience rising chemical costs due to recent inflationary trends and raw material supply chain issues, the budget for the Supplies category was reduced by \$0.2 million or 5.2%. This was achieved by aligning the budget for repair and maintenance supplies more closely with actual prior year spending.

The FY 2023-24 budget for Utilities is \$2.0 million, a decrease of 4.4% or approximately \$0.1 million from the FY 2022-23 budget. Electricity and natural gas cost increases have been, and continue to be, offset to a degree through energy savings from the cogeneration engine installed at the Tri-City WRRF in 2021 as well as participation in energy reduction programs. 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.

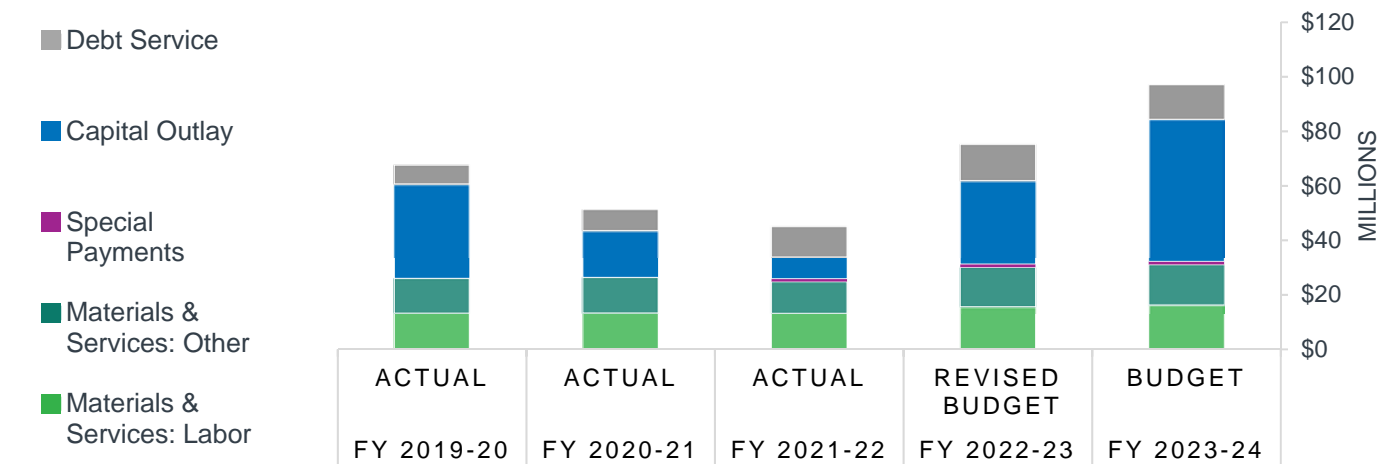
FY 2023-24's budget for Rents and Leases is approximately \$0.3 million, a decrease of \$22 thousand or 6.1% from FY 2022-23. This expense category accounts for equipment rental as well as WES' rent of a portion of the County's Development Services Building (DSB) for administrative office space. The decrease reflects a reduction in the square footage assigned to WES within the DSB building.

The budget for Professional Services, which includes engineering, environmental, legal, and other services, reflects a decrease of 10.7% or \$258 thousand due to a reduction in contracted maintenance at WES' facilities and reduced discretionary spending on one-time initiatives completed in the prior year, such as the Surface Water Master Plan.

## EXPENSE TRENDS

The chart and table below reflect actual spending by major category for FYs 2019-20 through 2021-22 and this year's budget in relation to the budget. Reduced spending in FYs 2020-21 and 2021-22 was driven by lower capital spending. Increases in debt service for FYs 2021-22 and 2022-23 reflect the issuance of new debt during FY 2021-22 and beginning to repay the Tri-City Solids Handling Improvement project loan in FY 2022-23. FY 2021-22 actuals for Materials and Services: Other decreased due to reduced professional services spending. Actuals for FYs 2019-20 through 2021-22 for labor reflects high vacancy counts.

**Expense Trends by Major Category, FY 2019-20 Actual through FY 2023-24 Budget**



	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Amended Budget	FY 2023-24 Budget
Materials & Services: Labor	\$ 13,300,131	\$ 13,369,677	\$ 13,265,958	\$ 15,634,870	\$ 16,314,750
Materials & Services: Other	12,816,043	13,055,011	11,556,177	14,458,020	14,770,957
Special Payments	-	-	1,112,774	1,215,100	1,250,300
Capital Outlay	34,601,519	17,199,090	7,963,730	30,649,772	52,062,327
Debt Service	6,908,518	7,815,521	11,280,785	13,277,055	12,770,987
<b>Total</b>	<b>\$ 67,626,211</b>	<b>\$ 51,439,299</b>	<b>\$ 45,179,424</b>	<b>\$ 75,234,817</b>	<b>\$ 97,169,321</b>

# Fund Balance and Contingencies

## FUND BALANCE

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.

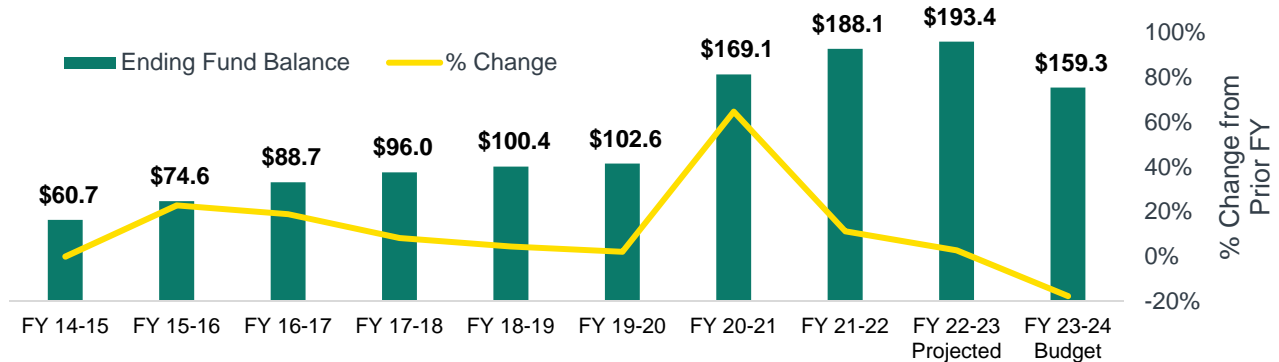
Understanding changes in fund balance is useful in determining if expenditures can be sustained without additional revenue. The table below shows the aggregate fund balance totals for FY 2019-20 through FY 2021-22 actuals, FY 2022-23 projected, and the FY 2023-24 budget.

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Projected	FY 2023-24 Budget
BEGINNING FUND BALANCES	\$ 100,392,976	\$ 102,580,898	\$ 169,051,390	\$ 188,127,779	\$ 193,428,346
ENDING FUND BALANCES <sup>1</sup>	\$ 102,580,898	\$ 169,051,390	\$ 188,127,779	\$ 193,428,346	\$ 159,258,745
INCREASE / (DECREASE)	\$ 2,187,922	\$ 66,470,492	\$ 19,076,389	\$ 5,300,567	\$ (34,169,601)

<sup>1</sup>Includes budgeted contingency for FY 2023-24 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 FY 2021-22 and projected for FY 2022-23 is due to lower-than-anticipated capital spending. The FY 2023-24 budget includes ending fund balance of \$159.3 million and anticipates directing approximately \$34.1 million of fund balance, comprised primarily of the remaining unspent proceeds from the Series 2021 debt issue, towards capital outlay during FY 2023-24. WES anticipates spending the majority of capital construction reserves over the next 4 to 5 years to deliver projects in the capital plan. Additional detail on the planned use of reserves may be found in the Long-Range Planning section; detailed discussions of changes in the fund balances of individual funds for FY 2023-24 are contained in the Budget Detail section.

### Aggregate Ending Fund Balance and Percentage Change by Fiscal Year, Millions



## CONTINGENCIES

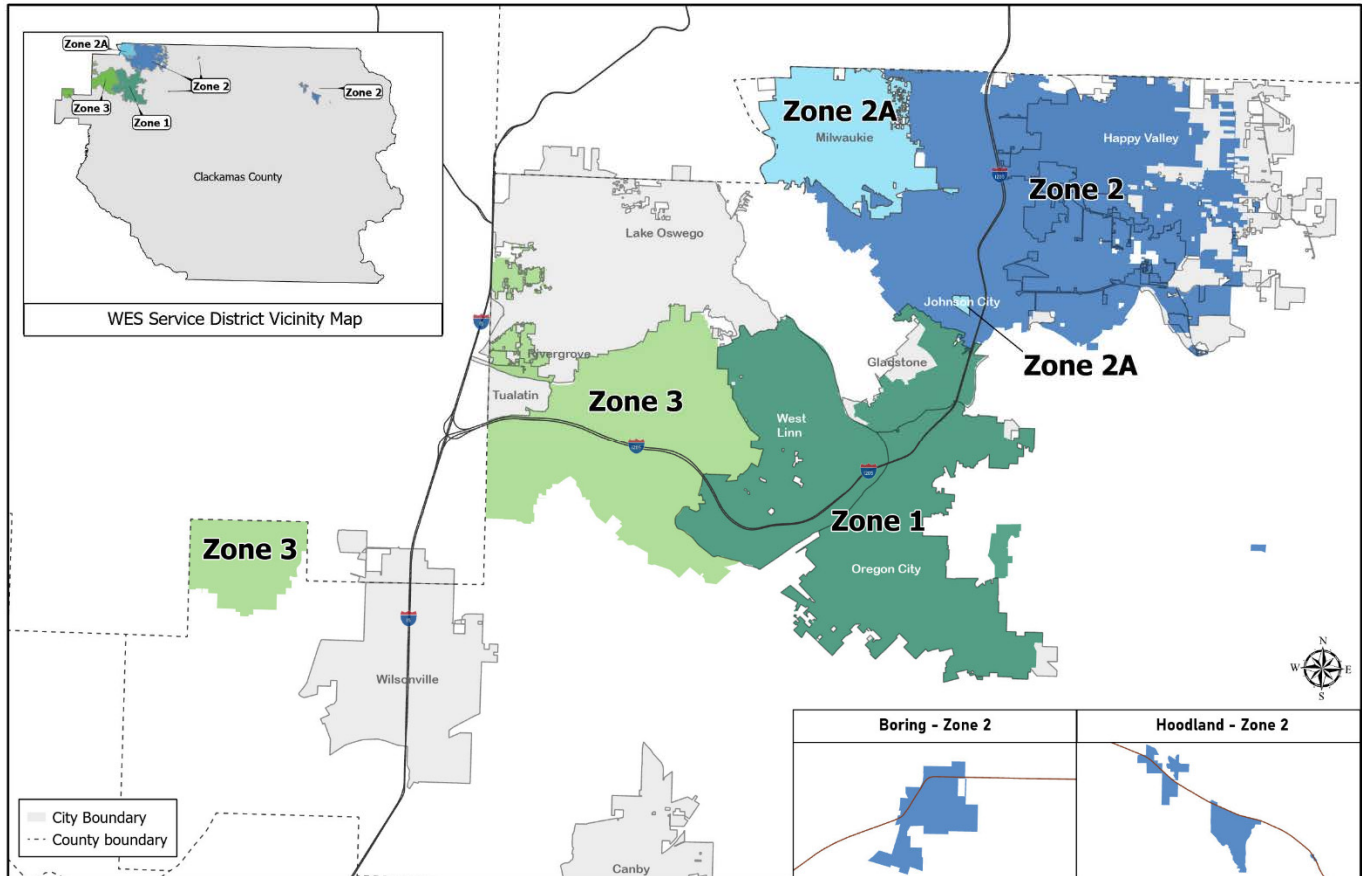
Contingencies are funds set aside to provide for unforeseen circumstances that may arise during the year such as increases in costs or reductions in revenue. The FY 2023-24 budget includes contingencies of \$18.8 million, with \$5.2 million budgeted as contingency for the operating funds and the remaining \$13.6 million budgeted as contingency for 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 typically set equal to 25% of each fund's budgeted capital outlay. The contingency in the Surface Water Construction Fund has been set at 50% for FY 2023-24 to provide increased flexibility regarding the timing of project spending as WES begins to implement the Surface Water Master Plan. Amounts budgeted as contingencies may only be accessed through special action of the Board of County Commissioners as the governing body of WES. These amounts 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 which formed WES established rate zones for each of WES' service areas. This distinction will be meaningful for several 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 below, 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 28)



### Rate Zone 1

Within Rate Zone 1, WES provides wholesale wastewater treatment services for 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 service 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

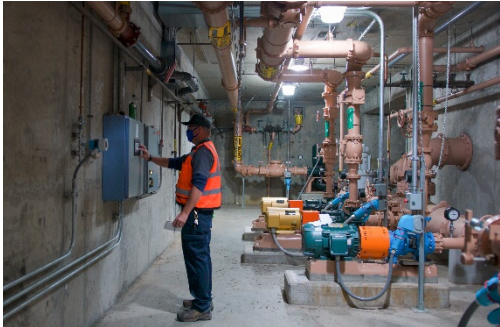
Within Rate Zone 3, WES provides surface water management services to those portions of unincorporated Clackamas County and the City of Rivergrove draining into the Tualatin River. WES continues to provide the same level of service to its customers as in prior years through maintenance of existing roadside 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 service charge 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 each primary service. The rate increases for the FY 2023-24 budget are aligned with prior year projections developed through long-range financial planning and guidance from the WES Advisory Committee.

### Wastewater Rates

Wastewater rate increases for FY 2023-24 are approximately 5% to support increased operating costs and to achieve the long-range planning goals of sufficient funding for capital investment while harmonizing sewer rates. WES' wastewater rates include a wastewater treatment rate and a wastewater 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 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zones 1 and 2	<b>\$ 27.90</b>	\$ 26.55	\$ 1.35	5.1%



#### 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 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	<b>\$ 14.90</b>	\$ 14.20	\$ 0.70	4.9%

### Surface Water Rates

Surface water rate increases differ by rate zone, based on the different levels of service provided, and are 6.1% for Rate Zone 2 and 5.1% for Rate Zone 3. The 6.1% increase to Rate Zone 2's surface water rate supports increased operating costs and implementation of WES' recently adopted Surface Water Master Plan and CIP. The increase to Rate Zone 3's rate is inflationary only to support increased costs and ongoing operational requirements.



#### Surface Water Management Rates:

Applies to ratepayers in WES' two surface water service areas. The increase in Rate Zone 2 will support implementation of the Surface Water Master Plan completed in 2022. The increase in Rate Zone 3 is inflationary only, to provide for ongoing operating costs.

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

## 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

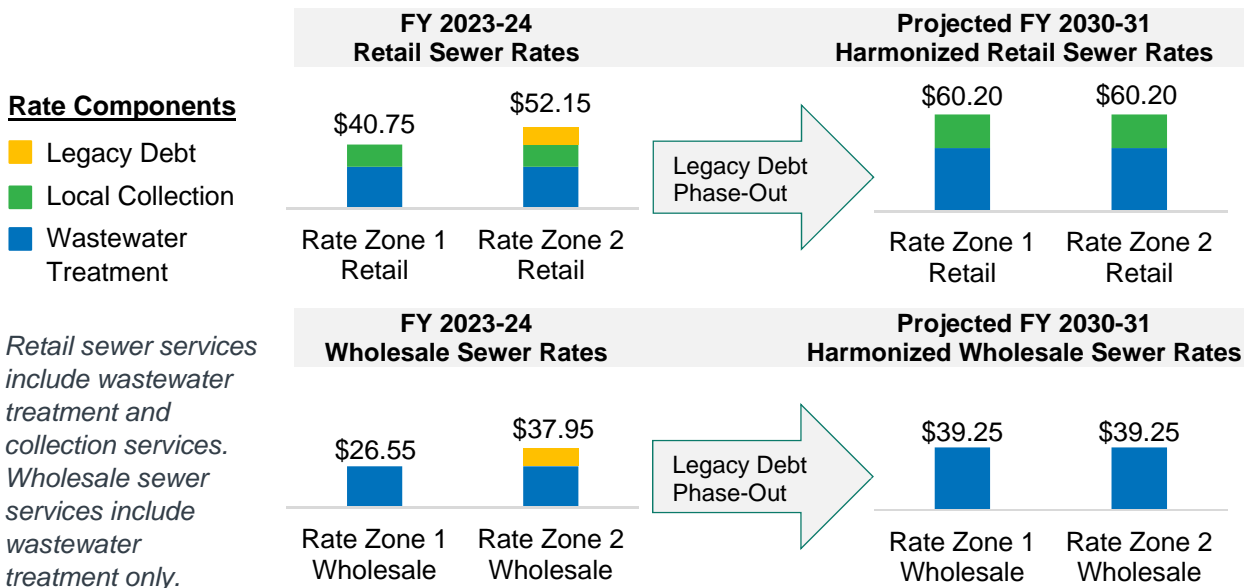
As part of the past integration of Clackamas County Service District No. 1's ("CCSD No. 1's") budget, assets and operations into the WES entity, debt issued by CCSD No. 1 to construct certain treatment assets (the "Legacy Debt") was transferred to WES. Per the requirements of WES' founding agreement 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 eight years. In alignment with this approach, the FY 2023-24 rate for the Legacy Debt component reflects a decrease of \$1.35 per month.

For customers in Rate Zone 2 who receive wastewater treatment-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 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	<b>\$ 10.05</b>	\$ 11.40	\$ (1.35)	-11.8%

### Sewer Rate Harmonization

The inclusion of the legacy debt component creates a disparity between Rate Zone 1 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 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.



## Monthly Service Charges

The table below summarizes the 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.

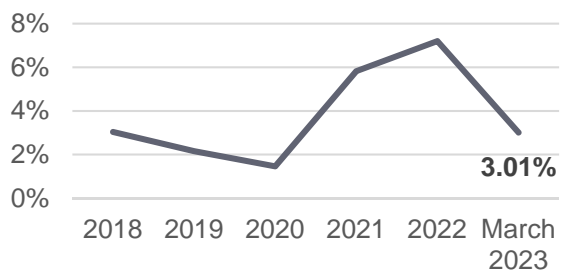
Rate Components	Wholesale			Retail			Wholesale		Retail
	Gladstone	Oregon City	West Linn	Unincorp RZ1	Unincorp RZ2	Happy Valley	Johnson City	Milwaukie	Rate Zone 3
<b>Sewer</b>									
Treatment	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ -
Local Collection				14.90	14.90	14.90			
Legacy Debt					10.05	10.05	10.05	10.05	
Subtotal - Sewer	27.90	27.90	27.90	42.80	52.85	52.85	37.95	37.95	-
<b>Surface Water</b>									
Surface Water					8.65	8.65			5.20
On-Site Maintenance					3.00	3.00			
Subtotal - Surface Water	-	-	-	-	11.65	11.65	-	-	5.20
City Right-of-Way Fees	1.40	1.75	-	-	-	3.23	-	-	-
<b>Total Monthly Bill</b>									
FY 2023-24	\$ 29.30	\$ 29.65	\$ 27.90	\$ 42.80	\$ 64.50	\$ 67.73	\$ 37.95	\$ 37.95	\$ 5.20
\$ Δ from FY 2022-23	\$ 1.40	\$ 1.35	\$ 1.35	\$ 2.05	\$ 1.20	\$ 1.26	-	-	\$ 0.25
% Δ from FY 2022-23	5.0%	4.8%	5.1%	5.0%	1.9%	1.9%	0.0%	0.0%	5.1%
FY 2022-23	\$ 27.90	\$ 28.30	\$ 26.55	\$ 40.75	\$ 63.30	\$ 66.47	\$ 37.95	\$ 37.95	\$ 4.95
% Δ from FY 2021-22	4.9%	4.8%	4.9%	5.0%	1.8%	1.8%	0.0%	0.0%	5.3%
FY 2021-22	\$ 26.60	\$ 27.00	\$ 25.30	\$ 38.80	\$ 62.20	\$ 65.31	\$ 37.95	\$ 37.95	\$ 4.70
	<b>Rate Zone 1</b>				<b>Rate Zone 2 (and 2A)</b>				<b>Rate Zone 3</b>

## SYSTEM DEVELOPMENT CHARGES

WES uses construction price indices to plan capital expenses and as a 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 and through March 2023 as measured by the Engineering News Record (ENR) Construction Cost Index (CCI).

Inflationary adjustments of approximately 3.0% are proposed for FY 2023-24 for Sewer and Surface Water System Development Charges based on the March 2023 CCI. The table below summarizes the SDC rates and percent increases from the prior year's rates for the last four fiscal years, and the rates for FY 2023-24.

Average Construction Cost Index



Service Category	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase	SDC Rate	% Increase
<b>Sewer</b>	\$ 7,850	3.1%	\$ 8,005	2.0%	\$ 8,120	1.4%	\$ 8,600	5.9%	<b>\$ 8,860</b>	<b>3.0%</b>
<b>Surface Water</b>	\$ 211	2.9%	\$ 215	1.9%	\$ 220	2.3%	\$ 233	5.9%	<b>\$ 240</b>	<b>3.0%</b>



## REVENUE SOURCES AND TRENDS

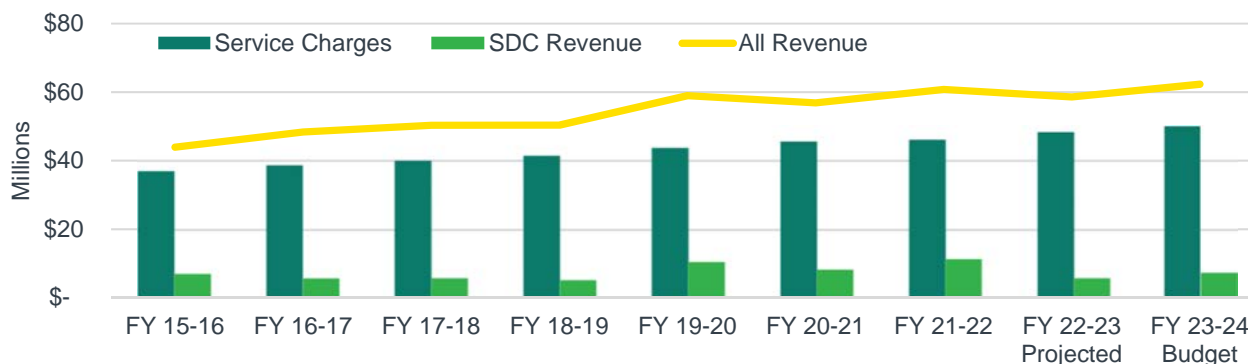
WES' budgeted revenues for FY 2023-24 are projected at \$62.3 million, an increase of 8.1% or \$4.7 million from the FY 2022-23 budget primarily due to increased sewer and surface water charge revenue. Total revenues are comprised of Sewer revenues of \$55.0 million and Surface Water revenues of \$7.3 million. WES receives more than 90% of its revenues from three primary sources: sewer charges, surface water charges, and system development charges. Revenues for the FY 2023-24 budget reflect the aforementioned adjustments to the monthly user rates, estimates based upon historic trend analysis, recent development activity, and a population forecast study completed in 2022 which projects approximately 1.0% growth in the service area.

The following table shows the total combined revenues for WES for FY 2019-20 through FY 2021-22 actuals, the current FY 2022-23 budget and the budget for FY 2023-24.

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Amended Budget	FY 2023-24 Budget
Sewer Charges	\$ 38,519,592	\$ 40,003,404	\$ 40,426,033	\$ 41,487,600	\$ 43,521,300
Surface Water Charges	5,163,571	5,502,982	5,676,998	6,044,700	6,476,300
System Development Charges	10,496,947	8,333,675	11,394,423	6,484,100	7,442,400
Other Revenue Items	4,844,589	3,625,339	3,300,903	3,610,220	4,873,820
<b>Total</b>	<b>\$ 59,024,699</b>	<b>\$ 57,465,400</b>	<b>\$ 60,798,357</b>	<b>\$ 57,626,620</b>	<b>\$ 62,313,820</b>

The following chart illustrates growth trends in all revenues relative to service charges and SDC revenue. As shown on the chart, monthly service charge revenue tends to increase predictably. Larger year-to-year fluctuations in total revenue are the result of differences in SDC revenue, which are less predictable as they are driven by growth and development.

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



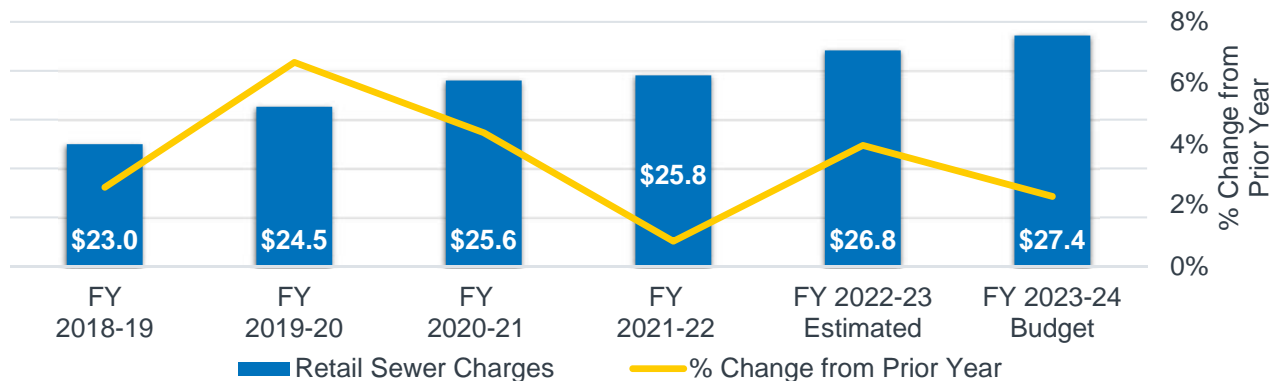
### SEWER CHARGES – 69.8% of Budgeted Revenues

FY 2023-24's budget includes sewer charge revenue of \$43.5 million, comprised of \$27.4 million in retail monthly service charges and \$16.1 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 2023-24, charges for these services represent 44.0% or \$27.4 million of projected operating revenue, an increase of \$1.3 million or 4.9% from WES' FY 2022-23 budget and an increase of \$0.6 million or 2.3% from FY 2022-23's estimated revenue. As shown in the chart on the following page, 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 2023-24 budget includes 5% increases to the monthly rates for wastewater treatment and collection services and an offsetting 11.8% reduction in the legacy debt service component of Rate Zone 2's monthly rate.

### Retail Sewer Charge Revenue, Millions



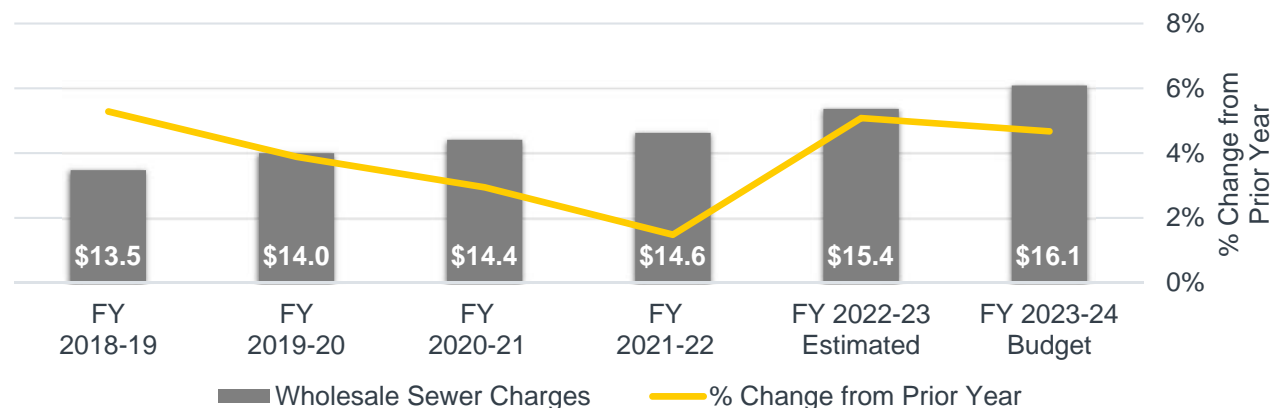
Retail growth in the district for FY 2023-24 is projected at 522 EDUs. This growth estimate is based on the medium growth forecast from a population study completed by FCS Group in December 2022 which analyzed historic trends and local growth forecasts adopted by cities within WES' service area.

### 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 \$16.1 million for FY 2023-24, an increase of \$0.7 million from WES' FY 2022-23 budget and FY 2022-23's estimated revenue.

### Wholesale Sewer Charge Revenue, Millions



Approximately \$10.6 million is expected from wholesale service charges from Rate Zone 1 in FY 2023-24, \$0.5 million more than the amount budgeted in FY 2022-23. 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 2023-24 as a decrease in the legacy debt component entirely offsets the \$1.35 increase in the wastewater treatment rate component. The FY 2023-24 budget reflects service charge revenues of approximately \$5.4 million from the City of Milwaukie and \$127 thousand from the City of Johnson City.

For FY 2023-24, growth in the member cities of the Rate Zone 1 and Rate Zone 2 service areas are projected to be 242 and 42 EDUs, respectively. These estimates are based on the medium growth forecast from a population study completed in December 2022.

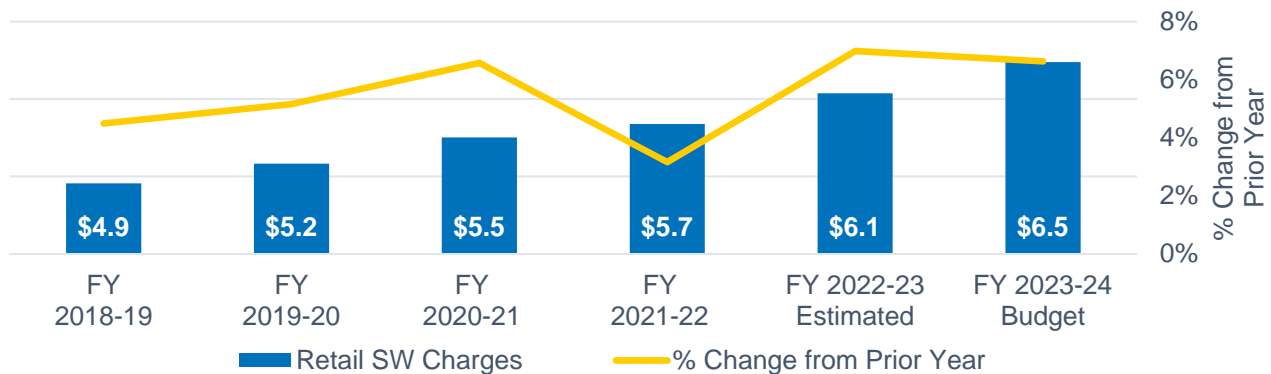


### SURFACE WATER CHARGES – 10.4% of Budgeted Revenues

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 \$6.5 million, an increase of approximately \$0.4 million over the FY 2022-23 budget and FY 2022-23’s estimated revenue.

