



Clackamas Water Environment Services

2022-23 BUDGET PRESENTATION

Clackamas Water Environment Services



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.

ORGANIZATION

- Municipal partnership formed through ORS 190 agreement, and component unit of Clackamas County
- 100% funded through user charges, no general funds received

What We Do



Wastewater
Treatment

5
Water Resource
Recovery Facilities



Wastewater
Local Collection

23
Pump Stations

>355 miles
Sanitary Sewer Pipe

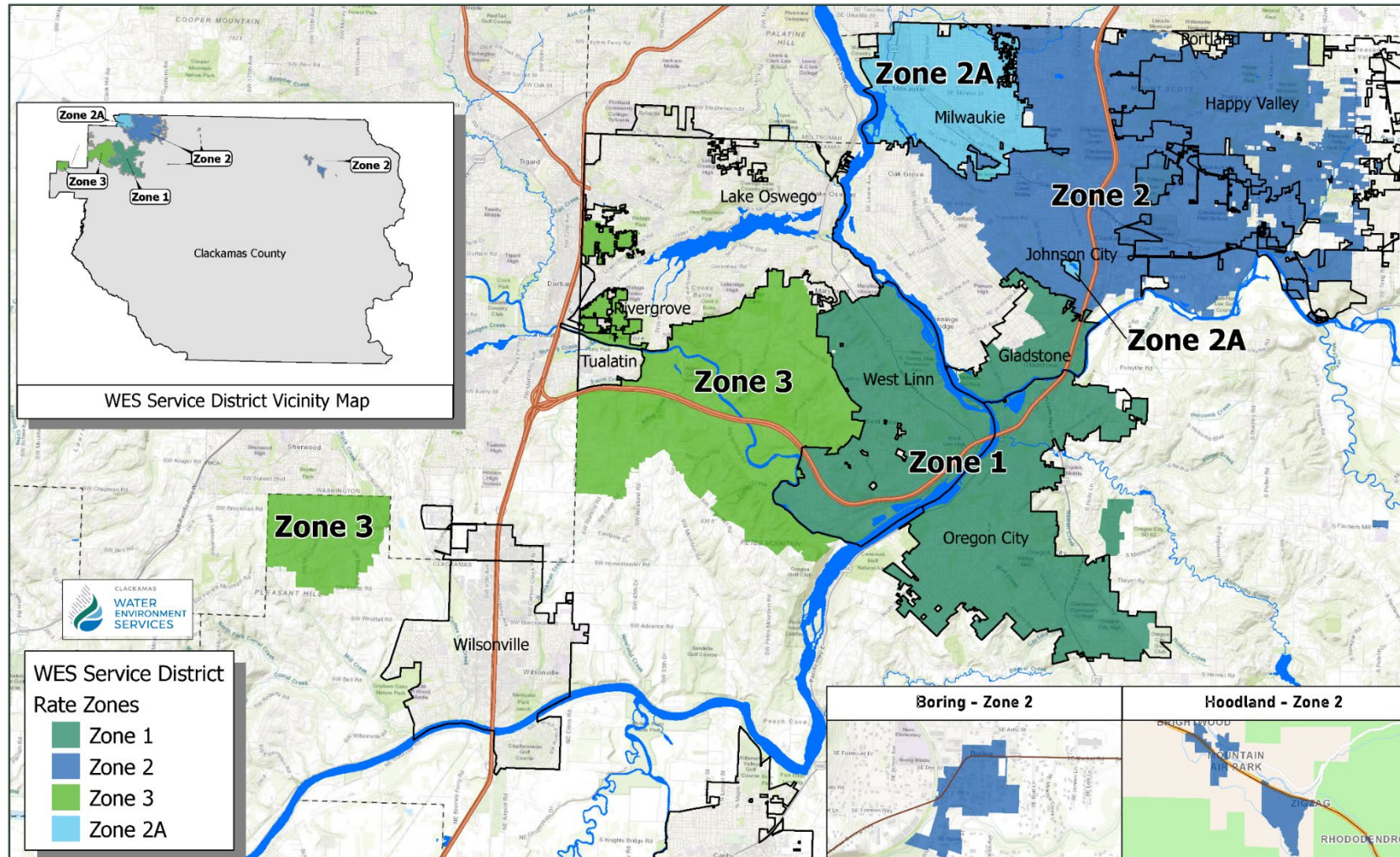


Surface Water
Management

>325 miles
Surface Water Pipe

>17,500
Catch Basins & Manholes

Who We Serve



WES SERVICE DISTRICT RATE ZONES & Estimated Populations

RATE ZONE 1
73,805 Population

RATE ZONE 2
85,491 Population

RATE ZONE 2A
21,165 Population

RATE ZONE 3
7,920 Population

Recent Major Accomplishments

AREA	DESCRIPTION
Operations	<ul style="list-style-type: none"> Received prestigious Water Heroes Award from the Water Environment Federation for response to February 2021 ice storms Treated 6.09 billion gallons of wastewater in FY 2021 to protect public health and the environment in Clackamas County Completed startup of new cogeneration engine at Tri-City Water Resource Recovery Facility to reduce plant energy use and increase operational resilience
Capital Planning and Management	<ul style="list-style-type: none"> Developed Regional Inflow & Infiltration (I&I) Intergovernmental Agreement to cost-share with partner Cities to reduce I&I in collection system and save ratepayers more than \$100 million in avoided costs over the next 20 years Completed master planning efforts in support of a 20-year Capital Improvement Plan (CIP) \$37 M Tri-City Solids Handling Improvements project substantially completed, including cogeneration engine \$22 M Kellogg Improvements substantially completed, including new influent pumps Implemented GPS Insight to improve fleet management
Environmental Services	<ul style="list-style-type: none"> Further developed comprehensive Storm System Master Plan Continued work on update to WES' Rules and Standards Awarded grants of \$280 thousand to community organizations to protect and improve the health of our watersheds Permitted 815 equivalent dwelling units in FY 2021 to support economic development Participated in COVID-19 wastewater surveillance study to assist public health department in managing the pandemic
Business Services	<ul style="list-style-type: none"> Developed long-term financial strategy to efficiently achieve WES' goals Reduced planned rate increase to provide financial relief from the pandemic Continued to provide relief for customers financially-impacted by the pandemic through WES' low-income discount program, in addition to waiving penalties and offering repayment plans Initiated Clean Water Exchange stakeholder engagement and discovery process to support update of Performance Clackamas plan

Performance Clackamas

Results Measures (Examples)

