

CLACKAMAS WATER ENVIRONMENT SERVICES

FY 2023-24 BUDGET PRESENTATION



CLACKAMAS
WATER
ENVIRONMENT
SERVICES



Services Provided



Wastewater Treatment

5

Water Resource
Recovery Facilities

23 Million Gallons per Day
Dry-Weather Treatment
Capacity



Wastewater Local Collection

23

Pump Stations

>358 miles
Sanitary Sewer Pipe



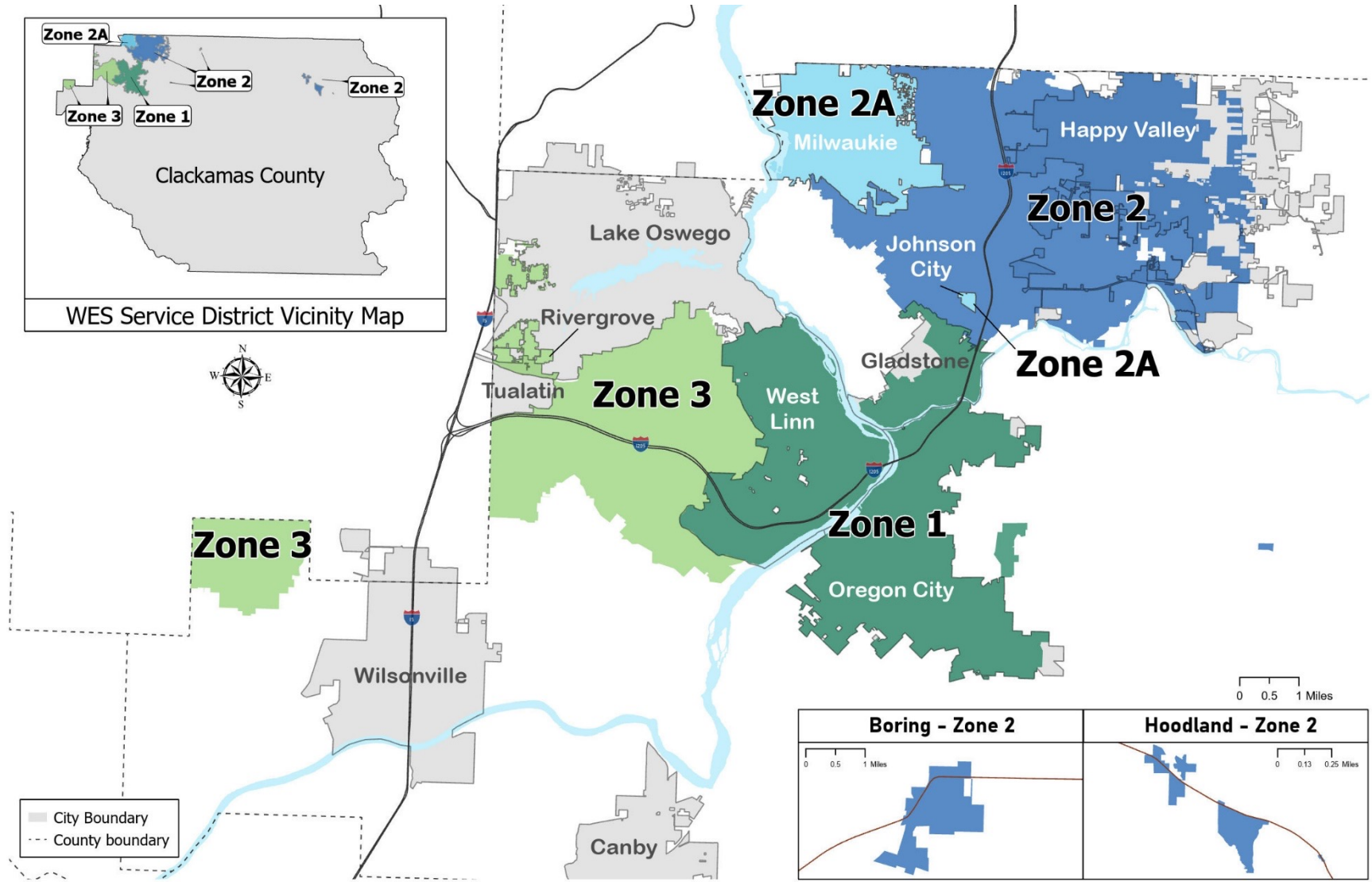
Surface Water Management

>19,000

Storm Structures

>325 miles
Storm Pipe

Service Area



RATE ZONE
Service(s) Provided
& Estimated Population

RATE ZONE 1
Wastewater Treatment
77,222 Population

RATE ZONE 2
Wastewater Treatment
Wastewater Collection
Surface Water Management
86,975 Population

RATE ZONE 2A
Wastewater Treatment
21,772 Population

RATE ZONE 3
Surface Water Management
7,708 Population

Recent Major Accomplishments

AREA	DESCRIPTION
Operations	<ul style="list-style-type: none"> Treated 7 billion gallons of wastewater in FY 2022 to protect public health and the environment in Clackamas County Completed first year of Strategic Energy Management Program at Kellogg Creek Water Resource Recovery Facility (WRRF) to reduce energy use Operationalized major upgrades made at Tri-City WRRF, including co-generation system which is expected to offset nearly half of the facility's energy use
Capital Planning and Management	<ul style="list-style-type: none"> Updated 5-Year CIP adopted by BCC in December 2022 Funded first projects under the Regional Inflow & Infiltration (I&I) Intergovernmental Agreement. Partnering with Cities in this cost-sharing agreement will reduce I&I and save ratepayers more than \$100 million in required upgrades and expansion in the collection system and at our treatment facilities. Initiated design of the Tri-City Wet Weather Outfall to increase capacity and meet anticipated demand for services
Environmental Services	<ul style="list-style-type: none"> WES' first Storm System Master Plan approved by BCC in November 2022 Update to WES' Rules and Standards adopted by BCC in May 2023 Awarded \$300 thousand in grants to community organizations to protect and improve the health of our watersheds Permitted 1,195 equivalent dwelling units in FY 2022 to support economic development Completed analysis of more than 41,000 surface water and wastewater samples in FY 2022
Business Services	<ul style="list-style-type: none"> Maintained credit rating of AAA, the highest assigned by S&P Global Ratings Completed comprehensive strategic planning process and updated WES' Performance Clackamas plan Adopted a new Good Neighbor Agreement with City of Milwaukie to provide funding for improvements around the Kellogg Creek WRRF Implemented Federal Low Income Household Water Assistance Program to provide ratepayer relief, in addition to continuing to waive penalties, offer repayment plans, and administer WES' low-income discount program