The chart below illustrates the revenue trend for surface water monthly service charges for FY’s 2018-19 to 2021-22 actuals, and the estimated revenues for FY 2022-23 relative to the budget.

**Surface Water Monthly Service Charge Revenue, Millions**



FY 2023-24’s budget is based on providing service to approximately 56,400 Equivalent Service Units (ESUs) in Rate Zone 2 and 3,700 ESUs in Rate Zone 3. Rate increases in the two service areas reflect adjustments of \$0.50 and \$0.25 per month, or 6.1% and 5.1%, respectively. Business and institutional customers will continue to be charged multiples of the impervious area typical for a single-family home.

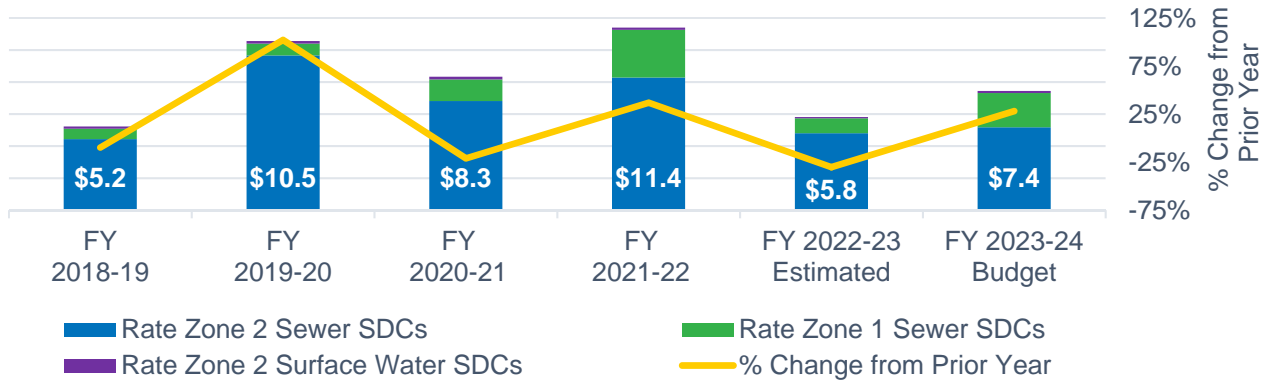
Approximately \$0.4 million of the total \$6.0 million of budgeted surface water monthly service charges is expected from surface water maintenance contracts; no change is proposed to the current rate of \$3.00 per month per ESU for this service.

### SYSTEM DEVELOPMENT CHARGES – 12.0% 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 \$7.1 million for FY 2023-24 and SDC revenues for new surface water connections are expected to generate \$126 thousand. As SDCs result from growth within the service areas, projected SDC revenue is tied closely to population growth projections. The budget includes 806 new connections for FY 2023-24 based on service area population forecasts. The Rate Zone 2 service area is expected to add 522 connections in FY 2023-24 with the majority of growth occurring in the City of Happy Valley. Within Rate Zone 1, a total of 242 connections are anticipated, with the majority of growth expected to occur in Oregon City which is projected to add 197 connections this upcoming year.

FY 2023-24’s budgeted SDC revenue is based on a wholesale Sewer SDC fee of \$8,860 which will apply to all sewer customer classes in Rate Zones 1 and 2. This fee represents an inflationary adjustment of 3.0% from FY 2022-23’s SDC fee of \$8,600. The proposed retail surface water connection fee for FY 2023-24 is \$240, which is an increase of 3.0% above the current \$233 retail SDC fee. Surface Water SDCs apply to Rate Zone 2 only.

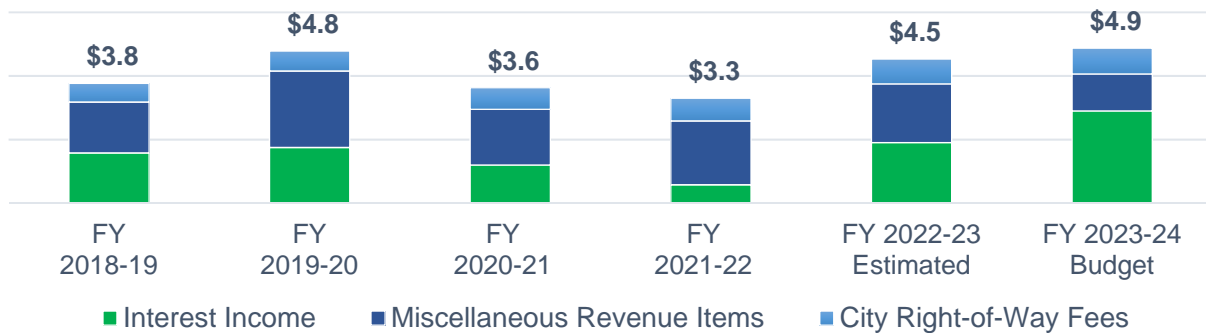
### System Development Charge Revenue by Rate Zone and Service Type, Millions



### OTHER REVENUE SOURCES – 7.8% of Budgeted Revenues

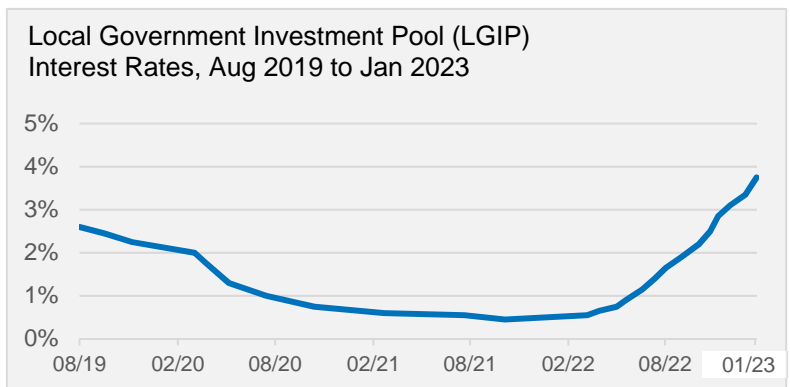
Other revenue sources for FY 2023-24 include interest income of approximately \$2.9 million: \$0.8 million of city right-of-way (ROW) fees, grants of \$0.3M, assessment principal and interest collections of \$0.2 million, and approximately \$0.7 million in a variety of other small miscellaneous revenue categories, including permit fees and penalties for past-due accounts.

### Other Revenue Sources, Millions



The overall budget for other revenue sources totals \$4.9 million which is approximately \$1.3 million or 35% higher than the budget for FY 2022-23. Changes from FY 2022-23's budget include: an increase of \$1.6 million in interest income due to increased interest rates, an increase of \$0.3 million in grant income from the American Rescue Plan Act (ARPA) for stormwater infrastructure projects, an increase of \$0.1 million in miscellaneous income, an increase of \$72 thousand in rent and lease income and a decrease of \$0.8 million related to a one-time capital project incentive for the Tri-City cogeneration engine.

FY 2023-24's budgeted interest revenue reflects an increase from the current year's budget and projections. 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 recent and anticipated action by the Federal Reserve to raise rates over the next year and an increase in WES' fund balances, FY 2023-24's budgeted interest income is projected to increase significantly from FY 2022-23's projected interest income.



The \$0.8 million of city right-of-way fees represent 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.



# About the Department



*A tanker truck at the Hoodland 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 Milwaukie and Johnson City 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, Employee Services 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 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.

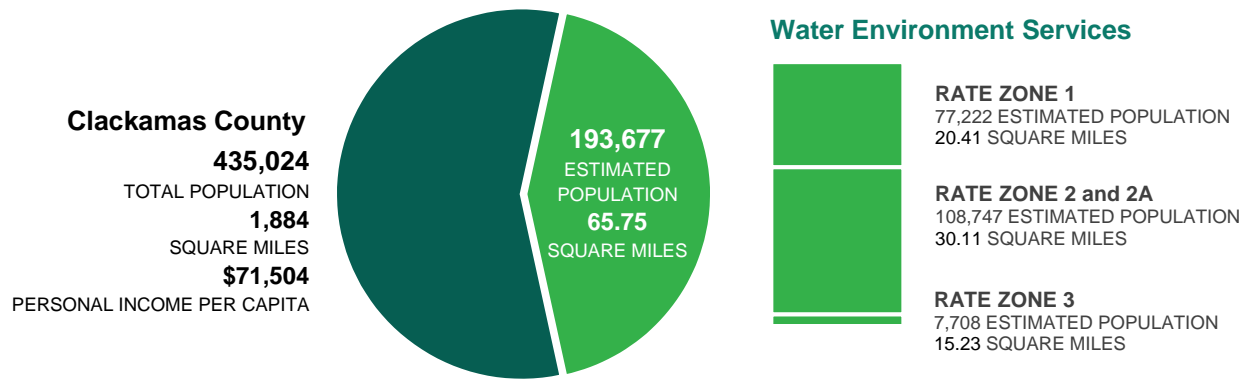
## RATE ZONE 2

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



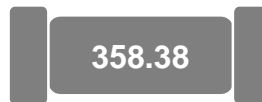
Operating Statistics

**5** Water Resource Recovery Facilities



**22.949** MILLION GALLONS PER DAY  
 TOTAL DRY-WEATHER TREATMENT CAPACITY

**23** Pump Stations



MILES OF SANITARY SEWER PIPE

**19,001**

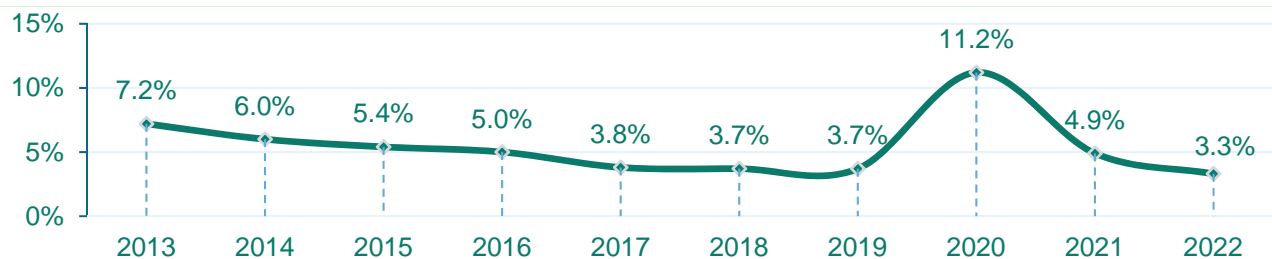
SURFACE WATER CATCH BASINS/MANHOLES



Major Industries by Number of Employees



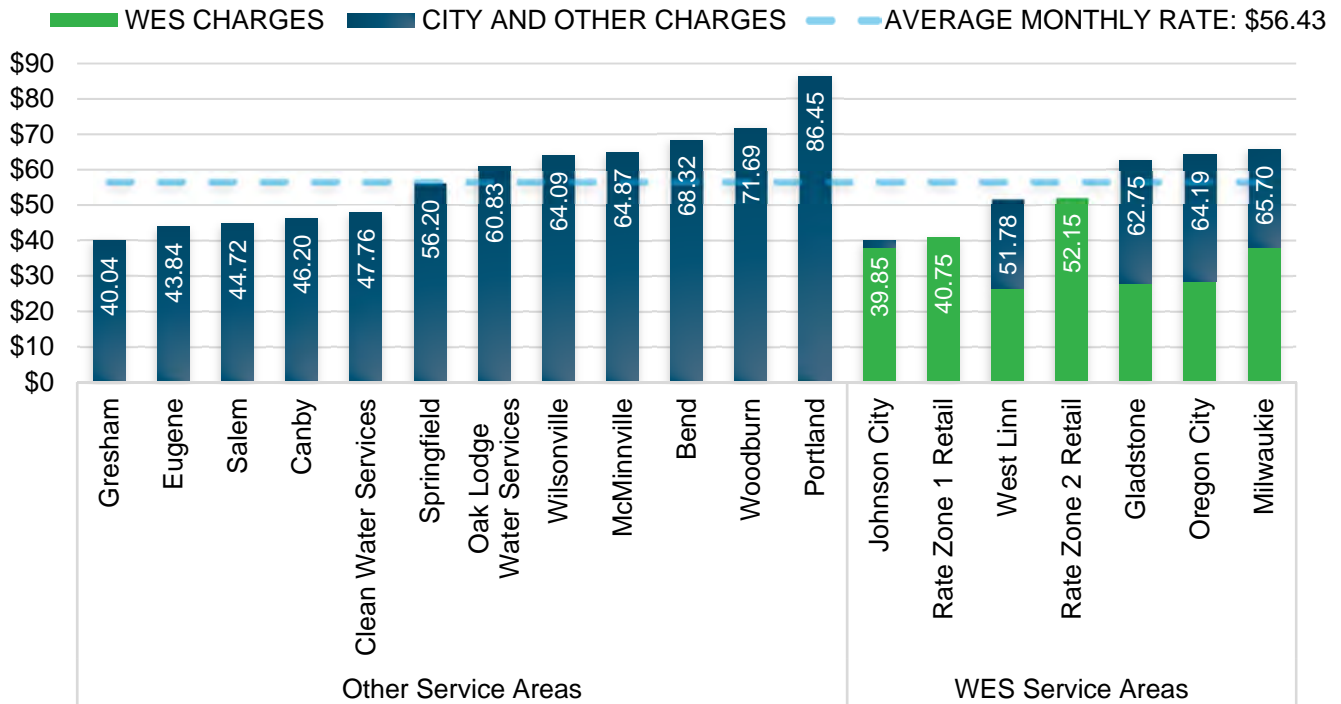
Clackamas County Unemployment Rates by Calendar Year



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

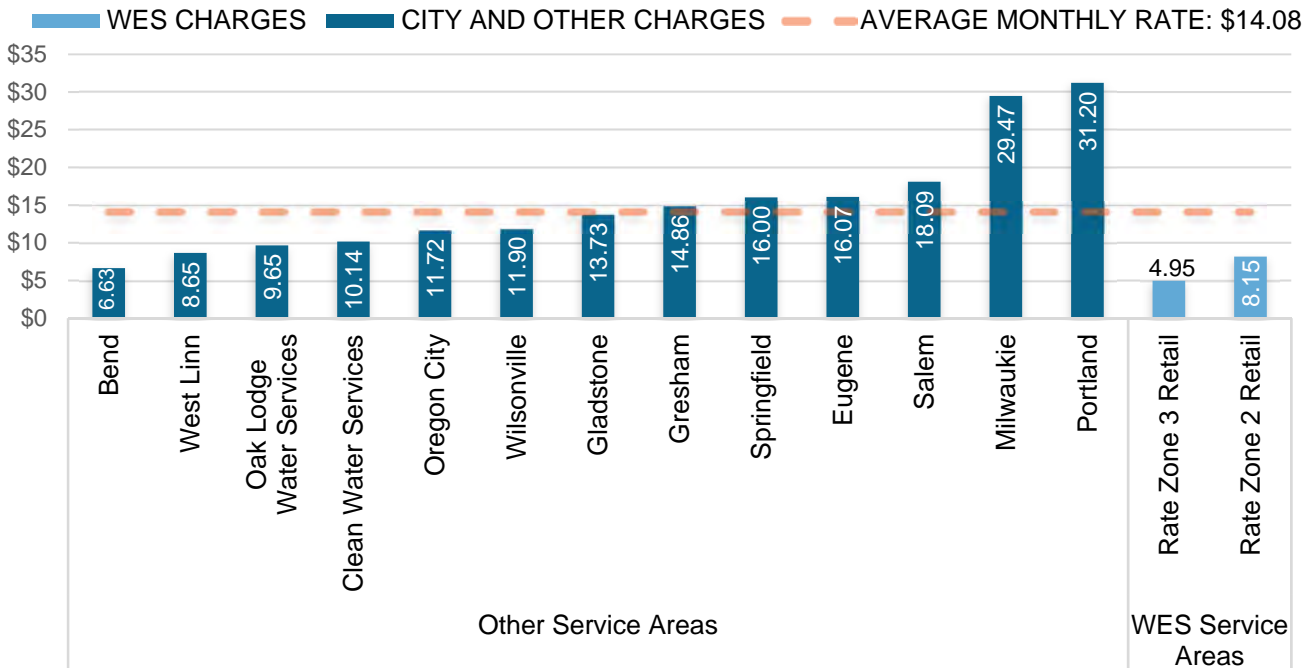


Monthly Sewer Rate Survey, FY 2022-23



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 2022-23



City and other charges includes ROW fees, where applicable.







Photos from construction of the Tri-City WRRF in the 1980's

## 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 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.
- 2016 ○ WES implements the Performance Clackamas Strategic 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.

## DEPARTMENT MILESTONES - CONTINUED

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) 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. Strategic Energy Management Program participation begins at Kellogg Creek WRRF.

## AWARDS



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, 2022. 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.



## DEPARTMENT ORGANIZATION

The Department is proposed to contain 118 full time equivalent (FTE) positions for FY 2023-24, two more FTE than the FY 2022-23 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).

### DIRECTOR

#### 1 FTE

Staff in this workgroup provides services including: department oversight, district governance, public information and outreach, risk management, strategic planning, regulatory compliance, and policy administration.

### BUSINESS SERVICES

#### 24 FTE

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, and administrative support.

### CAPITAL PLANNING AND MANAGEMENT

#### 17 FTE

Staff in this workgroup provide services including: asset management, capital projects and fleet management, capital improvement program administration, technical services, and information technology.

### ENVIRONMENTAL SERVICES

#### 20 FTE

Staff in this workgroup provide services including: development review and permitting, riparian restoration and erosion control, laboratory operations, program field monitoring, source control, and water quality monitoring.

### OPERATIONS

#### 56 FTE

Staff in this workgroup provide services including: sanitary sewer treatment, biosolids management, collection system maintenance, treatment plant maintenance, mechanical and electrical equipment maintenance, and storm system maintenance.

### CLACKAMAS COUNTY IMBEDDED STAFF

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 imbedded staff and identified with a dashed box. Imbedded staff generally operate within the Director workgroup under the direction of Department Management.

### WES ADVISORY COMMITTEE

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.

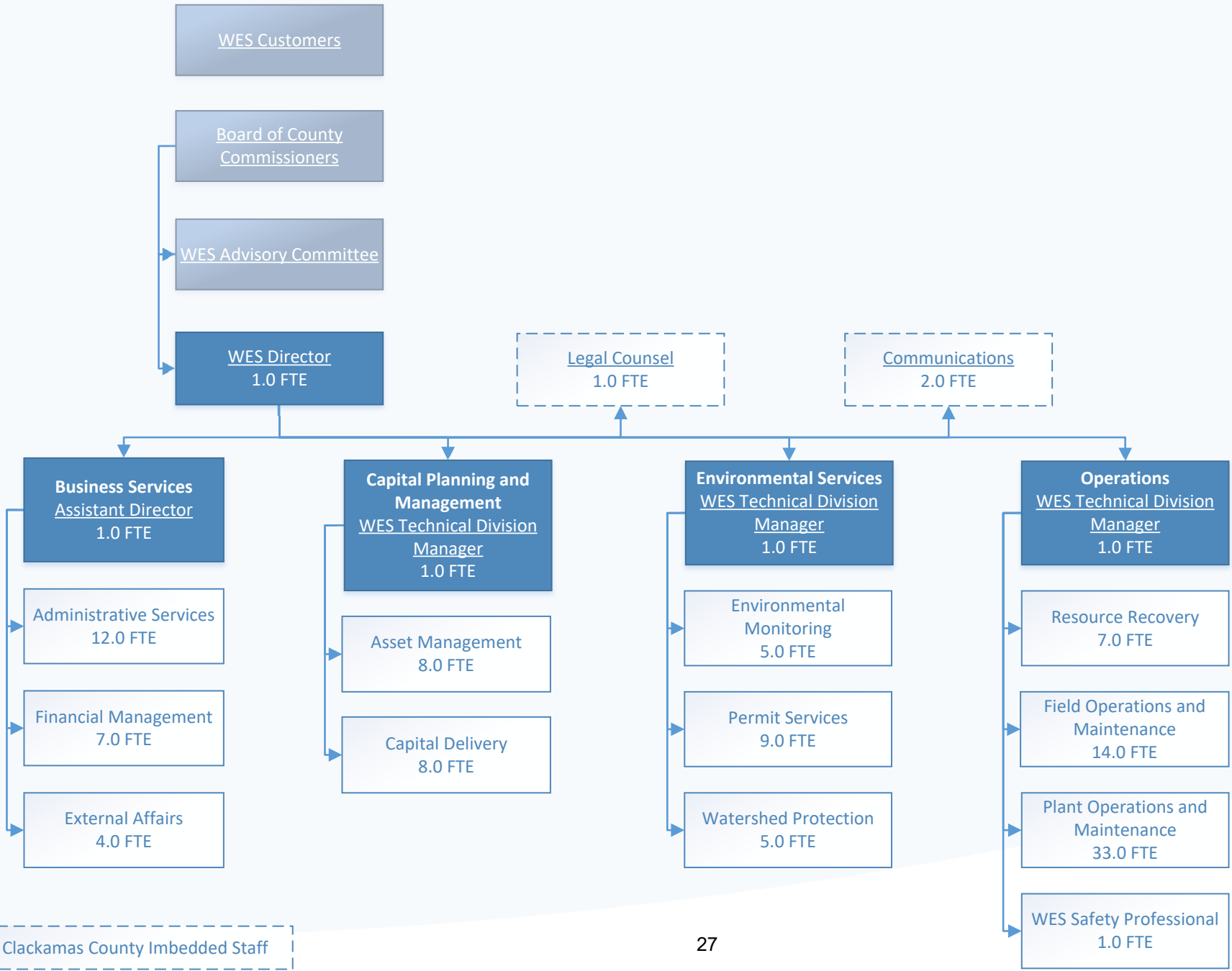
*The organizational chart on the following page illustrates the allocation of staff among the divisional workgroups for the 2023-24 fiscal year.*

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



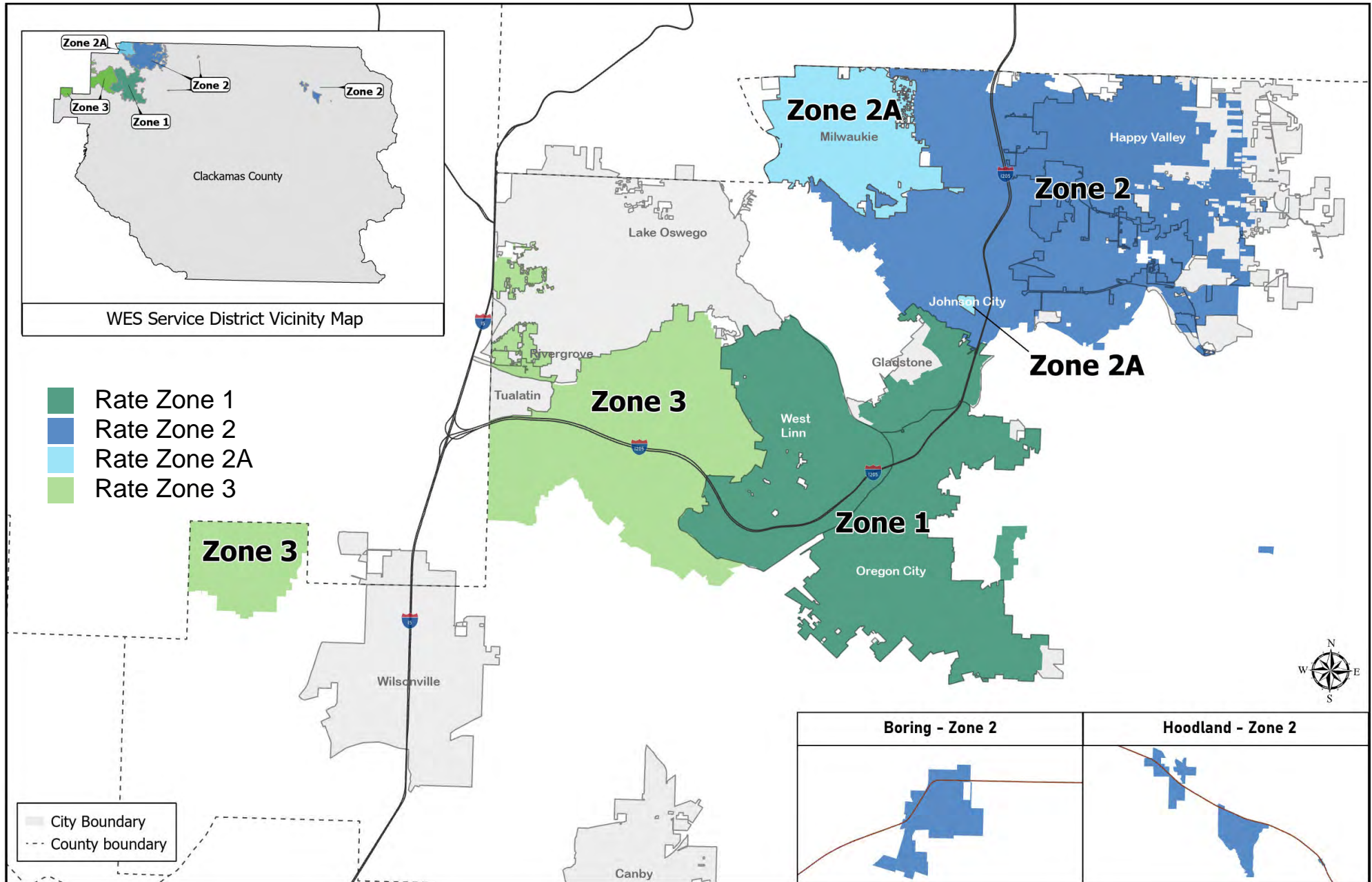
# WATER ENVIRONMENT SERVICES

## Functional Organization Chart, FY 2023-24



Clackamas County Imbedded Staff

# WES Service Area Map





# Guide to the Budget

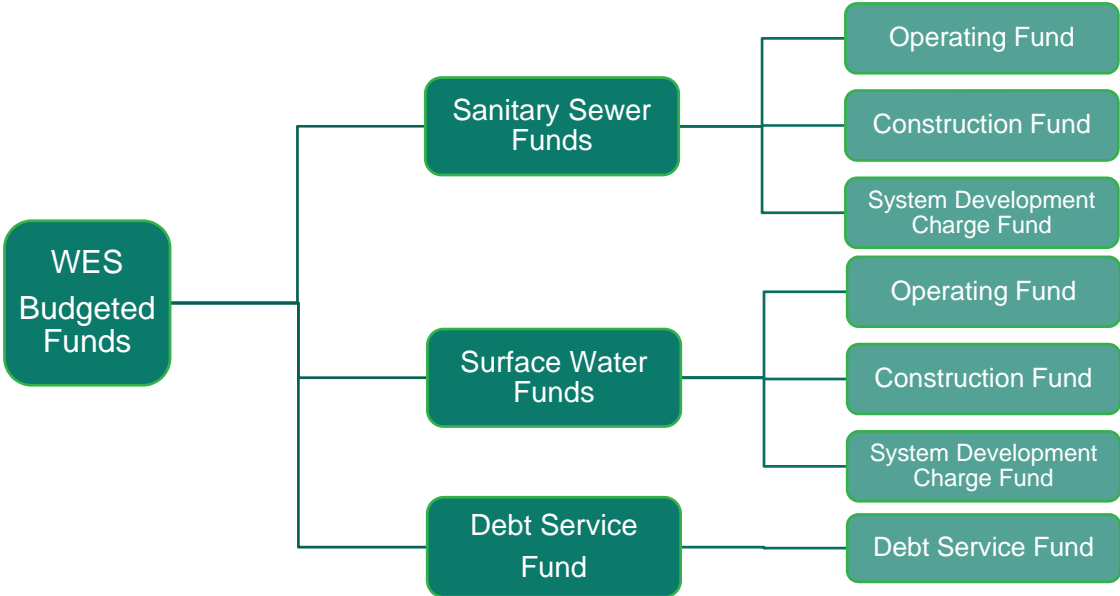


*WES staff teaching students about water*

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

## **BASIS OF ACCOUNTING / 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**

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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 programs and craft their budgets to support WES' strategic initiatives and their program's goals.

The capital budget for the upcoming year is prepared based on the Capital Improvement Plan which details capital projects over a rolling five 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 plan and forecast revenue requirements.

### **2. Review, Proposed Budget Development, 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 30<sup>th</sup> 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 and 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

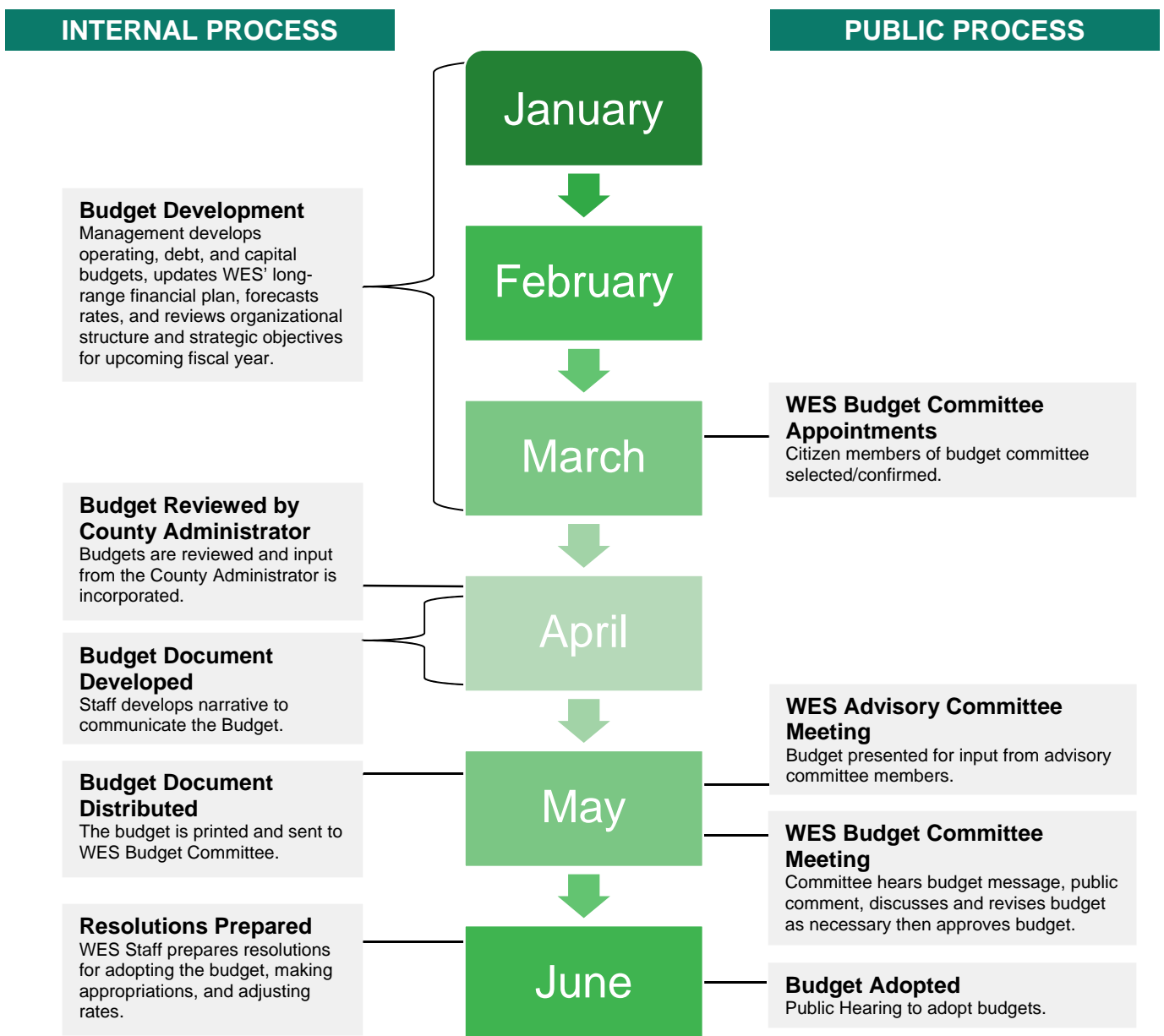
### WES Advisory Committee

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 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

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The following calendar reflects the milestones met to develop the FY 2023-24 budget.

