



**Water Environment Services Advisory Committee
AGENDA**

Date: March 18, 2021
Time: 6:00 – 8:00 pm
Location: Zoom

Facilitator: Diana Helm, WES Advisory Committee Chair

Time	Topic	Action
6:00 pm 10 minutes	Welcome, introductions, and opening remarks <i>Greg Geist, WES Director</i>	Inform
6:10 pm 5 minutes	January 28, 2021, Meeting Summary <i>Approve</i>	Approve
6:15 pm 15 minutes	Annual Appointment of WES Budget Committee Members – Budget Process Update <i>Committee nominations and motion to approve</i> <i>Presented by Chris Storey, WES Assistant Director</i>	Inform Motion
6:30 pm 15 minutes	Proposed Financial Policy – Use of SDCs for Debt Repayment <i>Motion to approve</i> <i>Presented by Chris Storey, WES Assistant Director</i>	Inform Motion
6:45 10 minutes	Community and Rate Payer Research Initiative <i>Presented by Shelly Parini, WES Business and Community Relations</i>	Inform
6:55 15 minutes	I&I Community Investment Program/Partnership <i>Presented by Chris Storey, WES Assistant Director</i>	Inform
7:10 30 minutes	Operations Storm Event After Action <i>Presented by Greg Eyerly, WES Operations Manager</i>	Inform
7:40 10 minutes	Kellogg Creek Video	Inform
7:50 pm 10 minutes	Topics of Interest and Future Agenda Items <i>Presented by Diana Helm, WES Advisory Committee Chair</i>	Discuss
8:00 pm	Adjourn	



Water Environment Services Advisory Committee DRAFT Meeting Summary

Date: January 28, 2021
Time: 6:30 – 8:30 pm
Location: Meeting by Zoom conferencing

Meeting Objectives

- November 12, 2020, meeting summary

Presentation(s): PowerPoint – WESAC Presentation_20210128

Facilitator: Diana Helm, WES Advisory Committee Chair

Attendees:

Members

David Golobay, Michael Morrow, Diana Helm, Anthony Fields, Rita Baker, Rocky Smith, Lori Olund, Renee Harber, Christopher Bowker, Greg DiLoreto, Kat Miller, Roseann Johnson, David Shleef, Brian Johnson

Clackamas County/WES Staff

Greg Geist, Lauren Haney, Chris Storey, Greg Eyerly, Lynne Chicoine, Ron Wierenga, Jessica Rinner, Shelly Parini, Commissioner Martha Schrader, Ed Nieto

Public

Peter Passarelli, Chris Randall,

Diana Helm, WES Advisory Committee Chair, convened the meeting at 6:30 pm.

Welcome, introductions, and opening remarks

Greg Geist, WES Director

- Introduction of new Committee member Lori Olund
- Confirmed returning members, Christopher Bowker, William Gifford, Michael Morrow, and Anthony Fields
- Shelly – offered the Committee members plant tours

November 12, 2020, Meeting Summary

Approved

Annual Appointment of WES Advisory Committee Chair and Vice Chair

Committee nominations and motions to approve

Michael Morrow nominated Diana Helm for Chair and Greg DiLoreto as Vice Chair. Christopher Bowker seconded. All in favor.

Ms. Helm asked the Committee if they were open to having the meetings start earlier from 6-8pm. Discussion occurred. It was decided the meetings would shift to start earlier with the acknowledgment

that if the Committee began meeting in-person again they would have to revisit the schedule to ensure enough time for members to commute.

Discussion occurred regarding the timing of the May meeting. It was decided Ms. Haney would send an updated Doodle Poll to solicit the best day in May to meet and review the proposed budget document that would work well around budget timing requirements.

WES Advisory Committee Bylaw Review

Presented by Diana Helm, WES Advisory Committee Chair

Ms. Helm reviewed sections of the Committee Bylaws. She expressed concern about inconsistent participation in 2020 and discussed the importance that each City have regular and consistent representation. It was noted the Cities could have a backup attend if the appointed representative cannot make it. However, in the case a backup is sent, they cannot act as a proxy and vote on behalf of the representative.

Ms. Helm reviewed the presentation slides.

WES Lines of Business and our Managers

Presented by WES Management

The Assistant Director and each Division Manager gave an overview of their role in the department and the Division Programs they manage.

State of the District Reports

Presented by Shelly Parini, WES Business and Community Relations

Ms. Parini began the presentation by noting it was WES' second year presenting the annual report to the Cities. She reviewed the schedule and gave thanks to all involved who supported WES and the reporting.