Performance Clackamas

Line of Business / Program	Results Measure	FY21-22 Actual	FY22-23 Target	FY22-23 Projected Performance	FY23-24 Target
Operations / Plant Operations and Maintenance	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements ¹	90%	78%	81%	78%
Environmental Services / Watershed Protection	50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance	53%	50%	54%	50%
Operations / Resource Recovery	WES will beneficially reuse 85% of recovered solids	82.5%	85%	94.2%	85%
Environmental Services / Permit Services	80% of sanitary and storm plan reviews are completed within three weeks of submittal	99%	80%	99%	80%
Business Services / Account Services	Fewer than 5% of accounts certified annually	3.2%	< 5%	< 5%	< 5%

(1) Target increased to 78% beginning in FY 2022-23

Program Profiles: FY 2023-24 Summary

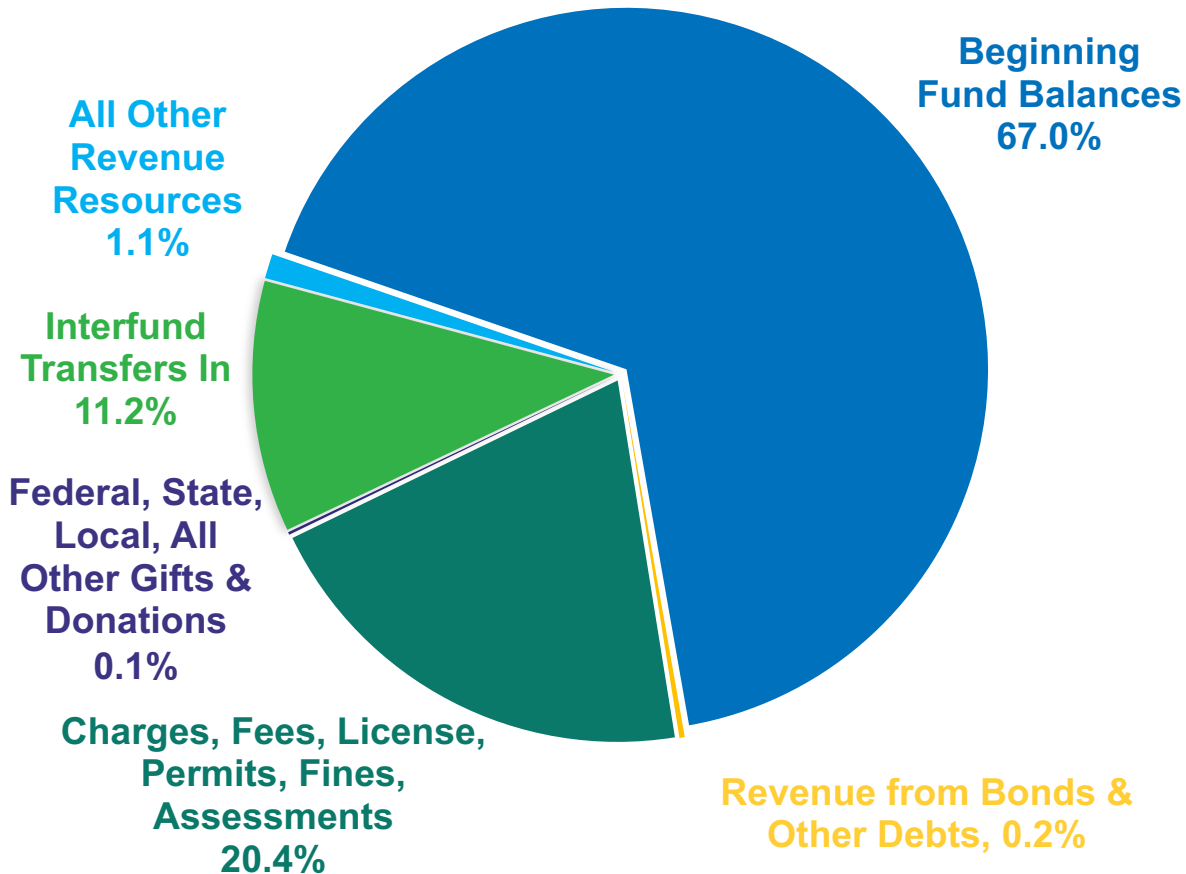
	Line of Business	Program Name	BCC Priority	Total Funds (in Millions) ¹	% County General Fund	% Restricted Funds	Mandate: Fed/State/City /IGA/None	% Program Operated by County ²	Metrics: % Target Meet/Exceed/Improve
MATERIALS AND SERVICES	Business Services	Administrative Services	5	\$ 3.68	0%	0%	S	86%	100%
		Account Services	5	1.06	0%	0%	S	40%	75%
		Financial Management	5	1.63	0%	0%	F,S	90%	100%
	Capital Planning and Mgmt	Asset Management	4	1.88	0%	0%	F,S	78%	75%
		Capital Delivery	4	1.00	0%	0%	F,S,I	65%	100%
	Environmental Services	Environmental Monitoring	3	1.54	0%	0%	F,S,I	71%	100%
		Permit Services	1	1.70	0%	0%	F,S,I	81%	80%
		Watershed Protection	2	1.90	0%	0%	F,S,I	53%	75%
	Operations	Resource Recovery	2	1.88	0%	0%	F,S,I	56%	60%
		Field Operations and Maintenance	3	3.70	0%	0%	F,S,I	59%	100%
Plant Operations and Maintenance		3	11.44	0%	0%	F,S	50%	67%	
CAPITAL	Capital Planning and Mgmt	Capital Delivery	4	52.06	0%	27% SDC Funding	F,S	N/A	N/A

¹ Equipment Cost Pool Contra-Expense of \$0.32 M not shown

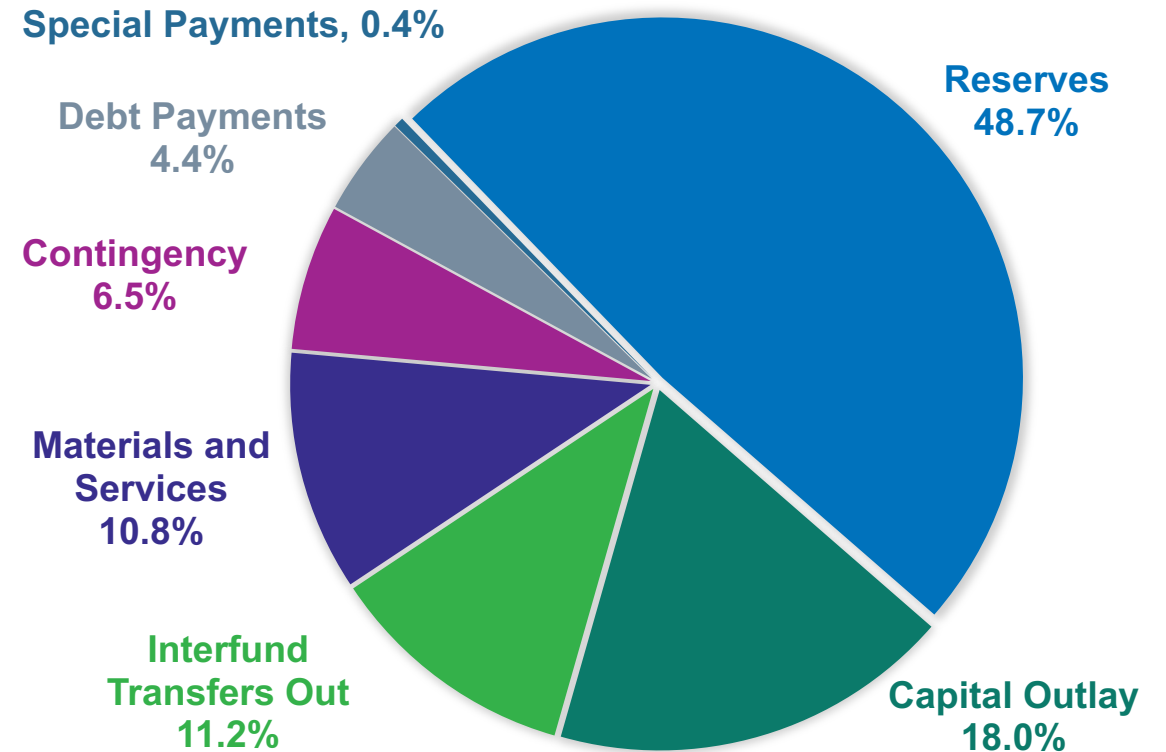
² % Program operating by County was calculated as the proportion of program budgeted WES labor, County allocated charges, and services provided by other County Departments to total program operating budget