Date	Activity
January 1, 2023	Management begins review of Organization Structure and Performance Clackamas Lines of Business and Programs
February 17, 2023	Program Operating Budgets prepared by Managers and submitted to Department Finance; Capital Budget requests based on CIP submitted to Department Finance
March 1, 2023	Preliminary Budgets reviewed by Department Leadership; Management Team review of Consolidated Operating Budgets, budgetary trends, and significant changes
March 2, 2023	Long-Range Financial Plan drafted to incorporate preliminary budgets; rates projected
March 9, 2023	WES Budget Committee appointments
March 10, 2023	Final Operating and Capital Budget review by Department Leadership; all changes submitted to Department Finance
April 5, 2023	Budgets presented to the County Administrator
April 6, 2023	Long-Range Financial Plan and rates updated with final budget numbers
April 19, 2023	Budget document completed and submitted to printer
April 27, 2023	Proposed Budgets distributed to WES Budget Committee
May 4, 2023	First notice of Budget Committee meeting published online
May 12, 2023	Second notice of Budget Committee meetings published in The Oregonian
May 18, 2023	WES Advisory Committee Review of Budget
May 22, 2023	WES Budget Committee Meeting
May 24, 2023	Resolutions prepared for adopting the budget, making appropriations, and adjusting rates
June 9, 2023	Summary of budget as approved by the Budget Committee and Notice of Budget Hearing published
June 22, 2023	Public Hearing Budgets Adopted
July 1, 2023	Begin Fiscal Year 2023-24

## FINANCIAL POLICIES

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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 begun to update the County's financial policies. In synchronization with the updates being made at the County level, during FY 2021-22, WES staff began developing financial policies specific to WES. The WES-specific policies under development are aligned with the County's updated policies with additional refinements to reflect utility management best practices. Policies under review and development are identified with a note in this section.

**The FY 2023-24 Budget complies with all relevant financial policies.**

### Budgeting and Financial Planning

WES will comply with Oregon Administrative Rules 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 and 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 which 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:** Updates to WES' Reserve/Contingency policy have been supported by the WES Advisory Committee and recommended to Administration for adoption. Significant changes include formalizing a target to cover 60 days of operating expenses for operating reserves and using this target for both budgeting and long-range financial planning. The FY 2023-24 budget and long-range financial plan complies with existing policies and the updated policy.

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

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

WES will prepare a prioritized five-year CIP addressing large-scale investments. 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 are budgeted in the Materials and 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.

## 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 which support the total direct and indirect costs of providing services. Fees and charges will be in compliance with state statutes and County ordinances.

**Note:** *An update to WES' policy for Miscellaneous Fee Cost Recovery has been supported by the WES Advisory Committee and recommended to Administration for adoption. Revisions include consideration of a multi-year, programmatic basis and approach for full cost recovery and more specific statements for periodic review of miscellaneous fees and potential inflationary adjustments. The FY 2023-24 budget complies with existing policies with plans to implement the policy under development during the next fiscal year.*

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 long- and short-term debt financings in compliance with applicable Federal law, the Oregon Constitution, Oregon Revised Statutes (ORS), and Oregon Administrative Rules (OAR). WES will further comply with 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



*Repairs to a stormwater drain*



# PERFORMANCE CLACKAMAS

## Budget by Program

### MISSION

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

### VISION

WES is regionally known as a premier wastewater and surface water utility.

WES' Strategic Performance Clackamas Business Plan is based on a Managing for Results approach which is a comprehensive and integrated management system focused on achieving results for the customer.

Under the Performance Clackamas structure, WES is organized into 4 broad lines of business and 11 more specific programs for sets of services that have a common purpose and/or result. As detailed on the following pages, each program determines performance goals and creates a distinct operating budget containing the costs associated with carrying out that program's functions. Full-time equivalent employees (FTEs) are allocated to programs based upon the program's budgeted needs and objectives for the coming fiscal year.

### Performance Clackamas Structure: Lines of Business and Programs

Business Services	Capital Planning and Management	Environmental Services	Operations
<ul style="list-style-type: none"> <li>• Administrative Services</li> <li>• Account Services</li> <li>• Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Capital Delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Monitoring</li> <li>• Permit Services</li> <li>• Watershed Protection</li> </ul>	<ul style="list-style-type: none"> <li>• Resource Recovery</li> <li>• Field Operations and Maintenance</li> <li>• Plant Operations and Maintenance</li> </ul>

### Strategic Planning Process Overview

At the time of budget publication, an update to WES' Performance Clackamas plan is under review and expected to be approved for implementation at the beginning of FY 2023-24. The following paragraphs describe the planning process used to update WES' Performance Clackamas plan and create a new, comprehensive plan.

WES' current strategic plan utilizes a balanced focus approach. This approach reforms the Performance Clackamas model to align more specifically with the clean water industry by drawing upon the collective guidance of regulators, water sector associations, and other water and wastewater agencies.

Many of the key initiatives in WES' current plan were accomplished in the last two fiscal years. Beginning in early 2022 and continuing through the first half of 2023, staff undertook a comprehensive update to WES' strategic plan. The update process entailed a discovery phase consisting of a series of internal and external listening sessions including surveys, focus groups, interviews, and small group discussions. This initial planning phase provided all staff with an opportunity to share their priorities and identified key opportunities to enhance WES' vision, mission, and department values.



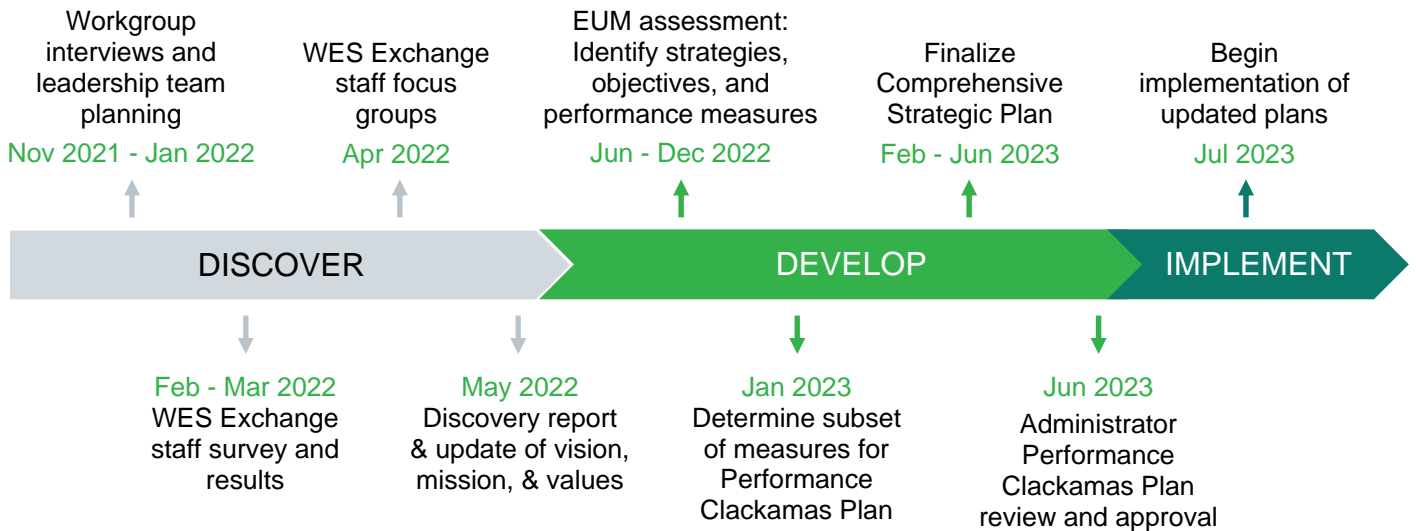
The second phase in the planning process relied on an internal, organizational strength and opportunity assessment based on the Effective Utility Management (“EUM”) framework. The EUM framework, developed in 2008 by a group of leading organizations of water sector professionals, is based on classic continual improvement principles. The framework is designed to be used by water sector utilities, like WES, to help them become more effectively managed. At the core of the framework are 10 Attributes of Effectively Managed Utilities and 5 Keys to Management Success. The Attributes, listed to the right, help define the everyday best practices at well-managed utilities; the Keys to Success are the enablers or facilitators of these best practices, which include strategic planning, measurement of progress, and embracing a continual improvement management mindset. Through the lens of the EUM framework, WES formulated seven key strategies to drive long-term success, goals and objectives that can be achieved in the short-term, and performance measures to track our progress.

- | EFFECTIVE UTILITY ATTRIBUTES  |
|---|
| <ul style="list-style-type: none"> <li>• Community Sustainability</li> <li>• Customer Satisfaction</li> <li>• Employee and Leadership Development</li> <li>• Enterprise Resiliency</li> <li>• Financial Viability</li> <li>• Infrastructure Strategy and Performance</li> <li>• Operational Optimization</li> <li>• Product Quality</li> <li>• Stakeholder Understanding and Support</li> <li>• Water Resources Sustainability</li> </ul> |

The outcomes of this extensive planning process are two complementary strategic plans: a comprehensive strategic plan with goals, objectives, and performance measures following the structure of the EUM framework to align with utility management best practices; and an updated Performance Clackamas Plan comprised of a focused subset of objectives and measures following the Performance Clackamas structure and aligned with the County’s overarching strategic priorities. WES’ seven strategies serve as the foundation for both plans. Together, WES’ plans will help shape the budget, guide investment, and position WES to realize its vision and support the BCC’s vision for all of Clackamas County.

The chart below illustrates the steps in the update process in the context of the strategic planning cycle.

**Strategic Plan Update Process**



In accordance with County Policy, the performance measures included in this section reflect only the measures under the current, adopted Performance Clackamas plan.



## **Strategic Initiatives**

WES' current plan focuses on five strategic initiatives as key to the achievement of our mission and realization of our vision:

### **Enterprise Resiliency**

Wastewater and stormwater utilities are facing challenges including workforce turnover and its associated loss of institutional knowledge; aging infrastructure and increasingly capital intensive repairs and replacements during times of uncertainty around federal funding sources; and shifting community growth patterns. WES will focus on Enterprise Resiliency to proactively address these challenges while increasing our base system reliability and lowering our risk levels across the broad spectrum we operate within.

### **Infrastructure Strategy and Performance**

Our infrastructure is more than just pipes in the ground and treatment facilities; it's a complex system of physical assets operating within growing communities with evolving service needs and priorities. A focus on infrastructure strategy and performance ensures that we'll take all of those factors into account when we develop capital plans that include current asset conditions, system reliability goals, life cycle costs and stakeholder needs so that WES can maintain the system we have for today and build the system we need for tomorrow.

### **Product Quality**

In the Effective Utility Management Primer, Product Quality is described as, "Produces 'fit for purpose' water and other recovered resources (e.g., energy, nutrients, and biosolids) that meet or exceed full compliance with regulatory and reliability requirements and consistent with customer, public health, ecological, and economic needs." In practice, this means that WES is committed to fulfilling our core mission to recover the resources from the waste stream and protect the watershed so that we can live, work, and play in a healthy environment.

### **Employee and Leadership Development**

Across the nation, businesses and utilities are facing multiple impacts to our ability to attract and retain our highly skilled workforce including generational turn-over, increasing automation and other technological advances, compensation, competitiveness, and shifting societal views of public service. These impacts create both opportunities and challenges. In today's competitive employment market, our goal is to become an Employer of Choice through a focus on recruiting, developing and retaining a diverse, highly skilled and resilient workforce.

### **Operational Optimization**

Sustainability is more than a buzz word. It's a way of operating with a focus on continuous improvement, data-driven decision making, and reduction of waste in all its forms. A focus on operational optimization is our commitment as we continually seek ways to increase our positive (and reduce our negative) impact; we will work to maximize our effectiveness and reduce our resource demands in order to optimize our operations and expand our sustainability. WES' Strategic Initiatives are ongoing unless otherwise specifically noted as completed or pending in the following table.



**WES' Strategies, Objectives and connection to Performance Clackamas Program Goals**

**Alignment with the County's overall Plan**

<p><b>Enterprise Resiliency</b></p> <p><b>Key Initiative:</b> By January 2021, WES will have completed the Tri-City Solids Handling Improvements Project to support the expected 20-year growth horizon.  <b>Program(s) focused on achieving result:</b> Capital Delivery  <b>Update:</b> This initiative was completed during FY 2021-22; new projects have been proposed in the updated plan.</p> <p><b>Key Initiative:</b> WES will utilize a Risk-based Asset Management Plan so that asset refurbishment and replacement decisions for assets will be made based on a risk-to-cost decision matrix.  <b>Program(s) focused on achieving result:</b> Asset Management</p>	<p>Build strong infrastructure</p>
<p><b>Infrastructure Strategy and Performance</b></p> <p><b>Key Result:</b> 75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.  <b>Program(s) focused on achieving result:</b> Plant Operations and Maintenance; Field Operations and Maintenance</p> <p><b>Key Initiative:</b> By December 31, 2020, Clackamas County will adopt a Master Plan for surface water management that will enhance the quality of surface water.  <b>Program(s) focused on achieving result:</b> Watershed Protection  <b>Update:</b> In January 2020, the County updated its strategic plan, in which it reduced the number of strategic results and initiatives to 12 from 28, and as a result removed the initiative for a county water quality management plan. Work on this initiative has been suspended pending the outcome of significant water quality regulations.</p>	<p>Build strong infrastructure</p> <p>Honor, Utilize, Promote and Invest in our Natural Resources</p>
<p><b>Product Quality</b></p> <p><b>Key Result:</b> 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.  <b>Program(s) focused on achieving result:</b> Field Operations and Maintenance</p> <p><b>Key Result:</b> 50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance.  <b>Program(s) focused on achieving result:</b> Watershed Protection</p>	<p>Build strong infrastructure</p> <p>Honor, Utilize, Promote and Invest in our Natural Resources</p>
<p><b>Employee and Leadership Development</b></p> <p><b>Key Initiative:</b> By December 31, 2020, WES will utilize a strategic workforce planning model to address staff recruitment and retention, succession planning, training and development and future needs analysis.  <b>Program(s) focused on achieving result:</b> Administrative Services</p>	<p>Build Public Trust through Good Government</p>
<p><b>Operational Optimization</b></p> <p><b>Key Result:</b> WES will beneficially reuse 85% of recovered solids.  <b>Program(s) focused on achieving result:</b> Resource Recovery</p> <p><b>Key Result:</b> WES will consistently achieve a "wastewater treatment effectiveness rate" of 85% in addition to 100% regulatory permit compliance.  <b>Program(s) focused on achieving result:</b> Plant Operations and Maintenance</p> <p><b>Key Result:</b> 500 additional accounts added to paperless billing each year.  <b>Program(s) focused on achieving result:</b> Account Services</p>	<p>Honor, Utilize, Promote and Invest in our Natural Resources</p> <p>Build strong infrastructure</p> <p>Build Public Trust through Good Government</p>



## Performance Clackamas Lines of Business and Program Descriptions

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<b>Business Services</b> Line of Business	Provide administrative, human resources, and budgetary services to department employees, and advisory and budget committee members, so they can provide effective, well managed services and information to members of communities served by WES.
<b>Administrative Services</b> Program	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.
<b>Account Services</b> Program	Provide utility billing account management and personalized service to customers so they can pay for the services they receive.
<b>Financial Management</b> Program	Provide accurate and timely financial support, budget, audits, analysis, projection, and rate proposal services to WES employees, decision makers, advisory committees and the public so they have the necessary resources to achieve strategic results and provide input on how WES' resources are generated, allocated and used.
<b>Capital Planning and Management</b> Line of Business	Provide strategy, analysis, projection, and new infrastructure services to WES ratepayers and decision makers so they can make well-informed decisions leading to timely and cost-effective infrastructure.
<b>Asset Management</b> Program	Provide strategies, technology and asset tracking services to WES employees so they can make proactive, data-driven decisions that align with WES' strategic business plan and budget.
<b>Capital Delivery</b> Program	Provide wastewater planning, engineering, and construction services to provide WES ratepayers with reliable wastewater treatment and collection and conveyance infrastructure and support anticipated growth.
<b>Environmental Services</b> Line of Business	Provide monitoring and assessment and pollution prevention services to WES staff, and permitting services to permit applicants, and the broader community so they can access and appropriately use WES' infrastructure and understand their potential impact on water quality.
<b>Environmental Monitoring</b> Program	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.
<b>Permit Services</b> Program	Provide permit consultation, review, and approval services to developers, businesses, and industrial users so they can gain access to WES' systems in a timely fashion and appropriately discharge wastewater and stormwater.
<b>Watershed Protection</b> Program	Provide surface water protection and restoration services to residents of WES' service areas so they can benefit from healthy and clean streams.

**Operations**  
Line of Business

Provide collection and conveyance, treatment, and resource recovery services to ratepayers so they can have properly functioning infrastructure that supports healthy waterways and a vibrant economy.

**Resource Recovery**  
Program

Provide coordination and support for resource recovery and conservation services to WES programs, rate payers, and local communities so they can save money and live in sustainable communities.

**Field Operations  
and Maintenance**  
Program

Provide collection and conveyance system maintenance services to homes and businesses within WES' service areas so they can benefit from properly functioning infrastructure that supports water quality and reduces sewage backups and storm related flooding.

**Plant Operations  
and Maintenance**  
Program

Provide treated wastewater effluent, recycled water, and recovered resources to the community so they can experience healthy and sustainable living.

**Program Summary of Changes for FY 2023-24 Budget**

Program	FY 2023-24 Budget	Change from FY 2022-23		Summary of Influencing Factors for Change from FY 2022-23	Pg. # for Detail
		\$	%		
<b>Administrative Services</b>	\$3,675,317	(217,063)	-6%	8% decrease in labor due to realigning procurement support staff to Financial Management program and 2% decrease in materials and services due to lower professional services spending.	<b>45</b>
<b>Account Services</b>	1,060,690	301,180	40%	9% decrease in labor due to continued centralization of Administrative staff to Administrative Services program offset by 96% increase in materials and services due to shifting merchant service charges incurred for utility payments from Financial Management program.	<b>47</b>
<b>Financial Management</b>	1,627,420	100,620	7%	38% increase in labor due to realigning procurement support staff from Administrative Services program partially offset by 30% decrease in materials and services due to shifting merchant service charges for utility payments to Account Services program.	<b>49</b>
<b>Asset Management</b>	1,882,600	101,380	6%	8% increase in labor in anticipation of filling current vacancy partially offset by no material change in materials and services due to operational efficiencies.	<b>52</b>
<b>Capital Delivery</b>	999,260	386,630	63%	22% increase in labor due to proposal for 2 new engineering positions and 193% increase in materials and services due to increased contracted engineering services for NPDES permit renewal and process engineering support.	<b>54</b>
<b>Environmental Monitoring</b>	1,544,720	91,410	6%	9% increase in labor due to higher staff time apportioned to the program for planned studies and 3% increase in materials and services due to minor changes in professional services spending.	<b>57</b>
<b>Permit Services</b>	1,702,050	124,260	8%	5% decrease in labor due to completion of initiatives and apportioning staff to other programs more than offset by a 59% increase in materials and services for increased professional services spending on program initiatives.	<b>59</b>
<b>Watershed Protection</b>	1,900,000	(168,680)	-8%	4% increase in labor due to inflationary adjustments and 16% decrease in materials and services due to reduced professional services spending as a result of completing one-time initiatives.	<b>61</b>
<b>Resource Recovery</b>	1,875,750	147,960	9%	25% increase in labor due to reallocation of 3 vacant FTE to this program partially offset by 4% decrease in materials and services to more closely align budget for contract hauling and disposal costs with actual spending.	<b>64</b>
<b>Field Operations and Maintenance</b>	3,700,770	292,690	9%	10% increase in labor due to higher proportion of staff assigned to the program and 8% increase in materials and services for anticipated increases in pump station utility costs and enhanced management of stormwater vegetated facilities.	<b>66</b>
<b>Plant Operations and Maintenance</b>	11,439,570	(256,460)	-2%	No significant change in labor as salary increases were offset by apportioning some FTE to Field Operations program. 4% decrease in materials and services due to reduced use of professional services and reduction in utility costs.	<b>68</b>



# Water Environment Services

## FY 2023-24 Budget Summary by Program and Fund

Line of Business			WES Sanitary 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					
<b>Business Services</b>							
Administrative Services	700101	13.80	\$ 2,930,346	\$ 744,971	\$ -	\$ -	\$ 3,675,317
Account Services	700102	3.50	861,470	199,220			1,060,690
Financial Management	700103	7.40	1,353,630	273,790			1,627,420
Equipment Cost Pool (Contra-Expense)	700104	N/A	(322,440)				(322,440)
<b>Business Services Total</b>		<b>24.70</b>	<b>4,823,006</b>	<b>1,217,981</b>	<b>-</b>	<b>-</b>	<b>6,040,987</b>
<b>Capital Planning and Management</b>							
Asset Management	700202	8.30	1,578,630	303,970			1,882,600
Capital Delivery	700203	10.12	999,260				999,260
Capital Planning and Management Total		18.42	2,577,890	303,970	-	-	2,881,860
<b>Environmental Services</b>							
Environmental Monitoring	700302	6.05	1,120,940	423,780			1,544,720
Permit Services	700303	7.25	885,050	817,000			1,702,050
Watershed Protection	700304	4.90	-	1,900,000			1,900,000
<b>Environmental Services Total</b>		<b>18.20</b>	<b>2,005,990</b>	<b>3,140,780</b>	<b>-</b>	<b>-</b>	<b>5,146,770</b>
<b>Operations</b>							
Resource Recovery	700402	7.35	1,875,750				1,875,750
Field Operations and Maintenance	700403	14.33	2,455,420	1,245,350			3,700,770
Plant Operations and Maintenance	700404	35.00	11,439,570				11,439,570
<b>Operations Total</b>		<b>56.68</b>	<b>15,770,740</b>	<b>1,245,350</b>	<b>-</b>	<b>-</b>	<b>17,016,090</b>
<b>Operating Budget Total</b>							<b>31,085,707</b>
<b>Non Program / Non Operating</b>							
Debt Service and Related Reserves						14,958,771	14,958,771
Capital Outlay					1,050,431	51,011,896	52,062,327
Transfers						32,477,751	32,477,751
Special Payments						1,250,300	1,250,300
Contingencies and Ending Fund Balances						157,070,961	157,070,961
<b>Non-Program / Non-Operating Total</b>					<b>1,050,431</b>	<b>256,769,679</b>	<b>257,820,110</b>
<b>TOTAL</b>		<b>118.00</b>	<b>\$ 25,177,626</b>	<b>\$ 5,908,081</b>	<b>\$ 1,050,431</b>	<b>\$ 256,769,679</b>	<b>\$ 288,905,817</b>
<b>FY 2022/23 Amended Budget *</b>							
		116.00	24,298,510	5,794,380	0	242,871,124	272,964,014
<b>\$ Increase (Decrease)</b>		2.00	879,116	113,701	1,050,431	13,898,555	15,941,803
<b>% Increase (Decrease)</b>		1.7%	3.6%	2.0%		5.7%	5.8%

\* All references and comparisons to FY 2022-23's Amended Budget include an increase of \$380,000 in surface water capital outlay via a transfer from surface water construction contingency of \$247,500 and an additional surface water operating transfer of \$132,500.





Line of Business Purpose Statement

The purpose of the Business Services Line of Business is to provide administrative, human resources, and budgetary services to department employees, and advisory and budget committee members, so they can provide effective, well managed services and information to members of communities served by WES.

Water Environment Services
Greg Geist - Director
FTE 118.00
Total Program Operating Budget \$31,085,707

Business Services
Ron Wierenga - Assistant Director
Total Budget \$6,040,987

Administrative Services
Ron Wierenga - Assistant Director
FTE 13.80
Total Budget \$3,675,317

Account Services
Ron Wierenga - Assistant Director
FTE 3.50
Total Budget \$1,060,690

Financial Management
Ron Wierenga - Assistant Director
FTE 7.40
Total Budget \$1,627,420

Equipment Cost Pool (Contra-Expense)
Total Budget (\$322,440)



# 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 services to the department.

Our annual measure to complete 100% of performance reviews is driven by the County Administrator. WES' annual review counts have dropped in FY 22-23. We had several vacancies which presented challenges and prioritized competing projects. WES will be picking up its Workforce Planning activities and creating a performance program to meet its goal of 100% of annual reviews being current in FY 23-24. WES will be dedicating staff to ensure the components of the Workforce Plan are in action and maintained which should make meeting this goal attainable. It will also ensure forward movement on the program initiative to have current classifications and create job descriptions.

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 has hired a new Risk and Loss Control Analyst who has been working on building and plant safety for our staff. We have accomplished two plant evacuations and are planning the third. Our new analyst will continue to grow our safety programs, and we plan to meet annual plant evacuation drills for each plant location in the future.

Customer satisfaction is important to WES. We have set a goal to obtain 95% positive survey feedback on the customer service we provide. WES' Customer Service survey is accessible from our website, in our signature lines, and our customer service staff are actively engaging with customers to complete the survey. As our customer service group has been promoting the survey, we have seen less use of it for just negative feedback and have experienced more positive/satisfied results. WES is working on a new and improved survey that will provide more meaningful data with a better customer experience. The new survey will include an additional option to respond to the survey via a phone response. Our customer service staff will be able to promote customers taking the survey and transfer them for their responses.

## Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Efficiency	Percent of annual reviews completed	68%	69%	100%	51%	100%
Output	# Plant Evacuation Drills (one per plant) per year	4	0	3	2	3
Result	95% of surveyed WES customers are satisfied with the service they receive	100%	49%	95%	100%	95%

Program includes:

- Mandated Services
- Shared Services
- Grant Funding

### 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 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	2,247,440	1,969,442	2,387,110	1,942,700	2,203,590	<b>(183,520)</b>	<b>-8%</b>
Materials and Services: Other	1,336,592	1,393,907	1,505,270	1,375,053	1,471,727	<b>(33,543)</b>	<b>-2%</b>
<b>Operating Expense</b>	<b>3,584,032</b>	<b>3,363,349</b>	<b>3,892,380</b>	<b>3,317,753</b>	<b>3,675,317</b>	<b>(217,063)</b>	<b>-6%</b>
<b>Total Expense</b>	<b>3,584,032</b>	<b>3,363,349</b>	<b>3,892,380</b>	<b>3,317,753</b>	<b>3,675,317</b>	<b>(217,063)</b>	<b>-6%</b>
Full Time Equiv Pos (FTE) Budgeted	12.01	10.98	15.52	15.52	13.80	-1.72	-11%
Full Time Equiv Pos (FTE) Filled at Yr End	14.49	12.86	15.52	11.72			
Full Time Equiv Pos (FTE) Vacant at Yr End	-2.48	-1.88	0.00	3.80			

**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 with Finance to better support program core services. The Administrative Services program will be hiring a Policy and Research Analyst to assist with project management and to help maintain compliance with policies and programs. The overall decrease in the budget is also partly due to a decrease in Professional Services.



The purpose of the Account Services program is to provide utility billing account management and personalized service to customers so they can pay for the services they receive.

**Performance Narrative Statement**

On an annual basis, the Account Services program issues more than 290,000 bills and is responsible for billing and collecting all retail sewer and surface water monthly service charges, which constitute nearly 70% of WES' budgeted service charge revenue for FY 2023-24. This program is also responsible for assessment and miscellaneous billing, receiving service payments from our partner cities, processing account payments, adjustments and refunds, account openings and closings, and other account management services.

The result to add 500 new accounts to paperless billing each year, which is linked to WES' larger Operational Optimization initiative to minimize resource use, was not achieved in the last three fiscal years and is not on track to be achieved for the current fiscal year based on actuals through December 2022. WES has experienced substantial improvement in the customer experience through the implementation of several new systems, including a feature-rich customer online account management system launched in July 2020. In the two and a half years since the system's launch, WES has seen an increase of more than 125% in customers enrolled in online account management. The system currently supports approximately 50% of WES' directly-billed sewer and surface water customers with 13,000 registered users. The increase in online account management is contributing to a higher number of customers electing to make online payments but has not been reflected in paperless bill enrollments in FY 2023-24. The metric of paperless billing will be reconsidered in the next iteration of the WES Performance Clackamas plan as it doesn't fully capture the target of shifting customers to the least-cost account management system (online account management, whether paper billed or not).

The output measure of callers assisted decreased for the past two years due to the success of WES' online account management system, as detailed above. FY 2022-23's actuals through December 2022 reflect an increase in calls of over 20% from the prior year. This increase is due to a variety of targeted outreach efforts to engage directly with customers, including implementation of the Low Income Household Water Assistance Program in May 2022, an ongoing initiative to reduce delinquent accounts through regular past-due account notifications, a new initiative for notification of commercial account consumption increases, and increased utilization of the Integrated Voice Response (IVR) system to make telephone payments. Program staff completed implementation of an online payment system for permit fees, assessments, and miscellaneous accounts receivable payments during the current fiscal year and anticipate this new system will contribute to a slight reduction in call volume while improving the customer experience and WES' operational resilience. The FY 2023-24 target for this output has been increased from 12,000 to 13,000 as the reduction in call volume from the new system is not expected to offset the increase from ongoing customer outreach efforts.

The result of fewer than 5% of accounts certified annually has consistently been achieved for the last two fiscal years and is on track to be met for FY 2023-24. This success is owed to program staffs' active management of customer accounts and increased outreach efforts regarding payment plans and past-due notices, as discussed above.