Line of Business/Program	Results Measure		FY 20-21 Actual	FY 21-22 Target	FY 21-22 Projected Performance	FY 22-23 Target
Operations / Resource Recovery	WES will beneficially reuse 85% of recovered solids		83.6%	85%	88.4%	85%
Operations / Plant Operations and Maintenance	WES will continually achieve a “wastewater treatment effectiveness rate” of 85% in addition to 100% permit compliance		97%	100%	96%	100%
Environmental Services / Watershed Protection	30% of streams within WES’ jurisdiction meet or exceed water quality standards		44%	30%	44%	30%

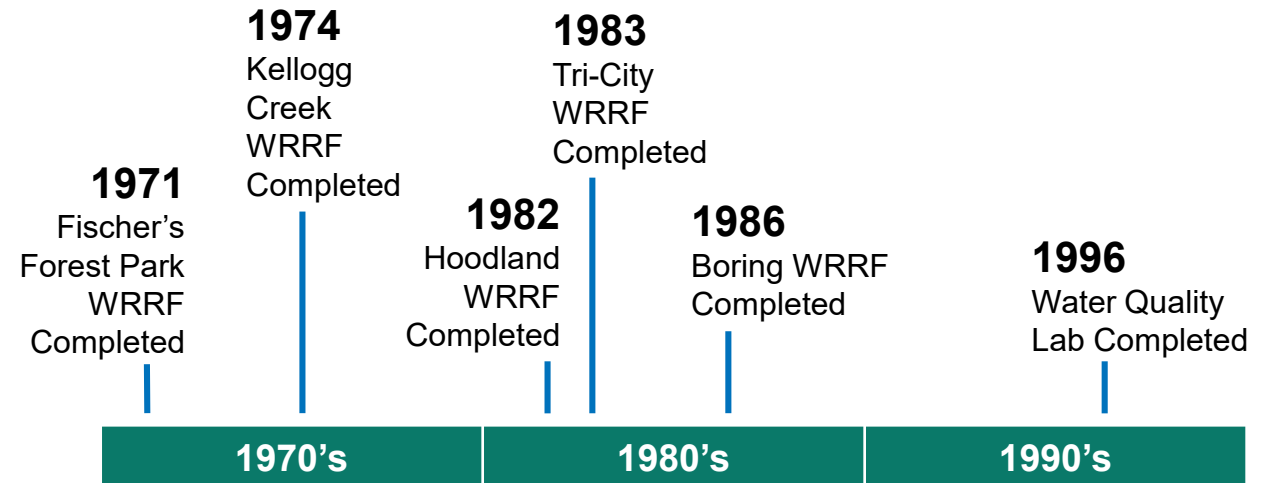
Program Profiles: 2022-23 Summary

	Line of Business	Program Name	Total Funds	% County General Funds	% Restricted Funds	Mandate: Fed/State/Cty /IGA/None	% Program Operated by County*	Metrics: % Target Meet/Exceed or Improve
MATERIALS AND SERVICES	Business Services	Administrative Services	3.89	0%	0%	S	84%	67%
		Account Services	0.76	0%	0%	S	60%	100%
		Financial Management	1.53	0%	0%	F,S	69%	75%
	Capital Planning and Management	Asset Management	1.78	0%	0%	F,S	74%	100%
		Capital Delivery	0.61	0%	0%	F,S,I	84%	50%
	Environmental Services	Environmental Monitoring	1.45	0%	0%	F,S,I	67%	100%
		Permit Services	1.58	0%	0%	F,S,I	89%	100%
		Watershed Protection	2.07	0%	0%	F,S,I	45%	100%
	Operations	Resource Recovery	1.73	0%	0%	F,S,I	48%	100%
		Field Operations and Maintenance	3.41	0%	0%	F,S,I	60%	33%
		Plant Operations and Maintenance	11.70	0%	0%	F,S	47%	100%
CAPITAL	Capital Planning and Management	Capital Delivery	30.27	0%	26% SDC Funding	F,S	N/A	N/A

*% Program operated by County was calculated as the proportion of the Program's budgeted County contract labor, County allocated charges, and services provided by other County Departments to the Program's total operating budget