FY 2023-24 Revenues and Expenses

Total Revenues:
\$288,905,817



Total Expenses:
\$288,905,817



70 - Water Environment Services (WES) Summary of Revenues & Expenses

	FY 20-21 Actuals	FY 21-22 Actuals	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
Beginning Fund Balance	102,580,898	169,051,390	179,927,783	188,127,779	193,428,346	13,500,563	8%
Federal, State, Local, All Other Gifts & Donations	216,180	752,227	-	100,000	340,000	340,000	-
Charges, Fees, License, Permits, Fines, Assessments	55,550,887	59,163,822	55,398,500	55,461,800	58,802,700	3,404,200	6%
All Other Revenue Resources	1,698,333	882,308	2,228,120	3,043,340	3,171,120	943,000	42%
Operating Revenue	57,465,400	60,798,357	57,626,620	58,605,140	62,313,820	4,687,200	8%
Revenue from Bonds & Other Debts	60,444,391	3,457,456	1,000,000	2,878,716	685,900	(314,100)	-31%
Interfund Transfers In	30,084,279	29,792,750	34,409,611	31,896,395	32,477,751	(1,931,860)	-6%
Total Revenue	250,574,968	263,099,953	272,964,014	281,508,030	288,905,817	15,941,803	6%
Materials & Services	26,424,688	24,822,135	30,092,890	26,673,904	31,085,707	992,817	3%
Capital Outlay	17,199,090	7,963,730	30,649,772	16,652,325	52,062,327	21,412,555	70%
Debt Service	7,815,521	11,280,785	13,277,055	11,692,860	12,770,987	(506,068)	-4%
Special Payments	-	1,112,774	1,215,100	1,164,200	1,250,300	35,200	3%
Operating Expense	51,439,299	45,179,424	75,234,817	56,183,289	97,169,321	21,934,504	29%
Interfund Transfers Out	30,084,279	29,792,750	34,409,611	31,896,395	32,477,751	(1,931,860)	-6%
Contingency	-	-	19,523,386	-	18,779,932	(743,454)	-4%
Reserve for Future Expenditures / Ending Fund Balance	-	-	143,796,200	-	140,478,813	(3,317,387)	-2%
Total Expense	81,523,578	74,972,174	272,964,014	88,079,684	288,905,817	15,941,803	6%
Revenues less Expenses	169,051,390	188,127,779	-	193,428,346	-		

*Includes a contingency transfer and increase of \$380,000 in surface water capital outlay

Department Summary by Fund

Line of Business Program	FTE	Sanitary Sewer	Surface Water	ARPA	Non Program / Non Operating	Total Budget
		Operating Fund 631 (Excl. Non Program)	Operating Fund 641 (Excl. Non Program)			
Business Services						
Administrative Services	13.80	\$ 2,930,346	\$ 744,971	\$ -	\$ -	\$ 3,675,317
Account Services	3.50	861,470	199,220			1,060,690
Financial Management	7.40	1,353,630	273,790			1,627,420
Equipment Cost Pool (Contra-Expense)	N/A	(322,440)				(322,440)
Capital Planning and Management						
Asset Management	8.30	1,578,630	303,970			1,882,600
Capital Delivery	10.12	999,260				999,260
Environmental Services						
Environmental Monitoring	6.05	1,120,940	423,780			1,544,720
Permit Services	7.25	885,050	817,000			1,702,050
Watershed Protection	4.90	-	1,900,000			1,900,000
Operations						
Resource Recovery	7.35	1,875,750				1,875,750
Field Operations and Maintenance	14.33	2,455,420	1,245,350			3,700,770
Plant Operations and Maintenance	35.00	11,439,570				11,439,570
Non Program / Non Operating						
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
TOTAL	118.00	25,177,626	5,908,081	1,050,431	256,769,679	288,905,817
FY 2022/23 Amended Budget	116.00	24,298,510	5,794,380	0	242,871,124	272,964,014
\$ Increase (Decrease)	2.00	879,116	113,701	1,050,431	13,898,555	15,941,803
% Increase (Decrease)	1.7%	3.6%	2.0%		5.7%	5.8%

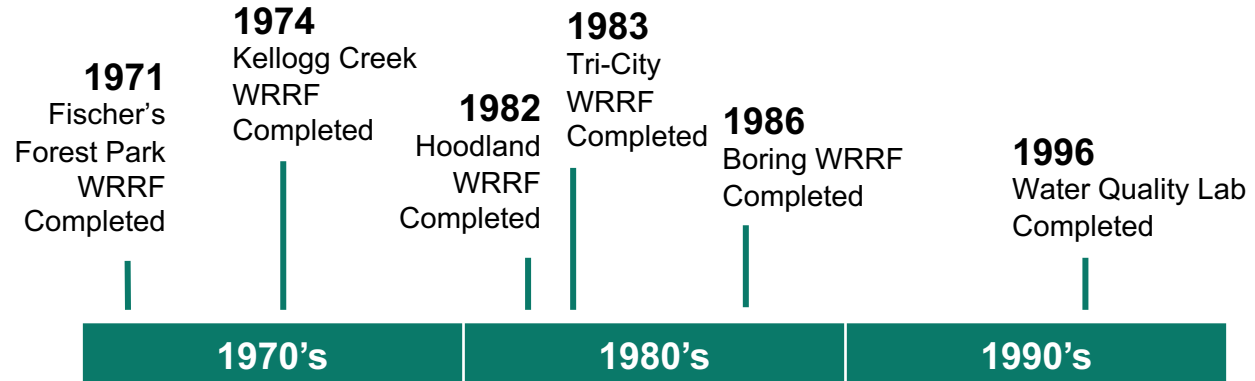
Issues & Challenges

- Service area growth

Population Growth Trends and Forecast Scenarios

	Historic/Actual		2043 Forecast			2020-2043 Change	
	2010	2020	Low	Medium	High	Low	High
Zone 1	67,565	74,792	87,141	88,478	89,971	12,349	15,179
Zone 2	91,074	103,022	124,002	126,312	128,900	20,980	25,878
Zone 3	7,322	7,974	9,033	9,146	9,272	1,059	1,298
Total	165,961	185,788	220,176	223,936	228,143	34,388	42,355