**Key Performance Measures**

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Result	500 additional accounts added to paperless billing each year	383	391	500	185	500
Result	Fewer than 5% of accounts certified annually	4.1%	3.2%	< 5.0%	3.7%	< 5.0%
Output	# callers assisted	12,626	12,145	12,000	7,220	13,000
Output	# customer bills issued annually	285,625	295,306	294,500	149,349	298,500

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 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	263,238	249,435	409,920	287,980	374,040	<b>(35,880)</b>	<b>-9%</b>
Materials and Services: Other	302,563	320,510	349,590	331,930	686,650	<b>337,060</b>	<b>96%</b>
<b>Operating Expense</b>	<b>565,801</b>	<b>569,945</b>	<b>759,510</b>	<b>619,910</b>	<b>1,060,690</b>	<b>301,180</b>	<b>40%</b>
<b>Total Expense</b>	<b>565,801</b>	<b>569,945</b>	<b>759,510</b>	<b>619,910</b>	<b>1,060,690</b>	<b>301,180</b>	<b>40%</b>

Full Time Equiv Pos (FTE) Budgeted	3.97	4.90	4.27	4.27	3.50	-0.77	<b>-18%</b>
Full Time Equiv Pos (FTE) Filled at Yr End	2.69	2.65	4.27	2.72			
Full Time Equiv Pos (FTE) Vacant at Yr End	1.28	2.25	0.00	1.55			

**Significant Issues and Changes**

The FY 2023-24 budget represents an increase of 40% from FY 2022-23. The proposed budget includes additional resources for postage and printing of past-due and other account notices to support program initiatives, increased payment processing fees as WES' online account management system continues to see higher utilization, and increased banking and merchant fees that result from moving the budget for these services from the Financial Management program to match the cost incurred with the services the cost supports. These increases are partially offset by a 9% reduction in labor costs from shifting Administrative Support staff labor, within the Account Services team, to the Administrative Services program to better align the nature of the work performed with the core services of each program.



# Business Services

## Financial Management

### Purpose Statement

The purpose of the Financial Management Program is to provide accurate and timely financial support, budget, audits, analysis, projection, and rate proposal services to WES employees, decision makers, advisory committees and the public so they have the necessary resources to achieve strategic results and provide input on how WES' resources are generated, allocated and used.

### Performance Narrative Statement

The Financial Management Program provides financial support, analysis, financial projections, budget development and reporting, debt management, and monthly service fee calculations to internal and external stakeholders.

WES' AAA credit rating was affirmed by S&P Global Ratings in February 2021 as part of the Series 2021 debt issuance. The AAA rating, the highest available, reflects strong financial health and management and has resulted in low interest rates on debt for the benefit of ratepayers. WES' most recently issued debt, in February 2021, realized a true interest cost of 0.84% on a \$40 million issuance.

The performance metric for annual operating expenditures to vary from budgeted operating expenditures by less than 15% was not met for FY 2021-22 with an actual variance of 15.3%. As in prior years, the largest variances continue to be in labor and professional services. Beginning in FY 2020-21 and continuing through FY 2021-22 and FYTD 2022-23, WES has experienced persistently high vacancy counts of between 10-15 positions. As a result of the high number of vacancies, FY 2022-23's actual expenses through December 2022 indicate a projected variance of 12.8% from budget. This measure is expected to improve slightly as positions are filled between now and the end of the fiscal year, but is not anticipated to meet the more ambitious goal of 10%.

In prior years, 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 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. The proposed sewer rate increases for FY 2023-24 are currently at the 5% target consistent with this financial strategy. During FY 2022-23, staff completed a Surface Water Master Plan that generated long-term recommendations for surface water rates. Surface water service rate increases for next fiscal year are proposed at ~6% to support needed capital investment in alignment with the recommendations from that plan.

The result to distribute quarterly budget to actual reports within three weeks of quarter's close was not met for FY 2021-22 and has not consistently been met for the first half of FY 2022-23. The decrease in performance for this metric stems from the prior year implementation of a new, countywide Chart of Accounts (COA). The new COA necessitated rebuilding the templates and queries used for reporting budget to actual data. This program completed rebuilding the templates in November 2022 and anticipates meeting this goal for the remainder of the current fiscal year and next fiscal year.

### Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	Annual operating expenditures will vary from budgeted operating expenditures by less than 15%	12.2%	15.3%	10.0%	12.8%	10.0%
Result	Maintain current bond rating of AAA	AAA	AAA	AAA	AAA	AAA
Result	Rates will not increase more than 10% in any year nor less than the adopted index stating the current rate of inflation.	2.5% avg (0.13% - 5.08%)	0.68% avg (0.00% - 1.53%)	5%	3.2% avg (0.00% - 5.32%)	5%
Result	Quarterly budget to actual reports are distributed within three weeks of quarter's close	100%	0%	100%	25%	100%

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 administrates the annual budget in compliance with ORS 294.305 to 294.565 and 294.900 to 294.930.



	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	743,379	846,500	821,330	966,800	1,130,690	<b>309,360</b>	<b>38%</b>
Materials and Services: Other	727,906	697,338	705,470	744,055	496,730	<b>(208,740)</b>	<b>-30%</b>
<b>Operating Expense</b>	<b>1,471,285</b>	<b>1,543,838</b>	<b>1,526,800</b>	<b>1,710,855</b>	<b>1,627,420</b>	<b>100,620</b>	<b>7%</b>
<b>Total Expense</b>	<b>1,471,285</b>	<b>1,543,838</b>	<b>1,526,800</b>	<b>1,710,855</b>	<b>1,627,420</b>	<b>100,620</b>	<b>7%</b>

Full Time Equiv Pos (FTE) Budgeted	5.82	5.82	5.90	5.90	7.40	1.50	<b>25%</b>
Full Time Equiv Pos (FTE) Filled at Yr End	6.18	6.56	5.90	6.90			
Full Time Equiv Pos (FTE) Vacant at Yr End	-0.36	-0.74	0.00	-1.00			

#### Significant Issues and Changes

This Financial Management program proposes a budget of \$1.6 million for FY 2023-24, an increase of 7% from the current FY's budget. This increase is the result of an increase of 1.5 FTEs to move positions that support WES' procurement processes to this program from the Administrative Services program to better align program core services. The increase in labor was partially offset by a reduction in banking and merchant fees, which are now being budgeted under the Account Services program to better match program expenses to program services.

# Capital Planning and Management



## Line of Business Purpose Statement

The purpose of the Capital Planning and Management Line of Business is to provide strategy, analysis, projection, and new infrastructure services to WES ratepayers and decision makers so they can make well-informed decisions leading to timely and cost-effective infrastructure.

<p style="text-align: center;"><b>Water Environment Services</b> Greg Geist - Director FTE 118.00 Total Program Operating Budget \$31,085,707</p>
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<p style="text-align: center;"><b>Capital Planning and Management</b> Jeff Stallard - Mgr Total Budget \$2,881,860</p>
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<p style="text-align: center;"><b>Asset Management</b> Jeff Stallard - Mgr FTE 8.30 Total Budget \$1,882,600</p>
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<p style="text-align: center;"><b>Capital Delivery</b> Jeff Stallard - Mgr FTE 10.12 Total Budget \$999,260</p>
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# Capital Planning and Management

## Asset Management

### Purpose Statement

The purpose of the Asset Management Program is to provide strategies, technology and asset tracking services to WES employees so they can make proactive, data-driven decisions that align with WES' strategic plan and budget.

### 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.

We've 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.

We've completed an asset management model that supports a risk-to-cost decision matrix. We are currently working on user dashboards that our operations and capital planning and delivery teams can use to inform their prioritization of maintenance activities, reliability projects and renewal/replacement plans.

In this upcoming fiscal year, we will continue to support the development of operational dashboards and automated regulatory compliance reports. We will scope and pursue a new Permits system that will integrate with our utility billing, assessment and customer receipt systems. Other goals include building new reports and dashboards necessary for tracking our updated Performance Clackamas strategic business plan and building new Microsoft 365 tools and workflows.

### Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	# asset inventories completed/expected	51	136	35	74	35
Result	100% of new assets mapped and entered into the maintenance management system within six months of construction acceptance	68%	91%	100%	87%	100%
Output	# asset renewal/replacement plans provided/expected	3	3	3	1.5	3
Output	# asset condition assessments completed/expected	530	1,331	500	63	500

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.



Budget Summary

	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	894,125	948,871	1,193,600	1,162,960	1,292,600	99,000	8%
Materials and Services: Other	504,075	331,392	587,620	534,534	590,000	2,380	0%
<b>Operating Expense</b>	<b>1,398,200</b>	<b>1,280,263</b>	<b>1,781,220</b>	<b>1,697,494</b>	<b>1,882,600</b>	<b>101,380</b>	<b>6%</b>
<b>Total Expense</b>	<b>1,398,200</b>	<b>1,280,263</b>	<b>1,781,220</b>	<b>1,697,494</b>	<b>1,882,600</b>	<b>101,380</b>	<b>6%</b>
Full Time Equiv Pos (FTE) Budgeted	7.60	7.68	8.00	8.00	8.30	0.30	4%
Full Time Equiv Pos (FTE) Filled at Yr End	6.99	7.05	8.00	7.91			
Full Time Equiv Pos (FTE) Vacant at Yr End	0.61	0.63	0.00	0.09			

**Significant Issues and Changes**

The Asset Management program proposes a \$1,882,600 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 2023-24, the Asset Management program budget for labor is expected to increase by 8%, once we fill our current FTE vacancy. We have continued creating operational efficiencies with our consolidation of software, hardware and supporting professional services budgets to offset inflationary cost increases. This work has allowed us to take on new projects without increasing the overall Materials and Services budget. We are continuing our improvements to optimize the systems and ensure we have the staffing capacity to support them.

# Capital Planning and Management

## Capital Delivery



### Purpose Statement

The purpose of the Capital Delivery Program is to provide wastewater planning, engineering and construction services to provide WES ratepayers with reliable wastewater treatment and conveyance infrastructure and support anticipated growth.

### Performance Narrative Statement

The Capital Delivery program plans all capital expenditures which range from \$5,000 to several tens of millions of dollars. We are a staff of a program manager, four engineers and a construction coordinator. Our five-year plan includes approximately \$200M in required project expenditures. We are actively managing approximately 35 major projects representing over \$150M of facilities in design/construction. Projects have been completed on budget but have fallen behind schedule due to lack of WES and consultant staff and procurement construction delays. All Performance Clackamas initiatives listed below have been completed as noted. New initiatives will be proposed with the next plan update.

**Initiative:** By January 2021, WES will have completed the TC WRRF Solids Handling Improvements Project to support the expected 20-year growth horizon.

The project has been completed and was delivered on budget.

**Initiative:** By June 30, 2020, develop a 20-year Capital Improvement Plan that will estimate cost and schedule for all major investments necessary for that time period.

The WES Collection System Master Plan was completed in January 2019 and provided a recommended plan and implementation schedule for improvements required to provide a reliable collection and conveyance system with capacity sufficient for projected growth in the service area. A similar plan for the Hoodland service area was completed in 2017 and a plan for the Boring service area was completed in 2020. The Willamette Facilities Plan and its recommendations for facilities required at the Tri-City and Kellogg WRRFs was completed in December 2022. Cumulatively, these planning efforts have provided a 20-year CIP for WES.

### Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	Annual 5-year CIP	1	1	1	1	1
Result	90% of capital projects started will be completed on time and on budget	90%	84%	90%	95%	90%

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.

Capital Planning and Management

Capital Delivery

Budget Summary



	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	493,180	481,015	465,610	448,930	568,150	102,540	22%
Materials and Services: Other	673,845	399,862	147,020	233,112	431,110	284,090	193%
<b>Operating Expense</b>	<b>1,167,025</b>	<b>880,877</b>	<b>612,630</b>	<b>682,042</b>	<b>999,260</b>	<b>386,630</b>	<b>63%</b>
<b>Total Expense</b>	<b>1,167,025</b>	<b>880,877</b>	<b>612,630</b>	<b>682,042</b>	<b>999,260</b>	<b>386,630</b>	<b>63%</b>
Full Time Equiv Pos (FTE) Budgeted O&M	2.56	2.60	2.15	2.15	2.70	0.55	26%
Full Time Equiv Pos (FTE) Filled at Yr End	2.85	2.59	2.15	2.14			
Full Time Equiv Pos (FTE) Vacant at Yr End	-0.29	0.01	0.00	0.01			
Capitalized Labor FTE	4.94	4.68	6.39	4.42	7.42	1.03	16%
Total Program FTE	7.79	7.27	8.54	6.56	10.12	1.58	19%

**Significant Issues and Changes**

The Capital Delivery budget shows the following changes:

**Materials and 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 and assessment and pollution prevention services to WES staff, and permitting services to permit applicants, and the broader community 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 \$31,085,707

#### Environmental Services

Ron Wierenga - Mgr

Total Budget

\$5,146,770

#### Environmental Monitoring

Ron Wierenga - Mgr

FTE 6.05

Total Budget

\$1,544,720

#### Permit Services

Ron Wierenga - Mgr

FTE 7.25

Total Budget

\$1,702,050

#### Watershed Protection

Ron Wierenga - Mgr

FTE 4.90

Total Budget

\$1,900,000



# Environmental Services

## Environmental Monitoring

### Purpose Statement

The purpose of the Environmental Monitoring Program is 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.

### Performance Narrative Statement

WES' sample collection and analyses efforts are internally focused, thus performance is measured by getting data in the hands of people who need it as quickly as possible. Strategic results for this program focus on turn-around time in the laboratory, a common measure of performance for commercial analytical labs, which is having 80% of lab analyses ready to report to customers within 15 days of receiving a sample. This means running the test, entering data, and doing quality control validation of data before reporting it to lab users. Currently the program's strategic performance is tracking above target, with an 85% average for the first two quarters of the FY. The main output for the lab is the number of tests, which continues to be high and is well above the 30,000 tests a year target, showing a continued high demand for lab services within the organization.

Staff continue to focus on improvements to WES' analytical database, Labworks, which is a critical tool for getting data and reports to customers. Improvements to database configuration will allow for much-needed upgrades that will offer data entry, automation, data querying, and reporting efficiencies. The lab maintained its accreditation status from the Oregon Lab Accreditation Program.

Additional program performance highlights include:

- The lab continued to play a major role in the Tri-City solids digester and centrifuge operation, analyzing dozens of solids samples a week to inform operations about process performance. This project was a high priority for the lab, with most of the data turned around in less than 24 hours.
- Staff completed the initiative to collect monthly toxics data from WES' Kellogg Creek and Tri-City treatment plants as required by Oregon DEQ for pending permit renewals planned for FY 2023-24.
- 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 this year, increasing the amount of support needed by monitoring staff. The monitoring program supported WES' precipitation monitoring network of 7 new rain gauges throughout WES' service area, done through a contract that will operate the network for the next 5 years.

### Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	# surface water and wastewater samples analyzed	25,891	41,241	30,000	21,868	30,000
Result	80% of analyses are ready to report within 15 days of receiving a sample	71.67%	84.00%	80.00%	85.09%	80.00%
Output	Laboratory maintains ORELAP accredited status	Accredited	Accredited	Accredited	Accredited	Accredited

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).



Environmental Services

Environmental Monitoring

Budget Summary

	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	746,851	837,946	857,630	815,580	933,690	76,060	9%
Materials and Services: Other	531,821	593,015	595,680	593,037	611,030	15,350	3%
<b>Operating Expense</b>	<b>1,278,672</b>	<b>1,430,961</b>	<b>1,453,310</b>	<b>1,408,617</b>	<b>1,544,720</b>	<b>91,410</b>	<b>6%</b>
<b>Total Expense</b>	<b>1,278,672</b>	<b>1,430,961</b>	<b>1,453,310</b>	<b>1,408,617</b>	<b>1,544,720</b>	<b>91,410</b>	<b>6%</b>
Full Time Equiv Pos (FTE) Budgeted	5.86	6.01	5.81	5.81	6.05	0.24	4%
Full Time Equiv Pos (FTE) Filled at Yr End	5.61	6.07	5.81	5.55			
Full Time Equiv Pos (FTE) Vacant at Yr End	0.25	-0.06	0.00	0.26			

**Significant Issues and Changes**

The Environmental Monitoring program proposes a \$1.54M 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 2023-24 budget represents a 6% increase from the previous FY budget. Materials and services increased by about 3% reflecting some minor changes in contracted work. The program supports a 5-year contract to operate WES' rainfall monitoring network that provides important data for wastewater and storm system planning and operations.

An increase in staff resources for the program of about 0.24 FTE or 4% reflects proportioning staff time from programs for planned studies. Oregon DEQ-required surface water monitoring will increase this FY as new MS4 permit requirements are incorporated into monitoring programs. WES' Capital Delivery program continues to deploy wastewater flow monitoring stations in an effort to evaluate wastewater collection system capacity and opportunities to reduce Inflow and Infiltration, so program staff have increased the time dedicated to operate the continuous flow-gaging network.



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 gain access to WES's systems in a timely fashion and appropriately discharge wastewater and stormwater.

**Performance Narrative Statement**

Strategic results for the Permits 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. And about a third 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 continued this year, with several presentations to the WES Advisory Committee and the District Board. Adoption hearings for the Rules and Regulations are scheduled for April/May 2023 with implementation of the new rules and standards soon to follow. Implementation will continue in 2023/2024 with additional work on the design standards.
- 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.

**Key Performance Measures**

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	# industry compliance inspections	26	37	45	24	45
Output	# permitted Equivalent Dwelling Units (EDUs)	815	1,195	500	122	500
Result	80% of sanitary and storm plan reviews are completed within three weeks of submittal	99%	99%	80%	99%	80%
Output	# sanitary and storm plan reviews	261	165	150	127	150
Result	90% of permitted industrial customers are in compliance with wastewater discharge rules	94%	97%	90%	95%	90%

Program includes:

Mandated Services

Shared Services

Grant Funding

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 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,084,889	1,162,027	1,265,900	1,186,580	1,205,400	(60,500)	-5%
Materials and Services: Other	244,769	220,606	311,890	313,047	496,650	184,760	59%
<b>Operating Expense</b>	<b>1,329,658</b>	<b>1,382,633</b>	<b>1,577,790</b>	<b>1,499,627</b>	<b>1,702,050</b>	<b>124,260</b>	<b>8%</b>
<b>Total Expense</b>	<b>1,329,658</b>	<b>1,382,633</b>	<b>1,577,790</b>	<b>1,499,627</b>	<b>1,702,050</b>	<b>124,260</b>	<b>8%</b>
Full Time Equiv Pos (FTE) Budgeted	8.99	8.99	8.70	8.70	7.25	-1.45	-17%
Full Time Equiv Pos (FTE) Filled at Yr End	7.77	8.01	8.70	7.41			
Full Time Equiv Pos (FTE) Vacant at Yr End	1.22	0.98	0.00	1.29			

**Significant Issues and Changes**

The Permit Services Program proposes a \$1.7M 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 2023-24 budget represents an 8% increase from the previous FY budget. Overall, discretionary materials and services line items were increased in FY 2023-24 due to the need for contracted services for program initiatives, specifically local limits evaluation and stormwater standards updates. The program is fully staffed with no current vacancies. Labor allocations were reduced slightly as the Rules and Regulation project is completed, resulting in a 5% decrease in the program's labor budget.



## Environmental Services

### Watershed Protection

#### Purpose Statement

The purpose of the Watershed Protection Program is to provide surface water protection and restoration services to residents of WES' service areas so they can benefit from healthy and clean streams.

#### 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 how they can help protect water quality, pollution prevention activities including inspection and enforcement, and on-the-ground restoration.

WES staff inspected 27 businesses to date this FY and the percentage determined as having adequate pollution controls and exhibiting proper maintenance of their storm systems is averaging 54% 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. Performance is expected to increase as more inspections are done, the rules and standards are updated to be clearer about expectations, and more watershed health education is done to make business owners aware of their obligations and their impact on water quality.

Another long-term strategic result is that streams in WES' service area meet Oregon water quality criteria. Of the 9 streams routinely monitored by WES, 5 of them failed to meet two or more water quality criteria again this FY, and as a result 44% 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 plan to lead 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 TMDL implementation plans which is pending DEQ approval. Implementation of both plans will begin in mid-2023.

WES completed work on a comprehensive Storm System Master Plan in 2022, which established a Capital Improvement Plan for upcoming years. The master plan was presented to the District Board in 2022, and select projects from the master plan were included in the 2022-27 CIP adopted by the District Board in 2022. 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 2022 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 2023. WES is partnering with SOLVE again this year to bring Summer Waterways Cleanup events to Clackamas County.

#### Key Performance Measures

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Result	30% of streams within WES' jurisdiction meet or exceed water quality standards. <sup>1</sup>	44%	44%	30%	44%	30%
Result	50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance. <sup>1</sup>	55%	53%	50%	54%	50%
Output	# commercial/industrial site pollution prevention visits	113	102	100	27	100
Output	Acres of ponds and streamside planted	33	23	15	0	15

Program includes:

Mandated Services  Y

Shared Services  N

Grant Funding  Y

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.

Environmental Services

Watershed Protection

Budget Summary



	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	769,988	779,414	854,690	747,900	884,780	30,090	4%
Materials and Services: Other	1,025,540	1,188,701	1,213,990	1,107,731	1,015,220	(198,770)	-16%
<b>Operating Expense</b>	<b>1,795,528</b>	<b>1,968,115</b>	<b>2,068,680</b>	<b>1,855,631</b>	<b>1,900,000</b>	<b>(168,680)</b>	<b>-8%</b>
<b>Total Expense</b>	<b>1,795,528</b>	<b>1,968,115</b>	<b>2,068,680</b>	<b>1,855,631</b>	<b>1,900,000</b>	<b>(168,680)</b>	<b>-8%</b>
Full Time Equiv Pos (FTE) Budgeted	4.55	5.50	4.83	4.83	4.90	0.07	1%
Full Time Equiv Pos (FTE) Filled at Yr End	5.11	4.69	4.83	4.22			
Full Time Equiv Pos (FTE) Vacant at Yr End	-0.56	0.81	0.00	0.61			

**Significant Issues and Changes**

The Watershed Protection program proposes a \$1.9M operating budget to support surface water protection and restoration services in WES' service area. The program is fully staffed with no current vacancies. The labor budget is slightly higher, with steady allocation of FTE among WES programs. The FY 2023-24 budget represents about an 8% decrease from the FY 2022-23 budget, more comparable to previous-year and projected current FY actuals. Most of this decrease is from reduced budget for contract services, including several key, one-time initiatives like the third year of the storm system master plan being completed. There is budget for implementation of new plans completed in FY 2022-23 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 collection and conveyance, treatment, and resource recovery services to ratepayers so they can have properly functioning infrastructure that supports healthy waterways and a vibrant economy.

<p><b>Water Environment Services</b>          Greg Geist - Director          FTE 118.00          Total Program Operating Budget \$31,085,707</p>
--

<p><b>Operations</b>           Matt House - Mgr           Total Budget          \$17,016,090</p>
--

<p><b>Resource Recovery</b>           Matt House - Mgr          FTE 7.35          Total Budget          \$1,875,750</p>
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<p><b>Field Operations and Maintenance</b>           Matt House - Mgr          FTE 14.33          Total Budget          \$3,700,770</p>
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<p><b>Plant Operations and Maintenance</b>           Matt House - Mgr          FTE 35.00          Total Budget          \$11,439,570</p>
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**Purpose Statement**



The purpose of the Resource Recovery Program is to provide coordination and support for resource recovery and conservation services to WES programs, rate payers, and local communities so they can save money and live in sustainable communities.

**Performance Narrative Statement**

**ENERGY:** Kellogg Creek enrolled 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 5.75% the first year and will target an additional 1.5% in the second year of engagement. Tri-City plans to reengage with SEM in the second quarter if space in the cohort is available. Several community solar projects that WES subscribes to came online which helps offset greenhouse gas emissions and energy usage by producing renewable energy. Tri-City 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 in return. The largest impact to energy consumption is the continued use of the larger CAT engine that produces combined heat and power using biogas produced by the anaerobic digesters.

**SOLIDS REUSE:** WES secured a third party hauling and land application contract that assists with efficiently maintaining beneficial reuse of biosolids in Sherman County. There will be opportunities to land apply recovered solids on grass seed in the Willamette Valley in the summers which will reduce hauling distances and increase beneficial reuse options. 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.

**WATER REUSE:** WES continues to utilize recycled water in plant processes but will explore options to use recycled water outside of the facility. WES will need to revise the Recycled Water Use Plan (RWUP) and will need 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**

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 Target
Output	Metric tons of solids produced	1,869	2,410	2,000	847	2,000
Efficiencies	Energy cost / volume processed (MG)	\$233	\$182	\$145	\$221	\$145
Output	Gallons of recycled water used	258.54	264.22	300.00	105.53	300.00
Demand	Gallons of recycled water needed	281.52	287.32	300.00	113.61	300.00
Result	WES will beneficially reuse 85% of recovered solids	83.6%	82.5%	85.0%	94.2%	85.0%

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.



Budget Summary

	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	641,237	704,845	751,350	704,150	940,770	189,420	25%
Materials and Services: Other	771,153	955,247	976,440	831,151	934,980	(41,460)	-4%
<b>Operating Expense</b>	<b>1,412,390</b>	<b>1,660,092</b>	<b>1,727,790</b>	<b>1,535,301</b>	<b>1,875,750</b>	<b>147,960</b>	<b>9%</b>
<b>Total Expense</b>	<b>1,412,390</b>	<b>1,660,092</b>	<b>1,727,790</b>	<b>1,535,301</b>	<b>1,875,750</b>	<b>147,960</b>	<b>9%</b>
Full Time Equiv Pos (FTE) Budgeted	8.09	7.30	5.05	5.05	7.35	2.30	46%
Full Time Equiv Pos (FTE) Filled at Yr End	6.35	5.77	5.05	5.00			
Full Time Equiv Pos (FTE) Vacant at Yr End	1.74	1.53	0.00	0.05			

**Significant Issues and Changes**

In FY 2022-23, Resource Recovery will have finished the first year of the contract for hauling and land application of cake biosolids and is on target with the \$400,000 annual budget proposed. Landfill disposal is the second largest non-labor cost and can fluctuate due to the impacts of weather effects at times during the year diverting materials from land application. The landfill contract expires at the end of the fiscal year and will be renewed for an additional three years and rates could increase. There are emerging contaminants such as per- and polyfluoroalkyl substances (PFAS) that the program is tracking to see how it will impact land application and solids handling in the near future. The liquid hauling program will continue to be performed by WES staff and may need to be supplemented by other positions in Operations on occasion based on digester levels.

There are three vacancies currently in Resource Recovery that were included in the FTE count this year which is reflected in the increase shown. The increase in labor cost of 25% reflects partially filling those vacancies, however, the department might repurpose those vacancies in other programs so the expense wouldn't be incurred in Resource Recovery.



Field Operations and Maintenance

**Purpose Statement**

The purpose of the Field Operations and Maintenance Program is to provide collection and conveyance system maintenance services to homes and businesses within WES' service areas so they can benefit from properly functioning infrastructure that supports water quality and reduces sewage backups and storm related flooding.

**Performance Narrative Statement**

We have recently augmented our staff and prioritized our resources to meet our Performance Clackamas metrics that are not reflected in all of the FY 22-23 Actuals as of 12/31/22 data below. For example, we recently filled our FTE vacancies and are prioritizing 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 our computerized maintenance management system. We will continue to leverage asset management best practices to improve our inspection and maintenance performance to prevent larger emergency responses, sanitary sewer overflows and costly repairs.

**Key Performance Measures**

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 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.	8.62%	28.2%	33.0%	3.25%	20.0%
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.	13.62%	20.8%	16.7%	9.74%	16.7%
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	87.34%	89.0%	75.0%	90.70%	85.0%

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 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,510,671	1,258,673	1,694,570	1,441,100	1,856,830	<b>162,260</b>	<b>10%</b>
Materials and Services: Other	2,131,523	1,373,731	1,713,510	1,607,188	1,843,940	<b>130,430</b>	<b>8%</b>
<b>Operating Expense</b>	<b>3,642,194</b>	<b>2,632,404</b>	<b>3,408,080</b>	<b>3,048,288</b>	<b>3,700,770</b>	<b>292,690</b>	<b>9%</b>
<b>Total Expense</b>	<b>3,642,194</b>	<b>2,632,404</b>	<b>3,408,080</b>	<b>3,048,288</b>	<b>3,700,770</b>	<b>292,690</b>	<b>9%</b>
Full Time Equiv Pos (FTE) Budgeted	14.50	14.35	13.73	13.73	14.33	0.60	<b>4%</b>
Full Time Equiv Pos (FTE) Filled at Yr End	13.90	12.62	13.73	12.85			
Full Time Equiv Pos (FTE) Vacant at Yr End	0.60	1.73	0.00	0.88			

**Significant Issues and Changes**

The Field Operations and Maintenance program proposes a \$3,700,770 operating budget to inspect and maintain the public storm and wastewater collection systems so our communities can benefit from properly functioning infrastructure that protects clean water. The FY 2023-24 budget represents a 9% increase from the current fiscal year budget. Materials and services increased by 8% reflecting anticipated increases in utility costs to operate our wastewater pump stations and additional budget allocated to repairs and maintenance to improve our management of stormwater vegetated facilities. A slight increase in staff resources for the program of 0.6 FTE reflects an adjustment to the proportioning of staff from capital construction project support to field operations and planning for some maintenance project support from several Plant Operations and Maintenance staff.



Plant Operations and Maintenance

**Purpose Statement**

The purpose of the Plant Operations and Maintenance program is to provide treated wastewater effluent, recycled water, and recovered resources to the community so they can experience healthy 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 98%. 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 81% exceeding our new target of 78%.

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

**Key Performance Measures**

		FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Target	FY 22-23 Actuals as of 12/31/22	FY 23-24 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%	97%	100%	98%	100%
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	86%	90%	78%	81%	78%
Output	Billion gallons of treated wastewater	6.09	7.04	7.00	2.89	7.00

Program includes:

Mandated Services

Shared Services

Grant Funding

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 20-21 Actual	FY 21-22 Actual	FY 22-23 Amended Budget	FY 22-23 Projected Year End	FY 23-24 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	3,974,678	4,027,791	4,933,160	4,148,030	4,924,210	(8,950)	0%
Materials and Services: Other	5,274,518	4,877,847	6,762,870	5,554,090	6,515,360	(247,510)	-4%
<b>Operating Expense</b>	<b>9,249,196</b>	<b>8,905,638</b>	<b>11,696,030</b>	<b>9,702,120</b>	<b>11,439,570</b>	<b>(256,460)</b>	<b>-2%</b>
<b>Total Expense</b>	<b>9,249,196</b>	<b>8,905,638</b>	<b>11,696,030</b>	<b>9,702,120</b>	<b>11,439,570</b>	<b>(256,460)</b>	<b>-2%</b>
Full Time Equiv Pos (FTE) Budgeted	30.78	34.73	35.65	35.65	35.00	-0.65	-2%
Full Time Equiv Pos (FTE) Filled at Yr End	32.74	31.29	35.65	30.98			
Full Time Equiv Pos (FTE) Vacant at Yr End	-1.96	3.44	0.00	4.67			

**Significant Issues and Changes**

The Plant Operations and Maintenance Program proposes an \$11,439,570 operating budget to effectively clean wastewater and proactively maintain facilities and equipment, to meet or surpass environmental, safety and public health standards. The FY 2023-24 budget represents a 2% decrease from the previous FY budget. Materials and services decreased by about 4% reflecting a reduction in the use of professional contracted services and a reduction of support utility cost estimates. A slight decrease in staff resources for the program of 0.65 FTE represents planning for some field operations project support from several plant operations and maintenance staff.