Issues & Challenges

- Aging infrastructure
- Rising costs
- Rapid growth in Rate Zone 2

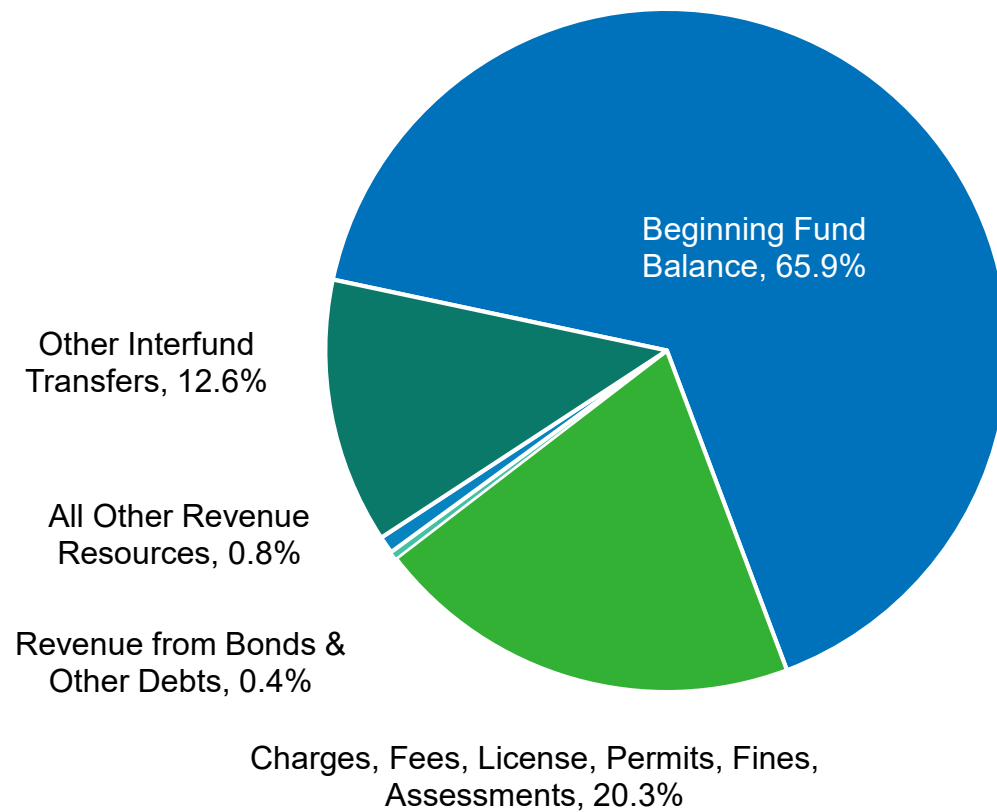


Budget Priorities

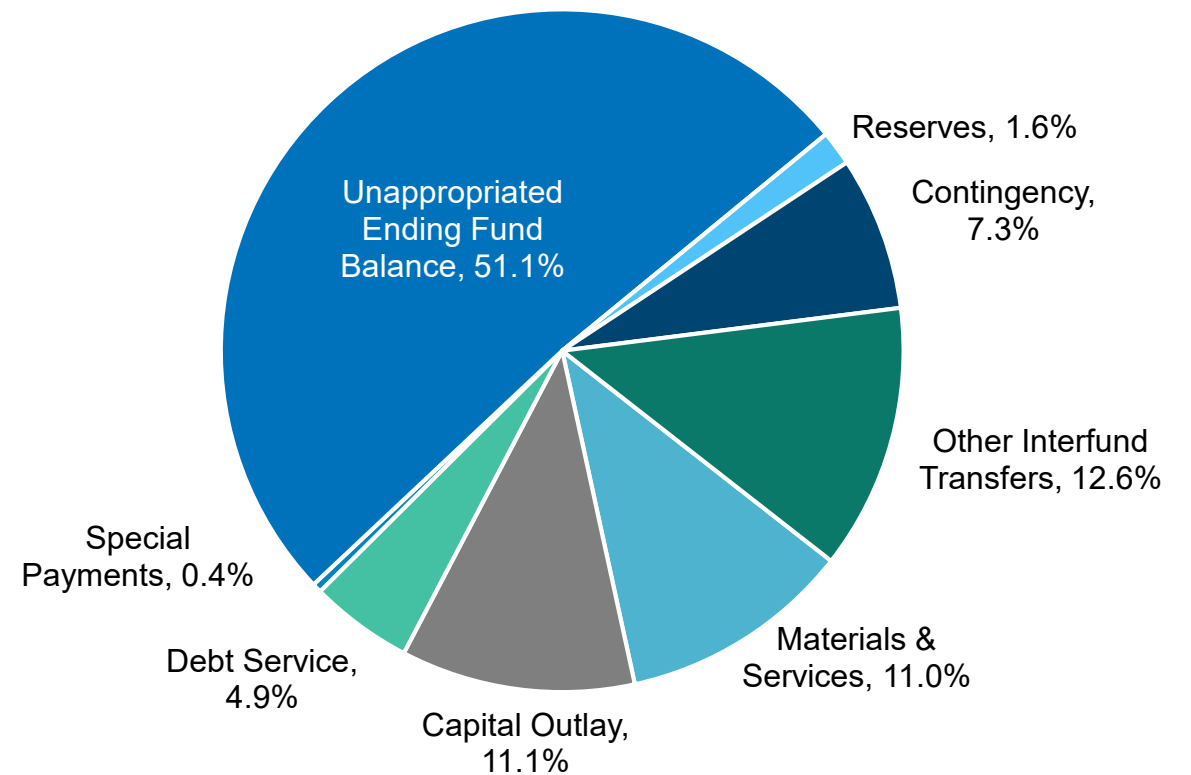
- Continue to invest in infrastructure
- Meet anticipated demand for services
- Maintain system reliability and increase resiliency
- Provide services in most cost-effective manner
- Plan for long-term financial stability
 - Maintain appropriate reserves and adequate capacity to issue debt
 - Honor foundational commitments
 - Keep rate increases reasonable and predictable

2022/23 Revenues and Expenses

Revenues



Expenses



Summary of Revenue & Expenses

	FY 19-20 Actuals	FY 20-21 Actuals	FY 21-22 Amended Budget*	FY 21-22 Projected Year End	FY 22-23 Proposed Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Beginning Fund Balance	100,392,976	102,580,898	159,832,099	169,051,390	179,927,783	20,095,684	13%
Federal, State, Local, All Other Gifts & Donations	173,504	216,180	-	710,431	-	-	0%
Charges, Fees, License, Permits, Fines, Assessments	56,321,039	55,090,740	54,177,550	54,679,480	55,398,500	1,220,950	2%
All Other Revenue Resources	2,530,156	2,158,480	1,640,020	2,508,722	2,228,120	588,100	36%
Operating Revenue	59,024,699	57,465,400	55,817,570	57,898,633	57,626,620	1,809,050	3%
Revenue from Bonds & Other Debts	10,789,434	60,444,391	500,000	6,022,070	1,000,000	500,000	100%
Interfund Transfers In	24,295,406	30,084,279	31,555,537	29,668,736	34,277,111	2,721,574	9%
Total Revenue	194,502,515	250,574,968	247,705,206	262,640,829	272,831,514	25,126,308	10%
Materials & Services	26,116,174	26,424,688	29,887,030	26,254,790	30,092,890	205,860	1%
Capital Outlay	34,601,519	17,199,090	25,223,000	14,368,734	30,269,772	5,046,772	20%
Debt Service	6,908,518	7,815,521	13,167,587	11,280,786	13,277,055	109,468	1%
Special Payments*	-	-	1,156,600	1,140,000	1,215,100	58,500	5%
Operating Expense	67,626,211	51,439,299	69,434,217	53,044,310	74,854,817	5,420,600	8%
Interfund Transfers Out	24,295,406	30,084,279	31,555,537	29,668,736	34,277,111	2,721,574	9%
Contingency	-	-	17,269,500	-	19,903,386	2,633,886	15%
Reserve for Future Expenditures	-	-	8,854,930	-	4,465,964	(4,388,966)	-50%
Unappropriated Ending Fund Balance	-	-	120,591,022	-	139,330,236	18,739,214	16%
Total Expense	91,921,617	81,523,578	247,705,206	82,713,046	272,831,514	25,126,308	10%
Revenue less Expense	102,580,898	169,051,390		179,927,783			0%
Full Time Equiv Positions (FTE) Budgeted	112.0	112.0	116.0	116.0	116.0	0.0	0%

*Includes a contingency transfer of \$50,000 to Special Payments that will be submitted for FY21-22