Ms. Helm took a moment to thank WES and referred to field staff as first responders during natural disasters. She expressed her thanks to WES staff for keeping the plants running during challenging times.

Tri-City Wet Weather Expansion

Presented by Lynne Chicoine, WES Capital Manager

Ms. Chicoine reviewed the presentation slides. Discussion occurred regarding DEQ and permits.

Regional Infiltration and Inflow Information & Proposal

Presented by Chris Storey, WES Assistant Director

Mr. Storey reviewed the presentation slides. Discussion occurred regarding incorporated and unincorporated areas and the percent of support for I&I projects. It was explained that WES is responsible for unincorporated areas. Discussion occurred regarding how the program might work and the proposed support of 33% of project costs for I&I reduction. There was consensus from the Committee for WES to work on a proposed plan for an incentive program.

Bring it On! Portland BES Taggart Outfall Sliplining Rehabilitation Project Video

The Committee watched the video. Brief discussion occurred after the video.

General Committee Questions and Topics of Interest

Staff available to answer committee questions

A brief recap of the opening remarks of the meeting was covered for those who joined late.

Ms. Helm adjourned the meeting at 8:16 pm.

DRAFT



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March 18, 2021



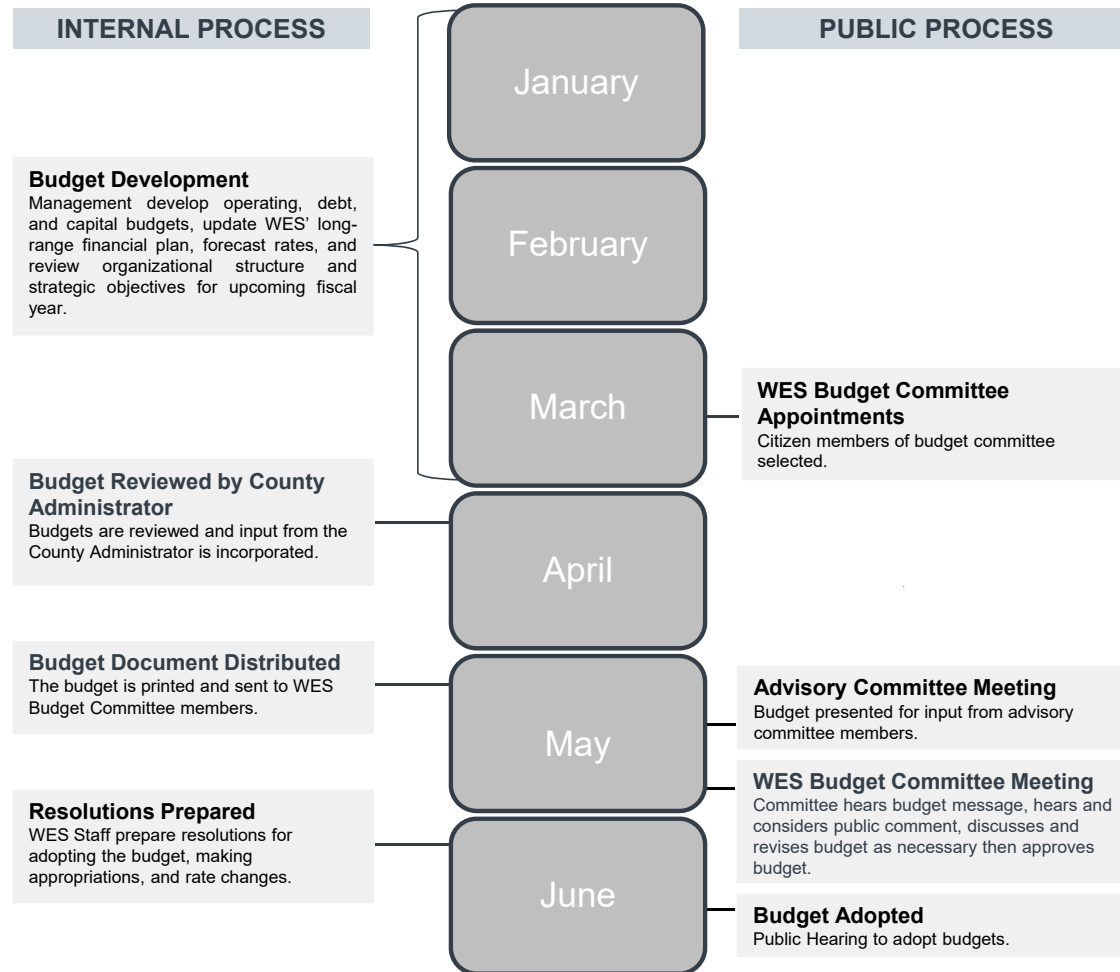
FY 2021-22 Budget Process Update

Chris Storey, Assistant Director

Budget Purpose

- Required by state law to allow for expenditures during a Fiscal Year.
- Demonstrates how Resources (Beginning balances, revenues) are allocated to Requirements (operations, capital outlay, debt service, ending balances).
- Communicates strategic objectives to both internal and external stakeholders and sets the stage for WES' 5-year capital plan.