- Aging infrastructure



- Ongoing cost pressures
- Maintaining affordable rates





Budget Priorities

Budget Highlights

Invest in the community's future by continuing to implement WES' Capital Improvement Plan (CIP) to renew and replace aging infrastructure and meet demand for capacity

- \$52.0 Million in total Capital Expenditures, including \$4.7 Million of Regional I&I Cost-Share Funding
- 2 new Engineering positions proposed to support CIP implementation
- 1% projected growth in service area

Provide services in the most cost-effective manner

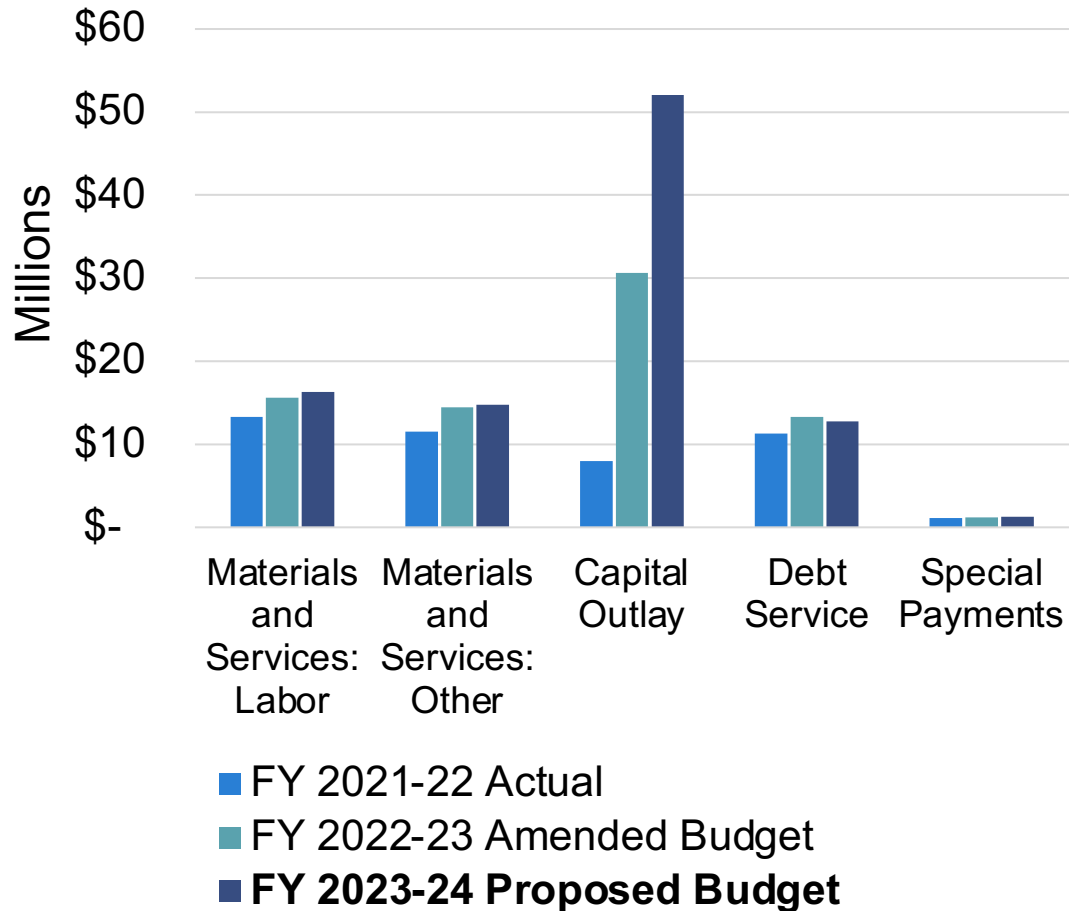
- 3.3% increase in materials and services
- \$500 thousand reduction in annual debt service

Plan for long-term financial stability and keep rate increases reasonable and predictable

- Rate increases aligned with prior year projections
- Rate harmonization by FY 2030-31
- Continued strong debt coverage and reserves for future capital outlay