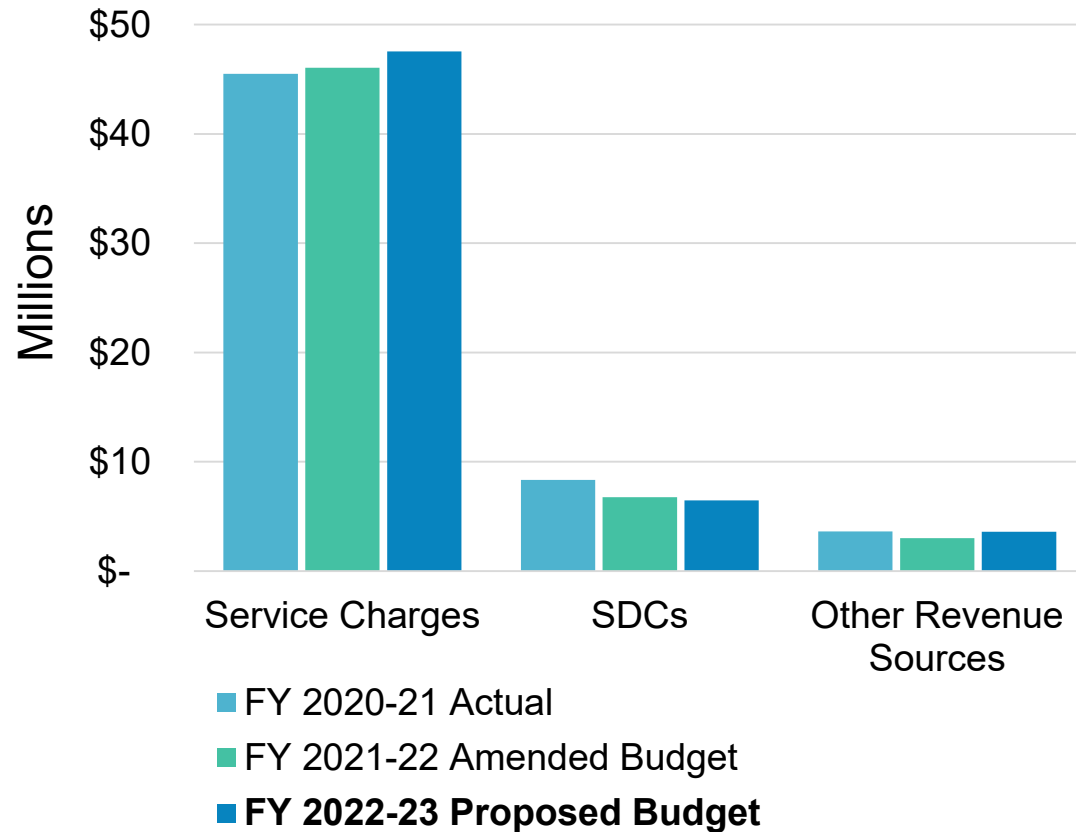
Department Summary by Fund

<i>Line of Business</i>	FY 22-23	FY 22-23	FY 22-23	FY 22-23	FY 22-23	FY 22-23
		Sanitary Sewer Operating Fund 631	Surface Water Operating Fund 641		Non Program / Non Operating	
<i>Program</i>	FTE	(excl. Non Program)	(Excl. Non Program)	ARPA*		Total Budget
Business Services						
Administrative Services	15.52	3,191,530	700,850	-	-	3,892,380
Account Services	4.27	618,920	140,590			759,510
Financial Management	5.90	1,301,770	225,030			1,526,800
Equipment Cost Pool (Contra-Expense)	N/A	(411,330)				(411,330)
Capital Planning and Management						
Asset Management	8.00	1,492,400	288,820			1,781,220
Capital Delivery	8.54	612,630				612,630
Environmental Services						
Environmental Monitoring	5.81	1,061,110	392,200			1,453,310
Permit Services	8.70	946,920	630,870			1,577,790
Watershed Protection	4.83	-	2,068,680			2,068,680
Operations						
Resource Recovery	5.05	1,727,790				1,727,790
Field Operations and Maintenance	13.73	2,060,740	1,347,340			3,408,080
Plant Operations and Maintenance	35.65	11,696,030				11,696,030
Non Program / Non Operating						
Debt Service and Related Reserves					17,743,019	17,743,019
Capital Outlay					30,269,772	30,269,772
Transfers					34,277,111	34,277,111
Special Payments					1,215,100	1,215,100
Contingencies and Ending Fund Balance					159,233,622	159,233,622
TOTAL	116.00	\$ 24,298,510	\$ 5,794,380	\$ -	\$ 242,738,624	\$ 272,831,514
FY 2021/22 Budget	116.00	23,675,889	6,211,141	0	217,818,176	247,705,206
\$ Increase (Decrease)	0.00	622,621	-416,761	0	24,920,448	25,126,308
% Increase (Decrease)	0.0%	2.6%	-6.7%		11.4%	10.1%

*FY 2022-23 Budget includes no projected American Rescue Plan Act (ARPA) spending.