WES' Budget Process



Budget Committee Membership

- Consists of 5 County Commissioners and 5 members selected from this Advisory Committee
- Members from last year:
 - *Mayor Russ Axelrod*
 - Christopher Bowker
 - William Gifford
 - Michael Morrow
 - *Ron Weigel*
- Need to fill at least 2 slots, as both Mayor Axelrod and Mr. Weigel have stepped down from the Committee. Bylaws allow any members to serve.
- Up to Committee to select and approve candidates

Next Steps

- Committee votes on appointees to the Budget Comm.
- Entire Advisory Committee will review a proposed budget on May 20, and provide perspective for inclusion in the Budget Committee dialogue.
- Budget Committee will meet shortly thereafter to consider the budget, discuss changes, and vote on a recommended budget with any such changes for formal adoption.
- Board of County Commissioners will meet in late June to formally adopt the budget, which will be effective July 1.



Thank You!



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WATER ENVIRONMENT SERVICES

GREGORY L. GEIST | DIRECTOR

Water Quality Protection
Surface Water Management
Wastewater Collection & Treatment

TO: WES Advisory Committee

FROM: Chris Storey, WES Assistant Director
Erin Blue, WES Finance Supervisor

DATE: March 18, 2021

SUBJECT: Financial Policy – Use of SDCs for Debt Service

WES' current financial strategy for utilizing system development charges ("SDCs") is to expend them for upcoming projects where eligible. Due to the fact that the wastewater infrastructure to serve growth must be constructed prior to the opportunity to collect SDCs for that infrastructure, there is a timing challenge in having those funds available. Projects are identified to what extent they are SDC-eligible in the 5 year Capital Improvement Plan.

Due to the challenges of capital delivery and the timing of projects within the CIP, WES' SDC fund remains at a high balance; per our audit, as of June 30, 2020 WES had \$39.6 million in the sanitary sewer SDC fund. Further, WES took advantage of historically low interest rates last month to borrow \$40 million anticipated to be needed in the next 3 years, at a remarkable interest rate of 0.84% (more detail below). This locked in interest savings of over \$8 million over the term of the loan, and increased funds available to be expended on capital projects. IRS rules require that 85% of the borrowed funds be spent within 3 years of the time of borrowing. Doing so will decrease the short term need for expending SDC funds.

WES is rigorous in calculating SDC fees, but once we get those SDC fees in hand there is less emphasis on the systematic deployment of those SDC receipts. The purpose of this memo is to propose a strategy/policy for the future use of the restricted SDC cash, namely utilizing existing SDCs to make debt service payments to the extent eligible first, then using them for existing projects. This would reduce pressure for rate increases to support debt repayment and demonstrate to the development community that the SDCs being paid are indeed being used for the identified projects previously constructed.

Under Oregon budget law, SDCs are defined as special revenues, and must be accounted for in special revenue funds. These special revenue funds are set up to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Funds as defined in the SDC law (i.e., ORS 223.297 – 223.314) are examples of special revenue funds. ORS 223.307 specifically states that "...fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of debt for such improvements...". This specific statutory authority gives WES flexibility to

both use SDC funds to construct wastewater and stormwater system capital improvements, and/or repay debt associated with the cost of constructing such system improvements.

Proposal

WES Staff is proposing for WES Advisory Committee consideration a policy of using SDC fund balance and annual SDC receipts to support the payment of current and future debt service to the extent eligible. This will be applicable to most outstanding debt issuances of WES, and future debt as well. This policy would impact debt issuances as described below:

1. *Solids Handling Project.* The near-complete solids handling improvement project is being funded from the proceeds of a Clean Water State Revolving Fund loan (R95030). Although not quite final, we estimate this 20-year loan will require annual principal and interest payments of ~\$2.6 million per year beginning in the next fiscal year, with final payment on this loan in 2041. When this project was designed, it identified that approximately 75% of its capacity would serve future demand (i.e., growth). We recommend WES use SDCs to fund 75% of future principal and interest payments on this loan when it is finalized by the Oregon DEQ (loan administrator). This would indicate an eligible payment of ~\$1.95 million per year from SDC funds. The remainder will be funded as planned by rate revenue pursuant to the negotiated rate zone allocation as set forth in WES' founding documents.
2. *2016 Revenue Refunding Obligations.* WES is currently servicing the Series 2016 Sewer System Revenue Refunding Obligations, often referred to as the "Legacy Debt" as it was originally issued by Clackamas County Service District No. 1, via a rate surcharge in Rate Zone 2. This debt series refunded the original Series 2009A, 2009B, and 2010 sewer system revenue obligations. The final payment on this issuance is December 1, 2035. The proceeds of all of these revenue obligations were used to build the Phase I liquids expansion at the Tri-City water reclamation facility and the Intertie 2 pump station and force main. When that facility was designed, it was assumed that 44% of the capacity of the projects would be incurred to serve future demand (growth), with the remainder used to offload the Kellogg Creek facility of current demand. Between 2010 and 2021, WES did not use any SDCs to pay the debt service on any of these loans. In essence, WES "banked" or has the ability to make payments equal to \$33.9 million of debt service on these loans from SDC proceeds. Staff has done an analysis and concluded we can apply this \$33.9 million in banked SDC eligible costs to the ~\$94.4 in future principal and interest remaining on the 2016 refunding obligations, in addition to the 44% that remains eligible from SDCs for upcoming debt service payments. This analysis indicates the effective future SDC eligibility on the remaining portion of this loan is 79.9%. We recommend WES use SDCs to fund 79.9% of future principal and interest payments on this 2016 issuance. Current debt service is ~\$6.8 million per year, and therefore would be eligible for an average of ~\$5.4 million per year.
3. *2021 Revenue Obligations.* Late last month, WES closed on a new issuance, the Series 2021 Sewer System Revenue Obligations. WES received approximately \$40 million from this sale (net of premium), at a true interest cost of 0.84%. Annual principal and interest payments on these revenue obligations average \$3.7 million per year across the 15 year term of the obligations, with

the last payment to be made on June 1, 2035. Staff utilized the identified eligible projects and calculated the weighted average SDC eligibility of these projects. Of the eligible projects, 35.5% of the total expenditures are SDC eligible. Therefore 35.5% of the debt service is eligible for SDC support in the payment of the future annual debt service on this issuance, or on average \$1.32 million per year.

4. If all of the above three debt issuances are serviced with SDCs and there is cash remaining in the sanitary sewer SDC fund, WES would reserve that cash for future debt service support or use it to directly fund projects or portions of projects that are designed to serve future wastewater system demand.
5. Future issuances can be supported in the same way, with a calculation of the total projects to be funded and the SDC-eligible portion of those projects to generate the portion of the debt service eligible for support from SDC funds.

As a general note, we emphasize that in the future, if for some reason SDC cash is not available for debt repayment as described above, then of course the loan payments would be made with general rate revenues. Currently 100% of debt repayment is made with general rate revenues and WES' borrowing covenants require payments on debt from all available resources.

From a financial impact standpoint, this policy would indicate that a total of ~\$8.67 million per year in debt service could be paid from the SDC fund if this policy is adopted. Currently, WES has been averaging ~\$6.5 million in SDC receipts per year. Therefore the initial financial impact of this would be to reduce the SDC balance by ~\$2.17 million per year from a starting point of \$39.6 million balance, which means that this approach should be sustainable at a minimum for the life of the above outstanding debts.



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Financial Policy Proposal: Use of SDCs for Debt Repayment