Major Themes: Expenses \$97.2 Million

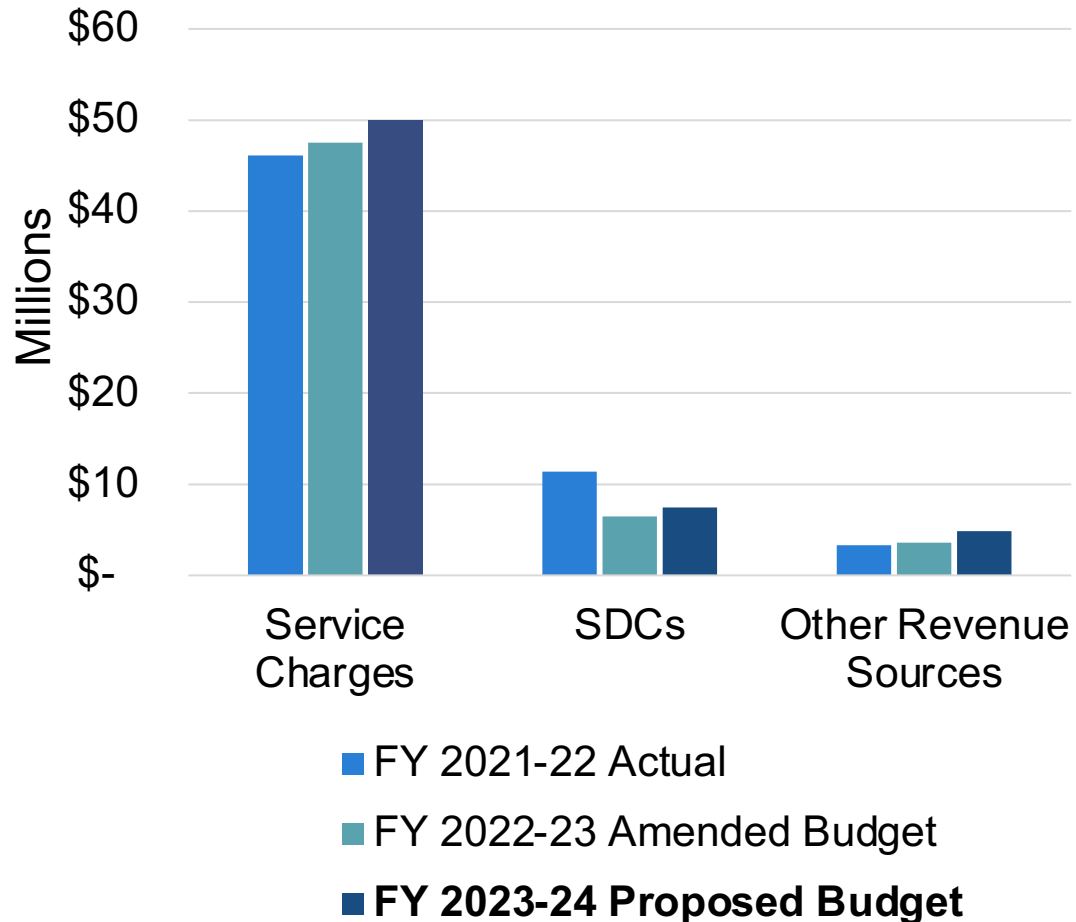
3 Year Expense Trends



- Capital Outlay increase of \$21.4 M or 70%
- Materials and Services increase of \$1.0 M or 3.3%
 - Labor increase of more than \$800 thousand, before vacancy and new position considerations
 - County Internal Services increase of more than \$600 thousand
 - WES Staff offset approximately \$450 thousand of these increases through vacancy considerations, reduced discretionary spending, and conscientious budgeting to align other line items with actual spending
- Debt Service decrease of \$500 thousand or 3.8%
- Special Payments increase of \$35 thousand or 2.9%

Major Themes: Operating Revenue \$62.3 Million

3 Year Revenue Trends



Increase of \$4.7 M or 8%

- \$340 thousand in ARPA funds for stormwater infrastructure projects
- Projected population growth of 1%
- Moderate increases to rates
- Inflationary increase in SDC charges
- Increase of \$1.6 M in interest income

Proposed Capital Budget

- Capital Outlay is the most significant driver in WES' overall budget and long-term financial forecast
- Major Sewer Projects for FY 2023-24 include:

Project	FY 2023-24 Budget	Estimated Total Cost	Current Status
Tri-City Wet Weather Outfall	\$ 20.0 M	\$ 54.6 M	Design in progress (contracts approved December 2022); construction anticipated to begin in Fall 2023
Tri-City – Recoat Primary Clarifiers and Mechanical	\$ 6.0 M	\$ 6.0 M	Design completed August 2022; construction in progress (contracts approved in January and March 2023)
Regional Inflow & Infiltration Cost Share	\$ 4.7 M	N/A	FYTD spending of ~\$800 thousand; 5 projects totaling \$2.9 M of funding currently approved by Technical Advisory Team
Willamette Pump Station and Force Main	\$ 3.8 M	\$ 27.3 M	Design scope and fee in negotiation with contract anticipated Summer 2023; construction anticipated to begin FY 2025-26
Multiple Pump Station Upgrades	\$ 3.7 M	\$ 10.7 M	Design in progress and expected to be complete by end of 2023; construction in progress with ~\$1 M spent to date

**Estimated Total Cost for Regional I&I Cost Share is N/A as costs will vary based on approved projects and partner city plans.*

Proposed Capital Budget - continued

- Storm System Master Plan (SSMP) completed in FY 2022-23
- Major Surface Water Projects for FY 2023-24 include:

Project	FY 2023-24 Budget	Estimated Total Cost	Current Status
3-Creeks Water Quality Project	\$ 0.9 M	\$ 4.4 M	Design in progress (funded with DEQ SRF sponsorship loan); construction anticipated to begin in FY 2024-25
Small Drainage Projects	\$ 0.6 M	N/A	SSMP Program; FY 2023/24 includes 4 projects
Aldercrest Culvert & Kellogg Creek Restoration	\$ 0.3 M	\$ 2.0 M	ARPA funding approved by BCC in October 2022; Project proposals due 5/31/22
Clackamas Road Drainage Improvements	\$ 0.1 M	\$ 0.8 M	ARPA funding approved by BCC in October 2022; Project proposals due 5/31/22

Rates for Services

- Rates are set to cover the costs of providing service, renewing/improving infrastructure, and making debt payments

Wastewater Treatment – 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.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zones 1 and 2	\$ 27.90	\$ 26.55	\$ 1.35	5.1%

Wastewater Local Collection – Applies to sewer ratepayers in Happy Valley and unincorporated areas such as 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.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	\$ 14.90	\$ 14.20	\$ 0.70	4.9%

Surface Water Management - Applies to ratepayers in WES’ two surface water service areas; covers costs of constructing, operating and maintaining surface water infrastructure.

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

Additional Rate Adjustments

Wastewater Legacy Debt Component

Applies to Rate Zone 2 only, including Johnson City and Milwaukie; covers annual debt service costs associated with debt transferred from CCSD No. 1 when WES was formed.

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Rate Zone 2	\$ 10.05	\$ 11.40	\$ (1.35)	-11.8%

Right-of-Way (ROW) Surcharges

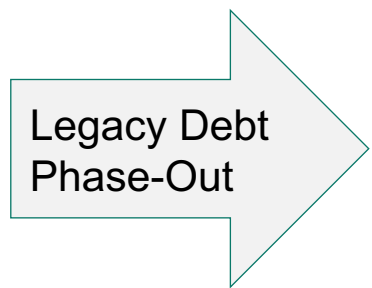
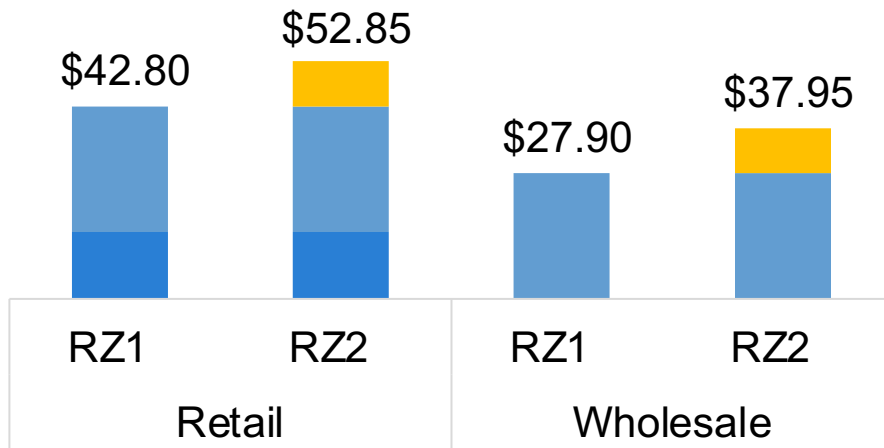
Non-WES fees collected on behalf of, and remitted to, other municipalities. ROW fees apply to ratepayers in the Cities of Gladstone, Happy Valley, and Oregon City.