Operating Revenues: \$57.6 Million

3 Year Revenue Trends

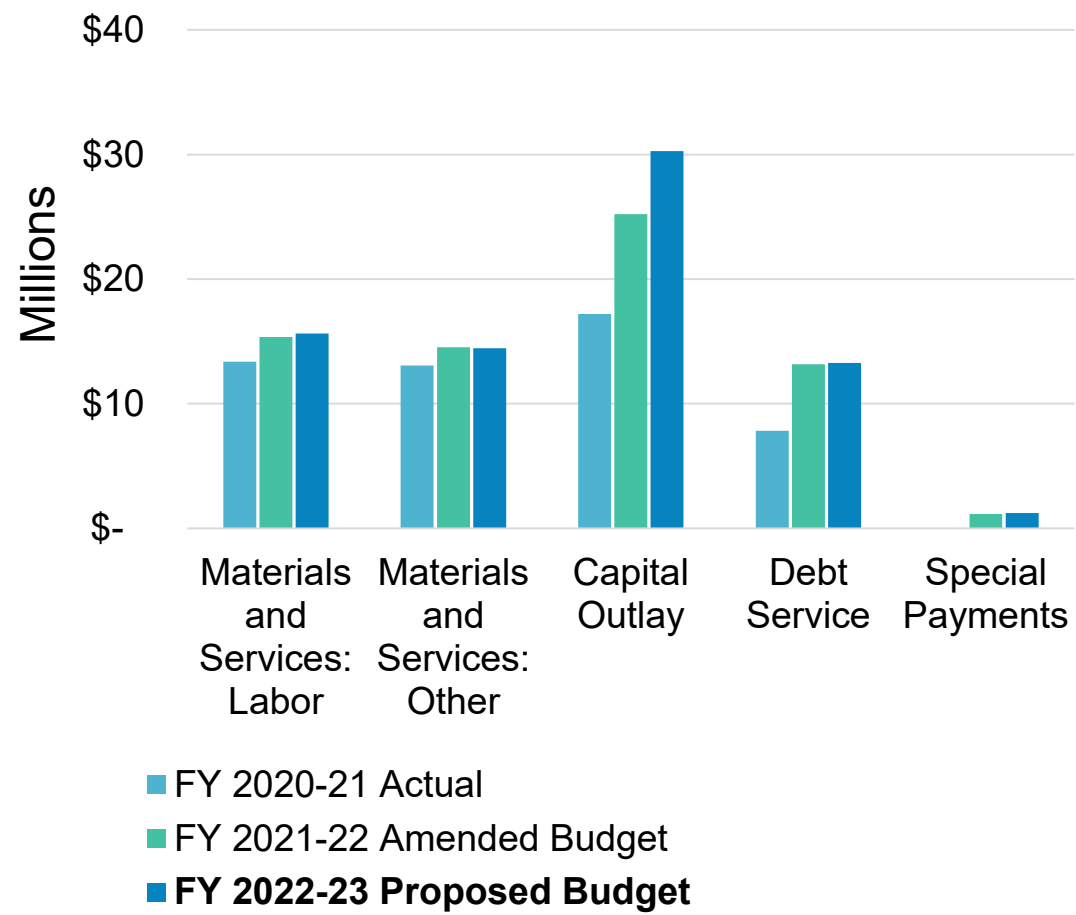


Increase of ~\$1.8 M or 3.2%

- \$0.8 M capital project incentive from Energy Trust of Oregon
- Resumption of commercial account activity
- Moderate overall growth
- Moderate increases to rates
- Inflationary increase in SDC charges

Expenses: \$74.9 Million

3 Year Expense Trends



Overall increase of \$5.4 M or 7.8%

- \$5.0 M or 20% increase in capital spending
- Combined increase in other expense categories is **\$0.4 M or 0.85%**
 - ⬆ Significant upward pressures in cost of supplies and utilities
 - ⬆ Increased spending for repairs and maintenance
 - ⬇ Partial vacancies; no new FTE
 - ⬇ Reduced professional services spending

Sanitary Sewer Capital Budget: \$29.3 M

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

Capital Category	Project Examples	FY 2022-23 Budget	Total Project Cost
Tri-City WRRF	Tri-City Wet Weather Outfall Project	\$6.5 M	\$52.7 M
Kellogg Creek WRRF	Kellogg Creek WRRF (3 projects)	\$4.4 M	\$6.2 M
Collection System	Multiple Pump Station Upgrades	\$3.5 M	\$10.0 M
Collection System	Regional I&I Cost Share	\$2.9 M	\$17.3 M*
Collection System	Clackamas Interceptor Program	\$1.3 M	\$38.9 M

**Total Project Cost for Regional I&I Cost Share reflects an estimate of WES' 33% cost share for FY 2021-22 through FY 2026-27 based on partner cities' capital plans.*

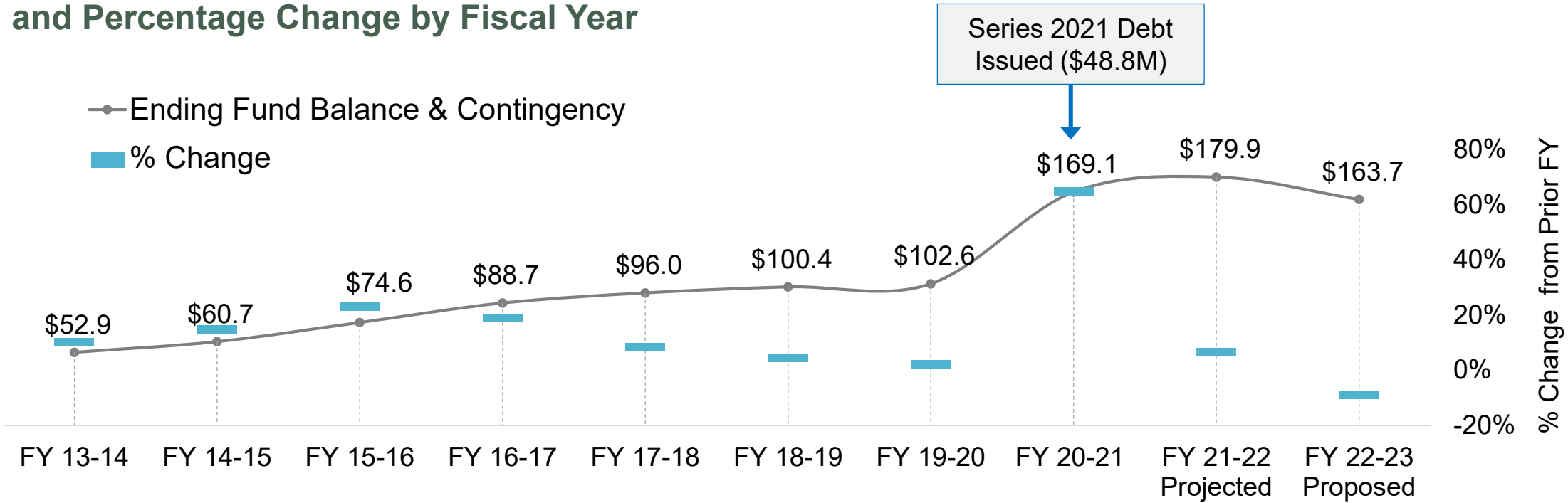
Surface Water Capital Budget: \$1.0 M

- Storm system master plan will be completed during FY 2022-23 for long-term planning
- FY 2022-23 budget includes programmatic repair/rehab projects and 1 major capital project, 3-Creeks Water Quality Project
- 3-Creeks Water Quality Project partially funded with Clean Water State Revolving Loan

Project Examples	FY 2022-23 Budget	Total Project Cost
3-Creeks Water Quality Project	\$0.25 M	\$5.0 M
Small Projects – Drainage System Modifications	\$0.5 M	N/A
Detention Pond Repair/Rehab	\$0.1 M	N/A