# Budget Detail



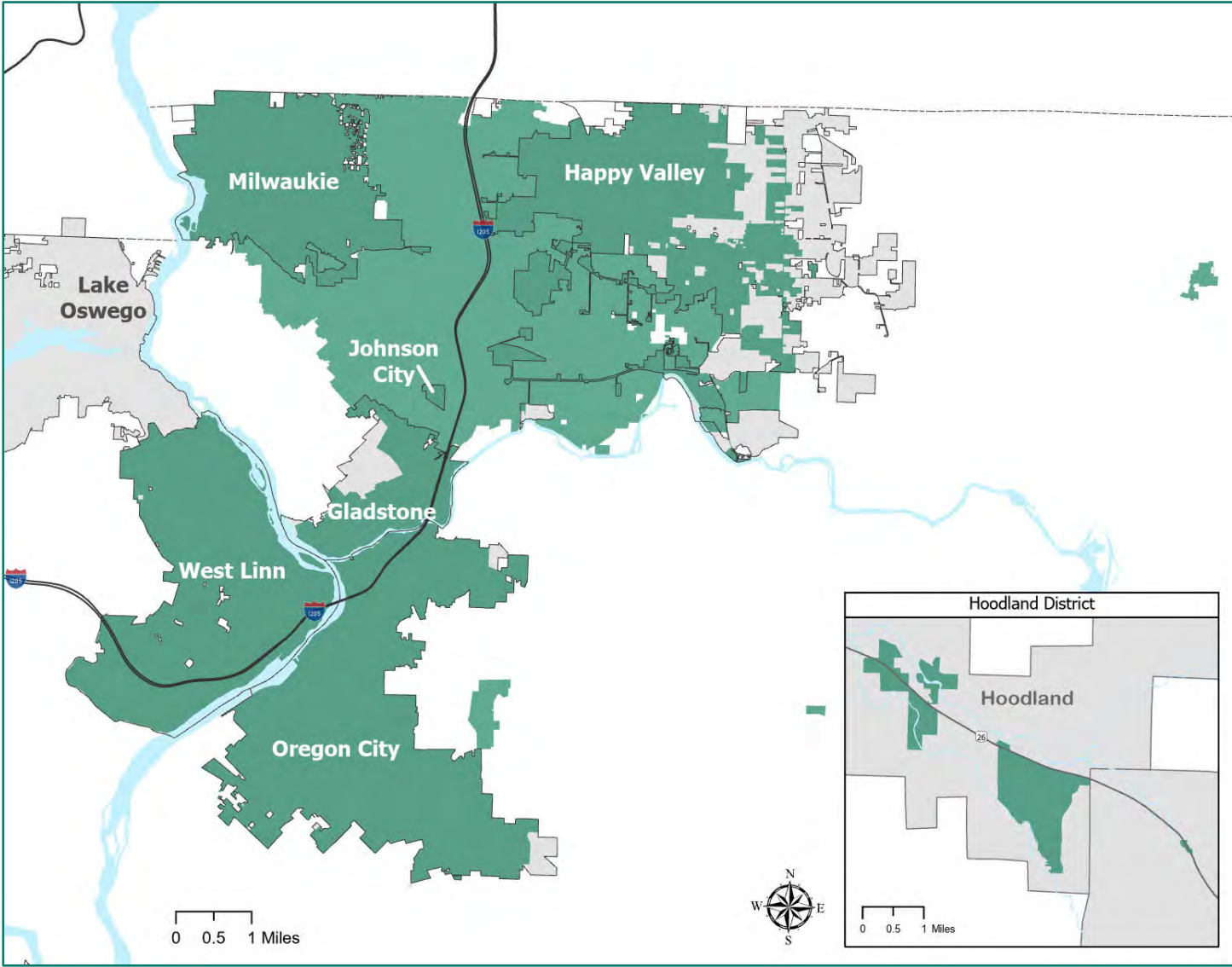
*The inner workings of a pump station*

**Clackamas Water Environment Services**  
**FY 2023-24 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	
<b>RESOURCES</b>								
Beginning Fund Balance	\$ 10,141,558	\$ 51,022,693	\$ 108,061,454	\$ 4,886,237	\$ 2,726,201	\$ 9,672,603	\$ 6,917,600	\$ 193,428,346
Sales and Services								
Sewer Charges	43,521,300							43,521,300
Surface Water Charges				6,476,300				6,476,300
System Development Charges	175,000	7,141,100			126,300			7,442,400
Charges for Services - All Other	957,700			100,000				1,057,700
Interest Income	152,100	765,300	1,620,900	73,300	40,900	145,100	103,800	2,901,400
Permits	55,000			30,000				85,000
Special Assessment Collections	5,000						170,000	175,000
Penalties	45,000							45,000
Federal Operating Grants						340,000		340,000
Capital Contributions								-
Miscellaneous Income	244,720			25,000				269,720
Subtotal - Revenues	<b>45,155,820</b>	<b>7,906,400</b>	<b>1,620,900</b>	<b>6,704,600</b>	<b>167,200</b>	<b>485,100</b>	<b>273,800</b>	<b>62,313,820</b>
Other Financing Sources								
Revenue from Bonds & Other Debts						685,900		685,900
Interfund Transfers In			21,500,000			2,000,000	8,977,751	32,477,751
<b>TOTAL RESOURCES</b>	<b>\$ 55,297,378</b>	<b>\$ 58,929,093</b>	<b>\$ 131,182,354</b>	<b>\$ 11,590,837</b>	<b>\$ 2,893,401</b>	<b>\$ 12,843,603</b>	<b>\$ 16,169,151</b>	<b>\$ 288,905,817</b>
<b>REQUIREMENTS</b>								
Materials and Services								
WES Labor	\$ 13,075,780			\$ 3,238,970				\$ 16,314,750
Other County Services	2,487,861			796,756				3,284,617
Professional Services	1,486,350			654,010				2,140,360
Administrative	1,805,385			406,765				2,212,150
Supplies	2,810,800			48,450				2,859,250
Utilities	1,965,800			9,540				1,975,340
Repair & Maintenance	1,261,970			689,340				1,951,310
Rents & Leases	283,680			64,250				347,930
Subtotal - Materials and Services	25,177,626			5,908,081				31,085,707
Special Payments	1,250,300							1,250,300
Capital Outlay		450,000	49,278,927			2,333,400		52,062,327
Debt Service							12,770,987	12,770,987
Interfund Transfers Out	23,399,300	7,078,451		2,000,000				32,477,751
Contingency	4,196,000	112,500	12,319,732	985,000		1,166,700		18,779,932
Ending Fund Balance and Reserves	1,274,152	51,288,142	69,583,695	2,697,756	2,893,401	9,343,503	3,398,164	140,478,813
<b>TOTAL REQUIREMENTS</b>	<b>\$ 55,297,378</b>	<b>\$ 58,929,093</b>	<b>\$ 131,182,354</b>	<b>\$ 11,590,837</b>	<b>\$ 2,893,401</b>	<b>\$ 12,843,603</b>	<b>\$ 16,169,151</b>	<b>\$ 288,905,817</b>
<b>CHANGES IN FUND BALANCE</b>								
Net Increase (Decrease) in Fund Balance	(8,867,406)	265,449	(38,477,759)	(2,188,481)	167,200	(329,100)	(3,519,436)	(52,949,533)
% Change	-87%	1%	-36%	-45%	6%	-3%	-51%	-27%

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.

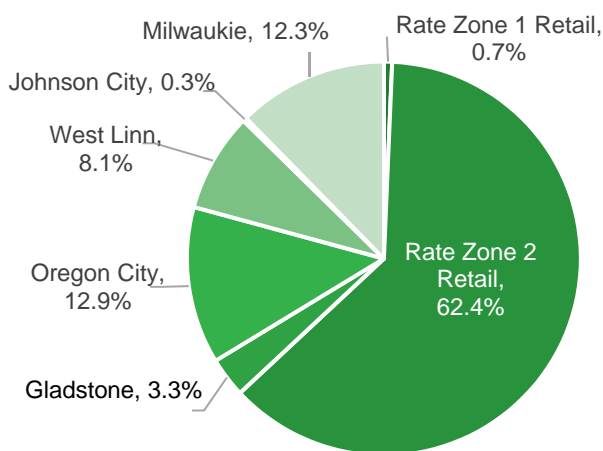
FY 2023-24 resources in the Sewer Operating Fund are approximately \$55.3 million. Primary resources include sewer charges of \$43.5 million, other minor charges, fees and miscellaneous revenues of approximately \$1.7 million, and beginning fund balance carried over from the prior year of approximately \$10.1 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 \$43.5 million for FY 2023-24, comprised of retail sewer charges of approximately \$27.4 million and wholesale sewer charges of approximately \$16.1 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 2023-24 Budget
<b>Retail Sewer Charges</b>	
Rate Zone 1	\$ 294,200
Rate Zone 2	27,144,600
<b>Wholesale Sewer Charges</b>	
Rate Zone 1 Gladstone	1,423,200
Rate Zone 1 Oregon City	5,615,600
Rate Zone 1 West Linn	3,542,500
Rate Zone 2 Johnson City	126,600
Rate Zone 2 Milwaukie	5,374,600
<b>TOTAL SEWER CHARGES</b>	<b>\$ 43,521,300</b>

*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 2023-24 is proposed to increase \$2.05 or approximately 5.0% from \$40.75 per EDU per month to \$42.80 per EDU per month. The budget includes a Rate Zone 2 retail rate increase of \$0.70 or approximately 1.3% from \$52.15 per EDU per month to \$52.85 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 2023-24 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 2023-24 EDUs
	Wastewater Treatment	Local Collection	Legacy Debt Service Component				
<b>Rate Zone 1</b>	\$ 27.90	\$ 14.90	\$ -	\$ 42.80	\$ -	<b>\$ 42.80</b>	532
<b>Rate Zone 2</b>	\$ 27.90	\$ 14.90	\$ 10.05	\$ 52.85	\$ 2.64	<b>\$ 55.49</b>	42,486

\*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 Milwaukie and Johnson City in Rate Zone 2.

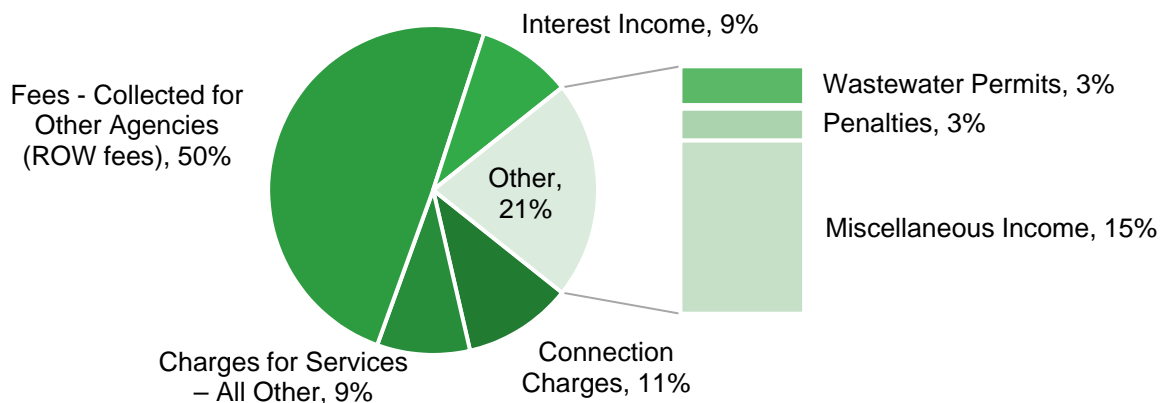
The budget includes a wholesale monthly service charge rate increase of \$1.35 or approximately 5.0% from \$26.55 per EDU per month to \$27.90 per EDU per month. The following table combines WES' wholesale rate with the legacy debt service component for Rate Zone 2, applicable city right-of-way (ROW) fees, and the rate charged by individual cities for their local operating expenses, to arrive at the total user rates for FY 2023-24 that will be charged for a single family unit in each city:

	WES Wholesale Rate Components			WES Wholesale Subtotal	City Retail Monthly Rate <sup>1</sup>	Estimated Monthly Total	Projected FY 2023-24 EDUs
	Wastewater Treatment	Legacy Debt Service Component	City Right-of-Way Fee Surcharge				
<b>Rate Zone 1</b>							
Gladstone	\$ 27.90	\$ -	\$ 1.40	\$ 29.30	\$ 33.55	<b>\$ 62.85</b>	4,251
Oregon City	\$ 27.90	\$ -	\$ 1.75	\$ 29.65	\$ 34.19	<b>\$ 63.84</b>	16,773
West Linn	\$ 27.90	\$ -	\$ -	\$ 27.90	\$ 25.23	<b>\$ 53.13</b>	10,581
<b>Rate Zone 2</b>							
Milwaukie	\$ 27.90	\$ 10.05	\$ -	\$ 37.95	\$ 29.31	<b>\$ 67.26</b>	11,802
Johnson City	\$ 27.90	\$ 10.05	\$ -	\$ 37.95	\$ 1.90	<b>\$ 39.85</b>	278

<sup>1</sup> City Retail Monthly Rates for Gladstone and Oregon City reflect FY 2022-23 rates; these are subject to change.

### Other Revenue Items

Other revenues of approximately \$1.6 million for FY 2023-24 include interest income, ROW fees, and other miscellaneous charges such as septage processing fees, permit fees, plan review fees, and lien search fees. Proportions of budgeted other revenues are detailed in the chart below:



## SEWER FUND DETAIL

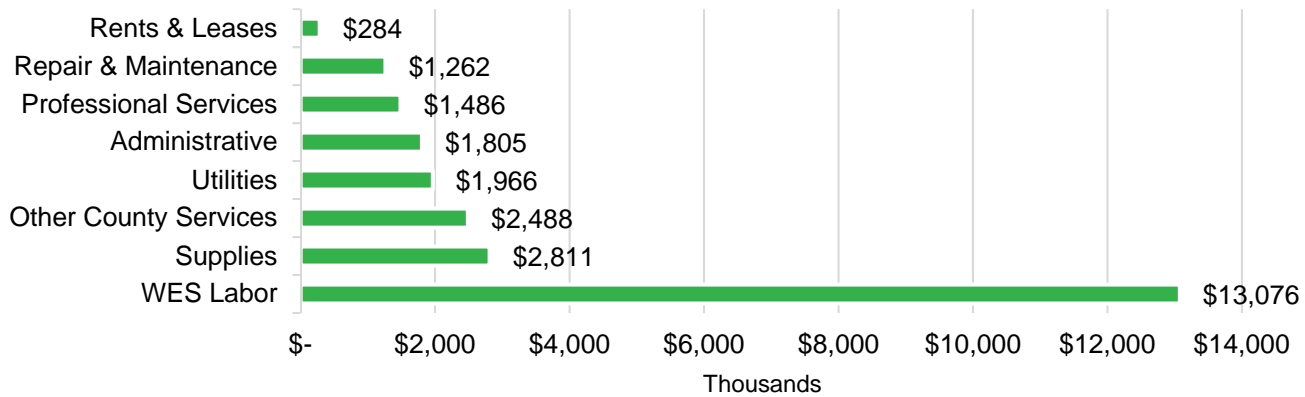
The Sewer Operating Fund’s budgeted requirements are approximately \$55.3 million and include current year materials and services, special payments, transfers, contingency, and ending fund balance.

Budgeted materials and services for FY 2023-24 total approximately \$25.2 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.

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### SEWER OPERATING FUND MATERIALS AND SERVICES

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Special payments of \$1.2 million have been budgeted for FY 2023-24 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. In FY 2020-21 and prior, special payments in this fund were \$0 as these costs were budgeted under the account line Interagency Coordination within the materials and services budget. Beginning with FY 2021-22, these costs are budgeted in the Special Payments category to better align the nature of the cost as a pass-through payment for which no goods or services are received in return.

Budgeted transfers for FY 2023-24 include \$21.5 million to the Sewer Construction Fund and \$1.9M to the Debt Service Fund.

The budgeted contingency, based on 60 days of budgeted operating expenses, is approximately \$4.2 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 \$1.3 million, a reduction from anticipated FY 2022-23 beginning fund balance of 87% or approximately \$8.9 million. This reduction is the result of transferring all funds not needed to meet operating requirements, debt service requirements, and reserve requirements to the Sanitary Sewer Construction Fund.

## SEWER OPERATING FUND DETAIL

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 9,463,711	\$ 11,447,693	\$ 11,791,888	\$ 13,357,957	\$ 10,141,558	\$ 10,141,558	\$ 10,141,558
<b>Revenues</b>							
Sales and Services							
Retail Sewer Charges	25,594,831	25,803,796	26,144,900	26,825,200	27,438,800	27,438,800	27,438,800
City Payments	14,408,573	14,622,237	15,342,700	15,365,000	16,082,500	16,082,500	16,082,500
System Development Charges	231,958	120,234	200,000	27,600	175,000	175,000	175,000
Charges for Services – All Other	867,637	946,509	957,100	865,300	957,700	957,700	957,700
Interest Income	325,086	63,297	82,500	121,600	152,100	152,100	152,100
Permits	47,100	48,454	45,000	48,000	55,000	55,000	55,000
Special Assessment Collections	72,334	18,022	5,000	6,200	5,000	5,000	5,000
Penalties	-	-	50,000	-	45,000	45,000	45,000
Federal Operating Grants	216,180	752,227	-	-	-	-	-
Miscellaneous Income	476,770	288,393	165,720	326,840	244,720	244,720	244,720
<b>Subtotal - Revenues</b>	<b>42,240,469</b>	<b>42,663,169</b>	<b>42,992,920</b>	<b>43,585,740</b>	<b>45,155,820</b>	<b>45,155,820</b>	<b>45,155,820</b>
<b>TOTAL RESOURCES</b>	<b>\$ 51,704,180</b>	<b>\$ 54,110,862</b>	<b>\$ 54,784,808</b>	<b>\$ 56,943,697</b>	<b>\$ 55,297,378</b>	<b>\$ 55,297,378</b>	<b>\$ 55,297,378</b>
<b>REQUIREMENTS</b>							
<b>Materials and Services</b>							
WES Labor	\$ 11,092,752	\$ 10,933,857	\$ 12,483,510	\$ 11,554,520	\$ 13,075,780	\$ 13,075,780	\$ 13,075,780
Other County Services	2,223,070	1,874,526	1,898,470	1,964,311	2,487,861	2,487,861	2,487,861
Professional Services	1,231,884	1,408,940	1,492,060	1,172,391	1,486,350	1,486,350	1,486,350
Administrative	2,539,922	1,076,910	1,771,685	1,699,898	1,805,385	1,805,385	1,805,385
Supplies	2,128,070	2,035,014	2,947,125	2,660,567	2,810,800	2,810,800	2,810,800
Utilities	1,648,961	1,633,467	2,058,620	1,906,257	1,965,800	1,965,800	1,965,800
Repair & Maintenance	837,122	853,542	1,345,410	863,656	1,261,970	1,261,970	1,261,970
Rents & Leases	286,650	310,904	301,630	316,339	283,680	283,680	283,680
<b>Subtotal - Materials and Services</b>	<b>21,988,431</b>	<b>20,127,160</b>	<b>24,298,510</b>	<b>22,137,939</b>	<b>25,177,626</b>	<b>25,177,626</b>	<b>25,177,626</b>
Special Payments	-	1,112,774	1,215,100	1,164,200	1,250,300	1,250,300	1,250,300
Interfund Transfers Out -							
To Sewer Construction Fund	11,000,000	15,500,000	23,500,000	21,863,302	21,500,000	21,500,000	21,500,000
To Debt Service Fund	7,268,056	3,888,956	-	1,636,698	1,899,300	1,899,300	1,899,300
To Surface Water Operating Fund	-	124,015	-	-	-	-	-
Contingency	-	-	4,050,000	-	4,196,000	4,196,000	4,196,000
Ending Fund Balance / Reserves for Future Expenditure	11,447,693	13,357,957	1,721,198	10,141,558	1,274,152	1,274,152	1,274,152
<b>TOTAL REQUIREMENTS</b>	<b>\$ 51,704,180</b>	<b>\$ 54,110,862</b>	<b>\$ 54,784,808</b>	<b>\$ 56,943,697</b>	<b>\$ 55,297,378</b>	<b>\$ 55,297,378</b>	<b>\$ 55,297,378</b>

## 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 2023-24 budgeted resources total approximately \$58.9 million and include SDCs of \$7.1 million, interest income of \$0.8 million, and beginning fund balance of \$51.0 million.

The primary resources in this fund are SDC revenues for new connections to the system. The largest portion of SDC revenue in FY 2023-24 of \$5.0 million is expected from retail connections within Rate Zone 2. Wholesale SDC revenues of approximately \$2.1 million are anticipated in Rate Zone 1 with \$1.7 million from the City of Oregon City; \$328 thousand from the City of West Linn, and \$71 thousand from the City of Gladstone. These revenues are based on an SDC fee of \$8,860 per EDU with reflects an inflationary adjustment of \$260 or 3.0% from the \$8,600 fee per EDU effective during FY 2022-23.

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 2023-24 in this fund is \$0.4 million and directed towards the SDC-eligible portion of the Intertie 2 Pump Station and Force Main project. Descriptions of all major projects are provided in detail in the separate Capital section.

The FY 2023-24 budget includes a transfer to the Debt Service Fund of approximately \$7.1 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 2023-24 debt service payments for the Series 2016 sewer revenue obligations and the State Revolving Fund (SRF) Loan used to finance the Tri-City Solids Handling Improvement project.

Contingency is budgeted at \$0.1 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 \$51.3 million. The \$0.3 million increase in ending fund balance over the projected FY 2022-23 beginning fund balance reflects budgeted revenues in excess of expenditures due to an increase in Rate Zone 1 SDCs. The \$51.3 million ending fund balance will act as a reserve for future capacity-related capital expenditures as well as fund eligible debt service in future fiscal years.

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 39,629,130	\$ 47,620,241	\$ 47,473,691	\$ 51,215,688	\$ 51,022,693	\$ 51,022,693	\$ 51,022,693
System Development Charges	7,933,978	11,135,878	6,149,000	5,700,800	7,141,100	7,141,100	7,141,100
Interest Income	374,483	153,138	332,300	466,100	765,300	765,300	765,300
<b>TOTAL RESOURCES</b>	<b>\$ 47,937,591</b>	<b>\$ 58,909,257</b>	<b>\$ 53,954,991</b>	<b>\$ 57,382,588</b>	<b>\$ 58,929,093</b>	<b>\$ 58,929,093</b>	<b>\$ 58,929,093</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 317,350	\$ 413,790	\$ 206,000	\$ 96,000	\$ 450,000	\$ 450,000	\$ 450,000
Interfund Transfers Out – To Debt Service Fund	-	7,279,779	8,777,111	6,263,895	7,078,451	7,078,451	7,078,451
Contingency	-	-	103,000	-	112,500	112,500	112,500
Ending Fund Balance / Reserves for Future Expenditure	47,620,241	51,215,688	44,868,880	51,022,693	51,288,142	51,288,142	51,288,142
<b>TOTAL REQUIREMENTS</b>	<b>\$ 47,937,591</b>	<b>\$ 58,909,257</b>	<b>\$ 53,954,991</b>	<b>\$ 57,382,588</b>	<b>\$ 58,929,093</b>	<b>\$ 58,929,093</b>	<b>\$ 58,929,093</b>

## SANITARY SEWER CONSTRUCTION FUND 639

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

Total resources for FY 2023-24 are \$131.2 million and include a transfer from the Sewer Operating Fund of \$21.5 million, interest income of approximately \$1.6 million, and beginning fund balance of approximately \$108.1 million.

FY 2023-24 requirements include capital outlay of approximately \$49.3 million. Major projects include the Tri-City Wet Weather Outfall, a project to recoat and upgrade the Tri-City primary clarifiers, Willamette Area capacity improvements, upgrades and asset replacements at the Kellogg Creek WRRF, the Regional Inflow & Infiltration Cost Share, and upgrades to multiple pump stations. Descriptions of all major projects are provided in the separate Capital section.

The FY 2023-24 budget includes a contingency of approximately \$12.3 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. The projected ending fund balance is approximately \$69.6 million and will provide funding for capital projects in future years. The decrease of \$38.5 million from the projected FY 2023-24 beginning fund balance reflects the budgeted use of resources for capital outlay.

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 38,079,979	\$ 84,947,827	\$ 94,498,723	\$ 97,396,842	\$ 108,061,454	\$ 108,061,454	\$ 108,061,454
Interfund Transfers In – From Sewer Operating Fund	11,000,000	15,500,000	23,500,000	21,863,302	21,500,000	21,500,000	21,500,000
Interest Income	361,001	285,563	661,500	1,081,900	1,620,900	1,620,900	1,620,900
Miscellaneous Income	25,356	-	-	-	-	-	-
Capital Project Contribution	-	-	800,000	800,000	-	-	-
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	11,756,443	3,457,456	-	2,114,616	-	-	-
Series 2021 Revenue Obligation Proceeds	48,687,948	-	-	-	-	-	-
<b>TOTAL RESOURCES</b>	<b>\$ 109,910,727</b>	<b>\$ 104,190,846</b>	<b>\$ 119,460,223</b>	<b>\$ 123,256,660</b>	<b>\$ 131,182,354</b>	<b>\$ 131,182,354</b>	<b>\$ 131,182,354</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 16,161,614	\$ 6,794,004	\$ 29,073,772	\$ 15,195,206	\$ 49,278,927	\$ 49,278,927	\$ 49,278,927
Interfund Transfers Out- To Debt Service Fund	8,801,286	-	-	-	-	-	-
Contingency	-	-	14,536,886	-	12,319,732	12,319,732	12,319,732
Ending Fund Balance / Reserves for Future Expenditure	84,947,827	97,396,842	75,849,565	108,061,454	69,583,695	69,583,695	69,583,695
<b>TOTAL REQUIREMENTS</b>	<b>\$ 109,910,727</b>	<b>\$ 104,190,846</b>	<b>\$ 119,460,223</b>	<b>\$ 123,256,660</b>	<b>\$ 131,182,354</b>	<b>\$ 131,182,354</b>	<b>\$ 131,182,354</b>

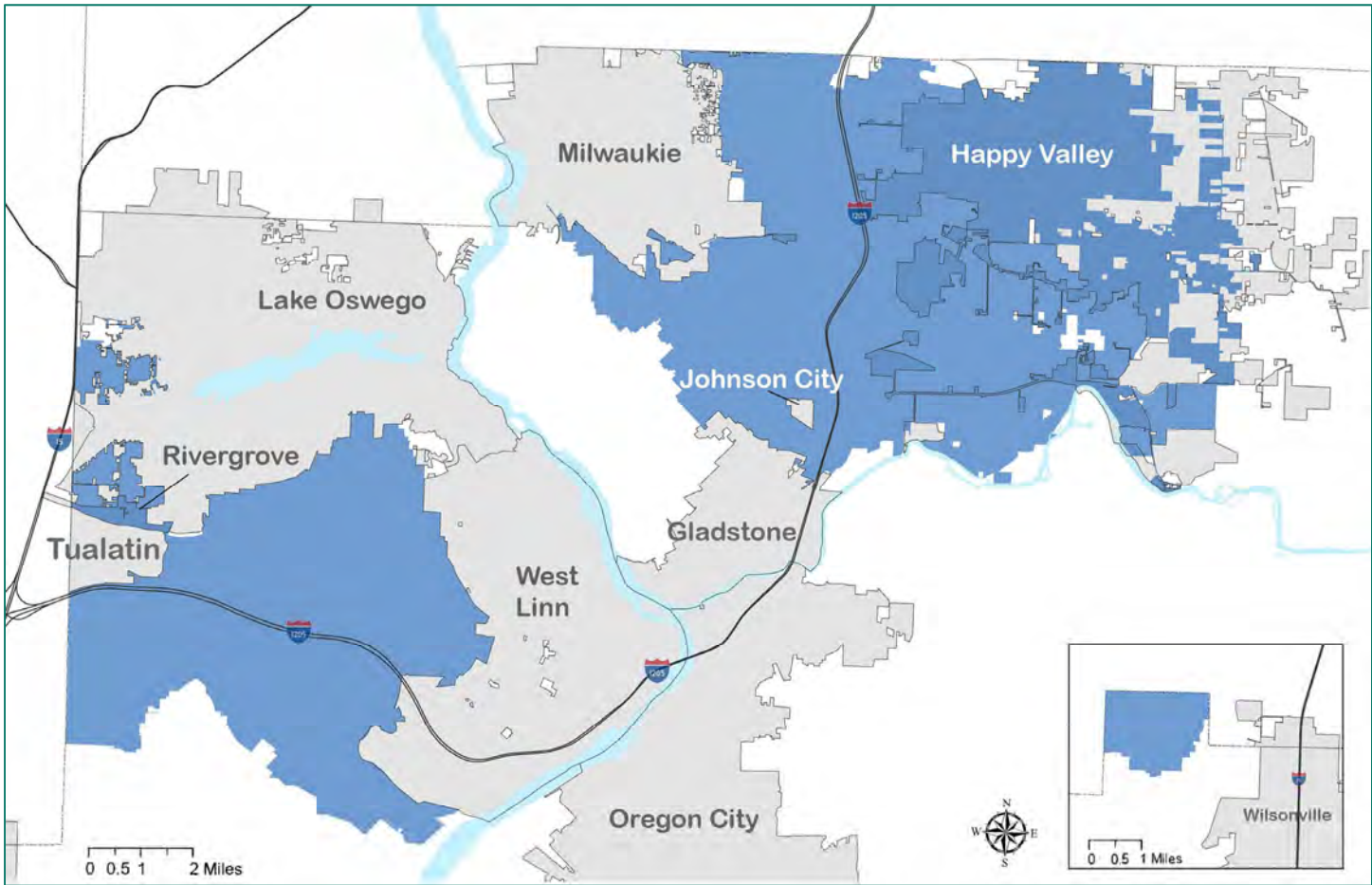


# SURFACE WATER FUND DETAIL

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 its 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 2023-24 resources in the Surface Water Operating Fund are \$11.6 million. These resources consist of beginning fund balance of \$4.9 million, monthly service charges of \$6.5 million, miscellaneous income of \$155 thousand, and interest earnings of \$73 thousand.