City	City ROW Fee (as a percentage of total bill)
Gladstone	5%
Happy Valley	5%
Oregon City	6%

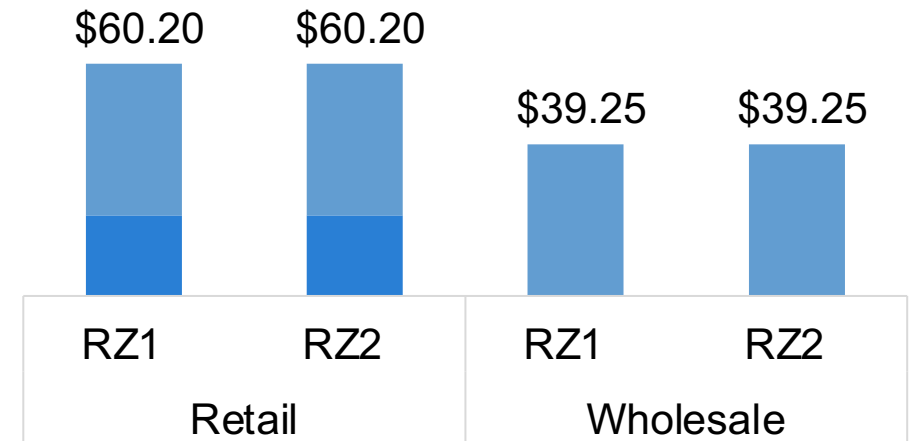
Sewer Rate Harmonization

■ Local collection fee
 ■ Wastewater treatment fee
 ■ Legacy Debt service fee

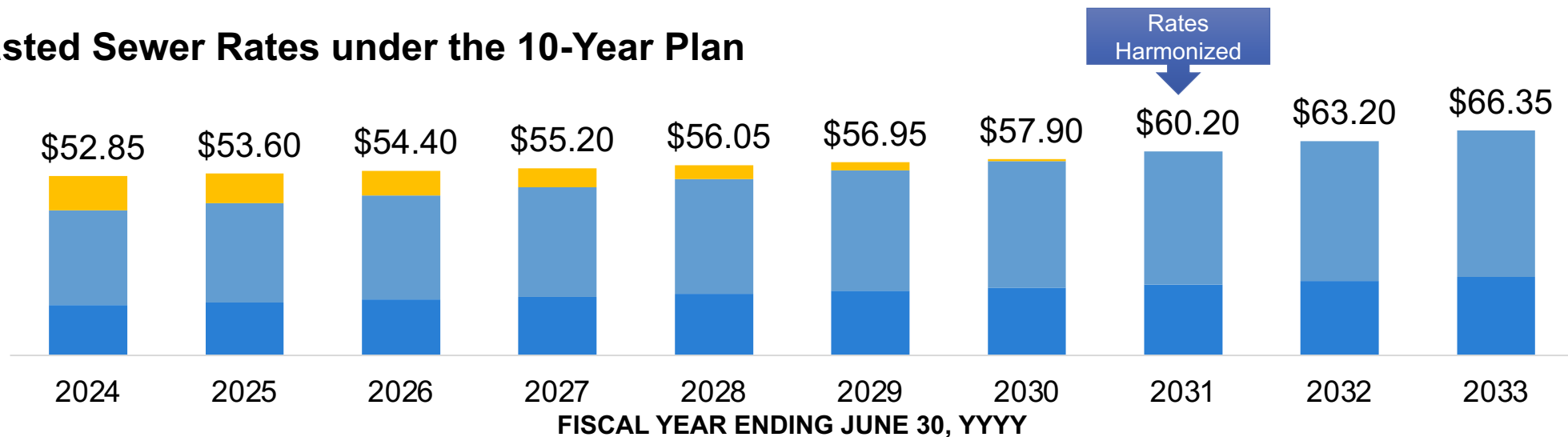
Proposed FY 2023-24 Sewer Rates



Projected FY 2030-31 Harmonized Sewer Rates



Forecasted Sewer Rates under the 10-Year Plan



Proposed Rate Adjustments

- Increases in individual rate components are consistent across the service area
- Overall percentage changes from current rates vary based on impact of legacy debt reduction

	RZ1 Retail	RZ1 Wholesale	RZ2 Retail	RZ2 Wholesale
Current Rate	\$ 40.75	\$ 26.55	\$ 52.15	\$ 37.95
Wastewater Rate Increases				
Wastewater Treatment	1.35	1.35	1.35	1.35
Wastewater Local Collection	0.70		0.70	
Rate Increase Subtotal	2.05	1.35	2.05	1.35
Legacy Debt Phase-Out	-	-	(1.35)	(1.35)
Net Change from Current Rate	2.05	1.35	0.70	-
Proposed FY 2023-24 Rate	\$ 42.80	\$ 27.90	\$ 52.85	\$ 37.95
% Overall Increase from Current	5.0%	5.1%	1.3%	0%

FY 2023-24 Proposed Rates by Service Area and City

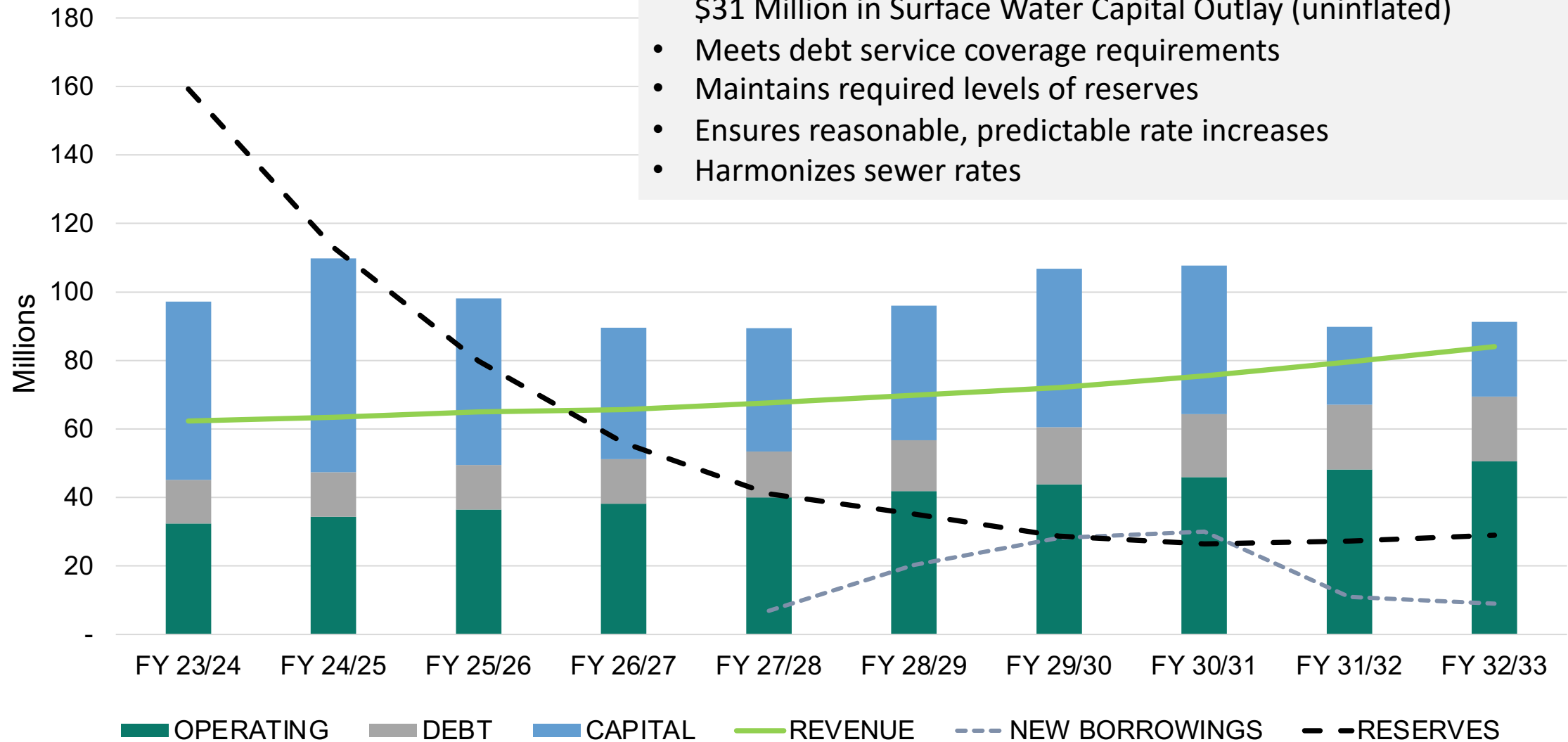
	Rate Components	Gladstone	Oregon City	West Linn	Unincorp RZ1	Unincorp RZ2	Happy Valley	Johnson City	Milwaukie	Rate Zone 3
Sewer	Treatment	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ 27.90	\$ -
	Local Collection				14.90	14.90	14.90			
	Legacy Debt					10.05	10.05	10.05	10.05	
	Subtotal – Sewer	27.90	27.90	27.90	42.80	52.85	52.85	37.95	37.95	-
Surface Water	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⁾	1.40	1.75	-	-	-	3.23	-	-	-
Total Monthly Bill	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%
		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.