Contingencies, Reserves, and Ending Fund Balance: \$163.7 Million

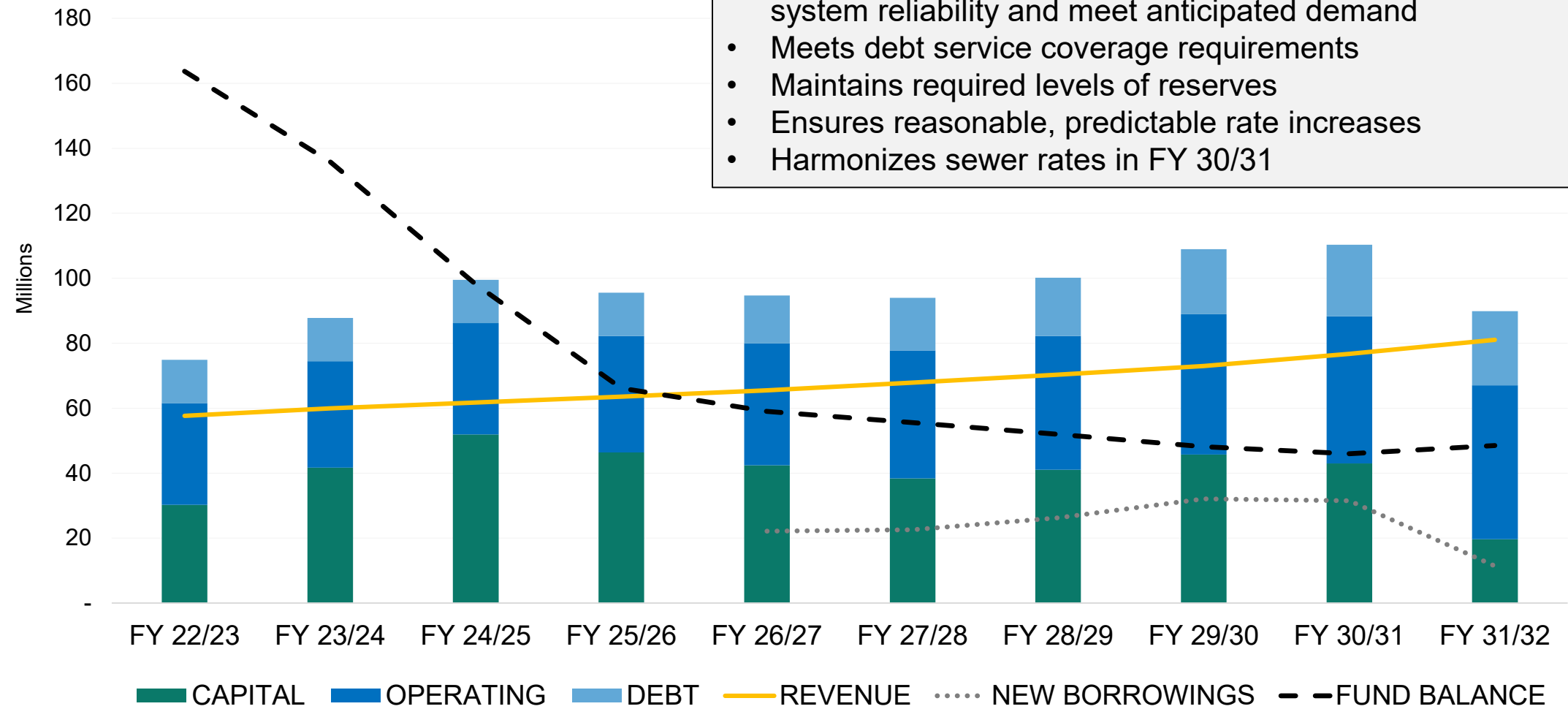
Ending Fund Balance (millions)
and Percentage Change by Fiscal Year



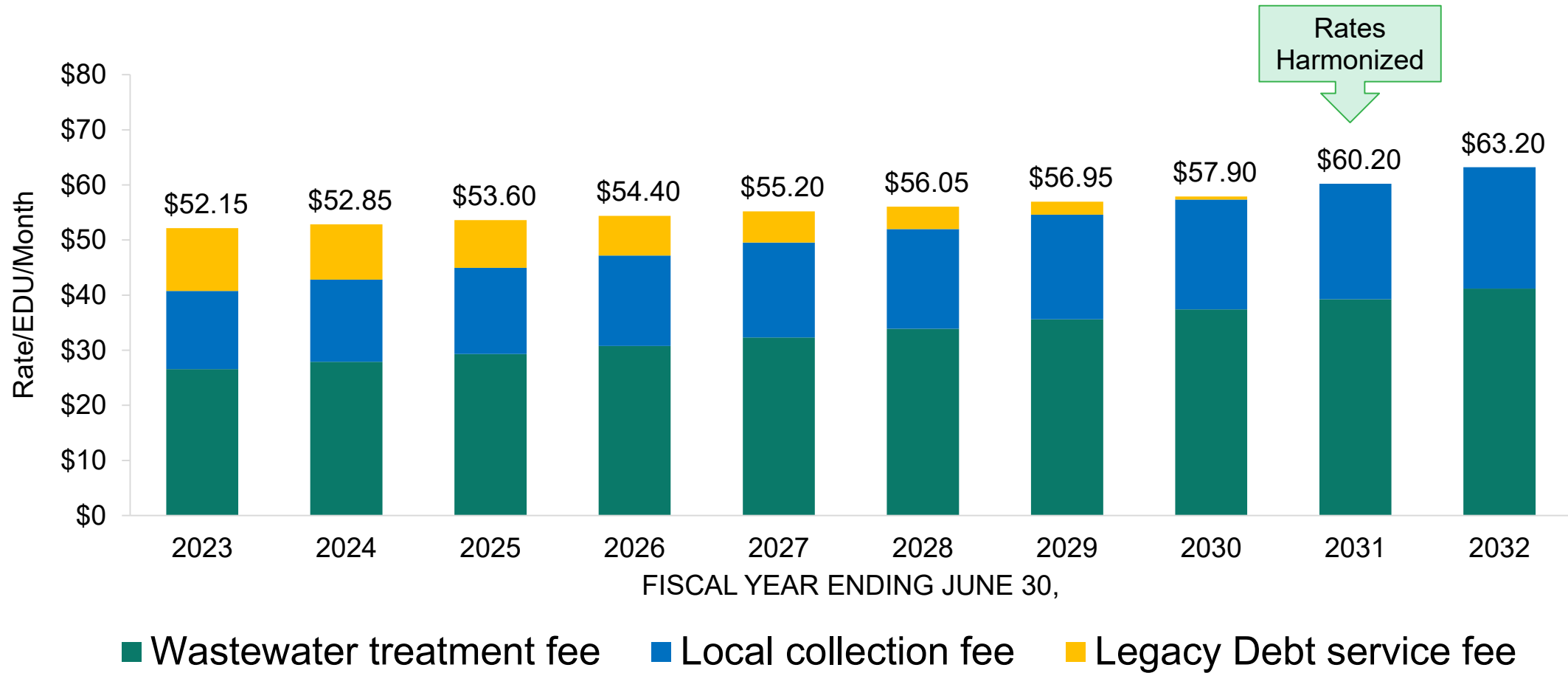
Financial Forecast

10-Year Financial Plan

- Invests \$333 Million in Sewer capital outlay to maintain system reliability and meet anticipated demand
- Meets debt service coverage requirements
- Maintains required levels of reserves
- Ensures reasonable, predictable rate increases
- Harmonizes sewer rates in FY 30/31