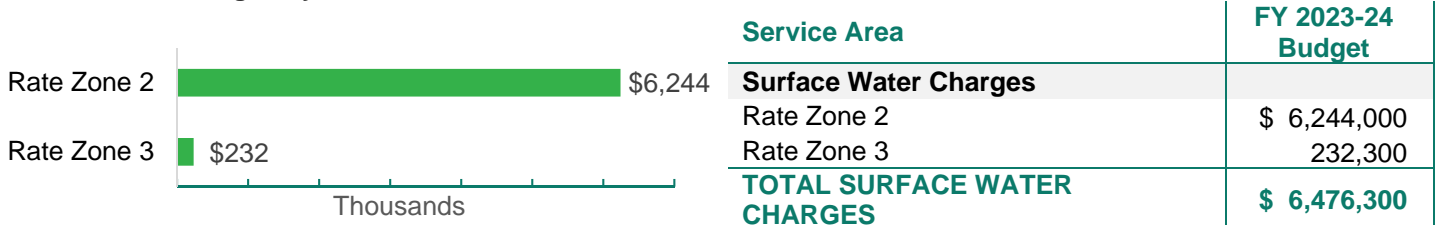
WES has established surface water rate zones to reflect the different levels of service provided to the two distinct surface water service areas within its boundaries.

## SURFACE WATER FUND DETAIL

### Surface Water Charges

Budgeted service charge revenues for FY 2023-24 amount to approximately \$6.5 million, including \$6.2 million from Rate Zone 2 and \$232 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



#### Rate Zone 2

Within Rate Zone 2, \$5.8 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 is charged to properties in subdivisions that contract with WES to provide this maintenance. The revenues generated by the OSM fee are used to pay for personnel and materials necessary to provide this service.

The budget includes a Rate Zone 2 monthly service charge rate increase of \$0.50 or 6.1% from \$8.15 per ESU per month to \$8.65 per ESU per month. The monthly rate for customers in the City of Happy Valley is proposed to be approximately \$9.08 per ESU per month in order to cover the City's 5% Right-of-Way fee.

#### Rate Zone 3

For Rate Zone 3, \$232 thousand is budgeted for monthly user fees from residents and businesses within the service area boundaries. The FY 2022-23 fee of \$4.95 per month per single-family dwelling is proposed to increase approximately \$0.25 or 5.1% to \$5.20 for FY 2023-24. Business and institutional customers are charged multiples of the impervious area typical for a single-family dwelling. The projected revenue from monthly user fees is based on providing service to 3,723 accounts.

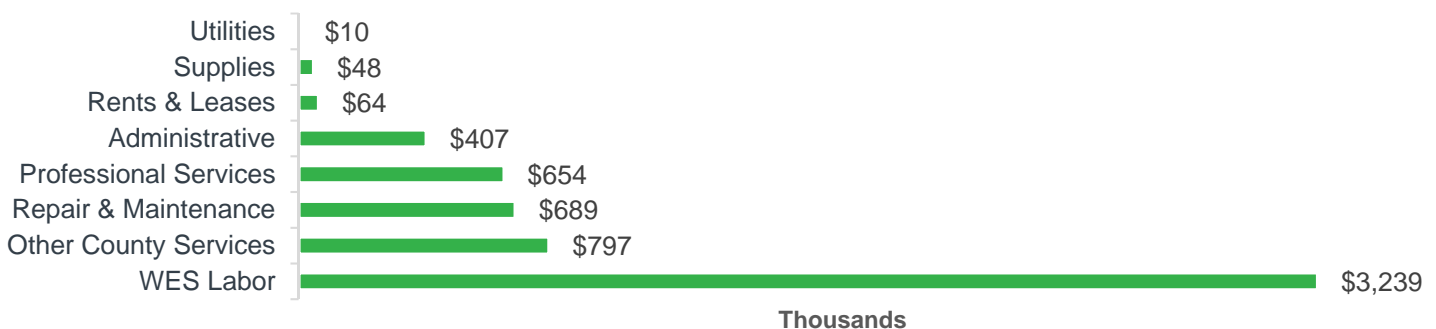
A summary of WES' surface water rates is as follows:

	WES Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2023-24 EDUs
<b>Rate Zone 2</b>	\$ 8.65	\$ 0.43	\$ 9.08	56,397
<b>Rate Zone 3</b>	\$ 5.20	\$ -	\$ 5.20	3,723

*\*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 \$11.6 million and include operating and maintenance expenses, contingency, a transfer to the Surface Water Construction Fund of \$2.0 million, and reserves for future expenditure.

### SURFACE WATER OPERATING FUND BUDGETED EXPENSES



## SURFACE WATER FUND DETAIL

Operating and maintenance expenses for FY 2023-24 are budgeted at approximately \$5.9 million and include all charges to fund WES' surface water operations including the costs of: labor, professional services, supplies, administrative costs, rents & leases, and repairs and maintenance.

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. The ending fund balance of \$2.7 million will act as a reserve for operating and capital expenses in future years. The decrease in reserves of 45% from the beginning fund balance is a result of the budgeted transfer of \$2.0 million to the Surface Water Construction Fund.

### SURFACE WATER OPERATING FUND DETAIL

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET <sup>1</sup>	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 8,498,021	\$ 6,868,364	\$ 4,920,166	\$ 5,276,402	\$ 4,886,237	\$ 4,886,237	\$ 4,886,237
Interfund Transfers In – From Sewer Operating Fund	-	124,015	-	-	-	-	-
<b>Revenues</b>							
Sales and Services							
Surface Water Charges	5,502,982	5,676,998	6,044,700	6,073,500	6,476,300	6,476,300	6,476,300
Charges for Services – All Other	185,554	216,528	100,000	122,400	100,000	100,000	100,000
Interest Income	76,584	23,342	34,400	48,000	73,300	73,300	73,300
Permits	38,778	32,055	30,000	25,500	30,000	30,000	30,000
Miscellaneous Income	2,702	30,075	3,000	8,900	25,000	25,000	25,000
<b>Subtotal - Revenues</b>	<b>5,806,600</b>	<b>5,978,998</b>	<b>6,212,100</b>	<b>6,278,300</b>	<b>6,704,600</b>	<b>6,704,600</b>	<b>6,704,600</b>
<b>TOTAL RESOURCES</b>	<b>\$ 14,304,621</b>	<b>\$ 12,971,377</b>	<b>\$ 11,132,266</b>	<b>\$ 11,554,702</b>	<b>\$ 11,590,837</b>	<b>\$ 11,590,837</b>	<b>\$ 11,590,837</b>
<b>REQUIREMENTS</b>							
<b>Materials and Services</b>							
WES Labor	\$ 2,276,923	\$ 2,332,101	\$ 3,151,360	\$ 2,298,190	\$ 3,238,970	\$ 3,238,970	\$ 3,238,970
Other County Services	549,990	612,246	694,690	568,479	796,756	796,756	796,756
Professional Services	528,225	786,651	906,070	781,925	654,010	654,010	654,010
Administrative	568,409	529,622	395,325	343,532	406,765	406,765	406,765
Supplies	61,694	22,824	67,965	38,677	48,450	48,450	48,450
Utilities	6,198	7,102	7,870	11,615	9,540	9,540	9,540
Repair & Maintenance	394,158	322,391	502,310	435,409	689,340	689,340	689,340
Rents & Leases	50,660	82,038	68,790	58,138	64,250	64,250	64,250
<b>Subtotal - Materials and Services</b>	<b>4,436,257</b>	<b>4,694,975</b>	<b>5,794,380</b>	<b>4,535,965</b>	<b>5,908,081</b>	<b>5,908,081</b>	<b>5,908,081</b>
Interfund Transfers Out- To Surface Water Construction Fund	3,000,000	3,000,000	2,132,500	2,132,500	2,000,000	2,000,000	2,000,000
Contingency	-	-	833,500	-	985,000	985,000	985,000
Ending Fund Balance / Reserves for Future Expenditure	6,868,364	5,276,402	2,371,886	4,886,237	2,697,756	2,697,756	2,697,756
<b>TOTAL REQUIREMENTS</b>	<b>\$ 14,304,621</b>	<b>\$ 12,971,377</b>	<b>\$ 11,132,266</b>	<b>\$ 11,554,702</b>	<b>\$ 11,590,837</b>	<b>\$ 11,590,837</b>	<b>\$ 11,590,837</b>

<sup>1</sup> The FY 2022-23 Amended Budget includes: a Surface Water Operating Fund transfer from Contingency to the Surface Water Construction Fund for \$132,500, reducing the Surface Water Construction Fund contingency by \$247,500 and an offsetting appropriation increase for Capital Outlay of \$380,000.

## 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 2023-24 budget includes resources of approximately \$2.9 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 \$126 thousand for FY 2023-24. The current surface water SDC of \$233 per ESU is proposed to increase by an inflationary amount of \$7.00 or 3.0% to \$240 per ESU for FY 2023-24.

Requirements total approximately \$2.9 million and are comprised solely of ending fund balance for FY 2023-24. 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 2023-24 is \$0. WES' Storm System Master Plan was completed in FY 2022; capital improvements identified in that plan will be assessed for SDC eligibility and funding in the next year.

The increase in the ending fund balance from the beginning fund balance of \$167 thousand is due to budgeted revenues exceeding budgeted expenses.

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 2,285,354	\$ 2,473,973	\$ 2,631,273	\$ 2,620,151	\$ 2,726,201	\$ 2,726,201	\$ 2,726,201
System Development Charges	167,739	138,311	135,100	82,250	126,300	126,300	126,300
Interest Income	20,880	7,867	18,400	23,800	40,900	40,900	40,900
<b>TOTAL RESOURCES</b>	<b>\$ 2,473,973</b>	<b>\$ 2,620,151</b>	<b>\$ 2,784,773</b>	<b>\$ 2,726,201</b>	<b>\$ 2,893,401</b>	<b>\$ 2,893,401</b>	<b>\$ 2,893,401</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency							
Ending Fund Balance / Reserves for Future Expenditure	\$ 2,473,973	\$ 2,620,151	\$ 2,784,773	\$ 2,726,201	\$ 2,893,401	\$ 2,893,401	\$ 2,893,401
<b>TOTAL REQUIREMENTS</b>	<b>\$ 2,473,973</b>	<b>\$ 2,620,151</b>	<b>\$ 2,784,773</b>	<b>\$ 2,726,201</b>	<b>\$ 2,893,401</b>	<b>\$ 2,893,401</b>	<b>\$ 2,893,401</b>

## SURFACE WATER CONSTRUCTION FUND 649

WES' Surface Water Construction Fund accounts for non-SDC surface water capital expenditures. The primary resources are transfers from the Surface Water Operating Fund, interest earnings, proceeds from the issuance of debt for surface water capital project financing, 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 2023-24 total \$12.8 million and include interest income of \$145 thousand, a transfer from the Surface Water Operating Fund of \$2.0 million, capital project financing of \$0.7 million, federal operating grants of \$340 thousand, and beginning fund balance of \$9.7 million.

Budgeted resources for capital financing of \$0.7 million 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 estimated to be completed in FY 2023-24 and SRF loan repayment is anticipated to begin in 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 \$340 thousand in budgeted federal grant revenue reflects the anticipated disbursements of these funds for FY 2023-24.

Requirements for FY 2023-24 include contingency of approximately \$1.2 million, based on 50% of budgeted capital outlay, for unforeseen capital expenditures; ending fund balance of \$9.3 million; and capital outlay of approximately \$2.3 million, \$0.6 million of which is directed towards small drainage system modification projects to make improvements and repairs to WES' stormwater infrastructure. 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 \$0.3 million or 3% is due to the use of existing reserves for current year capital outlay.

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET <sup>1</sup>	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 3,395,121	\$ 5,703,585	\$ 8,226,685	\$ 7,964,622	\$ 9,672,603	\$ 9,672,603	\$ 9,672,603
Interfund Transfers In – From Surface Water Operating Fund	3,000,000	3,000,000	2,132,500	2,132,500	2,000,000	2,000,000	2,000,000
Interest Income	28,590	16,973	57,600	72,500	145,100	145,100	145,100
Miscellaneous Income	-	-	-	-	-	-	-
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	-	-	1,000,000	764,100	685,900	685,900	685,900
Federal Grants (ARPA)	-	-	-	100,000	340,000	340,000	340,000
<b>TOTAL RESOURCES</b>	<b>\$ 6,423,711</b>	<b>\$ 8,720,558</b>	<b>\$ 11,416,785</b>	<b>\$ 11,033,722</b>	<b>\$ 12,843,603</b>	<b>\$ 12,843,603</b>	<b>\$ 12,843,603</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 720,126	\$ 755,936	\$ 1,370,000	\$ 1,361,119	\$ 2,333,400	\$ 2,333,400	\$ 2,333,400
Contingency	-	-	-	-	1,166,700	1,166,700	1,166,700
Ending Fund Balance / Reserves for Future Expenditure	5,703,585	7,964,622	10,046,785	9,672,603	9,343,503	9,343,503	9,343,503
<b>TOTAL REQUIREMENTS</b>	<b>\$ 6,423,711</b>	<b>\$ 8,720,558</b>	<b>\$ 11,416,785</b>	<b>\$ 11,033,722</b>	<b>\$ 12,843,603</b>	<b>\$ 12,843,603</b>	<b>\$ 12,843,603</b>

<sup>1</sup> The FY 2022-23 Amended Budget includes: a Surface Water Operating Fund transfer from Contingency to the Surface Water Construction Fund for \$132,500, reducing the Surface Water Construction Fund contingency by \$247,500 and an offsetting appropriation increase for Capital Outlay of \$380,000.



## DEBT SERVICE FUND DETAIL

In FY 2021-22, WES' two debt service funds, State Loan Fund 635 and Revenue Bond Fund 636, were combined into a single fund, Debt Service Fund 635. To enhance the comparability of the FY 2023-24 budget and the FY 2022-23 budget and estimate to prior year actuals, the resources and requirements for WES' two separate debt service funds have been combined in the schedule on the following page. The schedules for the separate funds are presented for reference in the Appendix.

### 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 2023-24 includes resources of \$16.2 million, consisting of beginning fund balance of \$6.9 million, transfers in from the Sewer SDC Fund of approximately \$7.1 million and from the Sewer Operating Fund of \$1.9M, assessment principal and interest collections of \$170 thousand, and interest income of \$104 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 2023-24 represents the SDC-eligible portions of the budgeted debt service for the Series 2016 revenue obligations and SRF Loan R95030.

Requirements include debt service payments of approximately \$12.8 million, designated reserves of approximately \$2.2 million, and ending fund balance of \$1.2 million.

FY 2023-24 debt service in this fund consists of \$10.6 million for principal and interest on revenue obligations and \$2.2 million for principal and interest on state loans. Of the \$2.2 million related to state loan repayments, \$2.1 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 2023-24 includes approximately \$6.9 million for the Series 2016 revenue obligations and \$3.7 million for the Series 2021 revenue obligations. The Series 2016 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 revenue obligations, issued in February 2021, are being used to finance capital projects. The debt service for Series 2016 and 2021 is paid from sewer user charges and sewer SDC charges via 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 \$2.2 million, a decrease of \$2.3 million from the FY 2022-23 budget and \$3.7 million from the FY 2022-23 estimate. This decrease is due to the planned use of \$3.7 million in reserves from the premium on the Series 2021 revenue obligations for FY 2023-24 debt service. The use of these reserves reduces the needed transfers from the Sewer Operating Fund and allows WES to realize the 0.84% true interest cost on the Series 2021 issue. Approximately \$0.8 million of FY 2023-24 designated reserves are SRF Loan reserves required by the loan agreements. The remaining \$1.4 million represents the balance of the Series 2021 premium which will be used for future year debt service.

Ending fund balance and reserves for future expenditures for FY 2023-24 are budgeted at \$1.2 million; apart from the decrease in designated reserves discussed above, the remaining reserve balance is approximately equal to FY 2023-24's beginning fund balance.

## DEBT SERVICE FUND DETAIL

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 1,229,582	\$ 9,989,707	\$ 10,385,357	\$ 10,296,117	\$ 6,917,600	\$ 6,917,600	\$ 6,917,600
Assessment Collections	491,466	387,124	195,000	320,050	170,000	170,000	170,000
Interfund Transfers In							
From Sewer Operating Fund	7,268,056	3,888,956	-	1,636,698	1,899,300	1,899,300	1,899,300
From Sewer Construction Fund	8,801,286	-	-	-	-	-	-
From Sewer SDC Fund	-	7,279,779	8,777,111	6,263,895	7,078,451	7,078,451	7,078,451
Interest Income	14,838	31,336	72,700	93,700	103,800	103,800	103,800
<b>TOTAL RESOURCES</b>	<b>\$ 17,805,228</b>	<b>\$ 21,576,902</b>	<b>\$ 19,430,168</b>	<b>\$ 18,610,460</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>
<b>REQUIREMENTS</b>							
Principal Payments							
R06224	106,208	106,208	106,208	106,208	106,208	106,208	106,208
R95030	-	-	1,547,214	861,585	1,736,115	1,736,115	1,736,115
2010	840,000	-	-	-	-	-	-
2016	3,095,000	4,125,000	4,345,000	4,345,000	4,705,000	4,705,000	4,705,000
2021	0	2,065,000	2,170,000	2,170,000	2,280,000	2,280,000	2,280,000
Total Principal	4,041,208	6,296,208	8,168,422	7,482,793	8,827,323	8,827,323	8,827,323
Interest Payments							
R06224	6,373	5,842	5,310	5,310	4,779	4,779	4,779
R95030	500,000	728,979	1,168,566	270,000	338,878	338,878	338,878
2010	16,800	-	-	-	-	-	-
2016	2,816,256	2,635,756	2,424,007	2,424,007	2,197,757	2,197,757	2,197,757
2021	434,884	1,614,000	1,510,750	1,510,400	1,402,250	1,402,250	1,402,250
Total Interest	3,774,313	4,984,577	5,108,633	4,210,067	3,943,664	3,943,664	3,943,664
<b>Total Debt Service</b>	<b>7,815,521</b>	<b>11,280,785</b>	<b>13,277,055</b>	<b>11,692,860</b>	<b>12,770,987</b>	<b>12,770,987</b>	<b>12,770,987</b>
<b>RESERVES</b>							
R06224	53,104	53,104	53,104	53,104	53,104	53,104	53,104
R95030	-	-	-	695,854	695,854	695,854	695,854
2021	8,801,286	8,801,286	4,412,860	5,121,076	1,438,826	1,438,826	1,438,826
<b>TOTAL RESERVES</b>	<b>8,854,390</b>	<b>8,854,390</b>	<b>4,465,964</b>	<b>5,870,034</b>	<b>2,187,784</b>	<b>2,187,784</b>	<b>2,187,784</b>
Reserves - Designated	53,104	8,854,930	4,465,964	5,870,034	2,187,784	2,187,784	2,187,784
Ending Fund Balance / Reserves for Future Expenditure	9,936,603	1,441,187	1,687,149	1,047,566	1,210,380	1,210,380	1,210,380
<b>TOTAL REQUIREMENTS</b>	<b>\$ 17,805,228</b>	<b>\$ 21,576,902</b>	<b>\$ 19,430,168</b>	<b>\$ 18,610,460</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>

# Debt



*A manhole cover*



## 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, 2023, WES' long term indebtedness consists of the following:

Issue Date	Date of Maturity	Amount Issued	Interest Rate	June 30, 2023	FY 2023-24 Debt Service		
				Principal Outstanding	Principal	Interest	
<b>Revenue Bonds</b>							
2016 Ref.	08/30/2016	12/01/2035	\$ 83,250,000	2.20%	\$ 68,610,000	\$ 4,705,000	\$ 2,197,757
2021	02/24/2021	06/01/2035	40,000,000	0.84%	35,765,000	2,280,000	1,402,250
<b>Revenue Bonds Subtotal</b>					<b>104,375,000</b>	<b>6,985,000</b>	<b>3,600,007</b>
<b>State Loans</b>							
R06224	10/26/2009	09/01/2032	4,142,142	0%	1,008,991	106,208	4,779
R95030	01/15/2019	03/01/2042	37,000,000	1.00%	36,138,415	1,736,115	338,878
R95031 <sup>1</sup>	09/24/2020	-	-	1.38%	764,100	-	-
<b>State Loans Subtotal</b>					<b>37,911,506</b>	<b>1,842,323</b>	<b>343,657</b>
<b>Total Outstanding Debt</b>					<b>\$ 142,286,506</b>	<b>\$ 8,827,323</b>	<b>\$ 3,943,664</b>

<sup>1</sup> R95031 amount of principal outstanding included in the table above is *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, 2023 Principal Outstanding amount of \$764,100 for Loan R95031 is an estimate based on the expected disbursements received through the end of FY 2022-23. WES has budgeted to receive the remaining \$686 thousand of loan proceeds during FY 2023-24. 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 85 assumes the full \$1.45 million is borrowed and that the first two payments are due during FY 2024-25.

In February 2021, WES took advantage of historically low interest rates to issue 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 lock in interest savings of over \$8.0 million over the term of the debt and increased funds available to be expended on capital projects. The total proceeds included a premium of approximately \$8.8 million that is being used to fund a portion of budgeted debt payments to realize the 0.84% rate and reduce transfers from the Sanitary Sewer Operating Fund. In FY 2022-23, \$3.7 million of the premium was used for debt service payments. For FY 2023-24, another \$3.7 million of the premium will be used for debt service payments, reducing the original premium balance down to \$1.4 million. The remaining balance has been budgeted as a reserve in the Debt Service Fund for FY 2023-24 and will be used for debt service payments in future years.

WES does not anticipate issuing any new debt in FY 2023-24.

## 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, 2022 is \$37,933,807,070 which calculates to a legal debt limit of approximately \$4.931 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

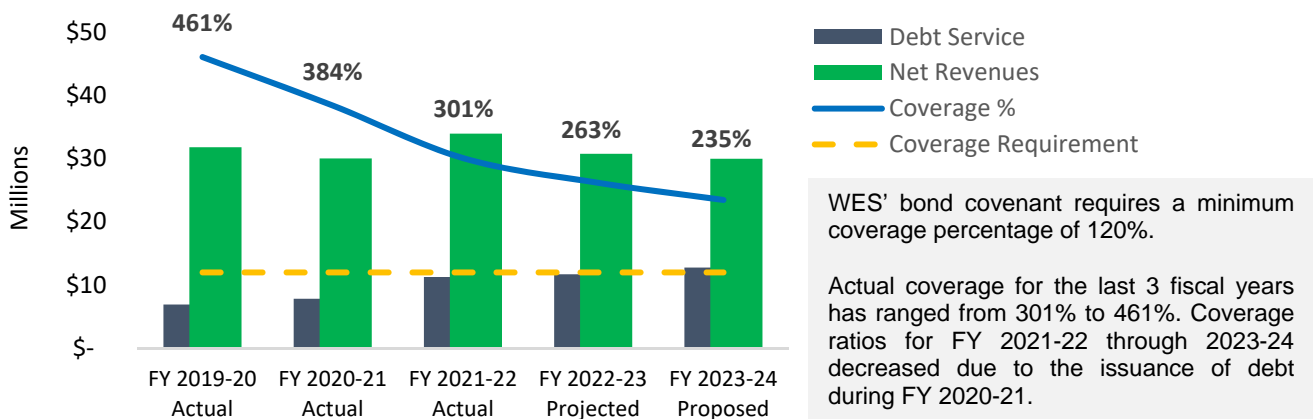
Rate Zone 2 sanitary sewer rates include a legacy debt service component for the Series 2016 debt incurred before WES was formed. This component is calculated for each budget year based on the total legacy debt service for the coming fiscal year and the projected number of EDUs in Rate Zone 2. In FY 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 2023-24, the legacy debt service component of Rate Zone 2's rate is \$10.05 per month based on approximately \$6.8 million in legacy debt principal and interest payments.

Beginning in FY 2021-22, WES implemented a strategy which reduces pressure on monthly user charges by utilizing 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 principal and interest on outstanding bonds due in that fiscal year. The following chart shows WES' bond coverage for the last three fiscal years, the projected coverage for FY 2022-23, and the proposed coverage for FY 2023-24.

### Bond Debt Service Coverage



Source: WES Financial Records

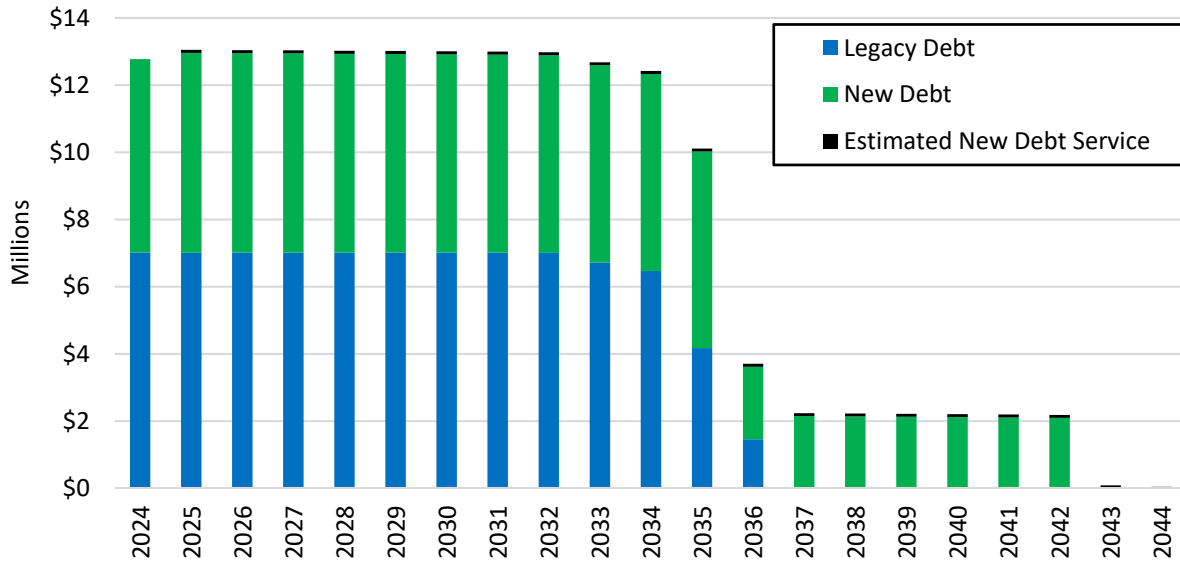


## Future Debt Service Repayment Schedule

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
2024	\$ 7,013,744	\$ 5,757,243	\$ -	\$ 12,770,987
2025	7,011,962	5,944,059	92,315	13,048,336
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	387,997	6,714,019
<b>Totals</b>	<b>\$ 81,933,026</b>	<b>\$ 85,538,114</b>	<b>\$ 1,736,320</b>	<b>\$ 169,207,460</b>

### Existing and Estimated Debt Service by Fiscal Year, FY 2024 through FY 2044



# Capital



*Tri-City Water Resource Recovery Facility*

## INTRODUCTION

The FY 2023-24 Capital Budget is based upon the WES' 2022 - 2027 Capital Improvement Plan (CIP), which was approved by the Board of County Commissioners in December 2022. The CIP is an annually-updated, rolling five-year plan which identifies and prioritizes wastewater and stormwater construction projects and major equipment purchases.

The 5-year CIP is a result of input from a cross section of Department staff. The wastewater engineering, asset management, operations and maintenance group met several times mid-year to itemize ongoing and anticipated projects, then prioritized the projects according to the following criteria:

- Health and Safety
- Synergies with other projects
- Optimization
- Regulatory Compliance
- Capacity
- Reliability/Risk Reduction

Projects which received the highest scores when ranked against these criteria were funded and will be carried forward in subsequent years of the CIP until completion.

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 addresses 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.

## 5-YEAR PROJECT COST ESTIMATES

Construction costs over the past two years have increased significantly due to the effects of inflation. As a result, WES is observing higher costs as projects are committed to construction contract than those initially developed during WES' recent master planning efforts. For projects that will be initiated in the upcoming FY 2023-24 budget year, the 5-year project estimates in this section have been updated and reflect the higher anticipated costs compared to the adopted 2022 – 2027 CIP. Cost estimates for projects where construction will be initiated after FY 2023-24 are listed at the adopted 2022 – 2027 CIP project costs and will be updated in the next CIP.

## SEWER CAPITAL BUDGET

The FY 2023-24 Sewer Capital Budget is approximately \$49.7 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 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 2023-24's budgeted capital spending.

FY 2023-24's capital budget anticipates SDC-eligible project expenses of approximately \$14.2 million. The financing for the majority of those SDC-eligible projects will be through the Series 2021 Sewer Revenue Obligations so that project expenses will initially be funded from the Sewer Construction Fund with the proceeds of that debt. The SDC-eligible portion of the debt service for those projects will then be transferred from the SDC fund as debt payments are due. The itemized project summaries in the proceeding section note the SDC-eligible project expenditures.