Financial Forecast

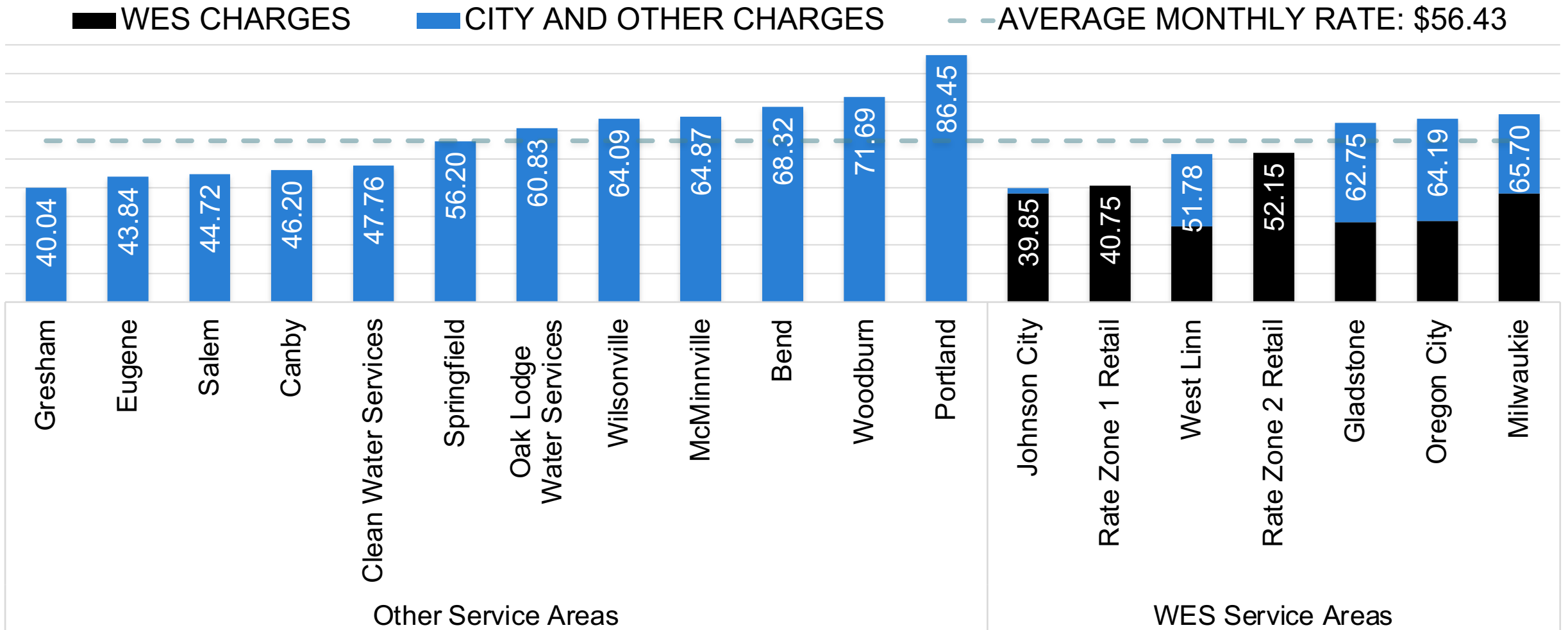
10-Year Financial Plan

- Funds investments of \$361 Million in Sewer Capital Outlay and \$31 Million in Surface Water Capital Outlay (uninflated)
- Meets debt service coverage requirements
- Maintains required levels of reserves
- Ensures reasonable, predictable rate increases
- Harmonizes sewer rates