Chris Storey, WES Assistant Director



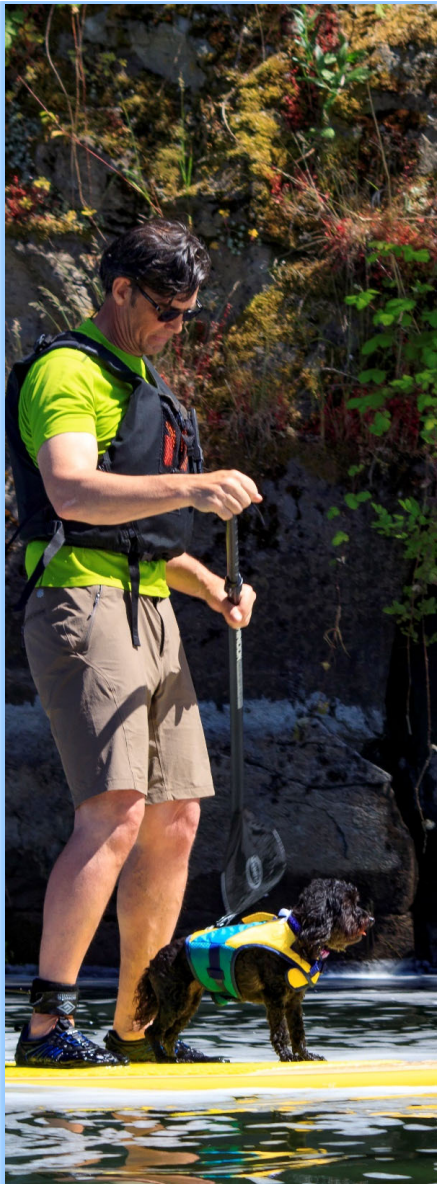
Overview

- SDC Status & Rules
- Policy Proposal
- Impact of Policy on Current Debt
- Implications on Future Rate Adjustments



SDC Status & Rules

- System Development Charges are designed to recover the cost of new infrastructure needed to serve new development.
- Wastewater, and to a lesser extent surface water, infrastructure needs to be constructed prior to new development connecting. Always a lagging revenue.
- Rates and prior SDCs are used to construct and then future SDCs are used to reimburse the cost.



SDC Status & Rules, con't

- ORS 223.307 specifically states that “...fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of debt for such improvements...”
- WES’ current policy focuses on using SDC revenues for future projects to offset or avoid borrowings.
- Current SDC fund has a balance of \$39.4 million as of June 30, 2020.



Financial Policy Proposal

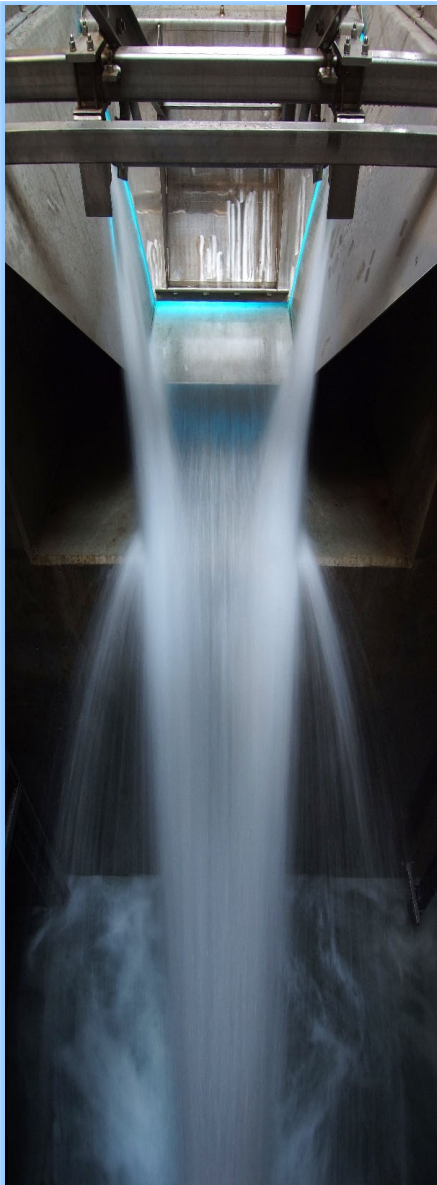
- Propose following statutory authority to use SDCs to repay debt used to construct SDC-eligible projects.
- Each issuance is associated with specific projects, which allows calculation of specific eligibility for SDC expenditures.
- Only fund the debt service at the ratio calculated.



Impact of Policy on Current Debt

Three outstanding debts would be impacted:

- 2016 Revenue Refunding Obligations/Legacy Debt: Annual debt service is \$6.8 million; 79.9% SDC eligible, or ~\$5.4 million/year.
- SRF Loan for Solids Handling Project: Annual debt service of \$2.6 million; 75% SDC eligible, or ~\$1.95 million/year.
- 2021 Revenue Obligations: Just issued last month for interest rate, 0.84%; Cumulative 9 projects, annual debt service \$3.7 million; 33.5% SDC eligible, or ~\$1.32 million/year.



Implications on Future Rate Adjustments

- Bond payments are calculated in our rate projections plus required bond covenant coverage. Payments from SDC funds decreases the need for annual revenue dedicated to that purpose.
- Frees up non-restricted dollars for capital projects.
- From a rate profile standpoint, allows WES to lower projected needed rate increases to fund capital improvement program.



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Questions?

Chris Storey: chrissto@clackaas.us
503 742 4543



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WATER ENVIRONMENT SERVICES

GREGORY L. GEIST | DIRECTOR

Water Quality Protection
Surface Water Management
Wastewater Collection & Treatment

TO: WES Advisory Committee

FROM: Shelly Parini, Business and Community Relations

REVIEWED BY:

DATE: March 18, 2021

SUBJECT: **Community and Rate Payer Research Initiative**

This memorandum is intended to inform and solicit engagement.