# WES Sewer System

## FY 2023-24 Sewer Capital Budget

### KELLOGG CREEK WRRF - \$3.45 M



- Aeration Basin Improvements
- Secondary Clarifier – Mechanisms and Weirs
- Influent Pump Station, Pumps 2 and 4
- Administration Building Remodel

### TRI-CITY WRRF - \$26.75 M



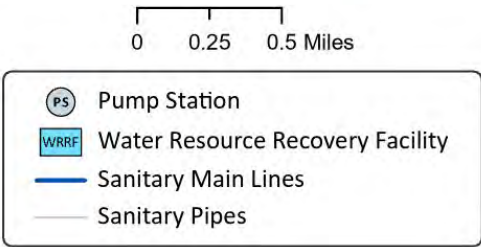
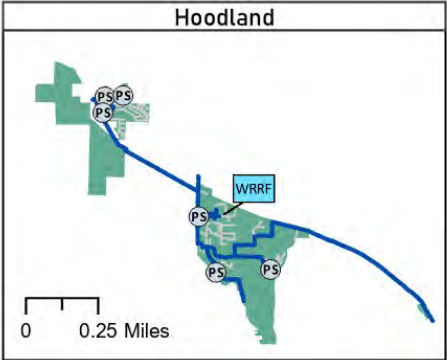
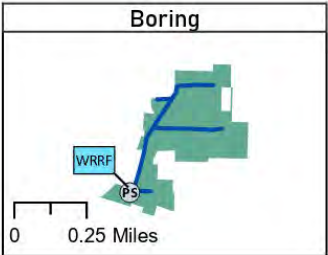
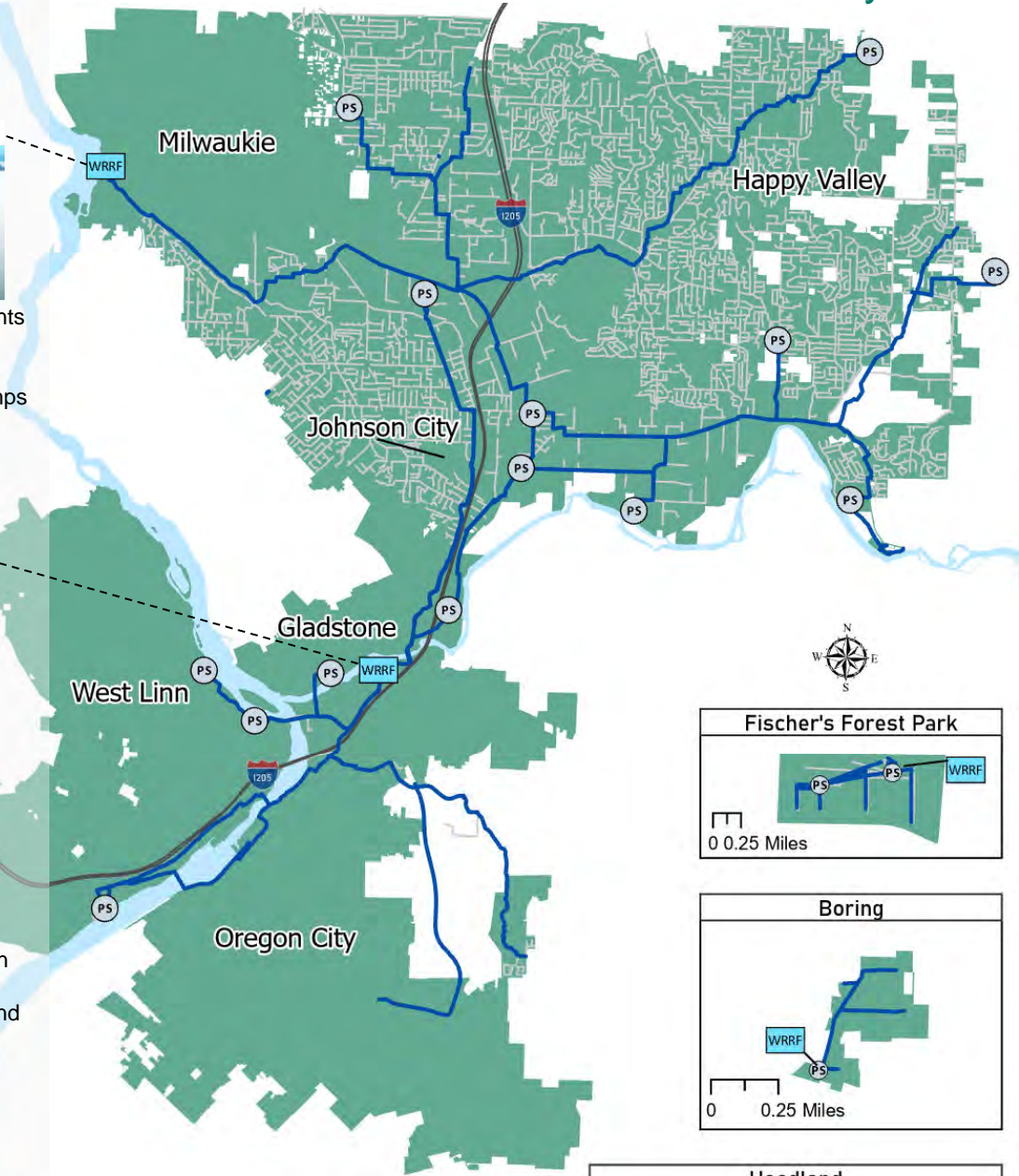
- Wet Weather Outfall
- Recoat Primary Clarifiers and Mechanical
- Influent Pump Station Expansion

### COLLECTIONS SYSTEM - \$17.8 M

- Regional Inflow & Infiltration Cost Share
- Willamette Pump Station and Force Main
- Multiple Pump Station Upgrades
- Pipe and Manhole Rehabilitation and Replacement
- Clackamas Interceptor
- Intertie 2 Pump Station and Force Main
- Mt. Scott Interceptor
- Pump Station Improvements

### OTHER - \$1.7 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 2023-24 PROJECT SUMMARIES

Of the \$49.7 million in the FY 2023-24 Sewer Capital Budget, \$49.6 million is expected to be spent on the following projects:

PROJECT	FY 2023 - 24 BUDGET
---------	---------------------

### Tri-City WRRF Wet Weather Outfall

Projected flows to the Tri-City WRRF were developed as part of the Collection System Master Plan (CSMP) and are expected to be approximately 176-MGD under build-out conditions. The capacity of the existing TC WRRF outfall is approximately 75 MGD and is expected to be exceeded as flows increase as projected in the CSMP. The capacity of the new outfall will be higher and sufficient except for peak wet weather in future years when the existing outfall, combined with the new outfall will provide the needed buildout capacity. Note that projected flows and sizing of the outfall assume Inflow/Infiltration (I/I) reduction per the CSMP. The project is expected to be complete in FY 25. Total capital project cost is estimated at \$54.6M.

#### Sewer Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 20,000,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 20,000,000</b>

*Note:* \$4,400,000 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

### Recoat Primary Clarifiers and Mechanical

Primary clarifier basins and mechanisms are original to the plant (1985) and rehabilitation of the basin and replacement of the mechanisms is consistent with the recommendations of the WFP condition assessment. The concrete is in particularly poor shape in these basins and the repair will help maintain the integrity of the structure. There are six primary sedimentation basins, two of which can be off line at a time. The current approach is to complete two basins per dry season for three dry seasons.

#### Sewer Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 6,000,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 6,000,000</b>

### Regional Inflow & Infiltration (I/I) Cost Share

The WES CIP is based on 65% reduction in I/I in 19 key basins. To help achieve this reduction, WES joined in IGAs with five partner cities which provides for WES to fund 33% of their approved projects. Three projects have been approved for FY 22-23 that are ongoing. Two additional projects are expected to begin during FY 23-24.

#### Sewer Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 4,693,260
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 4,693,260</b>

*Note:* \$4,693,260 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

### Willamette Pump Station and Force Main

The Collection System Master Plan identified the Willamette Pump Station and West Linn Interceptor to be lacking in capacity to serve the current service area. This project includes the design and construction of a pump station expansion and construction of a force main from the pump station to the I205 bridge. Total program capital cost is estimated at \$27.3M with \$10M transferred to ODOT as a deposit in FY 21/22 for the force main segment across the I205 bridge. ODOT will draw on WES' \$10M deposit as expenses are incurred.

#### Sewer Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 3,785,667
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 3,785,667</b>

*Note:* \$1,892,833 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

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



**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 and will address safety and reliability concerns. The pump stations include Bolton, River Road, Sieben Lane, South Welches, Golf Course Terrace, Gladstone, Clackamas, 82<sup>nd</sup> Drive, and Timberline Rim. The project will be constructed in phases. Estimated total capital cost is \$10.7M.

**Sewer Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 3,700,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 3,700,000</b>

**Clackamas Interceptor Capacity Improvements**

The Clackamas Interceptor has been shown to be in poor condition in some areas and lack capacity to serve the current service area. In addition, there is growing interest in development in upstream areas, so additional capacity will need to be added. Based on the work done in the Collection System Master Plan, design will be completed for the entire interceptor and construction will occur in phases over the next several years to best match capacity needs and funding resources. The anticipated cost for the program is \$17.9M over the 5 year CIP with future phases scheduled for FYs 29-31. Total capital program cost is estimated at \$39M.

**Sewer Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 1,900,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 1,900,000</b>

*Note:* \$950,000 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

**Kellogg Creek WRRF Aeration Basin Improvements**

This project will replace aging instrumentation and valving in the aeration system to allow reliable control of the recently installed blowers and improve process efficiency. The project will also replace and automate gates to allow the basins to more easily be used in step feed and contact stabilization modes to improve performance in wet weather. This project is scheduled to be completed in Summer 2024.

**Sewer Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 1,800,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 1,800,000</b>

**Kellogg Creek WRRF Secondary Clarifier Mechanisms and Weirs**

This project will rehab the secondary clarifiers and level the weirs. There are two clarifiers. One can be off line during dry weather. The tanks will be rehabbed one per year over two years. Even weirs will improve treatment performance by providing even flow split between clarifiers. This is particularly important during high flow events. This project is scheduled to be completed in Summer 2024.

**Sewer Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 950,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 950,000</b>

**Intertie 2 Pump Station and 30 IN Force Main**

The Intertie 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 add capacity. The 30 IN forcemain from the pump station to Tri-City WRRF was partially constructed in past years. This project will complete construction of the forcemain. The pump station is scheduled for a second expansion beyond 2027.

**Sewer Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 450,000
Sewer SDC	\$ 450,000
<b>2023-24 Budget</b>	<b>\$ 900,000</b>

**Tri-City WRRF Influent Pump Station (IPS) Expansion**

The TC WRRF IPS is in need of replacement of pump drives and piping due to poor condition. The Willamette Facilities Plan identified the need to expand the IPS capacity in the near future. This project will address capacity and condition needs. Estimated total capital project cost is \$4.5M.

**Sewer Project Category: Tri-City WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 750,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 750,000</b>

*Note:* \$375,000 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

**Kellogg Creek WRRF IPS Pumps 2 and 4**

The Kellogg Creek WRRF Improvements Project replaced Pumps 1 and 3. Construction for replacement of Pumps 2 and 4 is scheduled to be completed in FY 2023-24 with a total project cost of \$1.6M.

**Sewer Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 450,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 450,000</b>

**Mt. Scott Interceptor**

The Mt Scott Interceptor work is part of the Clackamas Interceptor Program. The Mt Scott Interceptor has been shown to be lacking in capacity to serve the current and future service areas. A conceptual design has been completed. Improvements will be designed together with the Clackamas Interceptor. The estimated capital cost of the Mt Scott portion of the Clackamas Program is \$3.5M.

**Sewer Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 350,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 350,000</b>

*Note:* \$175,000 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

**Kellogg Creek Administration Building Remodel**

The Kellogg Administration Building is in need of a remodel to address generally outdated and deteriorated spaces and create workspaces for current and future staff. Conceptual design has been completed. Total project capital cost is estimated at \$3.8M.

**Sewer Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 250,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 250,000</b>

**Pipe and Manhole Rehabilitation and Replacement**

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. This project will repair and/or replace damaged and aging pipelines utilizing methods including pipe-lining, pipe bursting and replacement. This project will also 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. In FY 23/24, this work will address rehab of pipes and manholes in the Mt. Talbert and Mt. Scott Basins, identified in the CSMP as one of the 19 key basins for I/I reduction.

**Sewer Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 2,500,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 2,500,000</b>

*Note:* \$1,250,000 of FY 2023-24 costs are SDC-eligible. This project will initially be funded from the Sewer Construction Fund with the proceeds of the Series 2021 debt issuance. The SDC-eligible portion of the debt service for this project will be transferred from the SDC fund as debt payments are due.

**Asset Management – Renewal & Replacement**

These funds are reserved for small projects related to operational assets which 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.

**Sewer Project Category: Asset Management**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 800,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 800,000</b>

**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. Fiscal year 2023-2024 is highlighted by the purchase of a new vehicle for environmental sampling and compliance inspections and a new vactor truck for stormwater and sanitary sewer system maintenance. We continue to work toward a greener fleet to achieve the county’s climate action goals.

**Sewer Project Category: Fleet**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 750,000
Sewer SDC	\$ -
<b>2023-24 Budget</b>	<b>\$ 750,000</b>





## 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 2023-24 by funding source.

Project Category	FY 2023-24 Surface Water Capital Budget			
	Surface Water Construction Fund	Surface Water SDC Fund	American Rescue Plan Act (ARPA) Grant	Total Proposed FY 2023-24 Budget
3-Creeks Water Quality Project	\$ 800,000	\$ -	\$ -	\$ 800,000
Small Drainage Projects Program	596,000	-	-	596,000
Aldercreek Culvert & Kellogg Creek Restoration	-	-	250,000	250,000
SE Wildlife Estates Dr Ditch Inlet and Upstream Detention	239,400	-	-	239,400
Restoration and Property Acquisition	150,000	-	-	150,000
Stormwater Pond Repair and Rehabilitation Program	108,000	-	-	108,000
Small Storm System Emergency Repairs	100,000	-	-	100,000
Clackamas Rd Drainage Improvements	-	-	90,000	90,000
<b>Total</b>	<b>\$ 1,993,400</b>	<b>\$ -</b>	<b>\$ 340,000</b>	<b>\$ 2,333,400</b>

For additional capital project information, please refer to WES' 2022 - 2027 CIP, available at: <https://www.clackamas.us/wes/capprojects.html>

## FY 2023-24 PROJECT SUMMARIES

The FY 2023-24 Surface Water Capital Budget includes the following projects:

PROJECT	FY 2023 - 24 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. FY 2023-24 work includes pre-design work, permitting, and community involvement. The pre-design work is being financed through the DEQ's State Revolving Fund loan program. Construction is anticipated to begin Summer 2024.

Funding Sources	Amount
Surface Water Construction	\$ 800,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2023-24 Budget</b>	<b>\$ 800,000</b>

#### 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.

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.

Funding Sources	Amount
Surface Water Construction	\$ 596,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2023-24 Budget</b>	<b>\$ 596,000</b>

#### Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact



### Aldercrest Culvert & Kellogg Creek Restoration

This purpose of this project is to reduce flooding and improve habitat along Kellogg Creek between SE Clackamas Road and SE Thiessen Road by removing or replacing culverts and stream crossings and naturalizing a concrete channel. Replacement stream crossings will be designed to be fish passable. The project proposes several discrete interventions in this section of Kellogg Creek that could be undertaken as separate projects depending on property owner cooperation and funding availability. 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. At the northern end of the creek segment, the project will remove the concrete channel, establish a more natural creek bed and banks, and restore native vegetation within the riparian area. Four 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.

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	\$ 250,000
<b>2023-24 Budget</b>	<b>\$ 250,000</b>

#### 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	\$ 239,400
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2023-24 Budget</b>	<b>\$ 239,400</b>

#### Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

### 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	\$ -
<b>2023-24 Budget</b>	<b>\$ 100,000</b>

#### Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

### Restoration and Property Acquisition

WES puts a high value on stream restoration, habitat improvement, and floodplain management and sees these actions as part of its mission to protect and improve water quality. These projects maximize the ecological and stormwater benefits of properties and support numerous local and regional environmental goals. For the purposes of this program summary, restoration and property acquisition can include instream restoration, riparian revegetation, culvert replacement or repair for fish passage, and property acquisition.

The main challenges for these waterbodies include poor fish passage, changes to aquatic habitat conditions, flooding risks, lack of riparian vegetation, in-stream erosion and down cutting, and water quality concerns. The SSMP identified 13 locations where restoration and property acquisition projects would address these challenges. The Restoration and Property Acquisition budget is an annual baseline funding allocation to put toward restoration, revegetation, and culvert replacement efforts, as well as an allocation of funding for property acquisition that would support restoration efforts. The restoration and property acquisition program would fund the following types of activities:

- In-stream habitat improvement such as channel enhancements or stabilization, or floodplain reconnections.
- Streamside property acquisition to protect existing valuable habitat from alteration.
- Culvert replacement or repair to re-introduce habitat to fish that had been previously cut off due to culverts that prevented passage.
- Revegetation of streamside properties to improve habitat for fish and aquatic invertebrates.
- Streamside property acquisition to protect existing valuable habitat from alteration.

### Clackamas Rd Drainage Improvements

This purpose of this project is to reduce flooding of properties near the SE Clackamas Road-Kellogg Creek crossing without replacing the culvert or disrupting the wetland upstream of the crossing. This will be achieved by replacing the undersized ditch inlet that collects a tributary stream and routing new storm pipes on SE Clackamas Road to a new outfall on the downstream side of the Kellogg Creek crossing instead of into the wetland upstream of the crossing.

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	\$ 150,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2023-24 Budget</b>	<b>\$ 150,000</b>

#### Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

Funding Sources	Amount
Surface Water Construction	\$ -
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ 90,000
<b>2023-24 Budget</b>	<b>\$ 90,000</b>

#### Operating Budget Impact

Annual Cost	Type of Impact
-	No significant impact

### Stormwater Pond Repair and Rehabilitation

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.

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.

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 108,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2023-24 Budget</b>	<b>\$ 108,000</b>

### Operating Budget Impact

<b>Annual Cost</b>	<b>Type of Impact</b>
-	No significant impact

SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	FY 2022-23 Budget	FY 2022-23 Estimate	FY 2023-24 Budget	BASED ON FY 2022-23 - 2026-27 CIP			
					FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
					Projected	Projected	Projected	Projected
<b>Tri-City Water Resource Recovery Facility</b>								
	Wet Weather Outfall	\$ 6,500,000	\$ 3,000,000	\$ 20,000,000	\$ 19,800,000	\$ 9,900,000	\$ -	\$ -
	Recoat Primary Clarifiers and Mechanical			6,000,000	4,000,000	4,000,000		
	Influent Pump Station (IPS) Expansion	900,000	30,000	750,000	3,720,000			
	Relocate Maintenance Building	600,000				1,200,000		
	Landfill Mitigation					500,000	3,500,000	3,500,000
	Aeration Basin Improvements					500,000	600,000	600,000
	Wet Weather Expansion						4,872,500	4,872,500
	Chlorine Contact Basins - Recoat and Gates	100,000					540,000	
	TC Administration Building Remodel							510,000
	Landfill Grading and Fill Removal	400,000	1,300,000					
	Primary Clarifier Rehab		575,000					
	Solids Handling Improvement Project		138,334					
	Process Software (Data Management)		20,000					
	Mitigation Landscape		276					
	<b>TOTAL</b>	<b>8,500,000</b>	<b>5,063,610</b>	<b>26,750,000</b>	<b>27,520,000</b>	<b>16,100,000</b>	<b>9,512,500</b>	<b>9,482,500</b>
<b>Kellogg Creek Water Resource Recovery Facility</b>								
	Aeration Basin Improvements	1,500,000	1,400,000	1,800,000				
	Secondary Clarifier - Mechanisms and Weirs	1,600,000	1,000,000	950,000				
	Influent Pump Station - Pumps 2 and 4	1,300,000	850,000	450,000				
	Administration Building Remodel	600,000		250,000	3,500,000			
	UV Replacement				561,000	1,122,000	1,122,000	
	Primary Clarifier Floor					400,000	800,000	400,000
	Headworks/Grit Loading Improvements						340,000	1,100,000
	Primary Clarifier 2 and Primary Sludge Pump Station						260,000	360,000
	Solids Handling Improvements							2,600,000
	Kellogg Improvements		4,143					
	<b>TOTAL</b>	<b>5,000,000</b>	<b>3,254,143</b>	<b>3,450,000</b>	<b>4,061,000</b>	<b>1,522,000</b>	<b>2,522,000</b>	<b>4,460,000</b>
<b>Hoodland Water Resource Recovery Facility</b>								
	<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Boring Water Resource Recovery Facility</b>								
	<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fischer Forest Park (FFP)</b>								
	Renovation Project	800,000	900,000					
	<b>TOTAL</b>	<b>800,000</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Collection System</b>								
	Regional Inflow & Infiltration (I/I) Cost Share	2,906,772	1,520,318	4,693,260	5,603,730	2,689,830	873,180	570,900
	Willamette Pump Station and Force Main	1,000,000	220,000	3,785,667	9,171,333	8,250,000	4,200,000	
	Multi Pump Station Upgrades	3,500,000	1,300,000	3,700,000			1,500,000	2,500,000
	Pipe and Manhole Rehabilitation and Replacement	2,000,000	172,944	2,500,000	1,000,000		1,000,000	1,000,000
	Middle Clackamas Interceptor	1,300,000	600,000	1,900,000	3,400,000	3,400,000	3,400,000	

SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	FY 2022-23 Budget	FY 2022-23 Estimate	FY 2023-24 Budget	BASED ON FY 2022-23 - 2026-27 CIP			
					FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
					Projected	Projected	Projected	Projected
<b>Collection System - Continued</b>								
	Intertie 2 Pump Station and 30 Inch Force Main	800,000	400,000	<b>900,000</b>	2,500,000	4,500,000	2,000,000	
	Mt Scott Interceptor	350,000		<b>350,000</b>	1,000,000	1,000,000	800,000	
	Extend Rock Creek Interceptor		2,659		1,000,000	1,000,000	3,500,000	3,500,000
	Upper Clackamas Interceptor					1,700,000	3,500,000	3,500,000
	Lower Clackamas Interceptor							2,800,000
	Lower Willamette Interceptor Rehabilitation							2,400,000
	Flow Monitoring (SCADA Master Plan Recommendations and Meter Upgrades)	100,000	12,500					50,000
	Sieben Lane/Rose Creek	200,000	1,601					
	Linnwood Ave Pump Station and Force Main		500,000					
	Sandy River Lane Pump Station Controls		483					
	Emergency Generator for River Street Pump Station		483					
	Bolton Force Main Evaluation and Replacement	300,000						
	Hoodland Pump Station Property Acquisition	100,000						
	<b>TOTAL</b>	<b>12,556,772</b>	<b>4,730,988</b>	<b>17,828,927</b>	<b>23,675,063</b>	<b>22,539,830</b>	<b>20,773,180</b>	<b>16,320,900</b>
<b>Fleet</b>								
	Light Duty Fleet	370,000	68,643		60,000	55,000	555,000	
	Heavy Equipment	330,000	105,052	<b>750,000</b>	740,000	775,000	250,000	
	<b>TOTAL</b>	<b>700,000</b>	<b>173,695</b>	<b>750,000</b>	<b>800,000</b>	<b>830,000</b>	<b>805,000</b>	<b>-</b>
<b>Water Quality Laboratory</b>								
	Lab Remodel	500,000	39,638				100,000	600,000
	Lab Generator	200,000	136,650					
	Lab Equipment	73,000	2,500					
	<b>TOTAL</b>	<b>773,000</b>	<b>178,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>600,000</b>
<b>Operations &amp; Maintenance Asset Management</b>								
	Asset Management - Renewal and Replacement	800,000	699,982	<b>800,000</b>	800,000	800,000	800,000	800,000
	<b>TOTAL</b>	<b>800,000</b>	<b>699,982</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>	<b>800,000</b>
<b>Pump Station Upgrades</b>								
	Pump Station Improvements	50,000	290,000	<b>50,000</b>	50,000	50,000	50,000	50,000
	<b>TOTAL</b>	<b>50,000</b>	<b>290,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Development Review</b>								
	Developer-Installed Assets	100,000	-	<b>100,000</b>	100,000	100,000	100,000	100,000
	<b>TOTAL</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>TOTAL - ALL SEWER PROJECTS</b>		<b>\$ 29,279,772</b>	<b>\$ 15,291,206</b>	<b>\$ 49,728,927</b>	<b>\$ 57,006,063</b>	<b>\$ 41,941,830</b>	<b>\$ 34,662,680</b>	<b>\$ 31,813,400</b>



SURFACE WATER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	FY 2022-23 Amended Budget	FY 2022-23 Estimate	FY 2023-24 Budget	BASED ON FY 2022-23 - 2026-27 CIP				
					FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected	
<b>SURFACE WATER</b>									
	3-Creeks Water Quality Project	\$ 372,940	\$ 372,940	\$ 800,000	\$ 1,500,000	\$ 1,500,000	\$ 100,000	\$ -	
	Small Drainage Projects Program	311,440	302,559	596,000	200,000	100,000	100,000	100,000	
	Aldercrest Culvert & Kellogg Creek Restoration	50,000	50,000	250,000	895,500	895,500			
	SE Wildlife Estates Dr Ditch and Upstream Detention Restoration and Property Acquisition			150,000	150,000	650,000	823,200	823,200	
	Stormwater Pond Repair and Rehabilitation Program			108,000	200,000	411,000	411,000	411,000	
	Small Storm System Emergency Repairs			100,000	100,000	100,000	100,000		
	Clackamas Rd Drainage Improvements	50,000	50,000	90,000	331,500	331,500			
	Water Quality Retrofit Program				100,000	100,000	198,300	198,300	
	Rose Creek Detention and Instream Restoration					303,000	1,320,000	1,320,000	
	UIC Decommissioning/Retrofit Program					53,000	53,000	53,000	
	TC Administration Building Remodel							90,000	
	SW Inlet Replacements (SE 95th/SE 130th)	411,693	411,693						
	Solomon Ct Inlet Replacements	173,927	173,927						
	<b>TOTAL</b>	1,370,000	1,361,119	2,333,400	4,273,200	5,240,200	3,105,500	2,995,500	
	<b>TOTAL - ALL SURFACE WATER PROJECTS</b>	\$ 1,370,000	\$ 1,361,119	\$ 2,333,400	\$ 4,273,200	\$ 5,240,200	\$ 3,105,500	\$ 2,995,500	

# Long-Range Financial Plan



*An Oregon White Oak at the 3-Creeks Natural Area*





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## 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**

The planning objectives outlined above 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 below, 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 and investment is completed in advance of new customer connections.

The financial plan incorporates WES' 5-year capital projections as detailed in the Capital Section of this document and extended sewer and surface water CIPs developed for use in long-range planning. The capital projection figures in this section for FYs 2023-24 through 2027-28 reflect the adopted CIP. For FY 2028-29 through FY 2032-33, the CIP projections in this section reflect the extended CIPs developed for long-range planning.

## **CAPITAL FINANCING**

WES' capital financing strategy relies first on cash reserves and system development charge (SDC) revenue, and second on debt financing to minimize the impact to ratepayers. Using cash reserves and SDCs reduces financing costs and is a prudent and sustainable approach to funding ongoing capital investments. Debt financing may be selected over cash reserves when low interest rates result in an advantage to ratepayers and allow WES to save cash reserves for future projects. The appropriate mix of cash versus debt financing varies depending on the capital investment lifecycle of each project. The overall financial strategy of steady, incremental rate increases to avoid major fluctuations in rates requires building cash reserves during planning stages and having sufficient borrowing capacity available during construction to implement the capital improvement plan.

## **RATEPAYER ASSURANCE**

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

## **SEWER RATE HARMONIZATION**

WES as an entity 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 regarding Legacy Debt payments and achieve the WES Advisory Committee directive of charging by service received, not 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 be decreased due to customer growth and the use of SDC revenues for 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), the decrease in the Legacy Debt component will offset the annual 5% rate increases on the treatment rate so that the delta between the rates paid for treatment services in Rate Zones 1 and 2 will 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 maintains 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.

**FINANCIAL PLANNING OBJECTIVES - CONTINUED**

**FUND BALANCE RESERVES**

A properly 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.

**Economic Assumptions used in Long-Range Financial Planning**

Expenses	
Operating Expenses – Labor	6.0% annual growth
Operating Expenses – Utilities	4.5% annual growth
Operating Expenses – Other materials and services	4.0% annual growth
Capital Expenses	1.98% annual growth
Financing for future borrowings	3.5% interest rate & 25 year term
Revenues	
Interest Earnings	1.0% on fund balance
Population growth (average across the service area)	0.98% annual growth

**FORECASTED FINANCIAL PERFORMANCE FOR THE FY 2023-24 10-YEAR FINANCIAL PLAN**

The schedules on the following 3 pages provide the 10-year cash flow and fund balance projections for WES' sewer and surface water operations, capital replacement and improvement needs. These cash flow 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.