Forecasted Sewer Rates under 10-Year Plan



Sanitary Sewer Rate Components

- **Wastewater Treatment** – Applies to all sewer ratepayers; covers costs of operating and maintaining WES' Water Resource Recovery Facilities and provides funding for new asset construction and replacement for treatment plants and interceptors
- **Local Collection** – Applies to ratepayers in Happy Valley and unincorporated areas such as Oak Grove, Hoodland, Boring, etc.; covers costs of operating and maintaining WES' collection system feeding into the interceptors and provides funding for asset replacements necessary to maintain aging infrastructure, especially inflow and infiltration reduction efforts
- **Legacy Debt Service Fee** – Applies to Rate Zone 2 and 2A only, including Johnson City and Milwaukie; covers annual debt service costs associated with debt transferred from CCSD No. 1 when WES was formed

FY 2022-23 Proposed Rate Adjustments

Sanitary Sewer

- 5% increase to wastewater treatment and local collection monthly rates
- 9.9% decrease in legacy debt service fee component of treatment rate

Surface Water

- 5% increase to surface water service monthly rate

Change in monthly bill for typical residential customer	
Rate Zone 1 (wastewater treatment only)	\$ 1.25
Rate Zone 2 (full service sewer and surface water)	\$ 1.10
Rate Zone 2A (wastewater treatment only)	\$ -
Rate Zone 3 (surface water only)	\$ 0.25

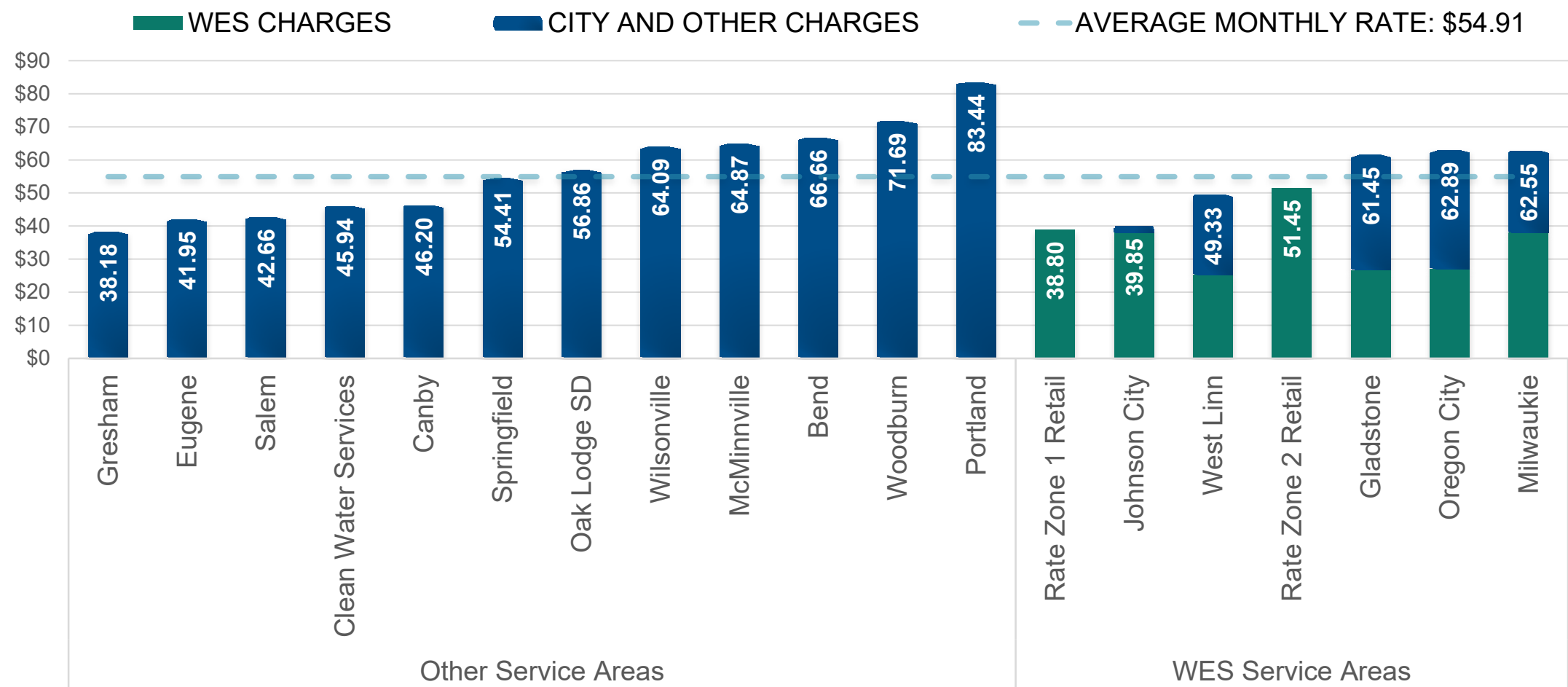
FY 2022-23 Proposed Rates by Service Area and City

	Rate Components	Gladstone	Oregon City	West Linn	Unincorp RZ1	Unincorp RZ2	Happy Valley	Milwaukie	Johnson City	Rate Zone 3
Sanitary Sewer	Wastewater Treatment	\$ 26.55	\$ 26.55	\$ 26.55	\$ 26.55	\$ 26.55	\$ 26.55	\$ 26.55	\$ 26.55	\$ -
	Local Collection				14.20	14.20	14.20			
	Legacy Debt Svc Fee					11.40	11.40	11.40	11.40	
	Subtotal – Sanitary Sewer	26.55	26.55	26.55	40.75	52.15	52.15	37.95	37.95	-
Surface Water	Surface Water Service					8.15	8.15			4.95
	On-Site Maintenance					3.00	3.00			
	Subtotal – Surface Water	-	-	-	-	11.15	11.15	-	-	4.95
	City Right-of-Way Fees ⁽¹⁾	1.35	1.75	-	-	-	3.17	-	-	-
Est. Total Monthly Bill	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	4.89%	4.81%	4.94%	5.03%	1.77%	1.78%	0.00%	0.00%	5.32%
	FY 2021-22	\$ 26.60	\$ 27.00	\$ 25.30	\$ 38.80	\$ 62.20	\$ 65.31	\$ 37.95	\$ 37.95	\$ 4.70
	% Δ from FY 2020-21	1.53%	1.50%	1.40%	1.44%	0.48%	0.48%	0.00%	0.00%	1.08%
	FY 2020-21	\$ 26.20	\$ 26.60	\$ 24.95	\$ 38.25	\$ 61.90	\$ 65.00	\$ 37.95	\$ 37.95	\$ 4.65
		Rate Zone 1				Rate Zone 2 (and 2A)				Rate Zone 3