Background

Clackamas Water Environment Services (WES) understands the value of proactive and ongoing community and stakeholder engagement as well as multi-agency collaboration to deliver clean water and water resource solutions for our growing district.

To support us with our community and ratepayer research efforts, we have contracted with Water Systems Consulting (WSC) to bring innovative approaches to stakeholder engagement. The research effort, which will be referred to as “Clean Water Exchange” will help WES:

- Strengthen customer and stakeholder understanding.
- Create new clean water partnerships and advocates.
- Build trust through enhanced connections.

WSC’s Project Manager, Holly Tichenor, was directly involved in the 2019 Clackamas WES brand renewal project. She brings a unique understanding of our vision for this discovery phase and our long-term goals. Holly will work in partnership with WES staff to execute the following work.

The work includes:

- Research Readiness.
- Creation of Virtual Engagement Project Site.
- Research Platforms: Interviews, Focus Groups & Online Survey
- Discoveries and Assessment Report (segment and comprehensive)
- Three-year Strategic Communication and Engagement Plan

This work will be supported by an internal task force comprised of representatives from public and government affairs, finance, customer service, environmental services and other key areas of operation.

WES / PGA Leads:

Shelly Parini, WES Project Manager

Todd Loggan, PGA Digital Design and Communications

Akiko Gates, WES Project Support

WES Advisory Committee Questions Follow up

The WES Advisory Committee is encouraged to participate in the research initiative in one or more of the following ways:

1. Participate in a One-on-One Interview
2. Attend a Blended Stakeholder Focus Group
3. Take the Online Survey
4. Share the Online Survey and Virtual Project Platform with Key Stakeholders

Next Steps

The research initiative will launch in April. Shelly Parini will reach out to advisory committee members in advance to better understand how each individual wishes to participate.



Clean Water Exchange

WES ADVISORY COMMITTEE MEETING
March 18, 2021



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Clean Water Exchange

This unique **multi-tiered research endeavor** will help WES discover what the community most values as it relates to clean water services.

The **Clean Water Exchange** will help WES:

- Strengthen customer and stakeholder understanding
- Create new clean water partnerships and advocates
- Build trust through enhanced connections



Challenges reaching and connecting in meaningful ways with stakeholders

- Limited awareness of WES services (wastewater and storm/surface water management)
- Unseen infrastructure
- Indirect and direct ratepayer base
- Diverse urban / rural service area
- Limited 2-way engagement opportunities
- Limited direct channels for outreach and engagement

Project overview and purpose





PURPOSE

Opportunity to strengthen stakeholder understanding

Meet our stakeholders where they are and understand what matters most to them:

- Watershed familiarity
- Water values and knowledge
- Vision for the future of clean water
- Recognized opportunities for positive change
- Channels, methods, languages



PURPOSE

Opportunity to build new partnerships and advocates

Working together for:

- Healthy watersheds
- Resource recovery
- Resilient systems
- Community vitality
- Growing economy
- Public health
- Reasonable rates

PURPOSE

Opportunity to build trust through stakeholder connections

- Strengthen two-way communication channels between WES and its customers both direct and indirect
- Better align outreach objectives with stakeholder values
- Improve awareness and understanding for WES mission and the work we do every day
- Enhance understanding of healthy watersheds and water quality
- Educate and inspire behavioral change for watershed protection



Trust
makes it far easier to engage,
educate and inform.

Partnerships
say we're in this together.

Project approach



Stakeholders



“We want to reach stakeholders from all walks of life,
from developers, property managers and homeowners
to government agencies, local businesses, teachers and students.”





Stakeholder interviews

10-15 stakeholders interviewed

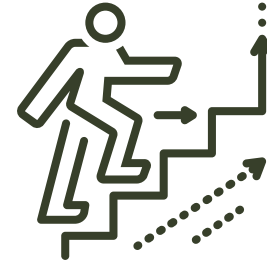
Builds trust while curating a deeper understanding of stakeholder needs