How WES' rates compare to other service providers

Monthly Sewer Rate Survey, FY 2022-23

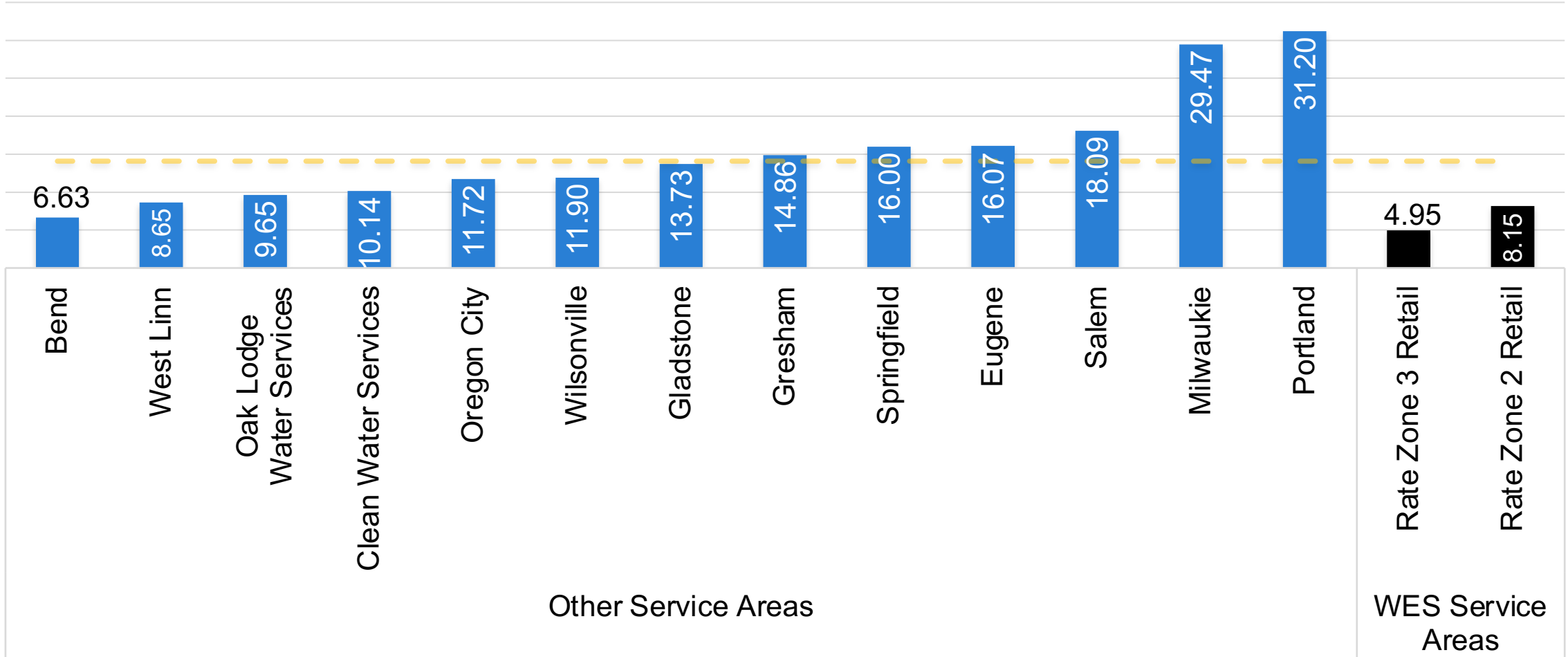


Sewer rates in the above chart are based on rates for single family dwellings; in those cities where consumption charges apply, totals are calculated based on a monthly consumption of 7 CCF. City and other charges includes ROW fees, where applicable.

How WES' rates compare to other service providers

Monthly Surface Water Rate Survey, FY 2022-23

WES CHARGES
 CITY AND OTHER CHARGES
 AVERAGE MONTHLY RATE: \$14.08

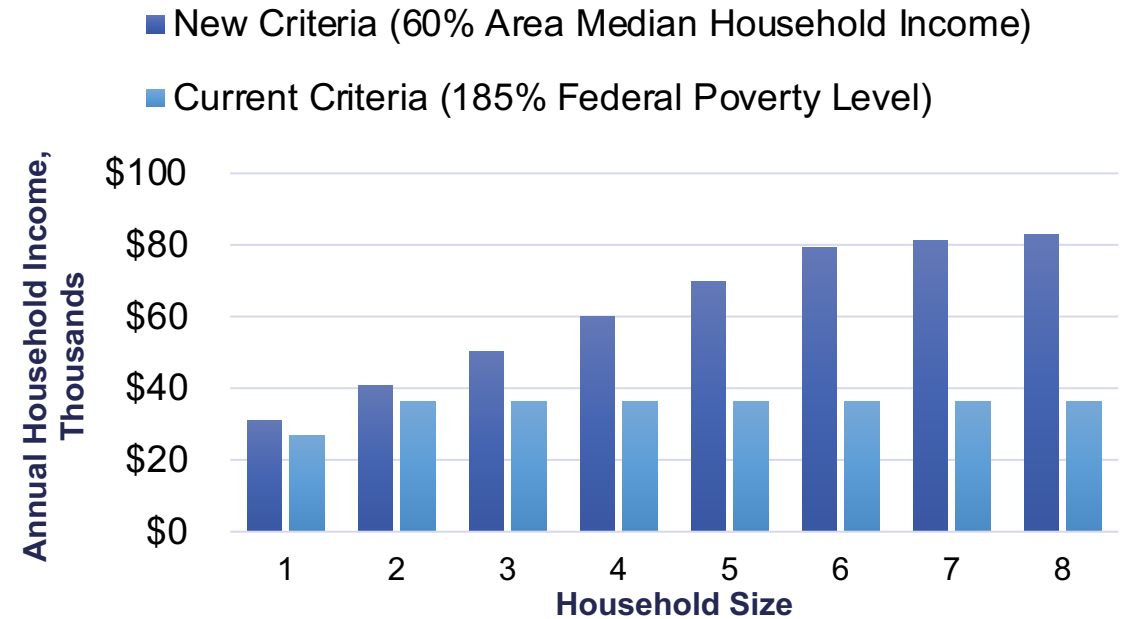


City and other charges includes ROW fees, where applicable.

Customer Assistance Programs

WES Low-Income Discount Program

- 50% reduction for Sewer services
- Discount is passed through to partner Cities
- WES' recently adopted Rules & Standards will expand eligibility



Federal Low Income Household Water Assistance Program (LIHWA)

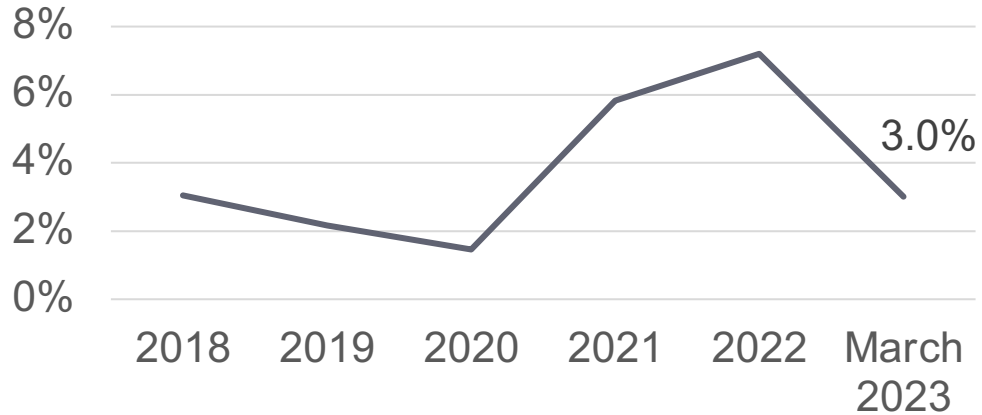
- Implemented in May 2022

Other Customer Assistance

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

FY 2023-24 Proposed System Development Charges

Average Construction Cost Index (CCI)



The CCI is based on:

- 200 hours construction labor
- 25 hundredweight (cwt) structural steel
- 1.128 tons portland cement
- 1,088 board-feet 2 x 4 lumber

- Inflationary adjustments linked to ENR Cost Index
- Proposal continues to be for less than full cost recovery

	Proposed FY 2023-24 Rate	FY 2022-23 Rate	\$ Change	% Change
Sewer	\$8,860	\$8,600	\$ 260	3.0%
Surface Water	\$ 240	\$ 233	\$ 7	3.0%

End of Presentation

Thank you