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

How WES' rates compare to other service providers

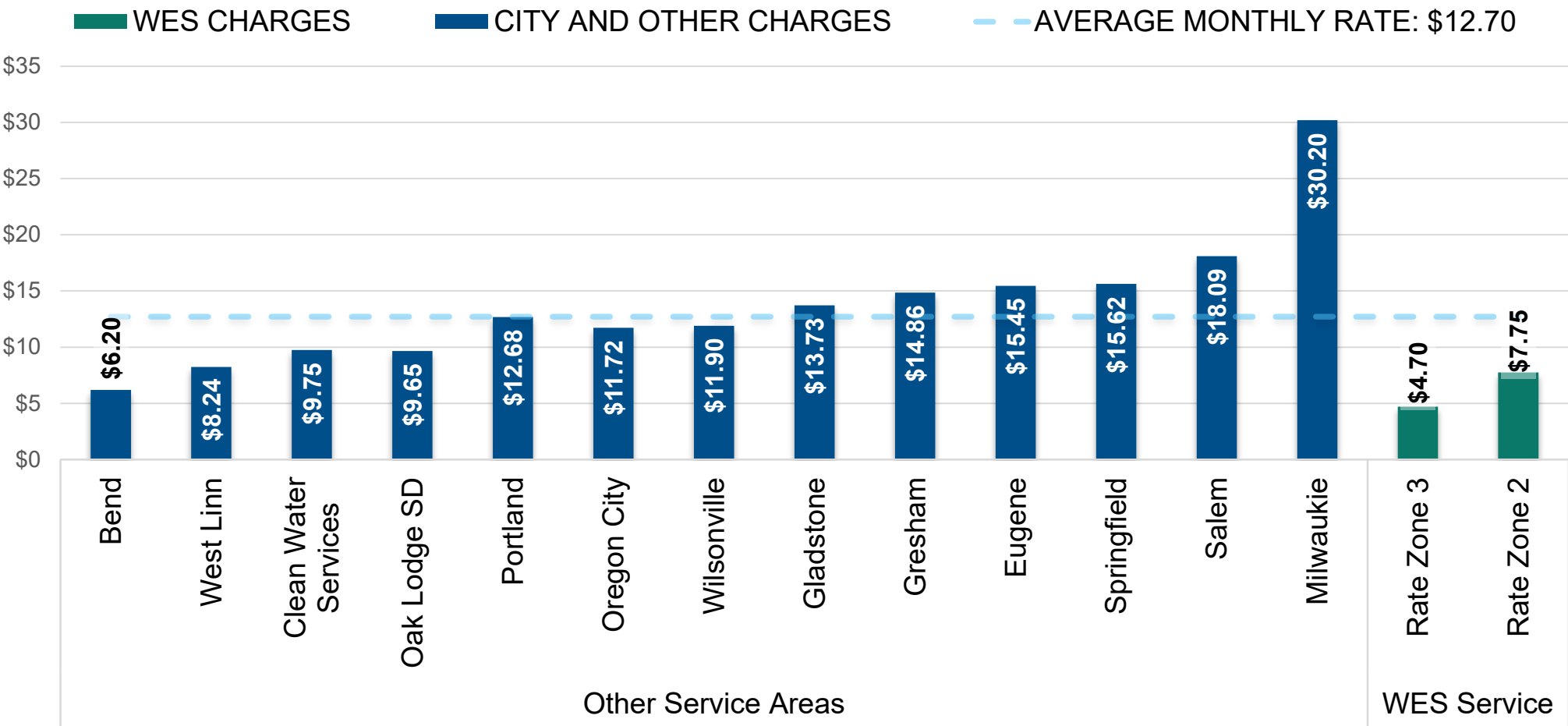
Monthly Sanitary Sewer Rate Survey, FY 2021-22



Sanitary 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.

How WES’ rates compare to other service providers

Monthly Surface Water Rate Survey, FY 2021-22



City and other charges includes ROW fees, where applicable.

Customer Assistance Programs

Low-Income Discount Program

- 50% reduction for Sanitary Sewer services
- Discount is passed through to partner cities
- Updates in WES' draft Rules & Standards would expand eligibility

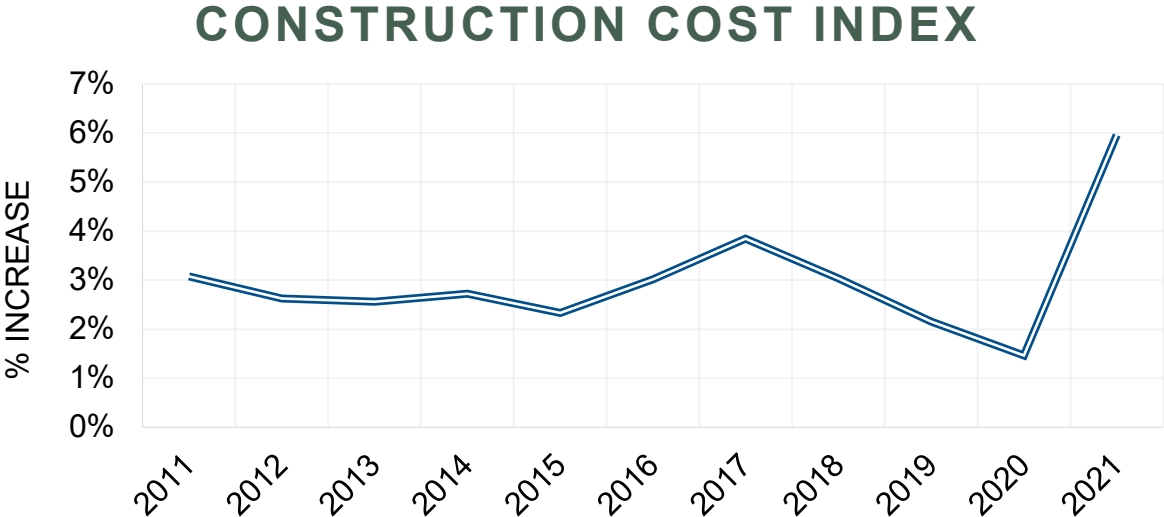
Federal Low Income Household Water Assistance Program (LIHWA)

- New program, currently working with Clackamas County Social Services Department to implement

Other Customer Assistance

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

FY 2022-23 Proposed System Development Charges



- Inflationary adjustments linked to Engineering News Record’s Construction Cost Index are proposed
- Proposal continues to be for less than full cost recovery

Service Category	FY 2021-22	FY 2022-23 Proposed	\$ Change	% Change
Sanitary Sewer	\$ 8,120	\$ 8,600	\$ 480	5.9%
Surface Water	\$ 220	\$ 233	\$ 13	5.9%



End of Presentation