Virtual focus groups

3 cross-section focus groups

Builds trust while curating a deeper understanding of stakeholder needs



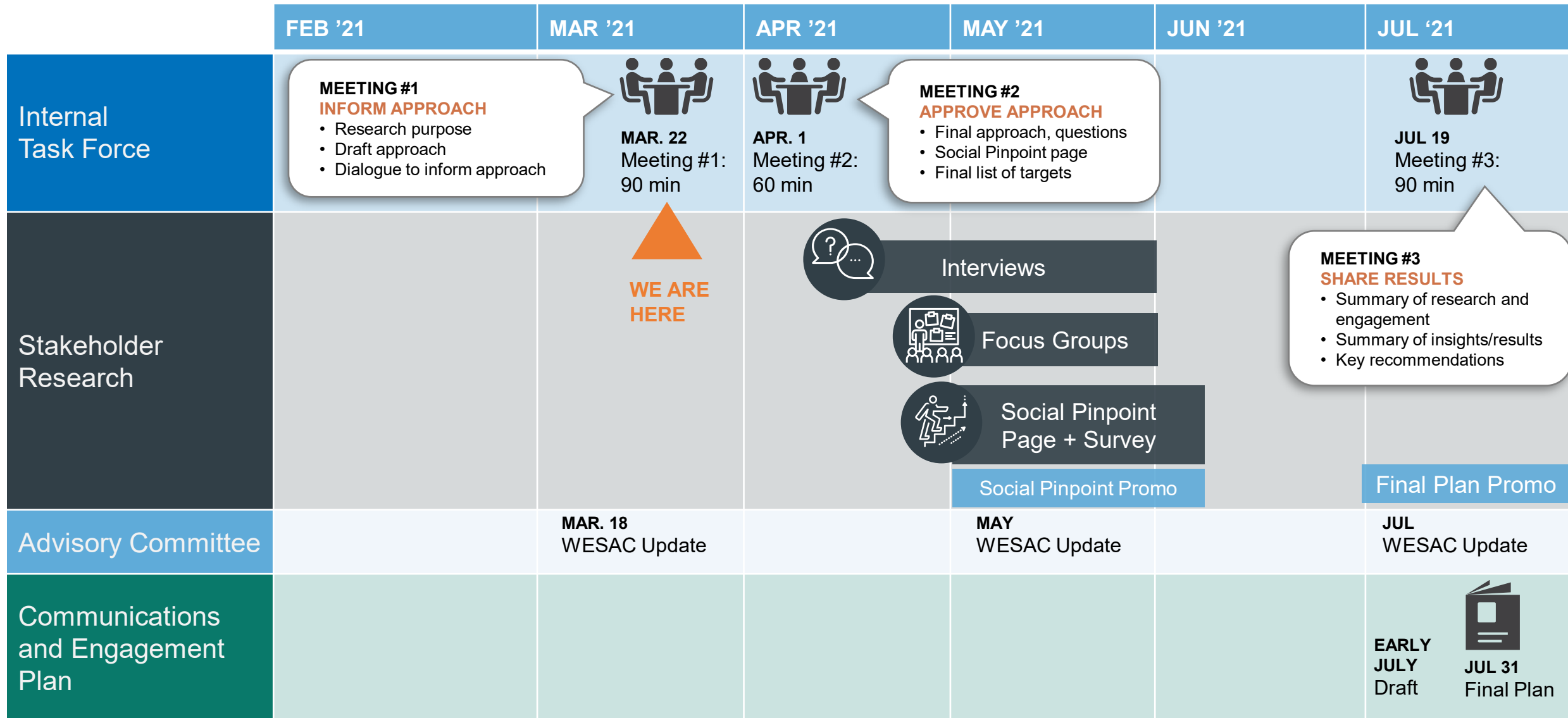
Survey & engagement webpage

Diverse sector of stakeholders engaged

Multi-language web page builds awareness, educates and offers an opportunity for input



Project timeline





Key project deliverable

Clean Water Exchange ROADMAP

1. Strengthen stakeholder understanding
2. Create new clean water partnerships and advocates
3. Build trust through enhanced connections

The Team

1. WES Task Force:

- Customer Service
- Customer Engagement
- Public and Government Affairs
- Environmental Services
- Finance and Accounts Payable
- Business & Community Relations

2. WES Advisory Committee

3. Water Systems Consulting (WSC)



Questions?