**Clackamas Water Environment Services  
LONG-RANGE FINANCIAL PLAN**

(All figures in \$1,000s)

**FY 23/24    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**

**SANITARY SEWER OPERATING FUND**

**REVENUES**

TOTAL REVENUES	\$ 45,156	\$ 45,918	\$ 47,387	\$ 48,922	\$ 50,531	\$ 52,237	\$ 54,042	\$ 56,830	\$ 60,198	\$ 63,774
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**EXPENSES**

TOTAL OPERATING AND MAINTENANCE EXPENSES	25,178	26,653	28,243	29,596	31,019	32,515	34,090	35,746	37,488	39,321
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**SPECIAL PAYMENTS**

	1,250	1,288	1,326	1,366	1,407	1,449	1,493	1,538	1,584	1,631
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**TRANSFERS**

Construction Fund - Cash Funding of

Asset Replacement	21,500	14,763	13,255	13,438	13,123	11,947	10,274	9,557	10,632	12,005
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Debt Service Fund	1,899	4,303	4,301	4,299	4,748	6,079	7,926	9,718	10,207	10,515
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TOTAL TRANSFERS	23,399	19,066	17,556	17,737	17,871	18,026	18,200	19,275	20,839	22,520
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**BEGINNING FUND BALANCE**

	10,142	5,471	4,382	4,644	4,867	5,101	5,348	5,607	5,878	6,165
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**ENDING FUND BALANCE\***

	\$ 5,471	\$ 4,382	\$ 4,644	\$ 4,867	\$ 5,101	\$ 5,348	\$ 5,607	\$ 5,878	\$ 6,165	\$ 6,467
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**SANITARY SEWER SDC FUND**

**REVENUES**

TOTAL REVENUES	\$ 7,906	\$ 7,910	\$ 7,980	\$ 8,123	\$ 8,318	\$ 8,552	\$ 8,814	\$ 9,099	\$ 9,403	\$ 9,724
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**EXPENSES**

TOTAL CAPITAL OUTLAY	450	17,769	11,355	7,237	4,632	3,022	2,070	1,553	1,328	1,362
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**TRANSFERS**

Debt Service Fund	7,078	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299
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TOTAL TRANSFERS	7,078	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299
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**BEGINNING FUND BALANCE**

	51,023	51,401	32,999	21,087	13,440	8,601	5,611	3,842	2,882	2,464
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**ENDING FUND BALANCE\***

	\$ 51,401	\$ 32,999	\$ 21,087	\$ 13,440	\$ 8,601	\$ 5,611	\$ 3,842	\$ 2,882	\$ 2,464	\$ 2,527
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**SANITARY SEWER CONSTRUCTION FUND**

**REVENUES**

TOTAL REVENUES	\$ 1,621	\$ 819	\$ 571	\$ 387	\$ 230	\$ 134	\$ 121	\$ 104	\$ 97	\$ 107
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New Borrowings (Net of Financing Costs)

	-	-	-	-	6,893	20,300	28,178	27,309	7,512	5,458
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Transfer from Sewer Operating Fund	21,500	14,763	13,255	13,438	13,123	11,947	10,274	9,557	10,632	12,005
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**EXPENSES**

TOTAL CAPITAL OUTLAY	49,279	40,366	32,265	29,526	29,874	33,653	40,258	37,705	17,173	16,187
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**BEGINNING FUND BALANCE**

	108,061	81,903	57,119	38,680	22,979	13,351	12,079	10,394	9,659	10,727
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**ENDING FUND BALANCE\***

	\$ 81,903	\$ 57,119	\$ 38,680	\$ 22,979	\$ 13,351	\$ 12,079	\$ 10,394	\$ 9,659	\$ 10,727	\$ 12,110
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\*Ending Fund Balances include Contingencies/Reserves

**Clackamas Water Environment Services  
LONG-RANGE FINANCIAL PLAN**

(All figures in \$1,000s)

	FY 23/24	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
<b>SURFACE WATER OPERATING FUND</b>										
<b>REVENUES</b>										
Surface Water Service Charges - Rate Zone	5,854	6,213	6,550	6,905	7,280	7,621	7,937	8,289	8,716	9,376
Surface Water Service Charges - Rate Zone 3	232	235	237	239	242	244	247	249	252	254
Investment Income	73	74	75	76	76	77	78	79	79	80
Other Revenues	545	550	556	562	567	573	579	584	590	596
<b>TOTAL REVENUES</b>	<b>\$ 6,705</b>	<b>\$ 7,072</b>	<b>\$ 7,418</b>	<b>\$ 7,782</b>	<b>\$ 8,165</b>	<b>\$ 8,515</b>	<b>\$ 8,840</b>	<b>\$ 9,201</b>	<b>\$ 9,637</b>	<b>\$ 10,306</b>
<b>EXPENSES</b>										
TOTAL OPERATING AND MAINTENANCE EXPENSES	5,908	6,453	6,860	7,186	7,530	7,891	8,271	8,670	9,090	9,533
<b>TRANSFERS</b>										
Construction Fund - Cash Funding of Asset Replacement	2,000	500	500	500	500	500	500	500	500	500
Debt Service Fund	-	17	92	92	92	138	247	381	577	926
<b>TOTAL TRANSFERS</b>	<b>2,000</b>	<b>517</b>	<b>592</b>	<b>592</b>	<b>592</b>	<b>638</b>	<b>747</b>	<b>881</b>	<b>1,077</b>	<b>1,426</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,886</b>	<b>3,683</b>	<b>3,785</b>	<b>3,751</b>	<b>3,755</b>	<b>3,798</b>	<b>3,784</b>	<b>3,606</b>	<b>3,256</b>	<b>2,726</b>
<b>ENDING FUND BALANCE*</b>	<b>\$ 3,683</b>	<b>\$ 3,785</b>	<b>\$ 3,751</b>	<b>\$ 3,755</b>	<b>\$ 3,798</b>	<b>\$ 3,784</b>	<b>\$ 3,606</b>	<b>\$ 3,256</b>	<b>\$ 2,726</b>	<b>\$ 2,073</b>
<b>SURFACE WATER SDC FUND</b>										
<b>REVENUES</b>										
TOTAL REVENUES	\$ 167	\$ 202	\$ 200	\$ 201	\$ 204	\$ 208	\$ 214	\$ 220	\$ 227	\$ 235
<b>EXPENSES</b>										
TOTAL CAPITAL OUTLAY	-	1,083	774	573	444	361	310	279	261	252
<b>BEGINNING FUND BALANCE</b>	<b>2,726</b>	<b>2,893</b>	<b>2,012</b>	<b>1,438</b>	<b>1,066</b>	<b>826</b>	<b>673</b>	<b>577</b>	<b>518</b>	<b>484</b>
<b>ENDING FUND BALANCE*</b>	<b>\$ 2,893</b>	<b>\$ 2,012</b>	<b>\$ 1,438</b>	<b>\$ 1,066</b>	<b>\$ 826</b>	<b>\$ 673</b>	<b>\$ 577</b>	<b>\$ 518</b>	<b>\$ 484</b>	<b>\$ 467</b>
<b>SURFACE WATER CONST. FUND</b>										
<b>REVENUES</b>										
TOTAL REVENUES	\$ 485	\$ 1,332	\$ 1,318	\$ 62	\$ 41	\$ 18	\$ 5	\$ 5	\$ 5	\$ 5
Other Financing - SRF Loan	686	-	-	-	-	-	-	-	-	-
New Borrowings (Net of Financing Costs)	-	-	-	-	-	712	1,666	2,046	2,998	5,315
Transfer from Surface Water Operating Fund	2,000	500	500	500	500	500	500	500	500	500
<b>EXPENSES</b>										
TOTAL CAPITAL OUTLAY	2,333	3,274	4,676	2,720	2,796	2,509	2,184	2,551	3,503	5,821
<b>BEGINNING FUND BALANCE</b>	<b>9,672</b>	<b>10,510</b>	<b>9,068</b>	<b>6,210</b>	<b>4,052</b>	<b>1,797</b>	<b>518</b>	<b>505</b>	<b>505</b>	<b>505</b>
<b>ENDING FUND BALANCE*</b>	<b>\$ 10,510</b>	<b>\$ 9,068</b>	<b>\$ 6,210</b>	<b>\$ 4,052</b>	<b>\$ 1,797</b>	<b>\$ 518</b>	<b>\$ 505</b>	<b>\$ 505</b>	<b>\$ 505</b>	<b>\$ 504</b>

\*Ending Fund Balances include Contingencies/Reserves

**Clackamas Water Environment Services  
LONG-RANGE FINANCIAL PLAN**

(All figures in \$1,000s)

	FY 23/24	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
<b>DEBT SERVICE FUND</b>										
<b>REVENUES</b>										
TOTAL REVENUES	\$ 274	\$ 144	\$ 144	\$ 143	\$ 143	\$ 144	\$ 144	\$ 144	\$ 116	\$ 117
Transfer from Sewer Operating Fund	1,899	4,303	4,301	4,299	4,748	6,079	7,926	9,718	10,207	10,515
Transfer from Sewer SDC Fund	7,078	8,543	8,537	8,533	8,525	8,520	8,513	8,506	8,493	8,299
Transfer from Surface Water Operating Fund	-	17	92	92	92	138	247	381	577	926
<b>DEBT SERVICE</b>										
Existing Debt Service	12,771	12,973	13,041	13,032	13,020	12,967	12,848	12,705	12,463	11,869
Future Debt Service	-	-	-	-	452	1,832	3,791	5,718	6,408	7,115
TOTAL DEBT SERVICE	\$ 12,771	\$ 12,973	\$ 13,041	\$ 13,032	\$ 13,472	\$ 14,799	\$ 16,639	\$ 18,423	\$ 18,871	\$ 18,984
<b>BEGINNING FUND BALANCE</b>	6,918	3,398	3,432	3,465	3,500	3,536	3,618	3,809	4,135	4,657
<b>ENDING FUND BALANCE*</b>	3,398	3,432	3,465	3,500	3,536	3,618	3,809	4,135	4,657	5,530
<b>WES COMBINED ENDING FUND</b>	<b>\$ 159,259</b>	<b>\$ 112,797</b>	<b>\$ 79,275</b>	<b>\$ 53,659</b>	<b>\$ 37,010</b>	<b>\$ 31,631</b>	<b>\$ 28,340</b>	<b>\$ 26,833</b>	<b>\$ 27,728</b>	<b>\$ 29,678</b>
<b>TEST OF COVERAGE REQUIREMENTS</b>										
<b>Total Gross Revenues</b>	\$ 62,314	\$ 63,397	\$ 65,018	\$ 65,619	\$ 67,632	\$ 69,808	\$ 72,180	\$ 75,603	\$ 79,683	\$ 84,268
<b>Operating Expenses</b>	32,336	34,394	36,429	38,148	39,956	41,856	43,853	45,953	48,162	50,486
<b>Net revenues available for debt service</b>	\$ 29,978	\$ 29,003	\$ 28,589	\$ 27,471	\$ 27,676	\$ 27,952	\$ 28,327	\$ 29,650	\$ 31,521	\$ 33,782
All Debt Service (incl. State Loans)	12,771	12,973	13,041	13,032	13,472	14,799	16,639	18,423	18,871	18,984
Projected Debt Coverage Recognized - All Debt	235%	224%	219%	211%	205%	189%	170%	161%	167%	178%
Senior Lien Debt Service	10,585	10,585	10,585	10,586	10,589	11,038	12,421	14,380	16,307	16,990
<b>Projected Senior Lien Debt Coverage</b>	<b>283%</b>	<b>274%</b>	<b>270%</b>	<b>259%</b>	<b>261%</b>	<b>253%</b>	<b>228%</b>	<b>206%</b>	<b>193%</b>	<b>199%</b>
Debt Coverage Required	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%

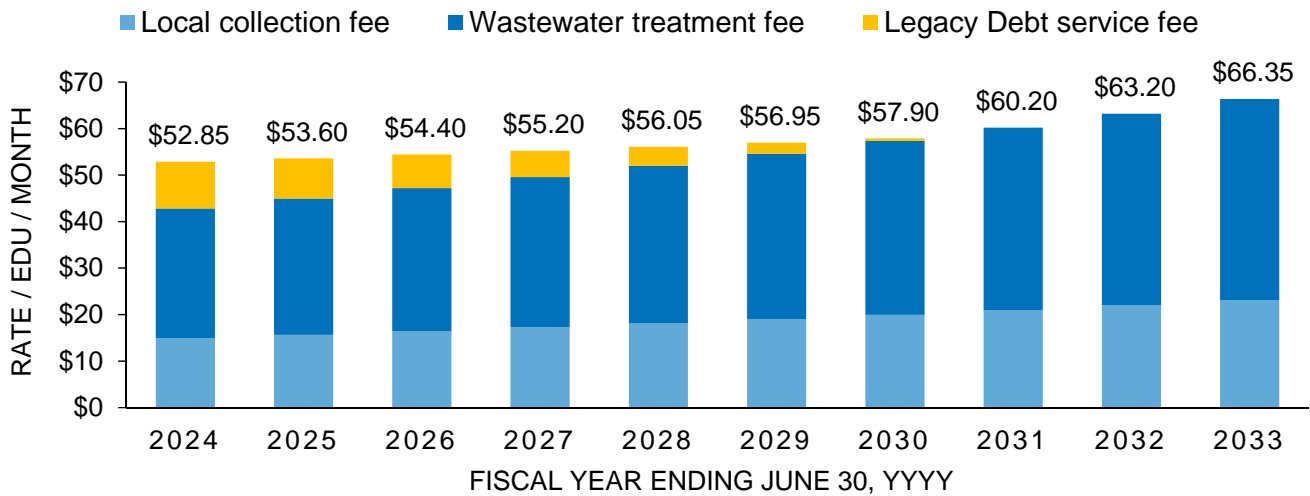
\*Ending Fund Balances include Contingencies/Reserves

## 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 expenses of maintenance and operation of the 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 2023-24, the BCC has established rates for each of the three rate zones of WES. Customers in Rate Zones 1 and 2 pay charges for wastewater treatment service. Rate Zone 2 customers also pay charges for local collection and surface water services and 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.

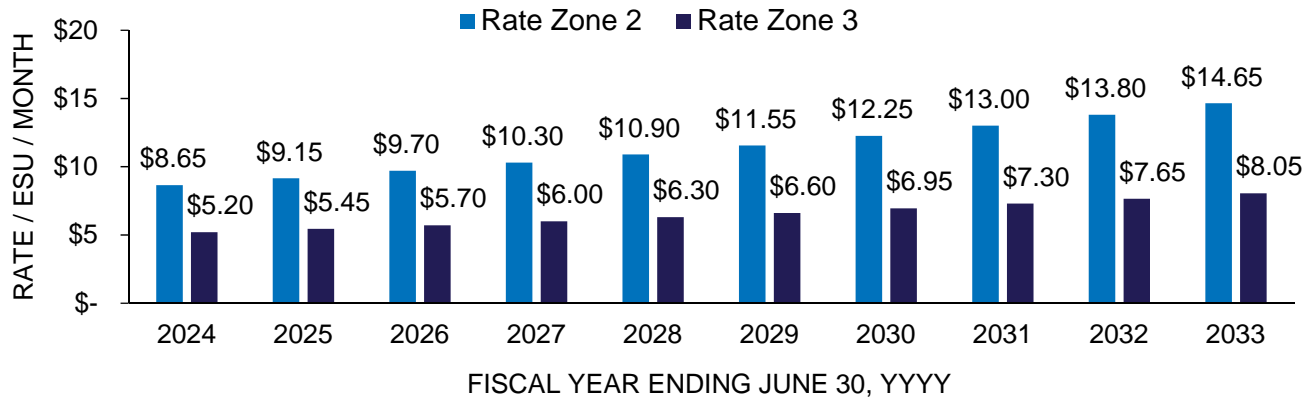
### FORECASTED MONTHLY SEWER CHARGES

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.



### 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 ten-year forecast horizon. All monthly rates shown are expressed in dollars per Equivalent Service Unit (ESU) per month.



# Appendix



*Volunteers remove trash at a Riverside Park WES-SOLVE event*



## Clackamas Water Environment Services Department Position Summary Schedules

FTEs By Performance Clackamas Program	FY 2015-16 Actual <sup>(1)</sup>	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 Budget	FY 2023-24 Budget
Account Services	-	4.40	4.17	2.68	2.81	2.69	2.65	4.27	3.50
Administrative Services	-	13.64	11.35	12.60	12.60	14.49	12.86	15.52	13.80
Asset Management	-	8.03	7.04	7.27	6.83	6.99	7.05	8.00	8.30
Capital Delivery <sup>(2)</sup>	-	4.69	6.39	5.98	7.09	7.79	7.28	8.54	10.12
Environmental Monitoring	-	9.33	6.64	6.29	5.99	5.61	6.07	5.81	6.05
Field Operations and Maintenance <sup>(3)</sup>	-	20.96	13.24	12.92	12.33	13.90	12.62	13.73	14.33
Financial Management	-	6.56	5.93	6.03	5.98	6.18	6.56	5.90	7.40
Permit Services	-	6.69	10.05	8.21	8.64	7.77	8.01	8.70	7.25
Plant Operations and Maintenance <sup>(3)</sup>	-	15.64	28.81	32.56	33.50	32.74	31.29	35.65	35.00
Resource Recovery	-	9.82	8.29	8.68	7.76	6.35	5.77	5.05	7.35
Watershed Protection	-	6.24	4.09	5.43	5.37	5.11	4.69	4.83	4.90
Vacancies - All Programs	-	0.00	0.00	1.35	3.10	2.38	11.15	0.00	0.00
<b>Totals</b>		<b>106.00</b>	<b>106.00</b>	<b>110.00</b>	<b>112.00</b>	<b>112.00</b>	<b>116.00</b>	<b>116.00</b>	<b>118.00</b>

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

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 Budget	FY 2023-24 Budget
Director <sup>(1)</sup>	3.00	2.00	3.00	5.00	3.00	4.00	4.00	4.00	1.00
Business Services <sup>(1)</sup>	16.00	16.00	17.00	19.00	21.00	22.00	23.00	21.00	24.00
Capital Planning and Management	13.00	15.00	16.00	14.00	16.00	14.00	14.00	15.00	17.00
Operations	50.00	49.00	49.00	52.00	52.00	52.00	55.00	56.00	56.00
Environmental Services	21.00	24.00	21.00	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
<b>Totals</b>	<b>107.00</b>	<b>106.00</b>	<b>106.00</b>	<b>110.00</b>	<b>112.00</b>	<b>112.00</b>	<b>116.00</b>	<b>116.00</b>	<b>118.00</b>

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

## DEBT SERVICE FUND SCHEDULES

On July 1, 2021, WES' two separate debt service funds, State Loan Fund 635 and Revenue Bond Fund 636, were combined into a single fund and renamed Debt Service Fund 635. To enhance comparability, the Debt Service Fund 635 schedule in the Budget Detail section on page 83 presents the combined resources and requirements for the separate funds (net of interfund transfers between the funds). The schedules on the following pages present historical data for the separate funds for reference, and to comply with statutory requirements for presentation of closed funds.

### STATE LOAN FUND 635

In FY 2020-21 and prior years, State Loan Fund 635 accounted for the repayment of principal and interest on WES' SRF loans. The SRF loans financed the NCRA assessment district in Rate Zone 2 and the Tri-City Solids Handling Improvement project. The primary resources included monthly charges transferred from the Sanitary Sewer Operating Fund and the interest and principal payments associated with the NCRA loans received from beneficiaries in that assessment district.

	2020-21 ACTUAL	2021-22 ACTUAL	2022-23 AMENDED BUDGET	2022-23 ESTIMATE	2023-24 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
BEGINNING FUND BALANCE	\$ 832,122	\$ 9,989,707	\$ 10,385,357	\$ 10,296,117	\$ 6,917,600	\$ 6,917,600	\$ 6,917,600
TRANSFER FROM SEWER OPERATING FUND	500,000	3,888,956	-	1,636,698	1,899,300	1,899,300	1,899,300
TRANSFER FROM SEWER SDC FUND	-	7,279,779	8,777,111	6,263,895	7,078,451	7,078,451	7,078,451
TRANSFER FROM SEWER CONSTRUCTION FUND	8,801,286	-	-	-	-	-	-
ASSESSMENT PRINCIPAL	375,744	290,005	100,000	258,250	100,000	100,000	100,000
ASSESSMENT INTEREST	96,122	97,119	95,000	61,800	70,000	70,000	70,000
INTEREST INCOME	11,951	31,336	72,700	93,700	103,800	103,800	103,800
<b>TOTAL RESOURCES</b>	<b>\$ 10,617,225</b>	<b>\$ 21,576,902</b>	<b>\$ 19,430,168</b>	<b>\$ 18,610,460</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>
<b>REQUIREMENTS</b>							
TRANSFER TO REVENUE BOND FUND	14,937	-	-	-	-	-	-
<b>PRINCIPAL PAYMENTS</b>							
R06224	106,208	106,208	106,208	106,208	106,208	106,208	106,208
R95030	-	-	1,547,214	861,585	1,736,115	1,736,115	1,736,115
2016	-	4,125,000	4,345,000	4,345,000	4,705,000	4,705,000	4,705,000
2021	-	2,065,000	2,170,000	2,170,000	2,280,000	2,280,000	2,280,000
<b>TOTAL PRINCIPAL</b>	<b>106,208</b>	<b>6,296,208</b>	<b>8,168,422</b>	<b>7,482,793</b>	<b>8,827,323</b>	<b>8,827,323</b>	<b>8,827,323</b>
<b>INTEREST PAYMENTS</b>							
R06224	6,373	5,842	5,310	5,310	4,779	4,779	4,779
R95030	500,000	728,979	1,168,566	270,000	338,878	338,878	338,878
2016	-	2,635,756	2,424,007	2,424,007	2,197,757	2,197,757	2,197,757
2021	-	1,614,000	1,510,750	1,510,400	1,402,250	1,402,250	1,402,250
<b>TOTAL INTEREST</b>	<b>506,373</b>	<b>4,984,577</b>	<b>5,108,633</b>	<b>4,210,067</b>	<b>3,943,664</b>	<b>3,943,664</b>	<b>3,943,664</b>
<b>RESERVES</b>							
R06224	53,104	53,104	53,104	53,104	53,104	53,104	53,104
R95030	-	-	-	695,854	695,854	695,854	695,854
2021	8,801,286	8,801,286	4,412,860	5,121,076	1,438,826	1,438,826	1,438,826
<b>TOTAL RESERVES</b>	<b>8,854,390</b>	<b>8,854,390</b>	<b>4,465,964</b>	<b>5,870,034</b>	<b>2,187,784</b>	<b>2,187,784</b>	<b>2,187,784</b>
ENDING FUND BALANCE	1,135,317	1,441,727	1,687,149	1,047,566	1,210,380	1,210,380	1,210,380
<b>TOTAL REQUIREMENTS</b>	<b>\$ 10,617,225</b>	<b>\$ 21,576,902</b>	<b>\$ 19,430,168</b>	<b>\$ 18,610,460</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>	<b>\$ 16,169,151</b>

## DEBT SERVICE FUND SCHEDULES

### REVENUE BOND FUND 636

In FY 2020-21 and prior years, Revenue Bond Fund 636 accounted for the redemption of revenue bonds and interest thereon. The primary resources were Rate Zone 2 sewer and surface water monthly user fees transferred from other funds.

Beginning with FY 2021-22, the resources and requirements related to WES' revenue bonds are budgeted under Debt Service Fund 635. The schedule below reflects this consolidation into Fund 635 and the elimination of Fund 636.

	2020-21	2021-22	2022-23	2022-23	2023-24 BUDGET		
	ACTUAL	ACTUAL	AMENDED BUDGET	ESTIMATE	PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
BEGINNING FUND BALANCE	\$ 397,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSFER FROM SEWER OPERATING FUND	6,768,056	-	-	-	-	-	-
TRANSFER FROM STATE LOAN FUND	14,937	-	-	-	-	-	-
INTEREST COLLECTIONS	19,600	-	-	-	-	-	-
INTEREST INCOME	2,887	-	-	-	-	-	-
<b>TOTAL RESOURCES</b>	<b>\$ 7,202,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>REQUIREMENTS</b>							
<b>PRINCIPAL PAYMENTS</b>							
2009B	-	-	-	-	-	-	-
2010	840,000	-	-	-	-	-	-
2016	3,095,000	-	-	-	-	-	-
2021	0	-	-	-	-	-	-
TOTAL PRINCIPAL	3,935,000	-	-	-	-	-	-
<b>INTEREST PAYMENTS</b>							
2009B	-	-	-	-	-	-	-
2010	16,800	-	-	-	-	-	-
2016	2,816,256	-	-	-	-	-	-
2021	434,884	-	-	-	-	-	-
TOTAL INTEREST	3,267,940	-	-	-	-	-	-
ENDING FUND BALANCE	-	-	-	-	-	-	-
<b>TOTAL REQUIREMENTS</b>	<b>\$ 7,202,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## LINE ITEM DESCRIPTIONS

### RESOURCES

Resources are estimated beginning funds on hand plus 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 grants, interest income, and other 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, Milwaukie, and a portion of Gladstone. 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** - Represent revenues from fees for new connections to the sanitary sewer or surface water system. These fees are based upon capacity-enhancing capital improvements planned for the service area; 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/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.

**Federal Operating Grants** - Includes anticipated federal grant funding.

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

#### Transfers

Amounts moved from one fund to another. 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, 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 and 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 from 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 imbedded County legal and communications staff.

## LINE ITEM DESCRIPTIONS

### Materials and 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.

**Repairs and 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.

### Transfers

Amounts moved from one fund to another. 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** – Transfers from WES' operating funds to the construction funds to pay for current year capital outlay and add to reserves for 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 where 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, transfers in, and other financing sources) and requirements (operations and maintenance expenditures, capital outlay, debt service, 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 & INITIALISMS

**ACFR** - Annual Comprehensive Financial Report

**ARPA** - American Rescue Plan Act

**BCC** - Clackamas County Board of County Commissioners

**BSA** - Boring Service Area

**CAS** - Conventional Activated Sludge

**CCSD No. 1** - Clackamas County Service District No. 1

**CFR** - Code of Federal Regulations

**CIA** - Clackamas Industrial Development Area

**CIP** - Capital Improvement Plan

**COA** - Chart of Accounts

**COLA** - Cost Of Living Adjustment

**CSMP** - Collection System Master Plan

**DEQ** - Department of Environmental Quality

**DTD** - Department of Transportation and Development

**EDU** - Equivalent Dwelling Unit

**ENR** - Engineering News Record

**EPA** - Environmental Protection Agency

**ERP** - Enterprise Resource Planning

**ESU** - Equivalent Service Unit

**FEMA** - Federal Emergency Management Agency

**FFPSA** - Fischer's Forest Park Service Area

**FTE** - Full-Time Equivalent (Employee)

**FY** - Fiscal Year

**GAAP** - Generally Accepted Accounting Principles

**GASB** - Government Accounting Standards Board

**GFOA** - Government Finance Officers Association

**HSA** - Hoodland Service Area

**HVAC** - Heating, Ventilation and Air Conditioning

**I/I** - Inflow and Infiltration

**IGA** - Intergovernmental Agreement

**IPT** - Industrial Pretreatment

**KCWRRF** - Kellogg Creek Water Resource Recovery Facility

**MBR** - Membrane Bioreactor

**MG** - Million Gallons

**MGD** - Million Gallons per Day

**MFR** - Managing For Results

**NACWA** - National Association of Clean Water Agencies

**NCRA** - North Clackamas Revitalization Area

**NCSA** - North Clackamas Service Area

**NCSWSA** - North Clackamas Surface Water Service Area

**NPDES** - National Pollutant Discharge Elimination System

**O&M** - Operating and Maintenance

**OAR** - Oregon Administrative Rules

**ODFW** - Oregon Department of Fish and Wildlife

**ORS** - Oregon Revised Statutes

**OSM** - On-Site Maintenance

**PFAS** - Per- and Polyfluoroalkyl Substances

**RAS** - Return Activated Sludge

**REC** - Renewal Energy Certificates

**ROW** - Right-Of-Way

**RWUP** - Recycled Water Reuse Plan

**SCADA** - Supervisory Control and Data Acquisition

**SDC** - System Development Charge

**SEM** - Strategic Energy Management

**SRF** - State Revolving Fund

**SSMP** - Storm System Master Plan

**SWMACC** - Surface Water Management Agency of Clackamas County

**TCSD** - Tri-City Service District

**TCWRRF** - Tri-City Water Resource Recovery Facility

**TMDL** - Total Maximum Daily Load

**UIC** - Underground Injection Control

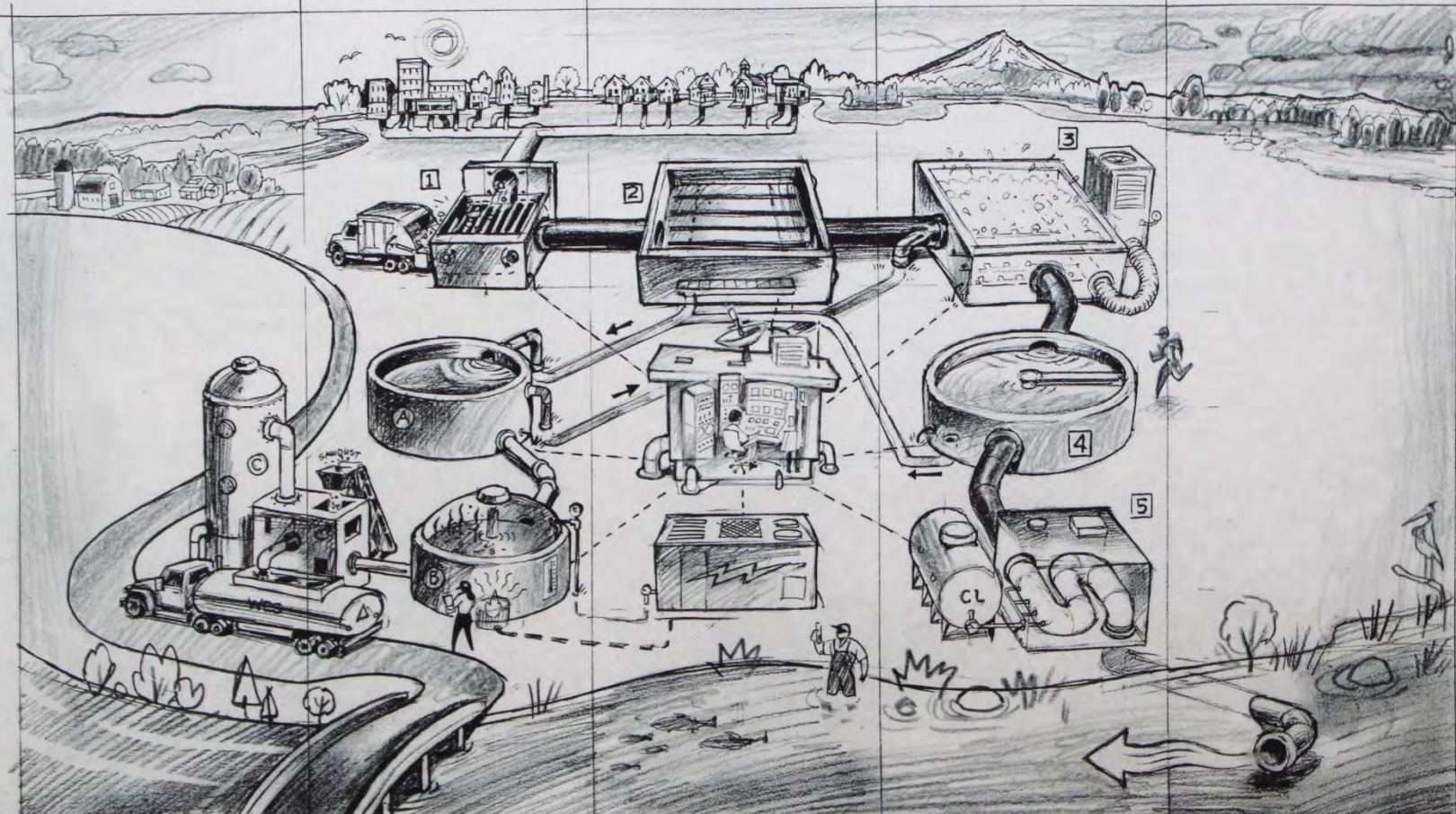
**WES** - Water Environment Services (Department or Partnership, depending on context)

**WFP** - Willamette Facilities Plan

**WPCF** - Water Pollution Control Facilities

**WRRF** - Water Resource Recovery Facility

**WRU** - Water Recycle Use Plan



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** - Financial plan adopted by the governing body, forming the basis for appropriations.

**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.

**Asset Management** - A systematic process of acquiring, utilizing, maintaining, upgrading, replacing and disposing of existing assets.

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

**Balanced Budget** - Within a fund, total amount of revenues, including transfers from other funds and the use of fund balance equals the total amount of expenditures, including 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 (BOD) is a measure of the concentration of wastes in wastewater. Pounds of BOD is the measure of the loading (or total amount of the wastes) to the treatment plants.

**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).

**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 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** - A plan for capital expenditures to provide long-lasting physical improvements, the cost of which is to be incurred over a fixed period of several years.

**Capital Outlays** - Expenditures that result in acquisition of or addition to fixed assets.

**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 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.

**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, 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 incurring 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. July 1<sup>st</sup> through June 30<sup>th</sup> for WES.

**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.

**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 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.

**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. Transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450).

**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** - Within the boundaries of the three service districts managed by Water Environment Services are cities, hamlets, neighborhoods, and other subsets of our region. These communities are our partners in wastewater resource recovery and watershed protection. We work together to create and maintain a healthy environment to live, work and play within.

**Performance Measures** - Objective methods (quantitative and/or qualitative) for evaluating the Department’s progress toward its stated goals.

**Personnel Services** - Includes salaries and wages, overtime, 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.

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

**Requirements** – Budgetary uses of funds, including: operating expenditures, 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 receipts.

**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 Zone 2.

**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 or anticipated by a local government from either tax or non-tax sources.

**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.

**System Development Charges (SDCs)** - Represent revenues from fees for new connections to the sanitary sewer or surface water system. These fees are based upon capacity-enhancing capital improvements planned for the service area; revenues 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.

**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.

**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.



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