Contact: Shelly Parini at sparini@Clackamas.us





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Regional I/I Reduction Program Update

Chris Storey, WES Assistant Director



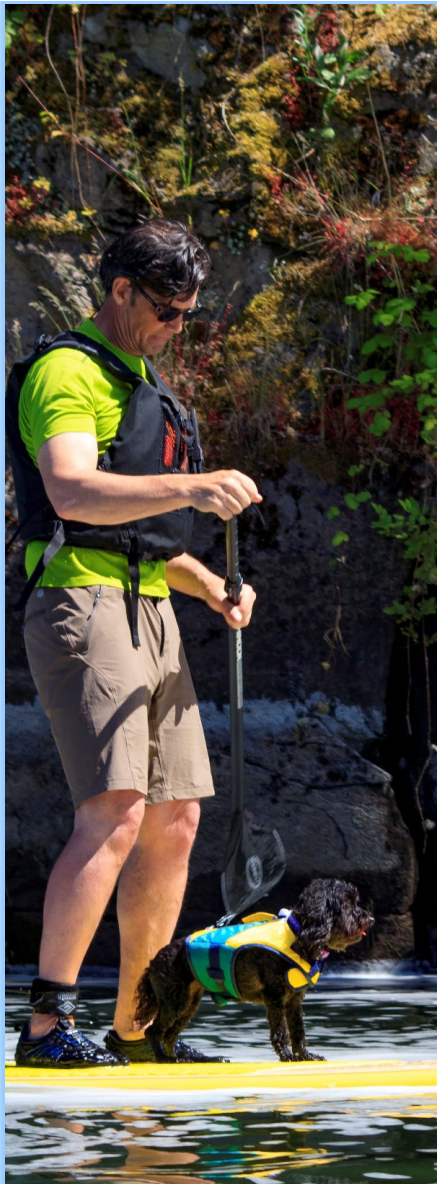
Overview

- Quick Background
- Proposal Recap
- Status Update



I/I Background

- Infiltration: groundwater & rainwater seepage.
- Inflow: Illicit or accidental connections.
- Known issue in the wastewater industry, and a certain amount of it is normal. It only becomes a problem with the amount is excessive.
- A normal peak to average flow ratio 5:1 or less. Kellogg Creek & Tri-Cities are above that in certain situations.



Program Proposal Recap

- Proposal is for grants from WES to partner cities to pay for 33% of the cost of a qualified I/I reduction project.
- Initial review suggests that WES can fund grants at that 33% level for all planned I/I projects by partner cities over the next several years. Will need check in prior to finalization, and as program moves forward.
- Project will be reviewed as qualified and vetted through the Technical Advisory Team. Must be located in one of the 19 pipesheds identified as key investment areas.



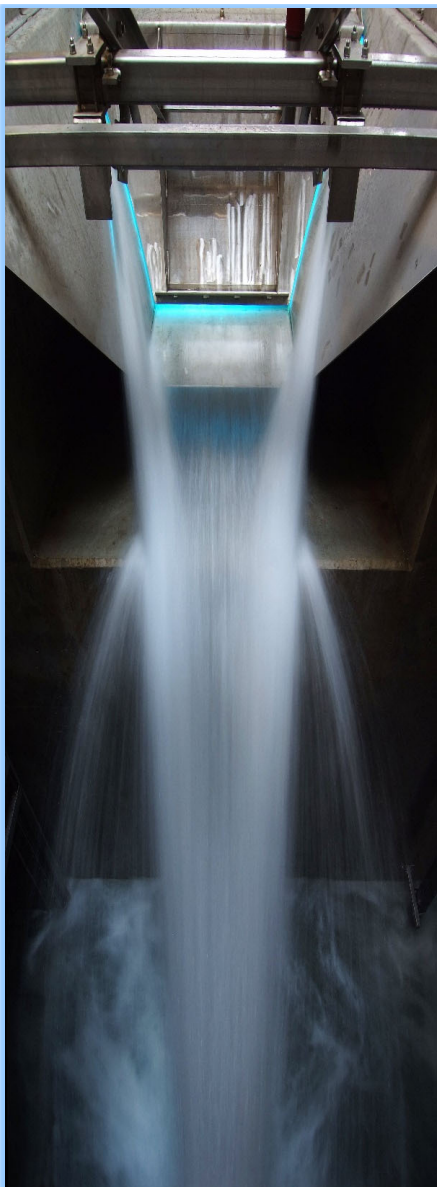
Program Proposal, con't

- Will include metering to show effectiveness
- Flow reduction targets based on Technical Memos
- Single IGA for all parties will allow, during initial pilot period of 5 years, for funding of a qualifying project without need of individual proposal rankings.



Program Proposal, con't

- Type of projects that could be supported:
 - Flow metering studies
 - Consulting services to analyze flow metering results
 - I/I source identification
 - Rehab design
 - Rehab construction
 - Post flow metering



Status Update

- WES staff has met with staff leaders in each of the 5 partner cities that may have work.
- Generally positive feedback and support for approach.
- Next step is policy session w/ BCC to update regarding WES Advisory Committee recommendations and feedback to date.
- Followed by drafting IGA for use in discussions with City Councils/Commissions.



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Thank you!

Chris Storey: chrissto@clackaas.us
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